SLM: FY26 Corporate Briefing Takeaways

Friday, October 19, 2026

Flashnote: Automobile Parts & Accessories – Service Long March Tyres Limited (SLM)

- Service Long March Tyres Limited (SLM) was incorporated in Pakistan on January 7, 2020. The Company is engaged in the manufacturing, sale, marketing, import and export of all-steel radial truck and bus tyres, light truck radial (LTR) tyres and off-the-road (OTR) tyres.
- The Company reported net sales of PKR 71.71Bn in FY26, up 44%YoY, while profit after tax increased by 34.9%YoY to PKR 13.53Bn from PKR 10.03Bn in FY25. Gross margins improved to 25.3% in FY26 from 21.6% in FY25. Meanwhile, the Management reiterated its target of maintaining an annual dividend payout of ~40% of PAT.
- The Company's domestic Truck and Bus Radial (TBR) tyre market share increased from 15% in FY23 to 62% in FY26. Management aims to further increase its domestic market share to 70–75% over the coming quarters.
- In addition, the Economic Coordination Committee (ECC) and Federal Cabinet have approved an increase in customs duty on imported TBR tyres from 16% to 27%, strengthening tariff protection for domestic manufacturers.
- The Company currently has an installed TBR manufacturing capacity of 2.0Mn tyres per annum, which the Management plans to increase to 2.2Mn tyres in FY28 and 2.6Mn tyres by FY30. Meanwhile, groundbreaking for the Passenger Car Radial (PCR) tyre project took place in Jun'26 on 9 acres of owned land in Nooriabad.
- The project entails a total CAPEX of PKR 22.56Bn, with an initial capacity of 1.0Mn tyres targeted for FY28, scaling up to 3.0Mn tyres by FY30. Trial production is expected in late 2027, followed by commercial production in Jan'28. Consequently, total TBR and PCR capacity is projected to reach 5.6Mn tyres per annum by FY30.
- The PKR 22.56Bn PCR project will be financed through a combination of long-term debt (50%), IPO proceeds (34%) and internal cash generation (16%). The Company is also pursuing long-term concessionary financing under the SBP's export-oriented scheme, carrying an interest rate of 2% for the first two years and 5% for the subsequent eight years.

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- The Company's export revenue reached PKR 18.5Bn in FY26, with exports accounting for 36% of total tyre volume. The Company currently serves five international markets, with the United States and Brazil contributing 22% and 14% of export volumes, respectively.
- Egypt is expected to generate USD 7–10Mn in export sales over the next 12 months, while initial shipments to European markets are commencing in 2QFY27, supporting further geographical diversification.
- Rising natural rubber and carbon black prices are putting pressure on margins, while 95% of the Company's raw materials are imported. The Management has implemented a 5% price hike, with another adjustment planned within 30–60 days to fully pass on higher costs by Dec'26/Jan'27.
- The Company's 12MW solar plant helped increase renewable energy's share from 0% in FY23 to 23% in FY26. A 7.5MW wind power project is expected to commence operations in Dec'26, taking total renewable capacity to 19.5MW and meeting ~40% of electricity demand. A biomass boiler is also planned for June'27 to reduce reliance on gas.
- The Company continues to benefit from its Special Economic Zone (SEZ) status in Nooriabad, which provides corporate tax concessions through 2032. The Management has reiterated that its long-term profitability and financial guidance shared at the time of the IPO remain intact, supported by the Company's tax advantages, planned capacity expansion and continued focus on operational efficiency.

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- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Frequently Used Acronyms

TP	Target Price	**DDM**	Dividend Discount Model	**FCF**	Free Cash Flows
FCFE	Free Cash Flows to Equity	**FCFF**	Free Cash Flows to Firm	**DCF**	Discounted Cash Flows
PE	Price to Earnings ratio	**PB**	Price to Book ratio	**BVPS**	Book Value per Share
EPS	Earnings per Share	**DPS**	Dividend per Share	**ROE**	Return on Equity
ROA	Return on Assets	**SOTP**	Sum of the Parts	**JPB**	Justified Price to Book

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FCFE	Free Cash Flows to Equity	**FCFF**	Free Cash Flows to Firm	**DDM**	Dividend Discount Model
SOTP	Sum of the Parts	**P/E**	Price to Earnings ratio	**P/BVPS**	Price to Book ratio
P/S	Price to Sales	**EVA**	Economic Valued Added	**BVPS**	Book Value per Share
EPS	Earnings per Share	**DPS**	Dividend per Share	**DY**	Dividend Yield
ROE	Return on Equity	**ROA**	Return on Assets	**JPB**	Justified Price to Book

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