

Category ☐ analyst ☐ title ☒ release date 2023-07-31

Sailun Tire (601058): Grasping the new production capacity opportunity of Shandong's 14th Five-Year Plan, Sailun Liquid Gold is ready to go

Category: Company      Organization: [Cinda Securities Co., Ltd.](#)      Researcher: [Zhang Yansheng/Hong Yingdong](#)      Date: 2022-06-27

Event: On June 26, 2022, Beijing time, Sailun Tire released the "Feasibility Study Report on Qingdao Dongjiakou's Annual Production of 30 Million Sets of High-performance Radial Tires and 150,000 Tons of Off-Road Tires Project", Feasibility Study Report on Project of New Functional Materials (Phase I: 200,000 tons). The company's Qingdao Dongjiakou project has an annual output of 30 million sets of high-performance radial tires and 150,000 tons of off-highway tires. Road tires are planned to be constructed in five phases from 2022 to 2027. The first phase of the project is 50,000 tons/year of off-road tires, which is planned to be put into production in 2023. Qingdao Dongjiakou's annual output of 500,000 tons of functional new materials project includes 1# rubber mixing workshop, 2# rubber mixing workshop, 3# rubber mixing workshop, raw material warehouse and supporting public engineering facilities. It is planned to be constructed in two phases. The project of producing 200,000 tons of functional new materials, including 1# rubber mixing workshop and supporting public engineering facilities, has a construction period of 18 months.

Comments:

Qingdao Dongjiakou project with an annual output of 30 million sets of high-performance radial tires and 150,000 tons of off-highway tires:

Under the background of the 14th Five-Year Plan, seize the opportunity of new production capacity. Under the 14th Five-Year Plan, Shandong Province issued a series of policy documents such as the "Implementation Measures for Capacity Replacement of Tire Chlor-Alkali Fertilizer Industry in Shandong Province" and "Work Plan for Eliminating Inefficient and Backward Production Capacity in the Province's Tire Industry" to optimize the structure of the tire industry and promote The industry develops healthily, and encourages the integration of production capacity through methods such as "upperizing the big and reducing the small" and "reducing and replacing", continuously optimizes the industry layout, accelerates the transformation and upgrading of the tire industry in Shandong Province, and achieves high-quality development. The establishment of the company's tire project is based on the background of stricter energy consumption and production capacity indicators. The project was established in advance to win the indicators and pave the way for future capacity expansion. In terms of actual production capacity expansion arrangements, the company's priority expansion is off-road tires with high barriers and good profitability. The construction of 20 million semi-steel tires per year and 10 million all-steel tires per year depends on market conditions And make flexible adjustments.

Qingdao Dongjiakou project with an annual output of 500,000 tons of functional new materials (200,000 tons in the first phase): integrated layout of new materials, making full use of liquid gold technology. The company's liquid gold tires need to buy liquid gold materials from Yikai New Materials, and then make tire parts after banburying. The company's functional new material project is equivalent to concentrating the banburying process in one factory, which can better ensure the consistency of product quality. The first phase of the functional new material project with an annual output of 200,000 tons corresponds to the liquid gold material production capacity of Yikai New Materials of 70,000 tons. In the future, the company's functional new material project will continue to expand following the growth of liquid gold.

## Data recommendation

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<p>Liquid gold tires are ready to go, and the production capacity planning is steadily advancing. The "Liquid Gold" tire solves the problem of the "Devil's Triangle" where the three indicators of wet skid resistance, rolling resistance and wear resistance of traditional tires cannot be improved at the same time. The performance of safety, fuel economy and environmental protection has been greatly improved, and it has reached the AA standard of EU labeling regulations. , and is currently the only AAA grade product in China that has reached the national "Tire Label Grading Standard". According to the test results of actual vehicle road fuel consumption by an international third-party authoritative organization, the</p> <p>comprehensive fuel consumption per 100 kilometers of "liquid gold" all-steel tires is 18% lower than that of international first-line brand tires; 10.48 million tons of oil (equivalent to about 11 Daming Lakes), reducing carbon dioxide emissions by 32.29 million tons. At the same time, tires have good retreadability, which can reduce the generation of waste tires, reduce raw material consumption and carbon emissions in the whole life cycle. Qingdao Dongjiakou's annual output of 30 million sets of high-performance radial tires and 150,000 tons of off-highway tire projects has won the production capacity and energy consumption indicators for the company's "quantity" of liquid gold tires. Qingdao Dongjiakou's annual output of 500,000 tons of functional new materials (a Phase 200,000 tons) The project has concentrated the liquid gold material mixing process to better ensure the "quality" of liquid gold tires. These two projects of the company are a manifestation of the company's confidence in liquid gold, indicating that the company will focus on liquid gold for industrial upgrading in the future, and develop in a complementary manner in terms of quality and quantity.</p> <p>Profit Forecast and Investment Rating: We predict that the company's operating income will reach 22.249 billion yuan, 27.412 billion yuan, and 32.74 billion yuan in 2022-2024, a year-on-year increase of 23.61%, 23.21%, and 19.44%, and the net profit attributable to shareholders of the parent company will be 18.57, 28.71, and 40.37 yuan respectively 100 million yuan, a year-on-year increase of 41.45%, 54.56%, and 40.63%, and the diluted EPS in 2022-2024 will reach 0.61 yuan, 0.94 yuan, and 1.32 yuan, respectively. The corresponding PE in 2022 is 20 times, giving a "buy" rating.</p> <p>Risk factors: 1. The new production capacity is lower than expected. 2. The risk of large fluctuations in rubber prices.</p>	
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