

October 19th, 2015

BSE Code: 500877 NSE Code: APOLLOTYRE Reuters Code: APLO.NS Bloomberg Code: APTY:IN

Incorporated in 1972, Apollo Tyres Ltd is in the business of manufacturing and sale of tyres. The company is headquartered in Gurgaon (India) and its manufacturing presence spans across Asia, Europe and Africa. It exports to over 100 countries including some of the most evolved markets of Europe and America.

Key Developments

Debt level stood at Rs. 800.6 Crores in FY15:

Apollo Tyres Ltd. has cut down the debt present in its books by ~65% in the last two years. It had total debt amounting to Rs. 2,281.6 Crores in FY13 and the same has been brought down to Rs. 800.6 Crores in FY15. Apollo's debt/ equity (D/E) ratio currently stands at 0.2x.

Consolidated net profit grew by 27.5%YoY to Rs. 290.6 Crores in Q1FY16:

Apollo Tyres Ltd's consolidated net sales fell by 12.5% YoY to Rs. 2,845.4 Crores in Q1FY16 as against Rs. 3,247.6 Crores in Q1FY15 due to a de-growth in all the geographical segments. Because of a fall in sales and a decline in raw material prices, the operating expenses declined by 16.9% YoY to Rs. 2,342.8 Crores from Rs. 2,818.8 Crores. Consequently, EBITDA grew by 17.2% YoY to Rs. 502.5 Crores in Q1FY16 from Rs. 428.8 Crores in Q1FY15. The EBITDA margin inclined by 449 bps to 17.7% for the quarter compared to 13.2% last year. The net profit was up by 27.5% YoY to Rs. 290.6 Crores as against Rs. 227.9 Crores in the corresponding quarter of the last fiscal. PAT margins rose by 320 bps in Q1FY16 to 10.2% from 7.0% on a YoY basis.

Production capacity stood at 1,640 MT/day in FY15:

Apollo's average manufacturing capacity (for India and Europe plants) during the last three years viz. FY13, FY14 and FY15 was 1,785 million tonnes/day (MT/day), 1,685 MT/day and 1,640 MT/day. The company's production capacity has risen at a CAGR of 4.1% from 1,395 MT/day to 1,640 MT/day during the period FY11 to FY15.

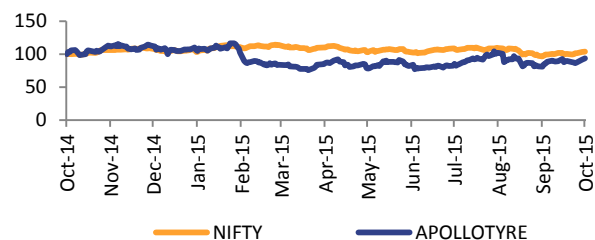
Market Data

CMP (Rs.)	194
Face Value	1
52 week H/L (Rs.)	250/155
Adj. all time High (Rs.)	382
Decline from 52WH (%)	22.3
Rise from 52WL (%)	25.3
Beta	1.4
Mkt. Cap (Rs.Cr)	9,866
Enterprise Value(Rs. Cr)	10,463

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (Rs.cr)	12,795	13,310	12,726
Net Profit (Rs.cr)	632	1,005	978
Share Capital (Rs.Cr)	50	50	51
EPS (Rs.)	12.5	19.9	19.2
P/E (x)	6.7	10.6	10.1
P/BV (x)	1.2	2.3	2.0
ROE (%)	18.6	22.0	19.4

One year Price Chart



Shareholding	Sep15	Jun15	Diff.
Promoters	44.1	44.1	0.0
DII	13.0	17.7	(4.7)
FII	29.6	24.4	5.2
Others	13.3	13.8	(0.5)

Incorporated in the year 1972, Apollo Tyres Ltd. is in the business of manufacture and sale of tyres.

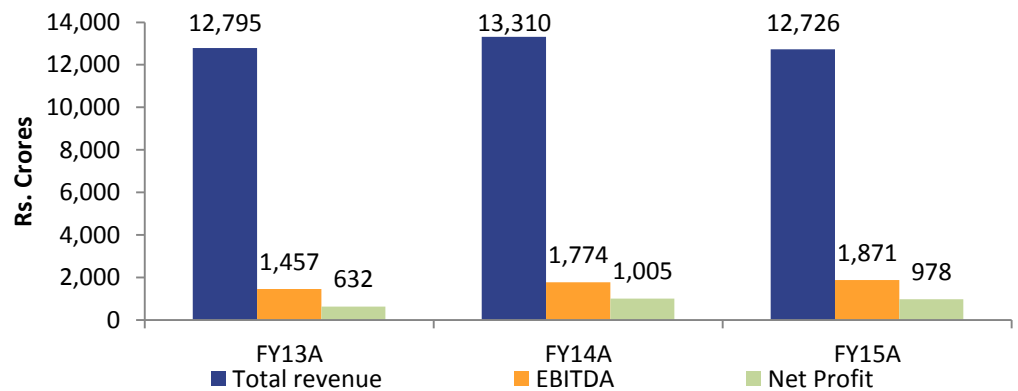
Apollo Tyres Ltd – Overview

Incorporated in 1972, Apollo Tyres Ltd is in the business of manufacture and sale of tyres. The company is headquartered in Gurgaon (India) and its manufacturing presence spans across Asia, Europe and Africa. It exports to over 100 countries including some of the most evolved markets of Europe and America.

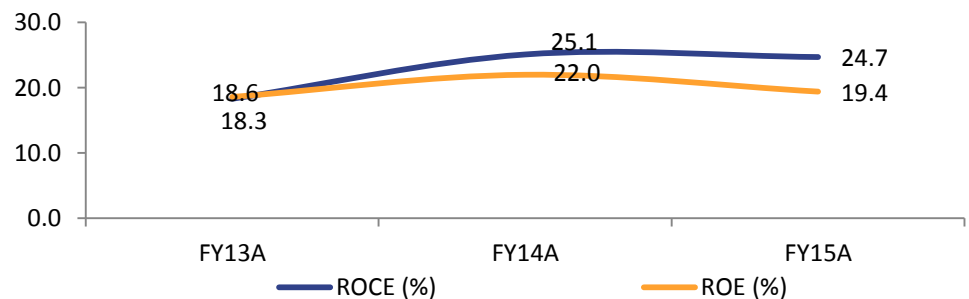
Popular brands of the company — Apollo and Vredestein, offer a comprehensive product portfolio spread across passenger car, light truck, truck-bus, off highway and bicycle tyres, retreading material and retreaded tyres. In India, the company has plants in Kerala, Gujarat and Tamil Nadu. It also has manufacturing units in The Netherlands. It is also setting up a new manufacturing facility in Hungary, with a planned investment of €475 million.

Apollo Tyres Ltd is the second largest tyre manufacturer in India and the 17th largest in the world with a total installed capacity of 1,640MT/Day, over 16000 employees, and 9 manufacturing facilities spread across 3 continents & 6 key brands.

Financial snapshot for Apollo Tyres



Return ratios trend

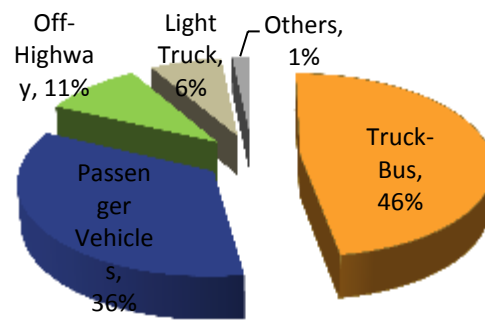


Major revenue drivers for Apollo Tyres

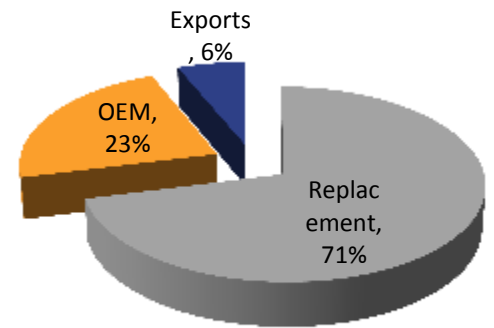
In terms of its products, the company derives majority of its revenue from the Truck-Bus category i.e. ~ 46% (in FY15). Passenger vehicles contribute 36%, Light-truck - 6%, Off-Highway – 11% and others – 1%.

In terms of customers, a large proportion of revenue for Apollo comes from the replacement market i.e. ~71% (as of FY15). OEM (Original Equipment manufacturer) market forms 23% of revenue and the rest arises from the company's exports – 6%.

Revenue segmentation by product (FY15)



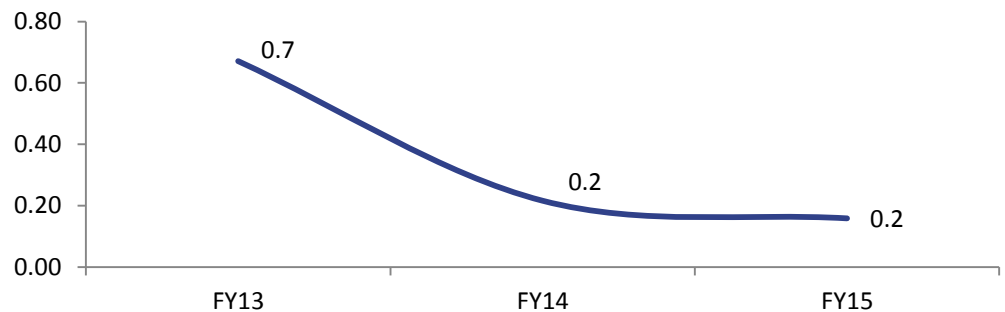
Revenue segmentation by customer (FY15)



Debt position in FY15

Apollo Tyres reduced approximately 65% of the debt prevalent in its books over the last two years. It has a debt-equity ratio of 0.2x in FY15. The company had total debt amounting to Rs. 2,281.6 Crores in FY13 and the same has been brought down to Rs. 800.6 Crores in FY15.

Debt level trend (x)



Market share across product categories

The company has a market share of 27% in the TBR (Truck Bus Radial) segment in India. In the TBB (Truck Bus Bias) segment, Apollo holds 25% share in the Indian market. Similarly, it has a 17% domestic market share in the PCR (Passenger Car Radial) segment (as of May, 2015).

Consolidated net revenue stands at Rs. 2,845.4 Crores in Q1FY16

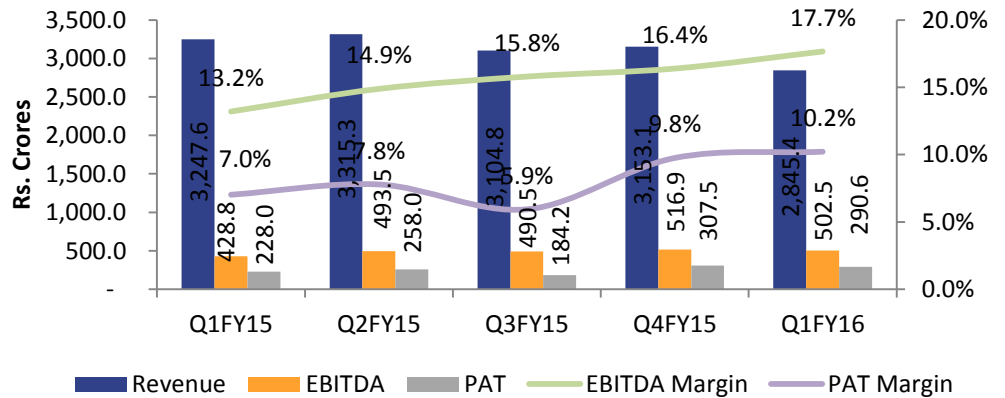
For the quarter ended Q1FY16, Apollo Tyres Ltd's consolidated sales fell by 12.5% YoY to Rs. 2,845.4 Crores against Rs. 3,247.6 Crores in Q1FY15. The revenue from India fell by 7.4% YoY to Rs. 2,155.1 Crores, and the revenue from Europe fell by 12% YoY to Rs. 770.7 Crores. Also, the revenue generated from other segments declined by 33.3% YoY to Rs. 175.6 Crores from Rs. 263.3 Crores in Q1FY15. The operating expenses declined by 16.9% YoY to Rs. 2,342.8 Crores from Rs. 2,818.8 Crores. The EBITDA grew by 17.2% YoY to Rs. 502.5 Crores in Q1FY16 from Rs. 428.8 Crores in Q1FY15.

Apollo reduced its debt by about 65% over a period of two years from Rs. 2,282 Crores in FY13 to Rs. 801 Crores in FY15.

For the quarter ended Q1FY16, Apollo Tyres Ltd's consolidated sales fell by 12.5% YoY to Rs. 2,845.4 Crores against Rs. 3,247.6 Crores in Q1FY15.

Sequentially, EBITDA margin expanded by 449 bps to 17.7% for the quarter compared to 13.2% last year. With the company's strong performance on the operational front, the net profit advanced by 27.5% YoY to Rs. 290.6 Crores as against Rs. 227.9 Crores in the corresponding quarter of last fiscal. The depreciation cost fell by 11.7% YoY to Rs. 88.6 Crores & the finance cost declined by 54% YoY to Rs. 24.3 Crores.

Quarterly performance trend

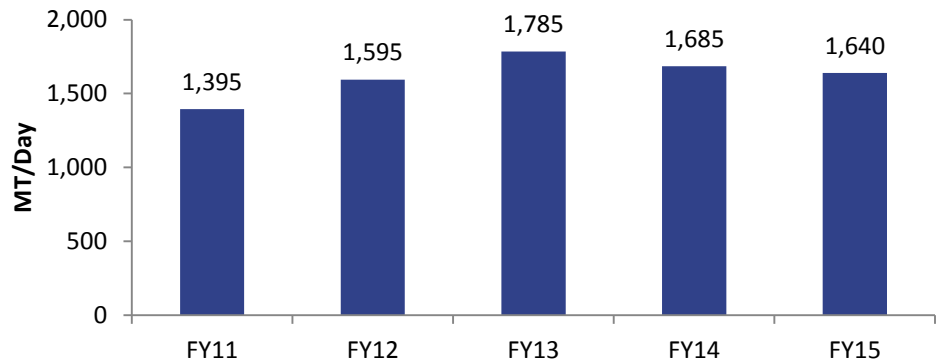


Production capacity

Apollo's production capacity has risen from 1,395 MT/day to 1,640 MT/day during FY11 to FY15 at a CAGR of 4.1%.

On an average, the company exports 100,000 car tyres and 15,000 truck/bus tyres a month. Recently, due to 100% capacity utilisation at the Chennai plant for truck/bus radials, the company's export capacity has been constrained at about 6,000 per day.

Production capacity over the years



Apollo's production capacity has risen from 1,395 MT/day to 1,640 MT/day during FY11 to FY15 at a CAGR of 4.1%.

Balance Sheet (Consolidated)

(Rs.Cr)	FY13A	FY14A	FY15A
Share Capital	50	50	51
Reserve and surplus	3,350	4,524	4,991
Net Worth	3,401	4,575	5,042
Total Debt	2,282	989	801
Deferred tax liability	493	524	491
Other non-current liabilities	137	144	133
Total Equity & Liabilities	6,312	6,231	6,467
Fixed Assets	4,489	4,502	4,487
Goodwill	144	138	117
Net current assets	1,444	1,369	1,490
Other non-current assets	235	222	374
Total Assets	6,312	6,231	6,467

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13A	FY14A	FY15A
Net profit/loss before tax& extraordinary items	859	1,232	1,331
Net cashflow from operating activities	1,273	1,647	1,366
Net cash used in investing activities	(597)	(119)	(740)
Net cash used from financing activities	(505)	(1,208)	(684)
Net inc/dec in cash and cash equivalents	171	320	(58)
Cash and cash equivalents begin of year	153	324	644
Cash and cash equivalents end of year	324	644	586

Financial performance snapshot

For the year ended 2015, Apollo Tyres reported a revenue de-growth of 4.4% at Rs. 12,726 Crores. The company was able to attain a 5.5% EBITDA growth. Raw materials costs declined by ~10% during the period under review. The EBITDA for the year stood at Rs. 1,871 Crores with EBITDA margins at 14.7% showing a 140 bps increase. The bottom-line was reported at Rs. 978 Crores, showing a de-growth of ~3% over FY14. PAT margin stood at 7.7% marking an increase of 10 bps over FY14. The company was able to bring down its debt levels by 19% to Rs. 801 Crores. The company had reserves and surplus of Rs. 4,991 Crores as on 31st March 2015.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13A	FY14A	FY15A
Net Sales	12,795	13,310	12,726
Expenses	11,338	11,537	10,855
EBITDA	1,457	1,774	1,871
Other Income	94	200	113
Depreciation	397	411	388
EBIT	1,155	1,563	1,596
Interest	313	284	183
Profit Before Tax	842	1,279	1,413
Tax	227	227	353
Extraordinary Expenses	17	(47)	(83)
Net Profit	632	1,005	978

Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	11.4	13.3	14.7
EBIT Margin (%)	9.0	11.7	12.5
NPM (%)	4.9	7.6	7.7
ROCE (%)	18.3	25.1	24.7
ROE (%)	18.6	22.0	19.4
EPS (Rs.)	12.5	19.9	19.2
P/E (x)	6.7	10.6	10.1
BVPS(Rs.)	67.5	90.8	99.0
P/BVPS (x)	1.2	2.3	2.0
EV/EBITDA (x)	4.6	6.5	5.6



Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.