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Apollo Tyres Ltd. (ATL) founded in 1976, is the world's 15th largest tyre manufacturer, with an increment in annual revenues (consolidated) by 37% to ₹12,153 crore in 2012. The company has more than 8 manufacturing units covering India and Overseas region with a dealership network of over 4,000. Further, it is putting all efforts to become the 10th biggest tyre manufacturer in the world with annual revenues of \$6 billion by 2016.

Investor's Rationale

High expense cost dragged Q4 profit down 17.5%

State-run tyre manufacturer, ATL, reported a decline in its net profit after calculating taxes, minority interest and share of associates by 17.5% YoY to ₹1.6 billion as against ₹1.9 billion in the year-ago period, on the back of higher raw material and staff cost. Further, the bottom line was pulled by the Interest, depreciation and taxation charges which swelled by 31.5%, 22.1% and 191.3% to ₹0.8 billion, ₹0.9 billion and ₹0.5 billion respectively. As a result, the NPM was also contracted by 208bps YoY to 4.9%.

Net sales rose 18.4% YoY due to domestic revenue growth

The company recorded 18.4% YoY increase in its turnover at ₹32.3 billion in Q4FY'12, led by the improvement in market demand of the Indian business which increased the revenue by 28.2% to ₹22.5 billion. The company left no stone unturned and mark a significant benchmark in its foreign market like Europe, posting a revenue growth of 8.7% to ₹6.7 billion. However, the earnings from South Africa declined moderately by 4.1% to ₹3.4 billion. Issues like Chinese imports and weak demand were the key concerns for South African tyre business.

High depreciation charges contracted NPM by 208bps

During the quarter, the NPM was hauled by 208bps YoY to 4.9% as compared to 7.0% in same quarter a year ago, due to the higher depreciation cost, up by 22.1% to ₹0.9 billion on account of the ramp up in Chennai plant and higher interest costs of 31.5% to ₹0.8 billion from ₹0.6 billion a year ago.

Operating margin swelled by 1bps

During Q4FY'12, ATL reported an operating profit of ₹3.6 billion, up by 18.4% YoY. In line with this, OPM increased by 1bps YoY at 11.1% as against 10.0%, while employee expenses and other expenses grew by 31.9% and 10.4% to ₹3.0 billion and ₹4.7 billion respectively.

Market Data

CMP (₹)	82
Target Price	92
Stop Loss	78
Duration	Mid-term
52-week High-Low (₹)	476.5/303.1
Rise from 52WL (%)	30.4
Correction from 52WH (%)	9.4
Beta	0.82
1 year Average Volume (mn)	0.3
Stock Return (%)	3M- (5.2) 6M- (17.6) 9M- (22.3)
Market Cap (₹bn)	421.0
Enterprise Value (₹bn)	523.5

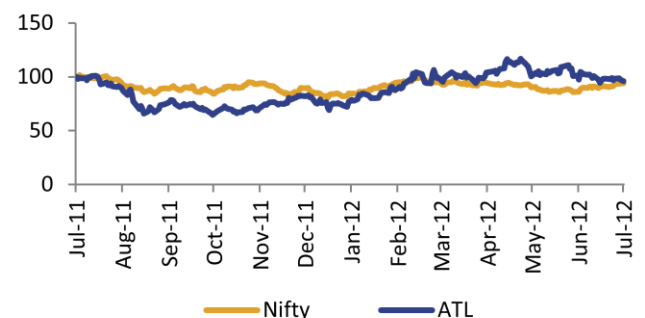
Shareholding Pattern

	Mar'12	Dec'11	Chg
Promoters (%)	46.9	46.4	0.5
FII (%)	22.7	22.5	0.2
DII (%)	13.1	12.3	0.8
Public & Others (%)	17.2	18.7	(1.5)

Quarterly Performance (Consolidated)

(₹ bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	YoY Change(%)	QoQ Change(%)
Net sales	32.3	27.3	32.3	18.4	0.1
Op. exp	28.7	24.3	29.0	18.4	(1.2)
EBITDA	3.6	3.0	3.2	18.4	11.0
OPM	11.1	11.1	10.0	1bps	109bps
Net profit	1.6	1.9	1.0	(17.5)	61.9
NPM (%)	4.9	7.0	3.1	(208bps)	187bps
EPS	3.1	3.4	2.0	(8.3)	57.1

One Year Price Chart





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