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EMPLOYABILITY OF STATISTICAL MODEL OF A BUSINESS LINKED TO OPERATIONAL PERFORMANCE INDICATORS TO IN DEVELOPING A FRAMEWORK OF FINANCIAL RISK AND GROWTH DRIVERS

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BUSINESS MODEL ANALYSIS:

1. VALUE PROPOSITION:

The company is a significant player in the global tyre industry and a brand of choice, providing customer delight and continuously enhancing stakeholder value.

Centre Capabilities:

- Apollo Tires has kept on keeping up its lead in the market in the predominant section of truck and transport tires inside the Indian tire industry.
- Apollo Tires aided the foundation of War Wounded Foundation, whose point is to empower officers harmed amid dynamic obligation to seek after an elective profession. The organization effectively urges war injured officers to end up a piece of its system by giving them introductory business preparing and learning of the tire segment.
- Apollo Tires set up the principal Emergency Medical Service in the city of Baroda wherein a 24-hour crisis number can be utilized by any resident to look for help with instance of a restorative need. The protect and medicinal assistance work was additionally completed on the National Highways in the state.
- In the towns that encompass Apollo Tires' assembling offices, wellbeing and training infrastructural bolster is given to guarantee that school structures, think about materials and equipment like PCs are accessible. All the time the organization attempts uncommon exercises for the learning and amusement of the school youngsters.
- It is the principal Indian tire organization to section the market based on load and mileage necessities and furthermore presented bundling for vehicle and bike tires and cylinders.
- The organization runs HIV-AIDS mindfulness and counteractive action centers for trucking network.
- It is the main Indian tire organization to get ISO confirmation for every one of its tasks

- It is the first company which produced H,V and W –speed rated tubeless tyres.

***3. TARGET CUSTOMERS*:**

OEMs partners, Replacement segment, user based customers segment and sports utility vehicle segment.

4. DISTRIBUTION CHANNEL:

Apollo tyres have a wide distribution network in India as well as South Africa. The company distributes their products and services either directly through OEMS or through replacement market or through exports segment. The company has a network of over 4,000 dealerships in India, of which over 2,500 are exclusive outlets. In South Africa, it has over 900 dealerships, of which 190 are Dunlop Zones.

5. REVENUE STREAMS:

The main sources of revenue are generated through company's operations, surplus sales and Partners network.

6. VALUE CONFIGURATION:

- Global R&D centre in Limda (Baroda).
- Dedicated FEA (Finite Element Analysis) cell.
- Tie-ups with premier institutes with India such as IIT (Mumbai) and leading international universities in Germany.
- Panel of international tyre technologists working on compounding and tyre design.
- Have partners in the best raw material sources from across the world such as Lanxess, Degussa etc and also have development agreements with each.

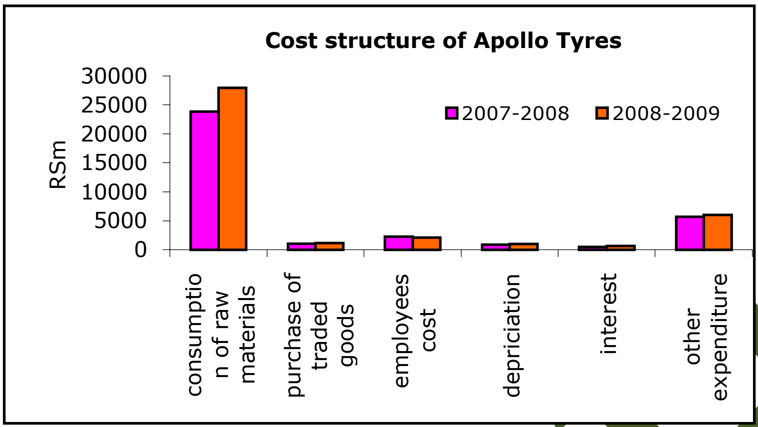
***7. PARTNER NETWORK*:**

1. Lifeline Foundation
2. The War Wounded Foundation
3. Apollo Tyres has entered into partnerships with a number of government bodies, NGOs and international agencies for raising HIV\AIDS awareness such department for international development (DFID), CARE India and Transport Corporation India Foundation (TCIF).

Strategic partnerships with Reliance Petroleum & Tata Motors for commercial vehicle tyres, Triveni and DSCL Haryali for farm tyres and General Motors for passenger vehicle tyres.

8. COST STRUCTURE:

The Company's major raw material cost has increased from Rs 23,850 million to Rs 27,947 million because of rise natural rubber prices. This led to decline in sales thereby declining operating profit of the company. All other costs of company have almost remained stable during two years.

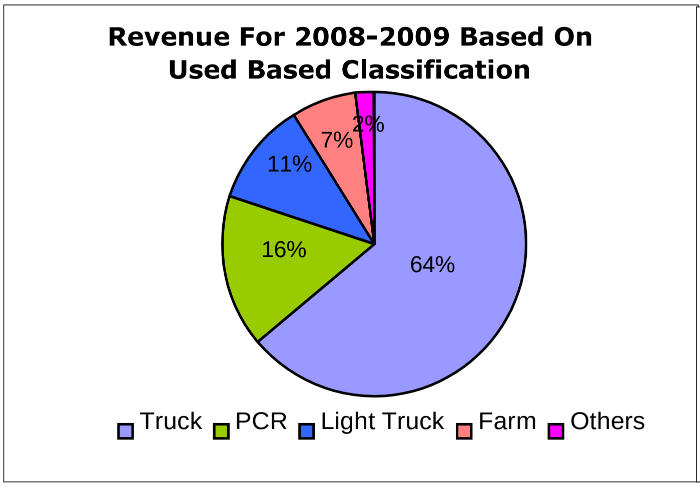


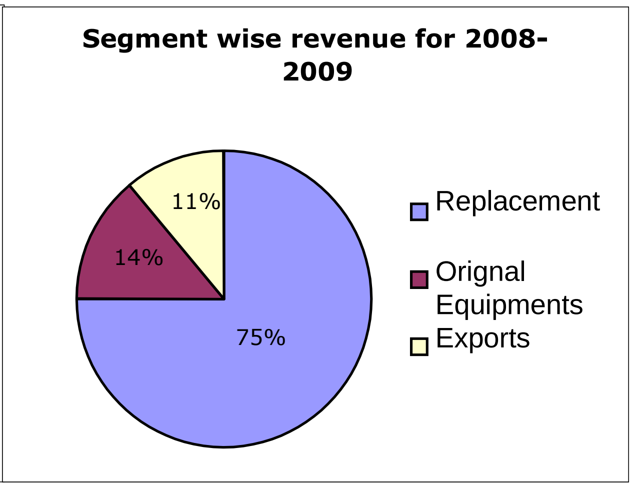
Source: bseindia

BUSINESS ANALYSIS:

1. SEGMENTAL ANALYSIS:

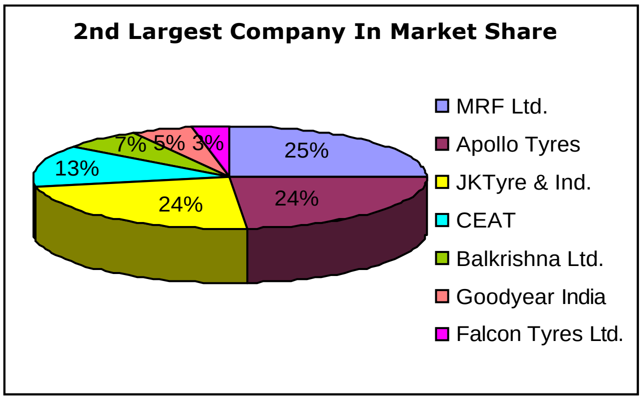
As per used based classification trucks are the major source of companies sales contributing to 64% of total sales followed by passenger car radials with 16% and light trucks with 11%.As per segment wise classification replacement market contributes to around 75% of companies total sales followed by original equipment manufacturers with 14% and exports with 11%.This is because for the last 10years, Apollo Tyres has maintained its leadership position in the commercial vehicle tyres segment. Also unlike the international tyre industry where passenger car radials dominate the market, in the Indian industry commercial vehicle tyres take the lead and account for approximately 70%of the industry's turnover.





2.COMPETITION:

The Indian tire industry is predominantly overwhelmed by the sorted out segment and comprises of four noteworthy players who together record for around 85% of the business' turnover – Apollo Tires Ltd, MRF Ltd., JK Tire and Industries Ltd, and Ceat Ltd. The pie graph demonstrates that among nearness of biggest players, Apollo Tires is second biggest organization in the business after MRF ltd regarding piece of the overall industry according to income earned in 2008-2009.The organization contributes 24% of all out piece of the overall industry.



3. ISSUES AND CHALLENGES:

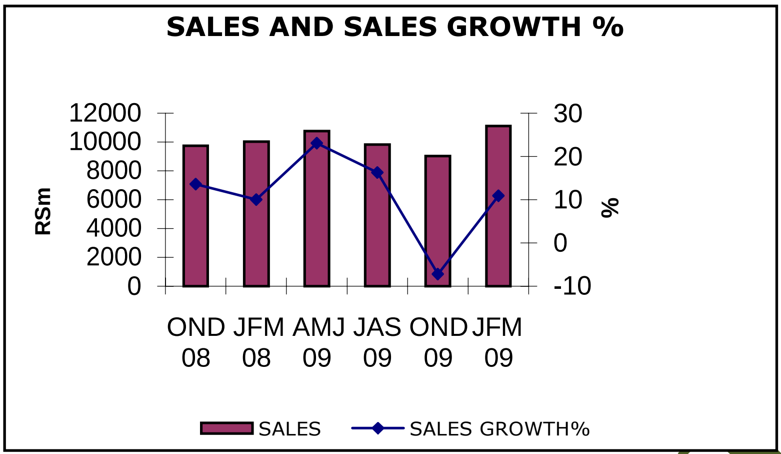
The company is mainly focusing on two projects-One to create our first singles Grand Slam Champion by the year 2018 and to attain a journey called "Passion in Motion" to be a US$ 2 billion company by the year 2010 based on the three pillars of People, Quality and Technology using the rigour of the Six Sigma process.
The following are the issues that are being faced by the company:

a) Diminished interest in wake of worldwide log jam prompted sharp decrease in OE request beginning September 2008 and in this manner creation cuts were executed by major OEs.
b) The company has no presence in two and three wheeler segment because of capital intensive nature of business in this segment.
c) High crude oil prices leading to an increase in raw material cost and hardening of interest rates are a cause for concern.
d) Production cuts- Truck and mining tyres the most affected segment.
e) Currency depreciation against US$ made imports costlier.
f) Slowdown in the automobile industry.

<u>OPERATIONAL PERFORMANCE:</u>

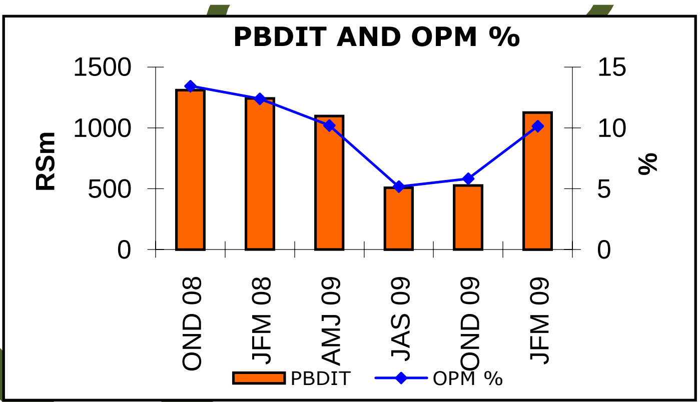
1. SALES AND SALES GROWTH:

During the FY08-09, sales and sales growth are increasing in the JFM as compared to OND where sales have shown a negative growth of -7.26% .This negative growths was because of global meltdown that occurred during OND quarter of 2008-2009 and further led to slowdown in economy growth and liquidity crisis. Also companies sales is expected to grow at rate of 22% in financial year 2009.



2. PBDIT AND OPM:

The Company for the year finished March 2008-2009 has seen an ascent in OPM to 10.14% when contrasted with 5.82% in OND. This is because of the way that deals were high in the organization which further prompted high working benefit in last quarter. Working benefit is persistently declining till third last quarter for the most part as a result of expanding crude material expense and aggressive weight on costs.

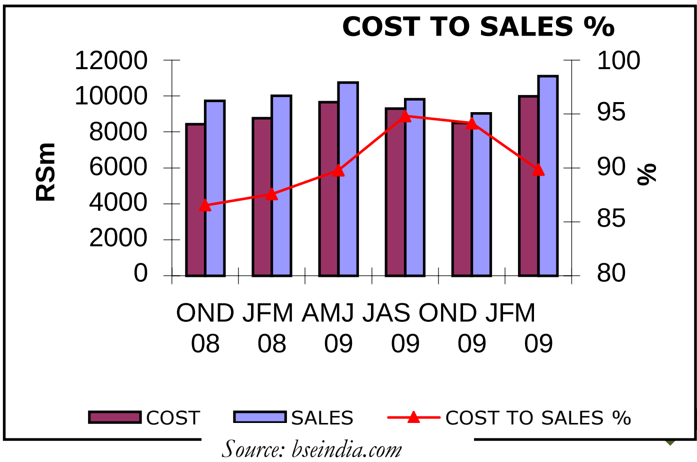


Source: bseindia.com

3. COST STRUCTURE:

Companies cost as percentage of sales gradually declines and reaches 89.85%.

During the FY08-09, the company has seen a gradual increase in cost as percentage of sales till second JAS keeping its costs stable .This shows that the company is maintaining its cost structure very well and will attain profits in future. There is a decline in cost as percentage of sales in the JFM because of rise in companies cost such as raw material cost, employees cost, depreciation etc.

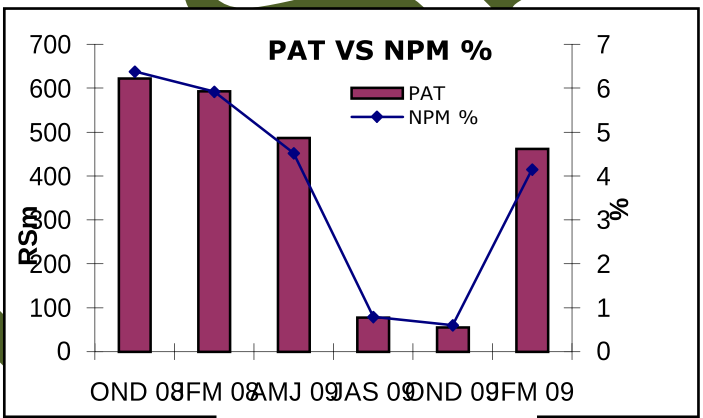


Source: bseindia.com

FINANCIAL PERFORMANCE:

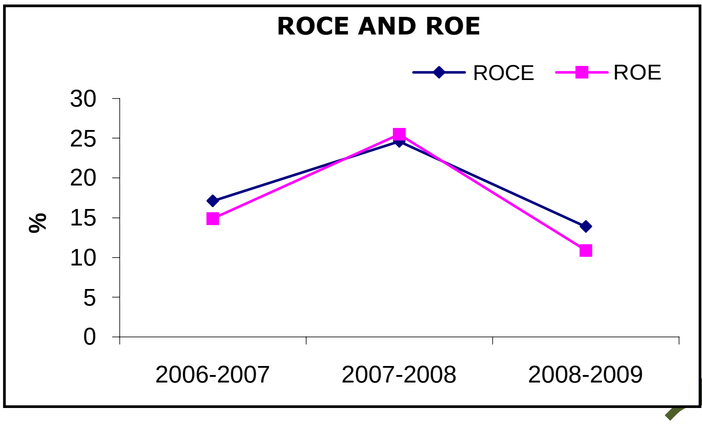
1. PAT VS NPM:

During the FY08-09, the company's PAT increased and net profit margin reached to 4.15% in the JFM. The company's NPM is declining from 6.38% to 0.6% till OND because of high raw material costs and a shrinking demand from the vehicle industry. However after third quarter NPM is rising because of increase in sales and decrease in company's cost which further led to increase in demand.



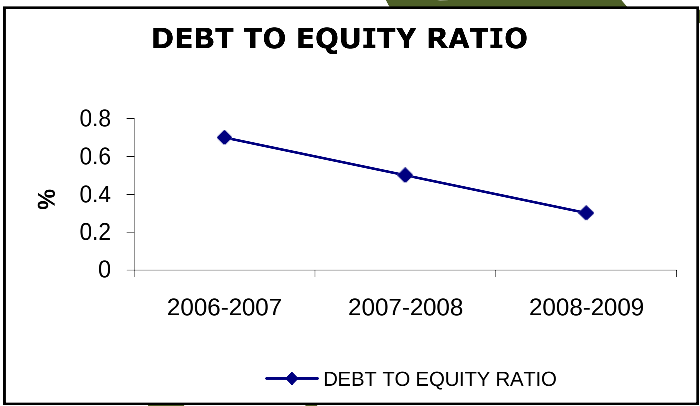
Source: bseindia.com

2. ***ROCE AND ROE:*** During the FY 2008 Company's ROE is increasing to 25.5% and ROCE to 24.61% but then gradually declines to 10.9% and13.9% in next year. ROE is declining because high raw materials cost which led to decline in profits. ROCE is declining because of fall in operating profit or EBDITA. Fall in operating profit was because of decline in sales of the company.



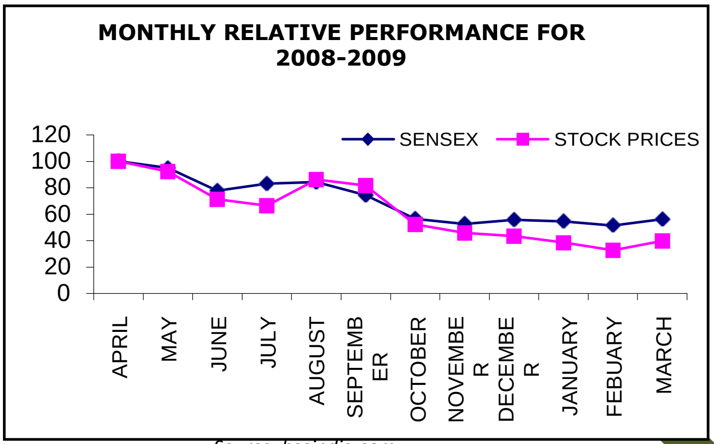
3. DEBT-TO- EQUITY RATIO:

During the FY2009 the Company's debt to equity ratio is declining from 0.7% to0.3%because they are decreasing their borrowings and increasing their equity share capital .Thus it will lead to overall profitability of the company.



CAPITAL MARKET PERFORMANCE:

The chart compares monthly relative performance of company's stock prices with that of Sensex. The stock price in April 08 was Rs.45.7 which decreased to Rs.18.18 in March 09.The chart shows that both sensex and stock prices of the company are increasing but sensex prices are growing at a higher rate. Thus it shows a positive correlation between sensex and stock prices. The company's stock prices are declining because of economy slowdown and rise in raw materials cost mainly cost of oil and natural rubber. This further led to decline in sales there by declining profits of the company.



Source: bseindia.com

GROWTH DRIVERS:

- Close to customers with a wide distribution network in India and South Africa.
- Apollo and Indian automakers: Maximizing on synergies under various segments such as heavy and light commercial vehicles, passenger vehicles and farm tractors.
- The company is catering to most of the world and is exporting to more than 60 countries with 60 distributors and over 2000 retail points.
- High quality standards because the company has received various product and process certifications such as TS16949, AIS (India), DOT (USA) ,CCC(China) etc.
- Availability of low cost skilled manpower along with world class quality machines.
- The company sees revival in replacement market in last quarter of FY 2008-2009.
- Vehicle generation and populace, administrative standards, retreading of tires and so forth are some other real development drivers of the organization.

VALUE DRIVERS:

- A responsible corporate citizen: Running 7 AIDS Prevention Health Care Clinics, Eye Check-up Camps for truck drivers, "Safe Drive" tyre check camps for passenger vehicles etc.
- To be a strategic partner to the business and add value to the organization by developing human capital.
- The company has tie-ups with the best testing facilities across the world and also development testing with all major OEMs such as ATP (Germany), NATC (US) etc.

RECENT STRATEGIES:

- Recently company promoted Artemis Health Science for finalizing plans to set up a INR 500-crore medical education hub on the Baroda-Ahmadabad highway in Gujarat .Such medicity envisions a research centre, a medical college, nursing college, Pharma college, medical administration college and a hospital which will have over 500 beds.

- The Company has effectively propelled the world-class magnificent truck and transport spiral tires (TBR) which would now quickly move towards extending its TBR limit and be set up to meet the expanding radialisation levels in this fragment.
- Recently Company likewise reported securing of Vredestein Banden B.V., a €300+ Mn Company with assembling base in Netherlands, and tasks all sover Europe.

OUTLOOK:

a) The Company proceeds with its enthusiastic voyage towards client enjoyment and faithfulness by concentrating on growing its conveyance to the nation's most mechanically progressed and cost aggressive tyres. Also organization intends to expand its authority past business vehicle tires to different sections.

b) The organization's business development is required to develop at the rate of 6.2% in coming years on account of popularity and enhancement in cost costs.

c) Profitability will be experiencing tension due to horrible interest and supply circumstance.

d) It likewise proceeds with its push towards turning into a worldwide player and after the procurement of Dunlop Tires, the Company has now set a foot in the European markets and plans to infiltrate further.

e) Moving past business vehicles to traveler autos, Apollo has declared a traveler vehicle spiral Greenfield venture in Chennai to take into account the little vehicle tire fragment, which will additionally upgrade the Company's cooperation in this part.

f) RM costs falling off and roughly 15% decrease expected in Q1 FY 2010.It is required to stay at comparative dimension in Q2 and Q3 and afterward move upwards. Subsequently In future indications of enhancement will be seen in OE and substitution request.

g) Market share moving from imports to nearby makers because of more fragile cash since instability in money is relied upon to proceed.

h) Apollo Tires has kept up a cutting edge vision and in such manner, concluded a concurrence with BEML for delivering and providing OTR (off the street) tires to them.

i) In January 2008, reported plans of a conceivable Greenfield venture in Hungary to take into account the European market .The Plant to be operational from mid 2011 and will deliver 7.0 million world-class traveler vehicle tires every year.