



A DEEP LOOK INTO THE FUNCTIONAL EFFICIENCY OF APOLLO TYRES LTD 2017-2021

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ABSTRACT

The main purpose of this study is to determine, predict and evaluate key economic conditions and company performance in the future. Another purpose of this study is to analyze the financial statements and rather to provide information for financial managers to make decisions about their business. The financial statements utilize the tools, analysis strategies and techniques required for business analysis.

It is a diagnostic tool for evaluating financial performance, investment and performance activities and an evaluation tool for management decisions and other business decisions. Managers use financial reports to determine the company's position and provide information to shareholders, to see how reasonable the investment made in the company is. For potential investors, analyzing a company's financial statements is very important, because, first, they want to know the company's realities and then decide whether to invest or not.

INTRODUCTION

The Tyre Industry in India is recognized as a core manufacturing sector with potential strength to grow the economy. India ranks as the largest manufacturer of motor cycles and second largest in manufacturing of scooters in the world. (Rapheal, 2013).

Apollo Tyres Limited is an Indian tyre manufacturing company headquartered in Gurgaon; Haryana. It was founded in 1972 the company now has five production units in India, one in Netherlands and one in Hungary. It has a network of nearly 5000 retailers in India. The company generated 69% of revenue from India, 26% from Europe and 5% from other countries. Apollo announced its entry into the two wheeled segment with the signing of contract in 2016.

Later Apollo Tyres Limited started catering to all tyre segments like Truck and Bus, Light Truck, Passenger Vehicles, Two Wheeler, Off-Highway. This expansion Created them a place in the market at all difficult times.

Increasing the number of shareholders has become a new business paradigm in recent years. Firms, which have given low options to shareholders interest, they now offer the most. The shareholders' fortune is measured by the return on their investment. It could be either in the form of shares or in the form of large loans or both. (R Mamilla, 2020). Apollo tyres concentrate on maximizing the shareholders wealth; we can clearly see that in the interpretations below.

NEED FOR THE STUDY

- To identify the trends and relationships between financial statement items.
- To evaluate the items in financial statements to compare the results to previous periods.
- Real-Time Analyses

OBJECTIVE OF THE STUDY

- i. To predict the growth of Apollo Tyres Limited.
- ii. To make the data clear to understand the company's position.
- iii. To examine the profitability of the company.



REVIEW OF LITERATURE

1. **(Iyer, November, 2008)** The production of technology in the Indian tire industry has been through the right amount of technology and flexibility to absorb, and adapt international technologies in Indian conditions. This is reflected in the rapid technological advancement from cotton carcass to highly efficient radio tires over a period of forty years. R&D in the Indian tire industry is primarily focused on applied research, which includes the development of new designs in various parts, the modification of tread design, material reinforcement, composite development, cost improvement development and guidance on changing customer needs.
2. **(Dhevika, 2013)** Carried on 'a study on financial performance analysis of city union bank, this study based on secondary data and combined time of five years from 2007-08 to 2011-12 published annual bank succession reports. The study is the descriptive analysis of the bank and the result was obtained by quantitative analysis during the study time. At the time of the study financial performance was better with the city union bank they are able to maintain a high level of cost savings. The bank also faces huge costs and a high level of operational financial obligations. This proves us that there is a link between the liquidity and the profitability.
3. **(Ghosh, 2016)** The overall benefit position showed mixed performance during the study period. Profit rate indicates that in 2013 the company enjoyed the highest profit and the worst profit was recorded in 2005. The level of risk factor indicator is unsatisfactory during the study period. However, the biggest risks were recorded in 2003. It is fair to say that there is a low level of negative correlation between profit and risk. In addition, profits and risks of the firm are also closely related.
4. **(R.BASKAR, 2019)** Profit analysis research reveals the company's performance in all aspects because proper management of some aspects will lead to profit. JK Wheel and Industry Limited is one of the market leaders in the Indian tire market. It is also one of the oldest car companies in India. The results of the company's profit analysis show that the company's ability to make a profit is negative. But the operating income rate was higher than the total profit margin; which is why the company has been able to manage its unspent costs and operating costs. The company's profits were found to be positive in terms of return on assets, return on rent and equity in equity. Profit rate was higher than the normal rate of return. The study also found that the cost of packaging and shipping for the company increased by more than the rate of increase in the company's sales.
5. **(Richard Baker, 2018)** The results show that Michelin incorporates a variety of environmental controls that have been strengthened each year, in line with environmental goals and principles that are constantly being revised. The strength of Michelin's environmental management package lies in its efforts to incorporate controls that focus on long-term testing and consider broader limitations than its legal entity. Michelin is very focused on researching and improving its tires through life cycle testing and the new Michelin Total Performance Indicator. In addition, Michelin has worked closely with its industry and suppliers to build stronger environmental controls.

RESEARCH METHODOLOGY

a) Time Period of Study

This study is conducted between the Financial years starting from 1st April 2016 – 31st March 2021. This includes all the changes that the company have made.

b) Research Design

The research is conducted in a way that it is easy to understand the relationship between two financial data's. It represents the direct variance of the two objectives.

c) Data Collection

All the Data's are collected from secondary data sources such as <https://www.bseindia.com> and <https://www.moneycontrol.com/> . Hence the fairness is based on the results mentions in the above sources.



d) **Tools Used**

- **Technical Tools**

Microsoft Word, Microsoft Excel, PDF Converters, Charts

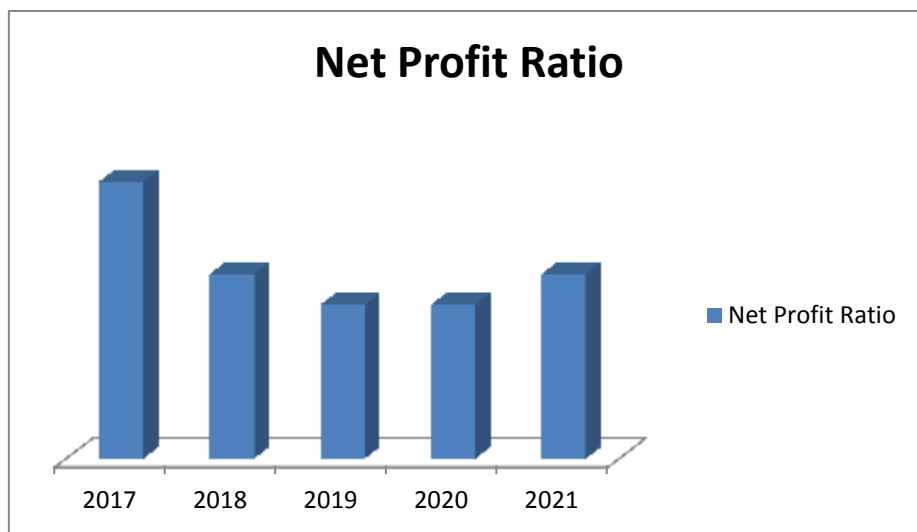
- **Financial Tools**

Ratios- Net Profit Ratio, Return on Investments, Current Ratio, Return on Shareholders' Funds & Cash Position Ratio.

ANALYSIS AND INTERPRETATION

1) **Net Profit Ratio:**

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

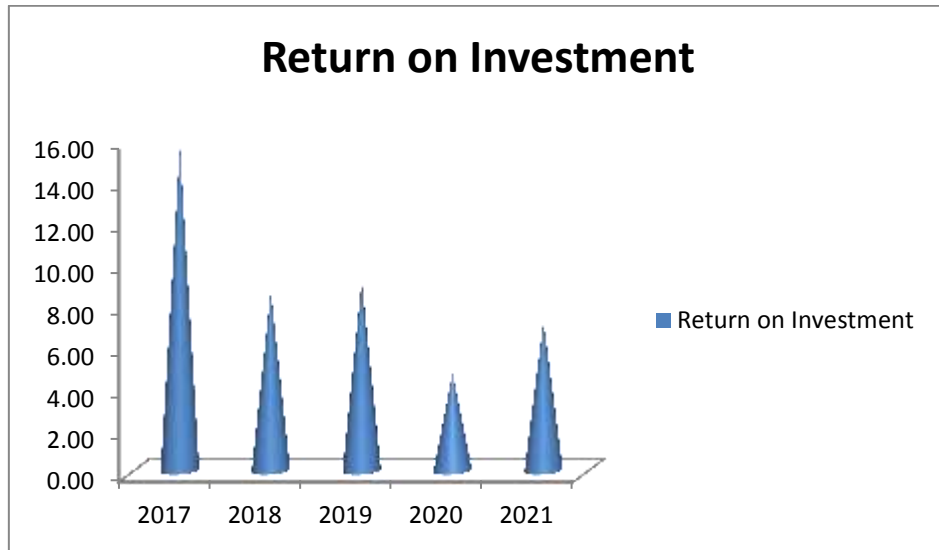


Analysis

The most important ratio is Net profit ratio. Because, it tells us how much is left of every sale Apollo Tyres gets to keep after all expenses are paid. It differs from each industrial sectors. An ideal company has a consistent profit margins.

2) **Return on Investments**

$$\text{Return on Investment} = \frac{\text{Operating Profit}}{\text{Capital Employed}} \times 100$$

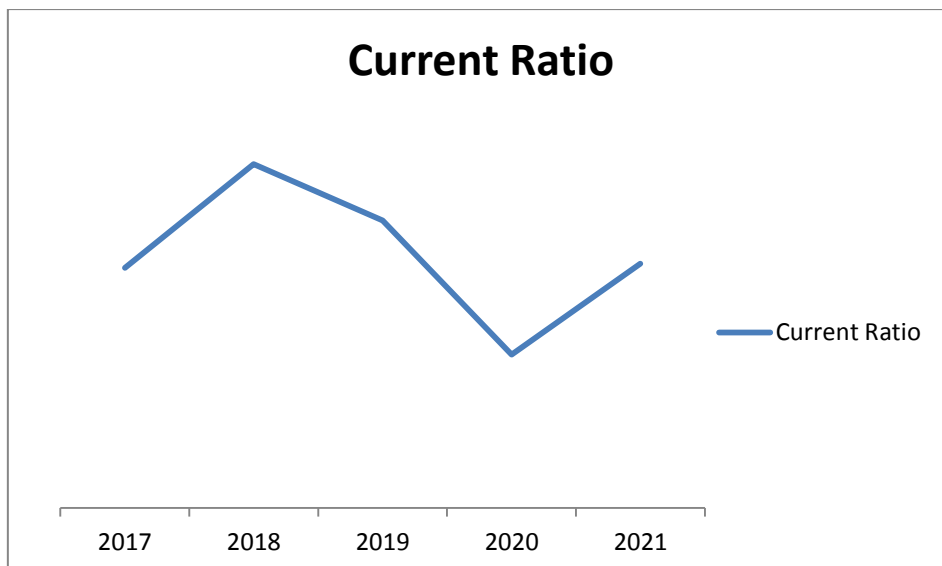


Analysis:-

The ROI ratio is used to interpret the investment efficiency of the company. It gives us an idea of the change in the returns from its investments. This reveals us the company's reliability position.

3) Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$



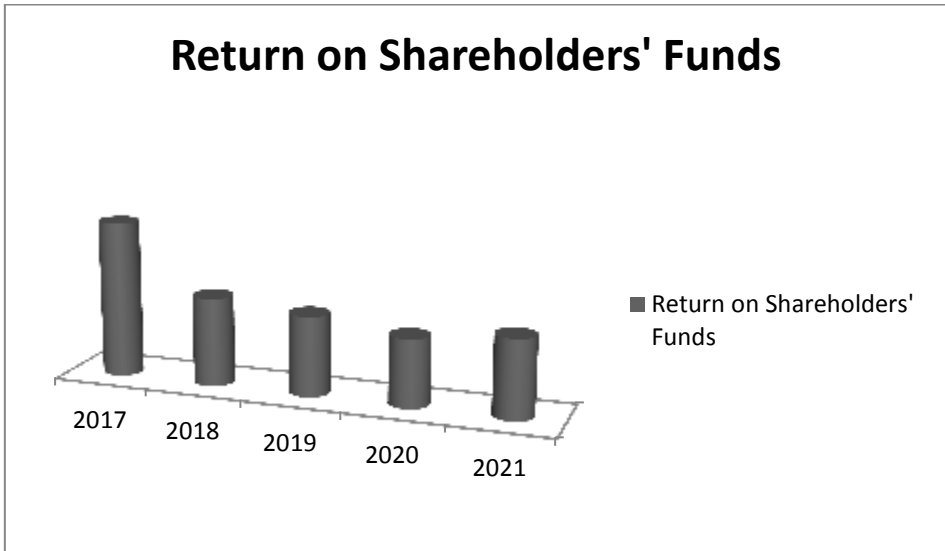
Analysis:

Current Ratio Measures the company's current Assets against its Current Liabilities. It indicates the firm's Liquidity. A Creditor would consider a high current ratio to do business with the company.



4) Return on Shareholders' Funds

$$\text{Return on Shareholders' Funds} = \frac{\text{Net profit after tax and interest}}{\text{Shareholders Funds}} \times 100$$

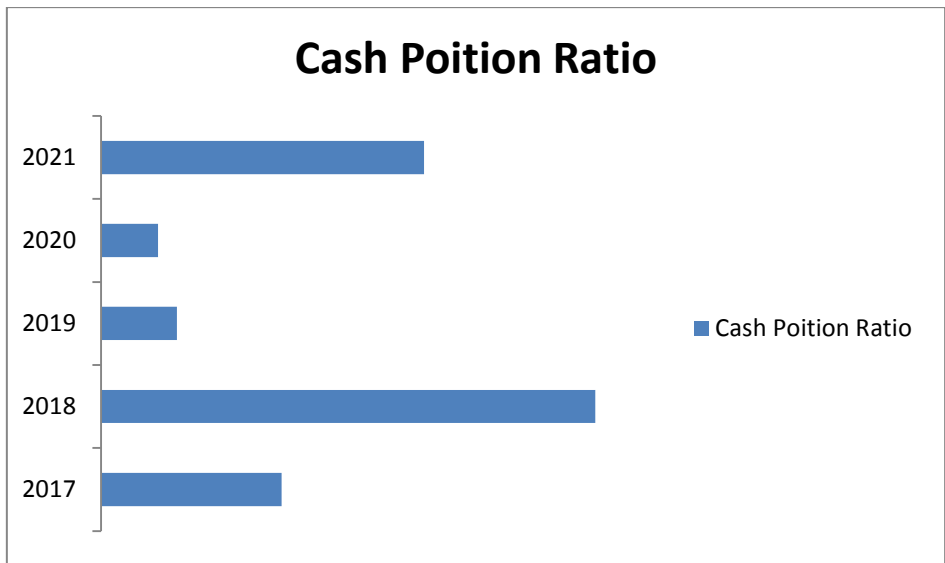


Analysis:

Looking from an investor's eye, Return on Shareholders' Funds tells the shareholders how effective their funds are utilized and also the return they gain from the profits of the company.

5) Cash Position Ratio:

$$\text{Cash Poition Ratio} = \frac{\text{Cash and bank balance + Marketable Securities}}{\text{Current Liabilities}}$$





Analysis:

This ratio deals with the capacity of the company to do business without liquidating the assets of the company. It is the ability of the company to pay of all its current liabilities when required.

CONCLUSION

By using all the above mentioned tools, the researcher find out that, Apollo tyres have sustained in the market even during the pandemic. And also after the pandemic period the company's cash position is raising at a speed of 5.6 times than that profits during the pandemic.

The researcher analyses that the company will do very good in the market and the ROE will raise high by the end of 2025.

SCOPE OF CONTINUING THE RESEARCH

There will be more regression periods ahead, analysing the market regularly will give us a clear picture what such things happen. Such research will bring out the interest of the investors. So that the company can reveal its capability and gain trust from the investors.

LIMITATION OF THE STUDY

- ❖ The data used are an estimate from the financial statements provided by the referred websites.
- ❖ This research limits only to the last five years' performance of the company.
- ❖ This is fast changing sector, which may bring decline to the industry when new advancements happen.

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