

GOING PLACES

Apollo Tyres' Tour de Euro

The tyre maker wants to cash in on demand in Europe and is in talks with car manufacturers for OEM sales even as it looks at opportunities across the globe

Arnab Dutta

WITH the aborted acquisition of the US-based Cooper Tire behind it and a spanking new plant in Hungary, its second in Europe, Apollo Tyres is gearing up for a big run on the continent.

The tyre maker already has a foothold in Europe and Neeraj Kanwar is looking to grow that. Kanwar, vice-chairman and managing director of Apollo, wants to significantly increase the 3% share that his company now has in the continent.

Currently, 45% of Apollo Tyres' revenues are earned overseas. In FY14, the company made close to ₹6,000 crore out of a total ₹13,310 crore of sales, albeit with a little help from a depreciating rupee. And with manufacturing capacity in Europe being scaled up, that share could go up to 50% but not before six or seven years.

Meanwhile, Kanwar is checking out other opportunities. "We're already present in Africa and western Asia and now we're looking at Brazil where we will consider putting up a manufacturing unit in 5-7 years," he said.

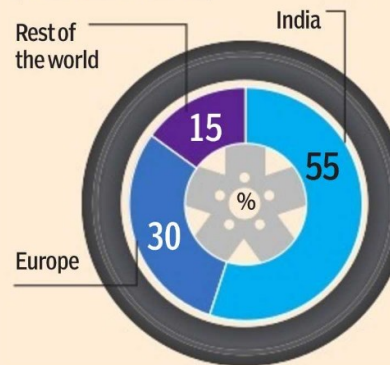
The Hungary plant, with a capacity of 5.5 million tyres per annum, will cater to the passenger vehicle market in the initial phases and move on to truck tyres. The unit, a relatively low cost operation, is expected to be commissioned in 2017 and will be built such that it can also make 6,75,000 truck tyres a year initially.

Kanwar is keen to get the tyres rolling off the assembly lines since the firm's manufacturing unit in the Netherlands runs at 95% of

A smooth ride

₹ crore	H1 FY15	FY14	FY13	FY12	FY11	FY10
Net Revenue	6536	13,310.3	12794.6	12153.3	8868	8121
Ebitda	922	1876	1457	1166	965	1161.3
Ebitda Margin	14.1%	14.1%	11.4%	9.6%	10.9%	14.3%
PAT	485.9	1005.1	613	410	440.2	653.4
NPM	7.4%	7.55%	4.8%	3.4%	5%	8.1%
EPS (₹)	-	19.94	12.15	8.13	8.73	12.96

REVENUE PIE
(From where it comes)



Big investments:

- Acquired the brand Vredestein in 2009 for 150 million Euros
- Setting up the Hungary plant at a cost of 475 million Euros (approximately ₹3,280 crore) which will be completed by 2017

its installed capacity of 6.8 million tyres per annum—bumped up from 5.5 million in 2009.

Meanwhile, the market in countries such as Poland, Hungary and the Czech Republic

is growing as are other markets in Europe and Kanwar wants to cash in on the demand.

It's not hard to understand why. The firm's business in Europe, as Sunam Sarkar, presi-

dent and chief business officer, points out, is far more profitable with operating margins of 18% compared with 13% in India. "That's because the realisations in Europe are far higher than those in India," Sarkar explains.

In Europe, Apollo sells tyres under two major brands—Vredestein and Apollo—catering for the premium and middle segments respectively.

Apollo also wants to be able to kickstart OEM (original equipment manufacturer) sales and is in talks with car manufacturers such as BMW, Volkswagen AG in Germany and General Motors.

Meanwhile, the company is also looking at markets in south east Asia, and has recently opened an office in Thailand and is supplying tyres to Indonesia, Malaysia, Philippines and Singapore.

Things might have been different had Apollo acquired Cooper Tire in a \$2.5 billion transaction which would have helped it become the world's seventh largest tyre company. Buying the Ohio-based company would have given Apollo access to several markets including the US and China but in the end the deal fell through for a combination of reasons.

It's been a hard time for the tyre maker in the home market too with a sluggish economy keeping revenues in check. Operating profit margins (OPM) have fallen to 12.7% in FY14 from 15.8% in FY10.

However, over the last eight months or so, falling prices of rubber have boosted Apollo's profits. Given the space it operates in, the firm's fate is linked with that of the economy and with a turnaround expected sooner rather than later, Apollo's fortunes too should look up.



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NEERAJ KANWAR, vice-chairman and managing director, Apollo Tyres

Global network

Manufacturing plants (with production capacity)

EUROPE
Enschede, Netherlands
195 tonnes/day
6.8 mn units/year
Gyongyosalasz, Hungary (Under Construction)
6.2 mn units/year

AFRICA
Durban, South Africa
90 tonnes/day

ASIA
4 Plants in India (1 in Gujarat, 2 in Kerala, 1 in Tamil Nadu)
1400 tonnes/day

Overseas sales offices

Region	Sales office	Markets covered
South America	Brazil	Entire South America
South East Asia	Thailand	Philippines, Singapore, Malaysia, Thailand
West Asia	Dubai	Middle East & North Africa

