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THE SOLVENCY PERFORMANCE ANALYSIS OF APOLLO TYRE INDIA- USING RATIO ANALYSIS FROM 2019- 2023

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Abstract: The research objective to provide a Solvency performance analysis Apollo tyre company. The research base on secondary data and data collected through the company annual report and their website. The period has been taken five years from 2018 -19 to 2022-23. The research used two parameters for checked solvency position like solvency ratio and Trend Analysis. The researcher has given concluded that. their long term debt ratio and debt equity ratio for better solvency position and remaining interest coverage ratio and financial leverage is superior for the company selected period..

INTRODUCTION OF APOLLO TYRE INDIA

Apollo Tyres Limited is an Indian Multinational tyre .mechanized Company headquartered in Guru gram, Haryana. It was established in 1972, and its initial plant was specially made in Perambra in Chalked, Kerala (India). The company now has five production units in India, one of in Netherlands and one of in Hungary. It has a network of nearly 5,000 dealerships in India, of which over 2,500 are exclusive outlets. The financial year 2021, the company timepiece revenue of US$ 2.34 billion, backed by a global workforce of around 19,000 workers. As of March 31, 2021, the company operates in India on the Bombay Stock Exchange and National Stock Exchange, with 62.69% of shares apprehended by the public, government article, banks and financial organization

LITERATURE REVIEW

Dr. Lakshmi G (2017) has analyzed about a study on capital structure and solvency position of TVS Srichakra limited. The main object of the study to state estimation on possibility of company's capital and analyzed solvency position of the company. Research has used ratio analysis for analyzes data. The researcher has found that debt has been slowly speedy during the last years of the research.. The company has benefit of trade in equity. The short term solvency situation shows that it is feeble and the company has to recover the short term solvency location to meet the current liabilities.

Manojkumar Patel (2015) has investigated a study on the solvency position of selected FMCG companies in India. This study focus on analyze the solvency position of the company.. The researcher has concluded that it specify that there is more outlay of loan than equity .Debtors Turnover Ratio of Nestle and Colgate be evidence for the effectiveness of debt managing. But DTR of rest of the companies are insufficient.

OBJECTIVE OF THE STUDY

To analyze the solvency position of Apollo tyre company.

DATA COLLECTION

This research is based on financial reports of companies, which is secondary data. Data are collected from annual reports of the selected Tyre companies. Additional information obtained from, various Journals and websites etc.

PERIOD OF STUDY

In this study, researcher has taken the period of study has considered for ten years i.e. Financial Year 2018-19 to 2022-23.

UNIVERSE OF STUDY

The population of the study involves of all the Twenty (20) limited companies working in India and listed in BSE and NSE.

SAMPLING DESIGN

In the present analytical research of Apollo Tyre companies in India having time span of 2018-19 to 2022-23.The present study using the non-probability convenience sampling techniques for selecting sample.

TOOLS AND TECHNIQUES

To analyze the solvency position of a Apollo tyre company following are some tools and techniques are consideration.

(A).Accounting Ratio

1. Long Term Debt Equity Ratio
2. Deb-to-Equity Ratio
3. Interest Coverage Ratio
4. Financial Charges Coverage Ratio

(B) Statistical Tools

1. Trend Analysis
2. Mean and Standard Deviation.

DATA ANALYSIS AND INTERPRETATION

1. Long Term Debt Equity Ratio:

Long term debt to equity ratio is a leverage ratio comparing the total amount of long-term debt against the shareholders' equity of a company. The objective of this ratio is to regulate how much leverage the company is taking. A greater ratio means the company is taking on more obligations. This, in turn, often makes them more disposed to economic risk.

$$\text{Long Term Debt Equity Ratio} = \frac{\text{Long Term Debt}}{\text{ShareHolder's Equity}} \times 100$$

Table 1:

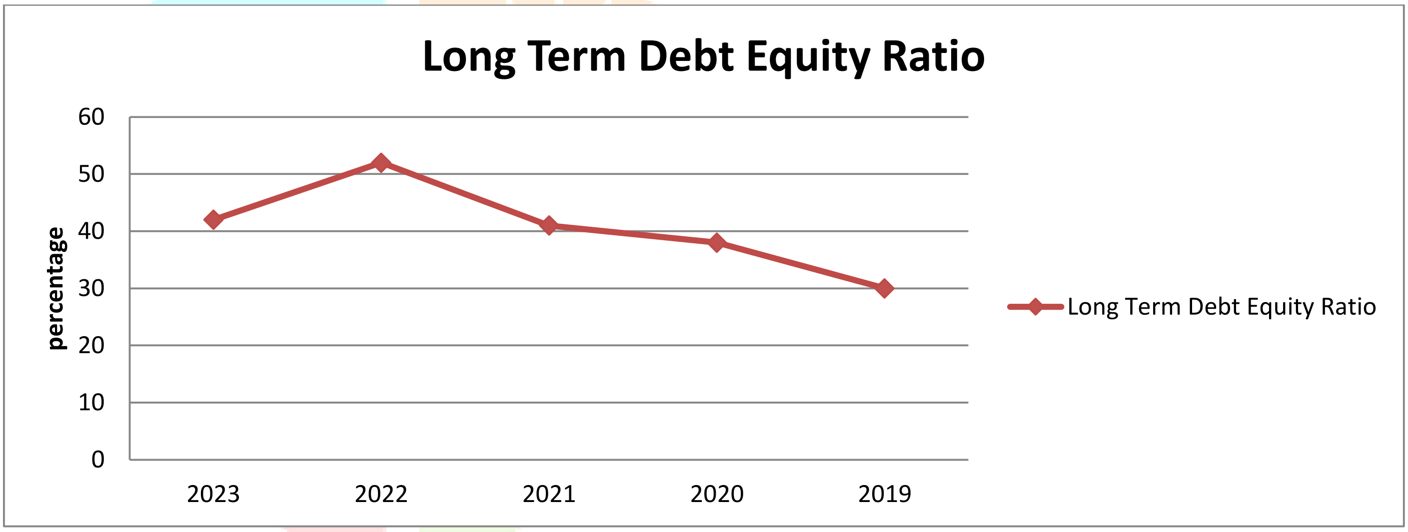
Showing Value of Long Term Debt Equity Ratio of Apollo Tyre Company

(In Percentage)

Years	2018-19	2019-20	2020-21	2021-22	2022-23	Avg.	S.D
Long Term Debt Equity Ratio	30	38	41	52	42	40.6	7.92

Chart: 1

Showing Value of Long Term Debt Equity Ratio of Apollo Tyre Company



INTERPRETATION

From the above table: 1 and Graph, we can show that the highest ratio 52 % in 2021-22 and the lowest ratio 30 % in 2018-19. During the period the company long term debt equity ratio has shown an decreasing trend.. Average (Mean) of long term debt equity ratio 40.60 % and the Standard deviation of long term debt equity ratio 7.92.

2.Debt-Equity Ratio

The debt-to-equity ratio processes the affiliation among the capital funded by creditors as well as the capital contributed by stockholders. Debt-to-equity ratio is considered using the following formula.

$$\text{Total Debt-Equity Ratio} = \frac{\text{Total Debts}}{\text{Owner's Equity}} \times 100$$

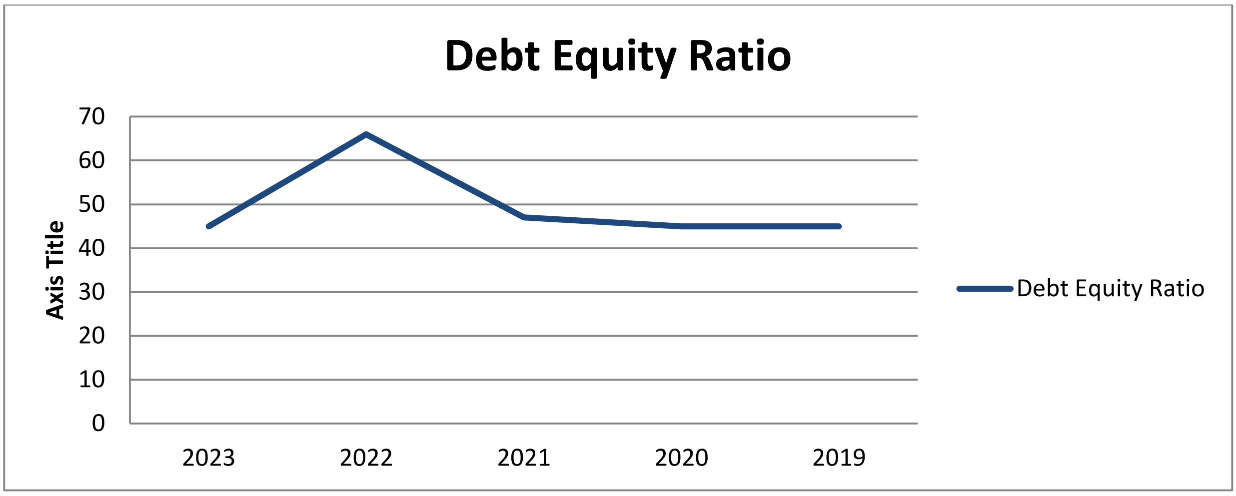
Table 2

Showing Value of Debt - Equity Ratio of Apollo Tyre Company

Years	2018-19	2019-20	2020-21	2021-22	2022-23	Avg.	S.D
Debt Equity Ratio	45	66	47	45	45	49.6	9.20

Chart: 2

Showing Value of Debt - Equity Ratio of Apollo Tyre Company



INTERPRETATION

From the above table: 2 and Graph, we can show that the higher ratio 66 % in 2019-20 and in the year 2019,2022 and 2023 is equally ratio is 45 % . During the period the company debt equity ratio has shown an decreasing and last two year constant trend. Average (Mean) of debt equity ratio 49.6 % and the Standard deviation of debt equity ratio 9.20%

3. Interest Coverage Ratio

The interest coverage ratio is a debt and profitability ratio used to define how easily a company can pay interest on its outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period.

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{INTEREST}}$$

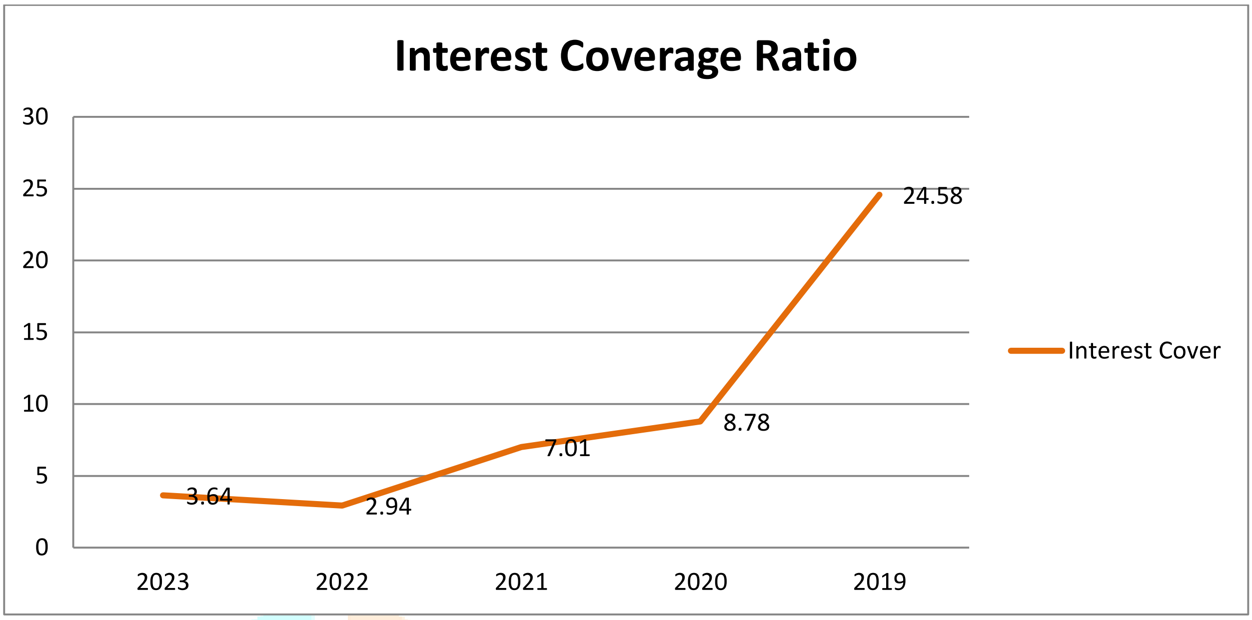
Table: 3

Showing Value of Interest Coverage Ratio of Apollo Tyre Company

Years	2018-19	2019-20	2020-21	2021-22	2022-23	Avg.	S.D
Interest Coverage Ratio	24.58	8.78	7.01	2.94	3.64	9.39	8.82

Chart: 3

Showing Value of Interest Coverage Ratio of Apollo Tyre Company



INTERPRETATION

From the above table 3 and Graph, we can show that the higher interest coverage ratio 24.58 in 2019 and lowest ratio in the year 2022 is ratio is 2.94. During the period the company interest coverage ratio has shown an decreasing trend. It means has not depended on outside liabilities. Average (Mean) of interest coverage ratio 9.39 and the Standard deviation of interest coverage ratio 8.82.

4. **Financial leverage Ratio**

Financial leverage is distinct as the firm's capacity to use fixed financial charges to expand the possessions of changes in EBIT (Earnings before Interest and Taxes) on the business's EPS. Financial leverage shown the effect on earnings produced by the use of fixed charge securities in the capitalization strategy.

$$\text{Financial leverage Ratio} = \frac{\text{Earnings Before Interest and Taxes}}{\text{Earnings Before Taxes}}$$

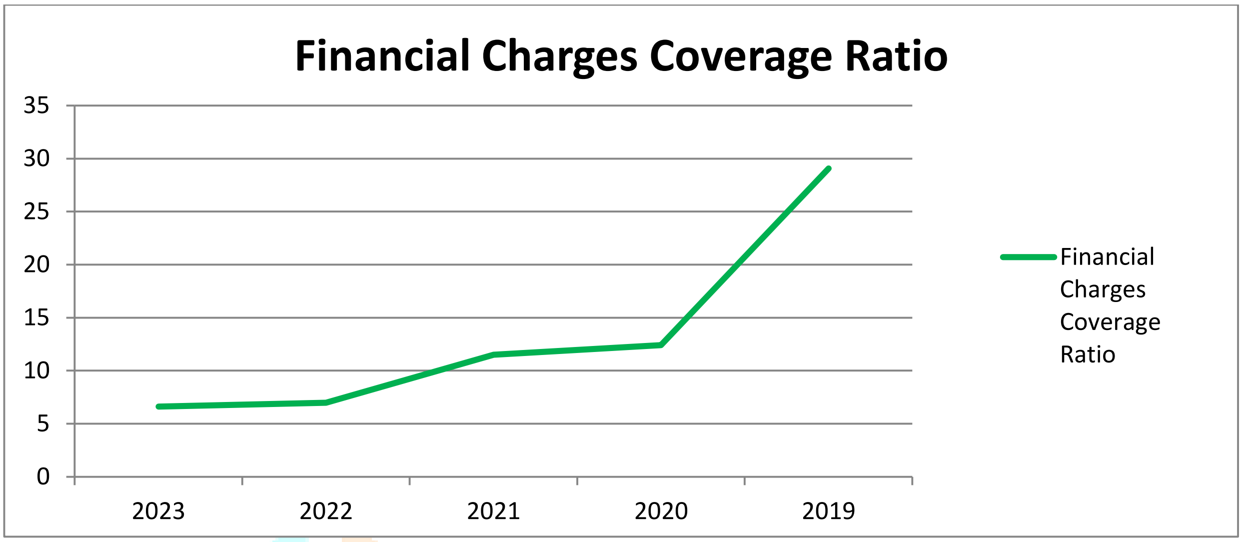
Table: 4

Showing Value of Financial leverage Ratio of Apollo Tyre Company

Years	2018-19	2019-20	2020-21	2021-22	2022-23	Avg.	S.D
Interest Coverage Ratio	29.07	12.42	11.5	6.99	6.61	13.31	9.18

Chart: 4

Showing Value of Financial leverage Ratio of Apollo Tyre Company



INTERPRETATION

From the above table 4 and Graph, we can show that the Financial leverage Ratio 29.07 in 2019 and lowest ratio in the year 2023 is ratio is 6.61. During the period the company of financial leverage Ratio has shown an decreasing trend. It means company has decrease their financial burden not depended on outside liabilities. The company's Financial leverage Ratio Average (Mean) of 13.31and the Standard deviation of interest coverage ratio 9.18

CONCLUSION

There is a significant difference between solvency ratios for the duration of the study period. According to all the 4 solvency ratios measured i.e. the solvency performance analysis of the Apollo Company measured though long term debt equity ratio, deb-to-equity ratio, interest coverage ratio and financial leverage ratio. The company has average long term equity ratio is 40.60 % that mean less than 50% so it is healthy for the company while company debt equity ratio is 49.60% that mean less than 100 so it is better for the business unit. And the standard interest coverage ratio is at least 2 times and this company has interest coverage ratio 9.39 times so company has very healthy for interest coverage ratio. The company has average financial leverage ratio is 13.31 that mean it is good for the company.

SUGGESTION

The company should decrease their long term debt ratio and debt equity ratio for better solvency position and remaining interest coverage ratio and financial leverage is superior for the company selected period. Overall solvency position of the Apollo tyre is good.

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