



WORKING PROJECT

COST OF CAPITAL OF APOLLO TYRES LTD



Required for assessment in

Corporate (Investment Appraisal) Finance – Master in Finance

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Most financial decisions require the use the cost of capital. This is the case of: i) strategic decisions such as capital expenditures, divestments, mergers and acquisitions, long-term financing; ii) short-term decisions such as cash discounts, or iii) strategic performance evaluation and financial incentives to executives.

Corporate strategy and financial policy is substantially affected by the cost of capital:

- i. It is used as a discount rate in capital budgeting is critical for management decisions, to accept and reject project, to select the best alternatives and to select the best portfolio of the available opportunities.
- ii. It is one of the critical inputs for determining the value for buying or selling companies, businesses or any kind of assets that generates cash flow.
- iii. It also affects the debt policy of a company.

Keeping the significance of the cost of capital in corporate finance, this Working Project requires the students to study and propose the cost of capital for Apollo Tyres Ltd, which is a company listed on the National Stock Exchange of India.

This Working Project requires the students to:

- i. Identify the capital employed by the company
- ii. Analyse the cost of debt and the cost equity of the company
- iii. Evaluate the actual WACC
- iv. Find out whether the company is maintaining the WACC at the optimum level or not.

The intention of this working project is to challenge students to go out of their comfortable zone working with company in less known territories.

India was chosen because it is considered one of the emerging superpowers of the world. This potential is attributed to several indicators, including its demographic trends and the rapidly expanding economy. The GDP of India became the world's fastest growing economy in 2018 with 8.4% GDP rate by the mid-year terms.

Apollo Tyres Ltd markets its products under our two global brands - Apollo and Vredestein, products that are available in several countries across the globe through a vast network of branded, exclusive and multi-product outlets. Apollo Tyres has multiple manufacturing units in India, the Netherlands and Hungary. At the end of the financial year, the company shows revenues of US\$ 2.28 billion, backed by a global workforce of approximately 16,000 employees.

As of March 31, 2018, the company traded in India on the Bombay Stock Exchange and National Stock Exchange, with 59.68% of shares held by the public, government entities, banks and financial institutions.

Some guidelines for students to search information about the company:

(Students must not feel restricted to these sources of information. Try to do your best)

Official Webpage: <https://corporate.apollotyres.com/en-in>

Financial data available in the web: <https://finance.yahoo.com/>

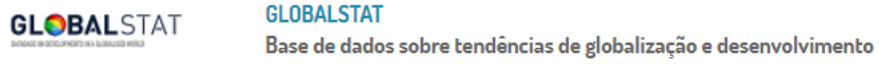
Ticker symbol of the share at National Stock Exchange of India: APLO.NS

Industry: Tires & Rubber Products

Reuters is a financial data provider. The database is available at ISEG. Try to explore the database. This is one of the databases most used by professionals in practice.

Bloomberg is another financial data provider. The access to this database is available at the ground floor of the library. You must require access to the employee at the desk. This is a quite expensive database so there are limited number of simultaneous access. This is one of the databases most used by financial practitioners.

Macroeconomic data is available at ISEG library website:



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