

# Apollo Tyres a 'Buy' for Goldman

Goldman Sachs has upgraded Apollo Tyres to 'Buy' from 'Neutral' with a revised FY14E P/B based on 12-month target price of ₹96. Apollo Tyres is currently trading close to historical troughs on an EV/GCI and P/B, with an improving raw material cost outlook. Goldman Sachs analysis suggests that the current stock price implies trough revenue growth, margins & returns during FY2013E-14E vs expectation of a 24% EPS CAGR during FY12-14E. "We are raising our earnings estimates on Apollo Tyres by 5-19% for FY13-14 based on lower revised natural rubber cost assumptions, and rolling forward our valuation base to FY14E, which drives a change in our target price to ₹96 from ₹74 earlier," said the Goldman Sachs report. The stock is currently trading at 1.0X FY14E P/B and 0.6X EV/GCI vs 0.7X 10-year historical average and global tyre peers trading at 1.1X.