

ANNUAL REPORT 2011-12



I am Apollo

I am on a roll

I am tuning into my own energy

I seek to make a difference in your life

I am alive to new opportunities





O VREDESTEIN

I am hungry for more

I exist to empower you

I am going the distance

And I'm enjoying our journey

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I am
ready for new experiences

CHAIRMAN'S MESSAGE

Dear Shareholder,

Each year, it gives me great pleasure to share with you the key milestones and achievements of Apollo Tyres which, with your continued support over the years, has moved from strength to strength. At Apollo, we have always strived to ensure that through each activity we undertake, we are able to create value for you and deliver products and services for our customers which ensure their comfort and safety.

The year gone by was truly special for us. To begin with, Apollo Tyres became the first Indian tyre company to cross the annual revenue milestone of over Rs 12,000 crores or US\$ 2.5 billion in FY12. It has been an extremely challenging year, but despite that we have registered a 37% growth and added half a billion dollars to the company's topline. It is quite amazing to think, that it took us 28 years to reach a revenue figure of US\$ 500 million, and today, when we grow by an equal amount in one year, we still seek a greater challenge on your behalf.

But let me put this in some context. In current times, economies across the globe are labouring to overcome low consumer sentiments and issues of debt refinancing. Even in a country like India, which is considered a high growth economy, this past year the GDP has at best grown at around 6.5%; with flat growth in the automotive sector across all vehicle types. In fact, April 2012 has recorded the lowest automobile sales in 10 years in India! In our 2 other large markets, overall economic growth has been slow. South Africa continues to recover from the aftermath of the global financial crisis; while Europe registers at best growth rates of 2%, which is considered good.

Combined with this, was a year where raw material costs were more expensive by over 32% compared to the year before; along with a host of other factors like our inability to pass on higher input costs to our customers, an inverted duty structure, currency fluctuations and competition from cheap imports.

However, with Apollo Tyres' operations in Africa, Europe and India, and nearly 118 export destinations, the company is not overly dependent on any one market; this has allowed us to focus on other crucial factors like research, manufacturing excellence, product performance and safety, and enhancing service delivery.

In FY12, Apollo's focus and hard work on ultra high performing passenger vehicle tyres paid off handsomely. This is apparent in the fact that sales of Apollo branded tyres has doubled in the most

competitive global market – Europe. In addition, at the Geneva Motor Show, easily counted amongst the grandest automotive extravaganzas, your company launched Apollo Aspire 4G -- an ultra high performance tyre to cater to high end European cars. Simultaneously, for our premium passenger car tyre brand Vredestein, more new generation passenger tyres were introduced to further cement the brand's position in the lucrative niche space it occupies.

In addition, we are continuing our efforts in expanding and consolidating our existing markets. Dubai, an arm of Apollo's India operations, proved to be an ideal hub to cater to the Middle Eastern region. The performance of this expansion has been worthy, nearly tripling our revenues from the region and poising Apollo for take-off in the coming year. The performance of the Dubai office has given us the confidence to further expand operations in the South East Asian region over the coming year.

However, what gives me most pride to report to you is our increasing community and green engagement. We have undertaken a complete audit of all our operations globally and our offices on critical environmental factors and have put in place systems to make Apollo a "green company". Our efforts in general health and HIV-AIDS awareness and prevention too, have been strengthened, with currently 21 health care centres across the country catering to the commercial trucking community. For youth and women's empowerment and skill building for self-employment, around all 4 manufacturing units in India, we have embarked on "Project U" – which educates, trains and undertakes livelihood creation for the young unemployed.

Last but not the least, Apollo's leadership team is constantly looking at ways to better internal efficiencies and operational effectiveness, with a clear focus on product and process quality. When one decides to lead in an industry where day-to-day survival is a struggle, it is but natural that discovering opportunities in every challenge and finding innovative solutions becomes a way of life! I am confident that Apollo Tyres will be able to outperform itself once again in the coming year.

Wishing you all the very best.



ONKAR S KANWAR
Chairman & Managing Director





VICE CHAIRMAN'S MESSAGE

Dear Shareholder,

In more ways than one, the financial year gone by has been significant for Apollo Tyres. The following pages will provide you with an update. However, in a nut shell, we commenced our second 5-year growth plan, and made considerable progress in putting in place a robust strategic plan, capable of delivering on higher customer expectations on products and services; a robust research and technology base geared to addressing future needs; greater market penetration with our multiple brands and people development initiatives – all focused on generating growth for the company and its stakeholders year-on-year.

I wanted to share here with you the two distinct areas we are working on to enable Apollo Tyres to become one of the top 10 tyre manufacturers in the world. On one side is the financial plan which looks at each of our brands – Apollo, Dunlop and Vredestein; our markets, possible growth in each category and new product requirements. This dovetails with our current manufacturing facilities, their expansion and the requirement for green or brownfield locations and the nature of future acquisitions.

At the core of this plan lies the expansion of our 3 operations into new markets. While the South African operation will expand to the rest of Africa and South America; the Dutch operations will look at higher penetration in Europe and North America. While India will expand to the Middle East, the rest of the Asian continent and Australasia. This work has already started, with offices being opened in over 6 new locations in the past year.

The second area we are working on is to focus inwards and create enablers capable of supporting our ambitions and the financial plan. There are 4 distinct spheres and goals we are working towards. The first is Quality – using and leveraging Quality tools to better systems, processes, create standards and take our overall performance to the next level. The second is Sustainability – to ensure, here and now, a mentality and dedication to setting up processes and living our business in a manner which will have the least negative impact on our communities and environment, and make peoples lives better. The third is the area of Innovation – to enable our people to take their ideas to the next level of reality, creating excitement, synergy and recognition. The final domain is that of working towards a Common Culture across our geographical width. A defined set of values called The Apollo Way, to bind us together.

This 5-year journey we have termed as AGILE or Apollo Growth Innovation Learning Excellence. We realise that we have set ourselves a tall task, but it has already proved to be both an exciting, and a very fruitful direction, we are moving in both internally and externally. AGILE, and each aspect in it, has metrics which we use to quantify the progress we are making. Every year, I hope to bring you an update on the progress of our 5-year plan, in each of our Annual Reports.

Of course, we would like to hear from our readers and stakeholders, with your opinion and what you think we could look at even more closely.

I look forward to being in touch with you.

With best regards,



NEERAJ KANWAR

Vice Chairman & Managing Director

SUPERVISORY BOARD



STANDING (LEFT TO RIGHT): **P N Wahal** Company Secretary **K Jacob Thomas** Managing Director, Vaniyapara Rubber
Arun Kumar Purwar Former Chairman State Bank of India **Neeraj Kanwar** Vice Chairman & Managing Director
Robert Steinmetz Former Chief of International Business, Continental AG **Sunam Sarkar** Chief Financial Officer & Wholtime Director

NOT IN PHOTOGRAPH: **Alkesh Kumar Sharma*** Secretary (IP), Industries Department, Government of Kerala
Shardul S Shroff Senior Partner, Amarchand & Mangaldas & Suresh A Shroff & Co