

Annual Report 2016-17

REACH THE WORLD

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HIGHLIGHTS 2016-17

₹140.53 Bn
Gross Sales

₹39.02 Bn
Capital Expenditure

15.8%
ROE

₹10.99 Bn
Net Profit

₹20.01 Bn
EBITDA

india

hungary

D where to next?

At Apollo Tyres, we are building tyres for the future of transportation and mobility. As we do this, we are transforming ourselves both from a product and markets perspective. Building on our core competencies, strength and brand, we are aspiring to 'Reach the World', by manufacturing in different countries, expanding our distribution networks, and growing our brand associations. We are creating a distinctly 'glocal' culture in our organisation, where we are thinking like a global organisation and yet, aligning ourselves to local needs in each geography we operate. At the same time, we are proud of being an Indian brand, and representing the best of technology, operations and thinking on the world stage.

In FY17, we took many steps that furthered our aim of reaching the world. These include the inauguration of our Hungary plant and the Global R&D centre. These, however, are just stepping stones to achieving our cherished vision. As we do this, we are equally committed to 'reach' each of our stakeholders, and create value for them, in ways that are credible and meaningful.

Chairman's Message

Dear Members,

These are uncertain times. The year gone by saw events which further added to the challenges we face as individuals, organisation and even countries. The US elections, referendums in Britain and Italy, rise of populism across Europe, India's currency reforms... they all led to an increased uncertainty across the globe.

Challenging times for many are also opportunities for others. We, at Apollo Tyres, faced these uncertainties with openness, optimism and believing in our DNA of 'go the distance'.

What has helped your Company in such uncertain times is the sustained focus on its key principles to attain its vision. Since the inception of the Company, in good times and downturns, we have never let go of these principles. These are

- Profitable growth by maintaining a healthy top and bottom-line. It is not your Company's way to focus on the philosophy of growth at all cost. To have a comfortable bottom-line, your Company continues to leverage its strong R&D to ensure that we maintain the right product mix, create a price and product leadership, and continuously invest in building the products brands - Apollo and Vredestein.
- Nurturing existing markets and seeding new ones. While India continues to be our largest market, we have seeded new markets in Asia, the Middle East and other geographies in the world. Your Company is seeing success of this model as it witnesses double-digit growth from most of the new markets. Further, with your Company's first overseas Greenfield plant in Hungary inaugurated recently, it can now focus on expanding its base in Europe and the US.
- An unwavering focus on cost and quality. To have profitable growth, it is important to maintain cost, and your Company has relentlessly focussed on reducing cost and enhancing efficiencies across the organisation. It is my firm belief that we need to do away with unnecessary cost, as that is the delta between a profitable and a loss-making organisation in this increasingly global industry.

Despite the uncertainties, the Indian economy continued to shine brightly in the global economy. Our confidence in the Indian

economy saw us continuing our investments in the Chennai plant as we completed the Phase 1 expansion of the Truck-Bus Radial capacity. We have also announced plans to set up our fifth Indian manufacturing plant in the state of Andhra Pradesh to create capacities for the two-wheeler tyre and other emerging product categories.

In these exciting yet demanding times, your Company does not forget its commitment to live by one of its core values – 'Care for Society.' Our Social Responsibility and Sustainability efforts continue to benefit a large base of stakeholders, because we undertake these with the same beliefs and conviction as we do our commercial activities. Our CSR initiatives are not an afterthought but an integral element of Apollo Tyres' corporate strategy. Your Company has taken multiple initiatives in India and Europe to have a positive impact on the everyday lives of its stakeholders.

I see the uncertainties as a way of life, hence it is hard to gaze into the crystal ball and see the future. At such times, I take comfort in the quote of the American President, Abraham Lincoln, who said, "The best way to predict the future is to create it". Your Company will continue to invest heavily and will write its own destiny as it walks down the path of achieving its Vision – 'To be a Premier tyre company with a diversified and multinational presence.' I am confident that team Apollo is firmly guided by its three principles as it sets to create new benchmarks, introduce new products across markets, and expand the distribution network.

I would like to acknowledge every single employee, network partner and business partner for having stood by Apollo and actively contributed to its success. I would like to thank each one of you, our valuable shareholders, for having been with us in this exciting journey. The support that we continue to receive from



our banks, financial institutions and the various State and National Governments where we operate, enable us to excel and we remain grateful as ever.

The next financial year is already upon us and as ever, we at Apollo remain committed and sincere in our efforts to keep delivering ever better value to you, our shareholders. I look forward to having many more exciting updates for you in the new year.

Yours sincerely,
Onkar Kanwar

Onkar S. Kanwar
Chairman & Managing Director

Vice Chairman's Message

Dear Members,

It has always been our aim to deliver top financial performance and continue to invest to sustain the long-term profitable growth of the company. In line with this philosophy, FY17 saw a dominant theme running across Apollo Tyres... Reach the world. In the pages that follow, you will get a glimpse of the events and activities that we undertook to ensure that our brands – Apollo and Vredestein, our products and the company have a global reach.

For Apollo Tyres, the year started with rolling out of Vision 2020 – ‘To be a Premier tyre company with a diversified and multinational presence’. As a first step to realise Vision 2020, we identified key priorities for the company. These included ‘build leadership in India’, ‘premiumization in Europe’, and ‘explore strategically attractive markets where we are currently not represented’.

The fiscal saw the Company working overtime to realise its three key projects to ensure an expanded footprint across India and the globe. In April 2015, we had done the groundbreaking ceremony of the new Greenfield plant in Hungary. We had committed that the plant will start commercial production in two years time, an extremely ambitious target given the size of the plant. Sure enough, as the fiscal closed, we were ready for the big inauguration of the plant, with each team living the company’s DNA of ‘Go the distance’. It was indeed a humbling experience to have the honourable Prime Minister of Hungary inaugurate the commercial production of the plant.

The company has its humble roots in the commercial tyres segment in India and in this category we have attained market leadership over the years. In India, our R&D teams have worked hard over the past years to develop Truck Bus Radial (TBR) tyres suitable to the needs of the market. Despite competition, local and international, continuously knocking on the markets, we have continued to hold on to the lead in this segment. Given the demand from our customers, we have been running at full TBR capacity in the plant. The year saw expansion of this capacity in our Chennai facility by 50% in the second half of 2016 to 9000 units a day.

It has been our aspiration to launch our highly benchmarked truck bus radials (TBR) in Europe, marking the Company’s entry in the highly competitive European commercial vehicles segment. Various teams have been working for over five years developing the products and extensively testing over 250 million kilometres across six European

countries to ensure that we can offer the best product to the consumers. More importantly, we understand the challenges of entering the market dominated by global majors. We decided on an innovative approach of selling the products online and directly to the consumers, a new approach in the market. We are confident that this approach will help us gain market share despite the late entry into the European market.

At Apollo, life was at full steam beyond these three major projects. We continued to do what we do best – launch new products for a better product mix, seed new markets, expand distribution network and focus on cost and process efficiencies. In the previous fiscal, we had launched Amazer 4G Life in India. I am proud to mention that within a short span of time, the product is a market leader in its segment. Similarly, our marketing and R&D teams have been working to launch country specific products like the specially developed semi-lug commercial vehicle bias tyre for the Bangladesh and Indonesia markets and tyres to cater to the growing SUV markets in the Middle East.

In India and Europe, we continue to grapple with the challenges of the low-cost Chinese truck tyres imports. While the government’s demonetisation initiative did see a lull in the imports, they picked up pace in Q4 of the fiscal. I hope that the government takes some action as it may have a direct bearing on the Make in India initiative in the tyre segment.

I see the relentless pace continue for each one at Apollo Tyres in FY18. I will continue to update you on a periodic basis and I do look forward to be in touch with you.

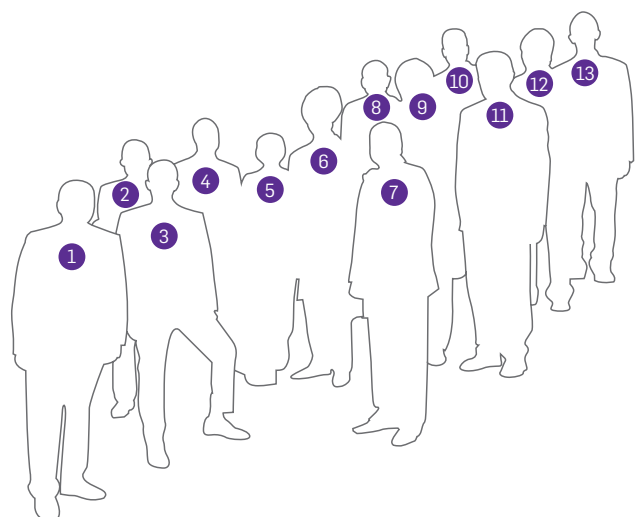
With best regards,



Neeraj Kanwar

Vice Chairman and Managing Director

Board of Directors



- 1 **SUNAM SARKAR**
President &
Chief Business Officer
Apollo Tyres Holdings
(Singapore) Pte Ltd
- 2 **VIKRAM S. MEHTA**
Former Chairman
Shell Group of Companies
- 3 **NEERAJ KANWAR**
Vice Chairman &
Managing Director
- 4 **NIMESH N. KAMPANI**
Chairman JM Financial
Group
- 5 **PALLAVI SHROFF**
Regional Managing Partner
Shardul Amarchand
Mangaldas & Co.
- 6 **ONKAR S. KANWAR**
Chairman & Managing
Director
- 7 **ARUN KUMAR PURWAR**
Former Chairman
State Bank of India
- 8 **VINOD RAI**
Ex-Comptroller and
Auditor General of India
- 9 **GENERAL BIKRAM
SINGH (RETD.)**
Former Chief of
Indian Army
- 10 **AKSHAY CHUDASAMA**
Regional Managing Partner
Shardul Amarchand
Mangaldas & Co.
- 11 **FRANCESCO GORI**
Former CEO
Pirelli Tyre
- 12 **ROBERT STEINMETZ**
Former Chief of
International Business
Continental AG
- 13 **Dr. S. NARAYAN**
Former Principal
Secretary to the Prime
Minister of India
- 14 **PAUL ANTONY**
Nominee Director
Government of Kerala
(Not in picture)

Management Board

