

# apollo INVESTOR PRESENTATION



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#### **KEY HIGHLIGHTS – 9M FY 2015**





#### Improvement in Profitability

- 14.0% to 14.7% : Operating margin\* improvement on YOY basis
- Sixth consecutive year of value creation, with ROCE of 20.5%
- Net Debt lowered by 63% to Rs 4.6 Bn
   YOY
  - **0.9 to 0.3**: Net Debt EBITDA\* improvement on YOY basis
  - **0.3 to 0.1**: Net Debt Equity improvement on YOY basis

Notes

<sup>\*</sup> EBITDA without other income and exceptional items

#### **KEY OPERATING RESULTS**



#### Significant improvement in profitability

	FY 2014	YOY Growth	9M FY 2014	9M YOY FY 2015 Growth		
Net Sales (Rs Bn)	127.9	133.1	4%	101.0	96.3	-5%
EBITDA^	11.4%	14.1%	28%	14.0%	14.7%	0%
EBIT^^	8.3%	11.0%	38%	10.9%	11.6%	1%

- > Sales impacted by weak market conditions, spinoff of part of SA operations in November 2013
- > Profitability has improved because of softening raw material and improved internal efficiencies

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#### 3 KEY COMPETITIVE STRENGTHS





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#### **OVERVIEW**



#### **Fast Growing Tyre Company Globally**

- US\$2.2bn¹ net sales in FY14²
- 5 year CAGR for Net Sales is ~ 13%
- 5 year CAGR EBITDA<sup>3</sup> is ~ 13%

#### Leading Tyre Manufacturer in India, **Balanced Product Portfolio**

- One of the largest radial tyre capacity in India (FY 2014)
- UHP and Winter tyres capabilities
- Market leader (25% & 27% share<sup>4</sup>) in truck tyre market (TBR & TBB) which is 2/3rd of the Industry

#### **Manufacturing Across 3 Continents**

- Manufacturing presence in Asia & Europe
- Combined capacity of ~1640 MT/Day<sup>5</sup>

- (1) 1US\$ = 60.10 INR, based on average exchange rate for FY14 as per www.oanda.com
- (2) Consolidated financials; FY refers to financial year ended 31 March
- (3) EBITDA without other income and exceptional items
- (4) As per internal estimates, For 9M FY 2015
- (5) As of 31st December 2014
- (6) As of 31st March 2014
- (7) Including contractual workers



#### Mix of Global and Regional **Brands**









#### **Extensive Distribution Network**

- ~4900 retail dealers in India
- ~3550 dealer outlets in Europe

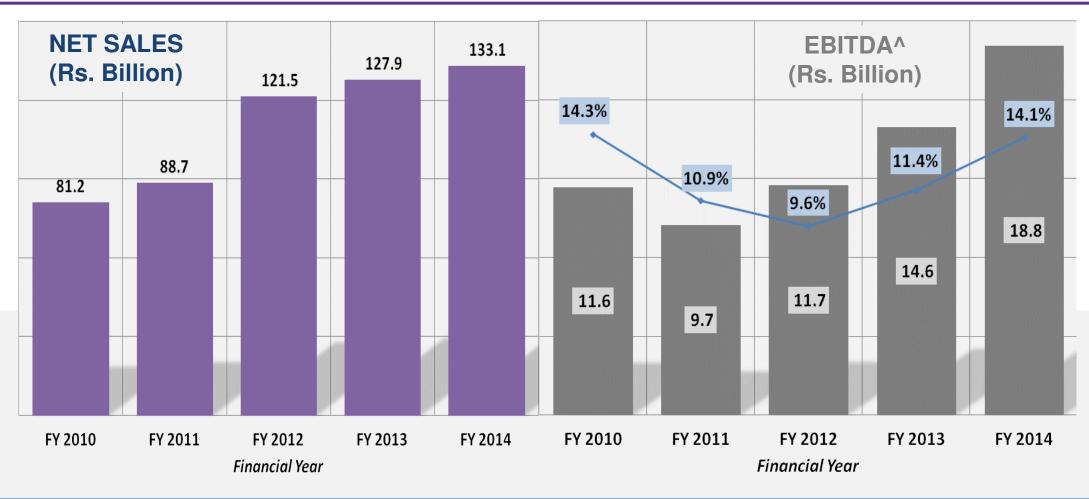
#### **Large Talent Pool**

•~15000 employees<sup>6,7</sup> worldwide





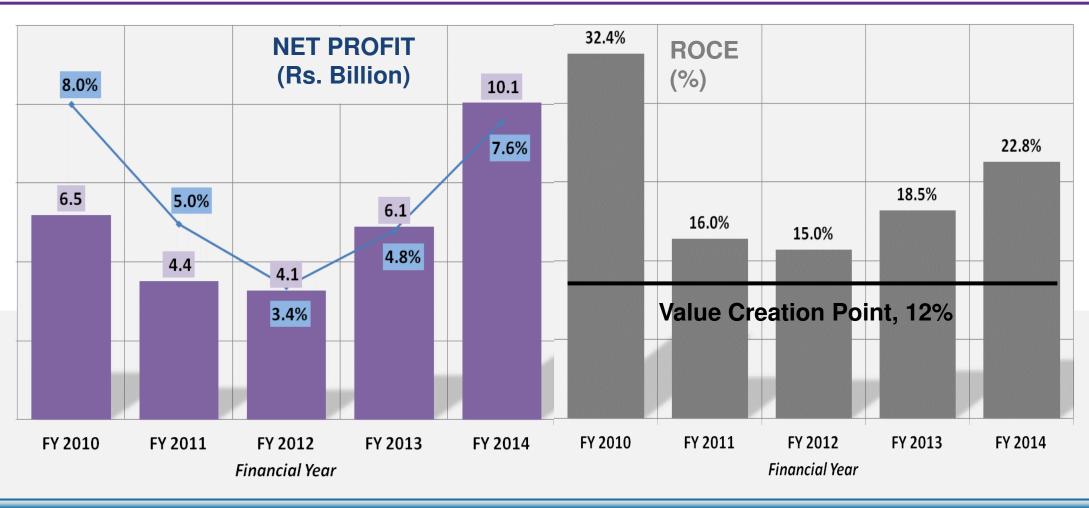




**Net Sales has shown a CAGR of 13%** 

Median EBITDA<sup>^</sup> of 11.4%



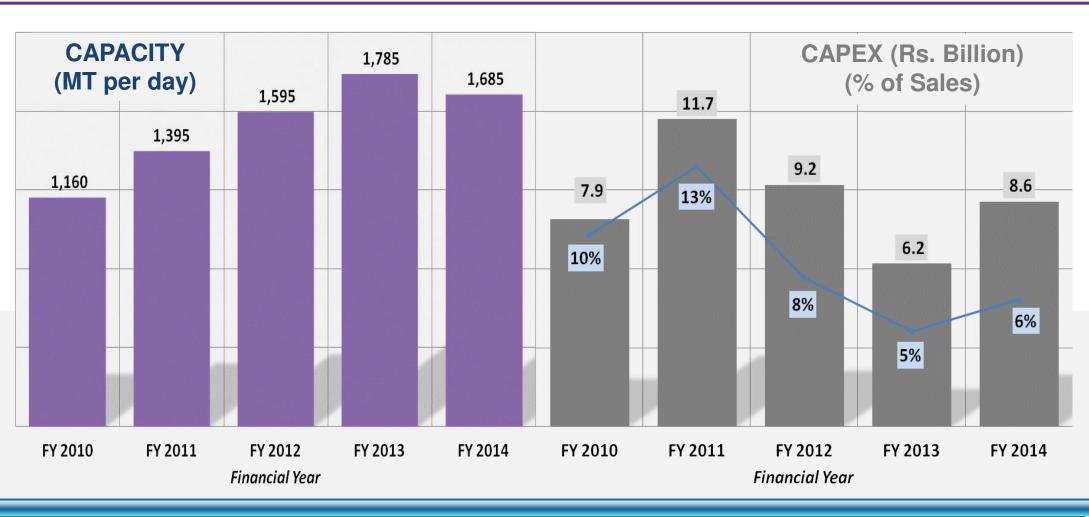


**Median Net Profit of 5.0%** 

**Consistent Value Creation for Shareholders** 

● ● go the distance

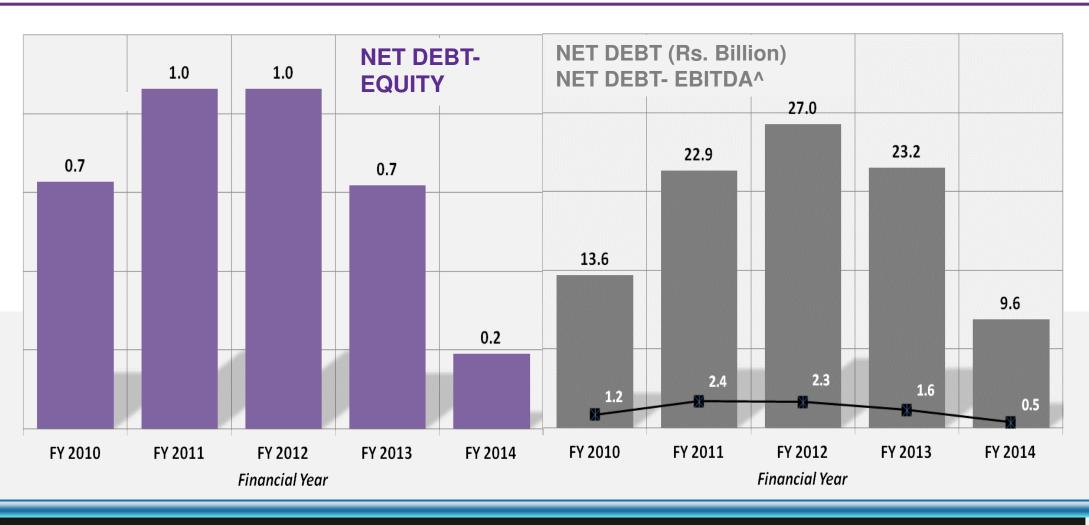




Consistent capital investments to augment capacity and capitalize on market growth

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**Strong Balance Sheet position** 

Consistently maintained conservative leveraging to position for future growth

#### **KEY RELATIONSHIPS WITH GLOBAL BRANDS**



#### Strong relationships with market leading OEMs, raw material suppliers and testing facilities







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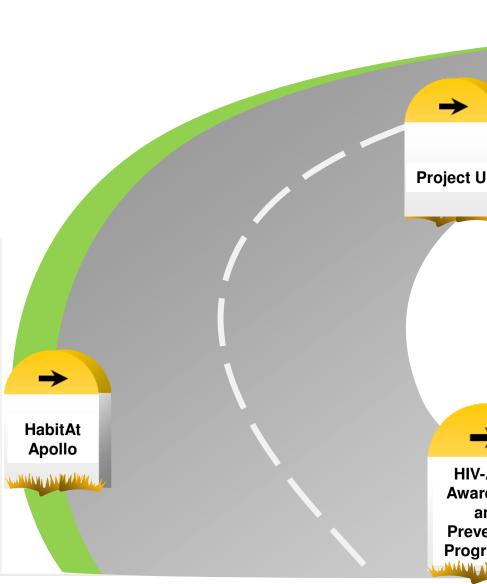
#### STRONG CSR PRACTICE



#### Committed CSR practice with initiatives to add value to the stakeholders



- Paper Recycling Green -O – Bin
- Organic Farming
- Waste Management -Training programs aimed at sensitizing people about environmental degradation due to dumping of waste
- Employee Engagement on **Environment Sustainability**
- Clean My Transport Nagar - CMTN



- Comprehensive program focused on skill up gradation and job placement for the youth at all manufacturing facilities
  - Women Empowerment

**HIV-AIDS** 

**Awareness** 

and

Prevention

**Programme** 

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- Provides voluntary, confidential testing and support
- Large footprint in India Runs 21 Health Care Centers in India that have treated and counseled several from trucking community on issues related to sexual health and HIV-AIDS
- Presented with Asian CSR Leadership Award for the health category (2013)
- Launched in South Africa in FY07<sup>1</sup>

#### **AWARDS & RECOGNITION**



#### Consistently recognized across the board

#### **MARKETING / PR**



Cannes: Silver Lion for 'Adopt a Pothole' campaign in 2013



Cannes: Golden
Dolphin for Marketing
Communication in
2013

#### **LEADERSHIP**



**Ernst & Young**: Young Entrepreneur of the Year in Manufacturing to Chairman of Apollo Tyres in 2012

#### OTHERS

- Mahindra & Mahindra : Sustainability Award in the farming category in 2012
- **General Motors**: Supplier Quality Excellence Award 2012
- **ET**: Gold Award in Manufacturing Excellence Awards 2012
- Museum of Architecture & Design: Good Design Award for the Ultrac Vorti project in 2013
- **FICCI**: Platinum Prize in Quality System Excellence Award 2012

#### **MANUFACTURING / IT**



Tire Technology International: Tire Manufacturer of the Year 2012



SAP: Ace award for Innovation in 2013

#### **BRAND**



**AIMA:** RK Swamy High Performance Brand Award 2012

#### **CSR**

Global sustainability leadership award in 2014 for best community action



Asia Responsible Entrepreneurship Award in 2012 for HIV-AIDS initiative





#### **REVENUE BRIDGE – 9M FY 2015**



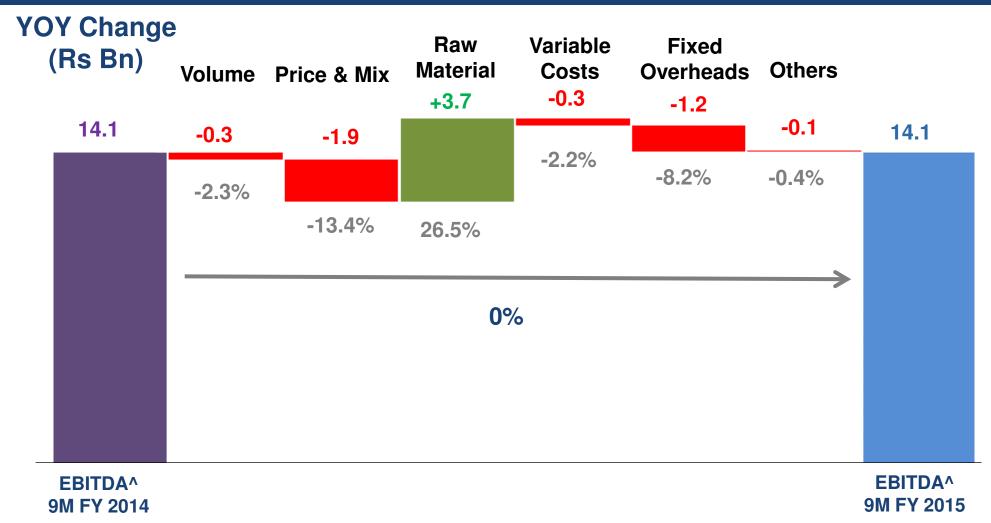
#### Decline in sales due to SA operations sale, weak market conditions



#### EBITDA BRIDGE – 9M FY 2015



#### **Operating Margins have improved**



#### **REVENUE SEGMENTATION - FY 2014**



#### Diversified business across India, Europe & Rest of World, 3/4th in Replacement market

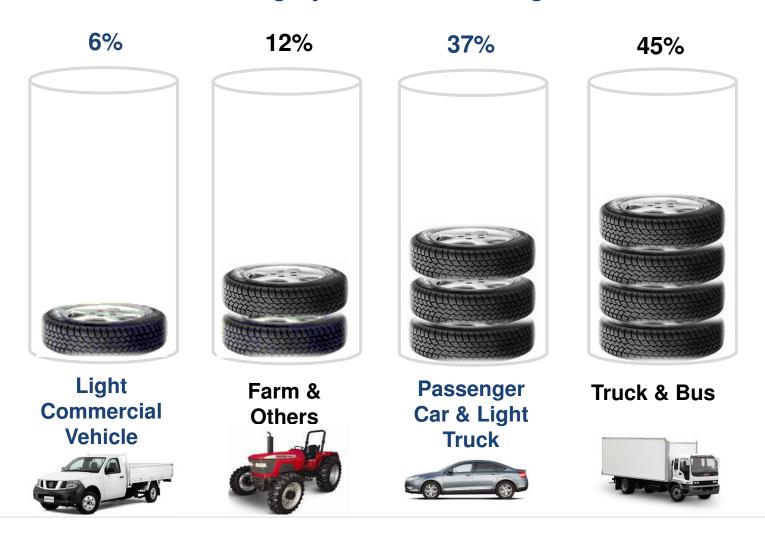
## **Market Wise Region Wise** 14% 28% 59% 21% 79% **Rest of World** India **Europe OEM** Replacement

#### **REVENUE SEGMENTATION – FY 2014**



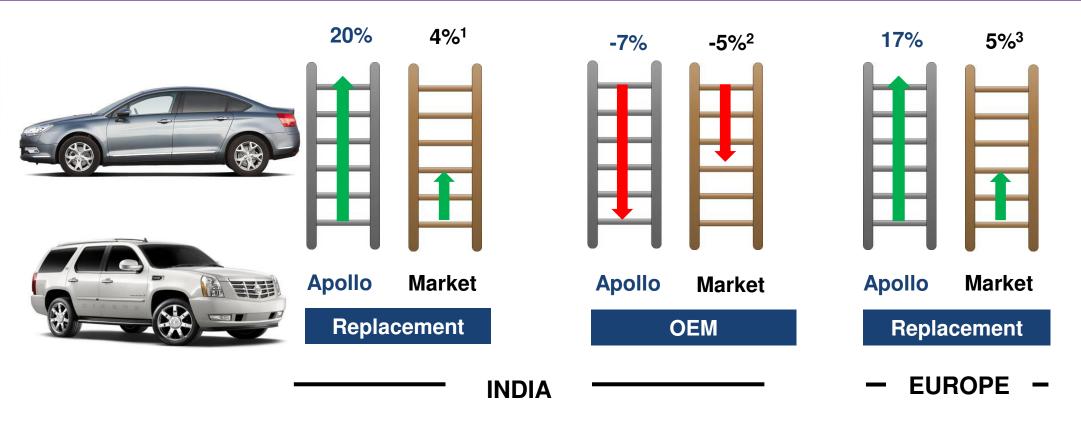
#### ~80% of the revenues are contributed by PCLT and Truck & Bus Tyres

#### **Product Category Wise Revenue Segmentation**



#### PASSENGER CAR & LIGHT TRUCK – FY 2014





- > Outperformed replacement market in both India as well as Europe
  - New Product launches in India

- Pick up of sales of Apollo branded tyres in Europe
- Sustained focus on branded retail outlets
- Improved sales in Summer and All Season tyres in Europe
- > OE market continued to decline for the second consecutive year

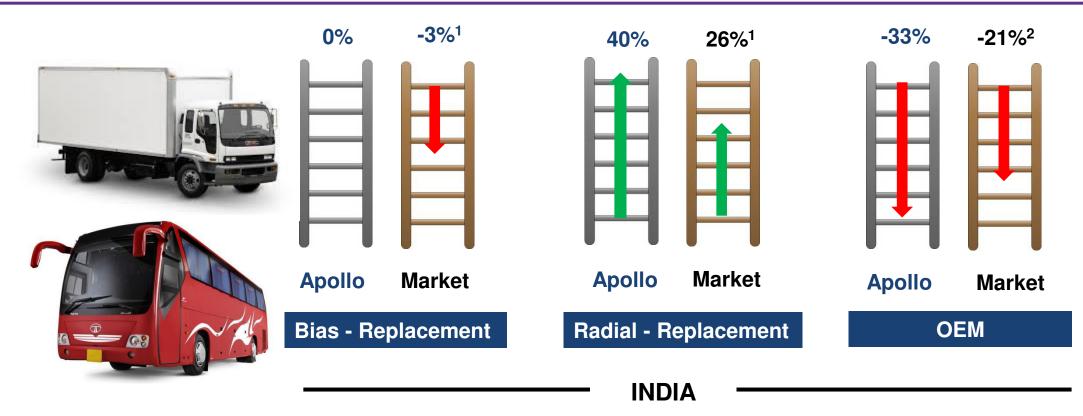
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As per SIAM report for 31st March 2014

<sup>(3)</sup> As per ERMC data for March 2014

#### TRUCK & BUS TYRES - FY 2014





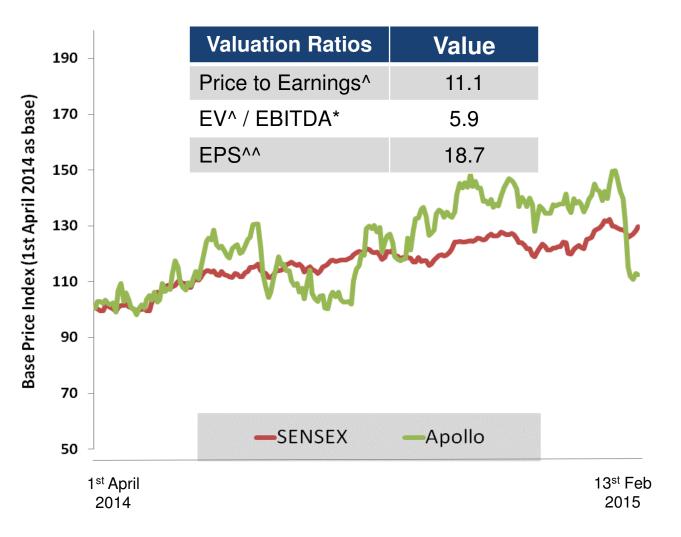
- Outperformed replacement market
  - Refreshed product strategy in bias category
     Customer centric initiatives in both bias and radial categories
- > OE sales suffered
  - Demand declined for some product segments on which primarily Apollo was fitted

<sup>(1)</sup> As per internal estimates

<sup>(2)</sup> As per SIAM report for 31st March 2014

#### **SHARE PRICE TREND & SHAREHOLDING PATTERN**





#### **Shareholding Pattern as on** 30.01.2015

Classification	% of Shares		
Promoters	44.1%		
Financial Institutions/ Banks/ Mutual Funds	5.6%		
FIIs/NRIs	35.9%		
Government of Kerala/ Travancore/ Titanium Products Ltd.	2.0%		
Public	12.4%		

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^^ For LTM 31st December 2014

<sup>^</sup> Based on 15 days average share price (from 1st Feb 2015- 15th Feb 2015)

<sup>\*</sup> EBITDA is without other income and exceptional items for LTM 31stDecember 2014



# apollo KEY COMPETITIVE STRENGTHS



## **Key Competitive Strengths**



#### Leading Manufacturer



One of India's leading tyre manufacturers growing into a global tyre group

#### Global Presence



Global presence with proximity to growth and profit pool markets

#### Diverse Portfolio



Well positioned multi-brand strategy with diverse product offering, supported by extensive International distribution network

#### **Proven Success**



Proven success in pursuing strategic growth

#### **R&D Focus**



Strong focus on R&D and testing capabilities

#### **LEADING PLAYER IN INDIA**



#### Leading player in India with significant market share across product categories

#### **MARKET SHARES**







Market Leader for more than a decade in the Truck Tyres category

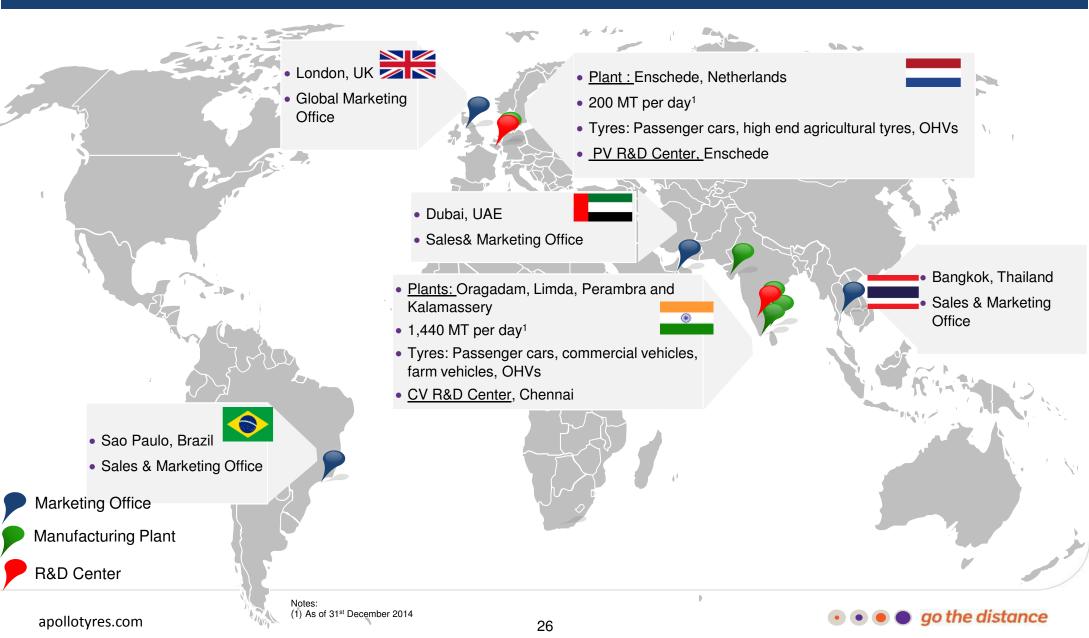
One of the top 3 players in the Passenger Car Tyres category

<sup>^</sup> Based on internal estimates. Market shares for 9M FY 2015

# Global Presence With Proximity to Growth and Profit Pool Markets



#### Sales to more than 100 countries world wide



# Well positioned multi-brand strategy across different segments



#### Vredestein commands a premium position in passenger car tyres

Pricing segment	Brand	Brand Positioning	UHP & Winter tyres	Passenger vehicles tyres	Commercial vehicles tyres	Farm vehicle tyres	Off highway tyres	Bicycle	Peers
Тор	REDESTE	Global Niche Premium	<b>√</b>	✓		✓	✓	✓	BRIDGESTONE  Ontinental  TRELLI  MICHELIN
Medium	apollo	Global	✓	✓	✓	✓	✓		TOYO TIRES  driven to perform  WHANKOOK  TOYO TIRES  KUMHO TYRES
Others	<u> </u>	Global Challenger		✓	✓				
Others	KAMEN TYRES	Global Challenger			✓				

The ideology behind our brands is 'Reliability' & 'Customer Safety'

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## **Brand Tie-up with Manchester United**



Leverage the partnership with Manchester United to raise Apollo Brand's awareness among potential customers, business partners and consumer audiences in key markets



Apollo Tyres is Manchester United's Official Tyre Partner in several territories including Europe and India

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## WIDE DISTRIBUTION NETWORK ACROSS INDIA & EUROPE



#### Well positioned to support sale of its regional brands

#### India



#### **Extensive distribution network in India**

- ~4,900 (incl. ~1,600 exclusive) retail dealers\*
- 160 sales, service & stock points
- 19 state offices
- Wide specialist network\*: Apollo Super Zone, Apollo Zone, Apollo CV Zone, Apollo Point

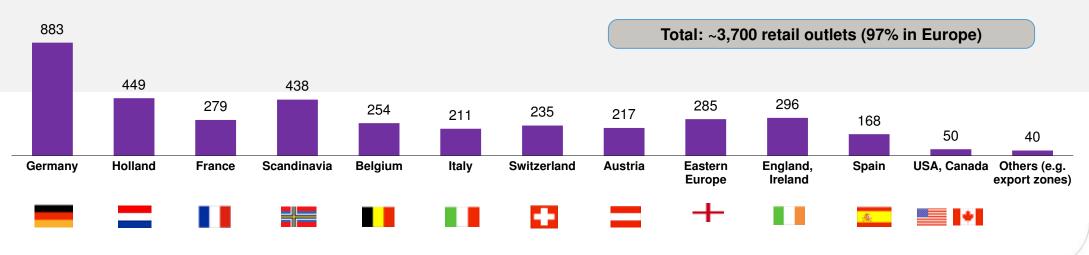
#### **Europe**



#### **Distribution network across Europe**

- ~3,550 third party dealers in Europe
- 25 distribution centers, retail stores, warehouses ,offices etc

#### Vredestein distribution network: Ability to deliver within 90% of Europe within 24 hours



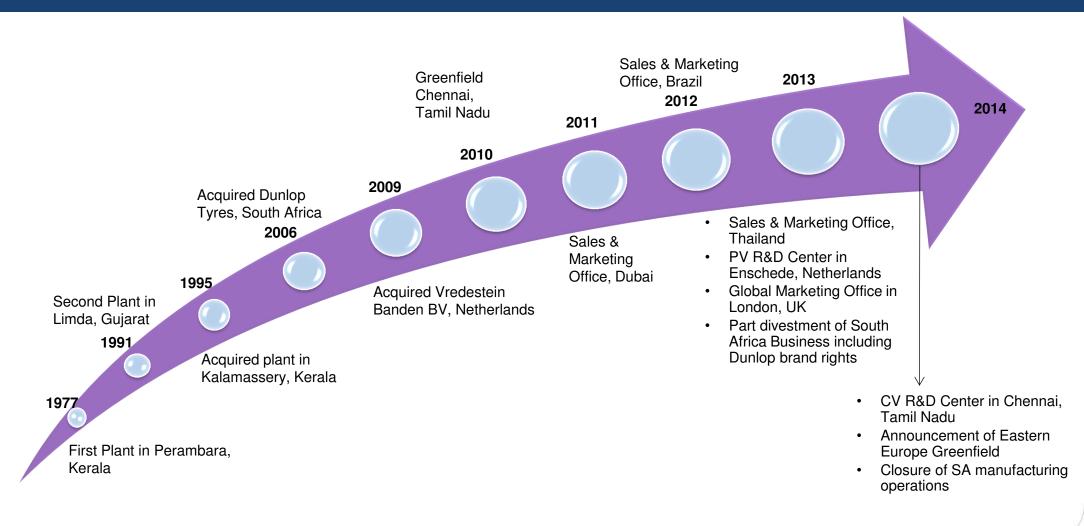
Notes:

\*Not Company owned

#### PROVEN SUCCESS IN STRATEGIC GROWTH



History of establishing manufacturing plants, international sales offices and acquiring global assets to become a truly international player



#### STRONG R&D AND TESTING CAPABILITIES



□ Focus on New Product Development to Grow Market Share
□ Research of new transportation solutions with lowest possible impact on environment
□ Partnered with various technical bodies, universities and OEM partners across the world

Commercial Vehicle (CV) R&D Centre, Chennai, India

- Experienced team of 110 employees<sup>1</sup>
- Developed market leading brands in truck radial and cross-ply categories for India
- Developed superior compounds for Mileage, Rolling Resistance & cut chip resistance
- Launched the new XMR with LiveBond Steer mile technology in India: We believe it offers customers lower cost of ownership and more total tyre life



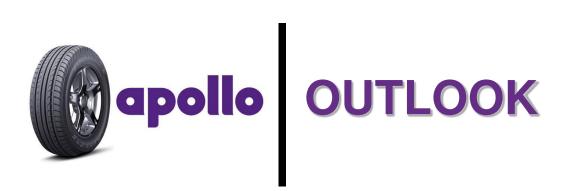
Passenger Vehicle (PV) R&D Centre, Enschede, Netherlands

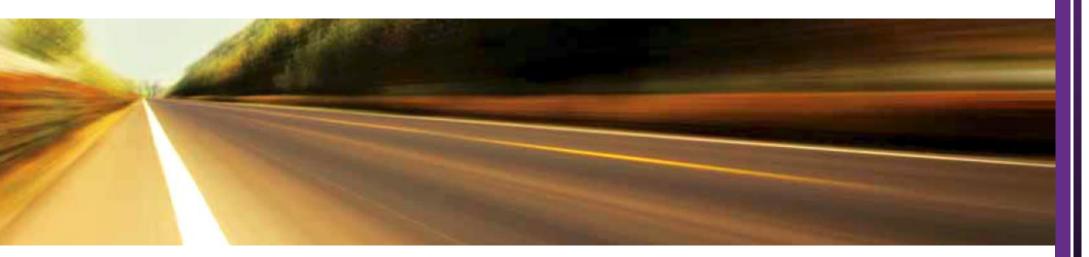
- Experienced team of 119 employees<sup>1</sup>
- Proven history of manufacturing expertise and innovation
- Developed 'Spacemaster', a collapsible spare tyre for high end cars
- Launched the variable front spoiler made with a specially developed EPDM rubber for the European market that we believe helps in improving high speed handling and fuel efficiency
- Focus on sustainable material research: Development of the production chain of natural rubber and Inulin from Russian dandelions & use of reprocessed material as a replacement for natural rubber



Note

1. As of 30th June 2014





#### OUTLOOK





- •Economic recovery expected in near term
- Recovery in OEM in India expected to start in H1 FY 2016
- European market showing marginal positive growth
- Marginal increase in raw material prices expected in FY 2016
- Setting up Greenfield plant in Eastern Europe with a potential spend of €500 mn over next 5 years
- Expanding Truck Radial capacity in Chennai plant with a potential spend of Rs. 15 Bn over next 3 years

## Thanks



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