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ATL/SEC/21

November 5, 2020

The Secretary, BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	The Secretary, National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051
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**Sub: Investor Meet – Presentation**

Dear Sirs,

Pursuant to Regulation 30(6) and 46(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the presentation to be shared at the Investors Conference Call scheduled to be held today, November 5, 2020.

The presentation is also available on the website of the Company i.e [www.apollotyres.com](http://www.apollotyres.com).

This is for your information and records.

Thanking You

Yours Sincerely  
For APOLLO TYRES LTD

A handwritten signature in blue ink that reads "Seema Thapar".

(SEEMA THAPAR)  
Company Secretary

# 2Q FY 2021 – Investor Presentation



**November 2020**

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# Apollo Tyres – The No 1 Radial Tyre Player in India



## Large scale & sustained profitability profile

- ❖ Consolidated Revenue of ~₹161 Bn in FY 2020
- ❖ Consolidated EBITDA of ~₹19 Bn (12%) in FY 2020



## Strong brands with leading market positions

- ❖ Apollo Tyres: #1 in Truck & Bus & #2 in Passenger vehicles in India
- ❖ Vredestein: Dominant position in fast growing all season PCLT segment



## Robust manufacturing and R&D footprint

- ❖ 7 Manufacturing Plants (India: 5, Europe: 2)
- ❖ 2 R&D centres (Asia/Europe) and 1 Satellite centre



## Deep distribution network built over time

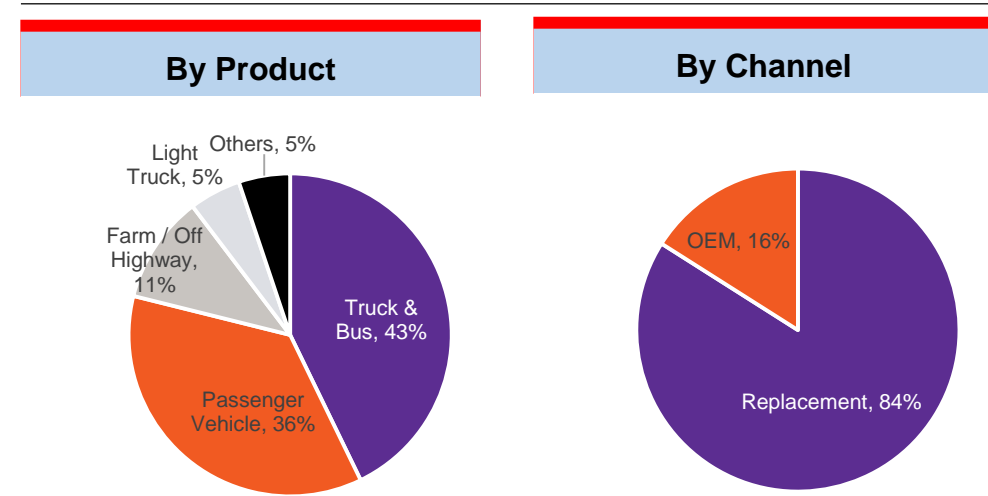
- ❖ ~6,600 dealers in India; Added +350 dealers in 1H FY21
- ❖ ~6,500 dealers across Europe; Added +200 dealers in 1H FY21



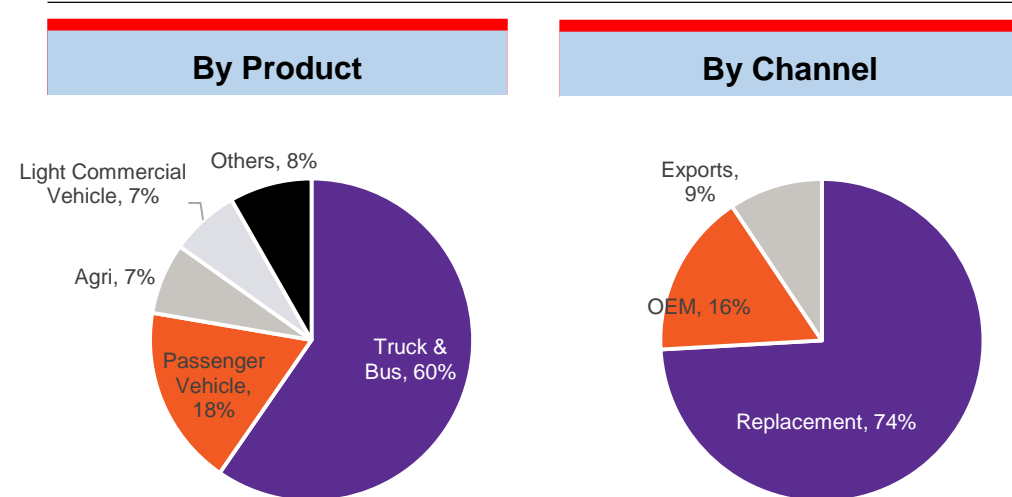
## Strong supportive ecosystem of talent

- ❖ ~18,000 employees

Revenue Mix – Consolidated 2Q FY 2021

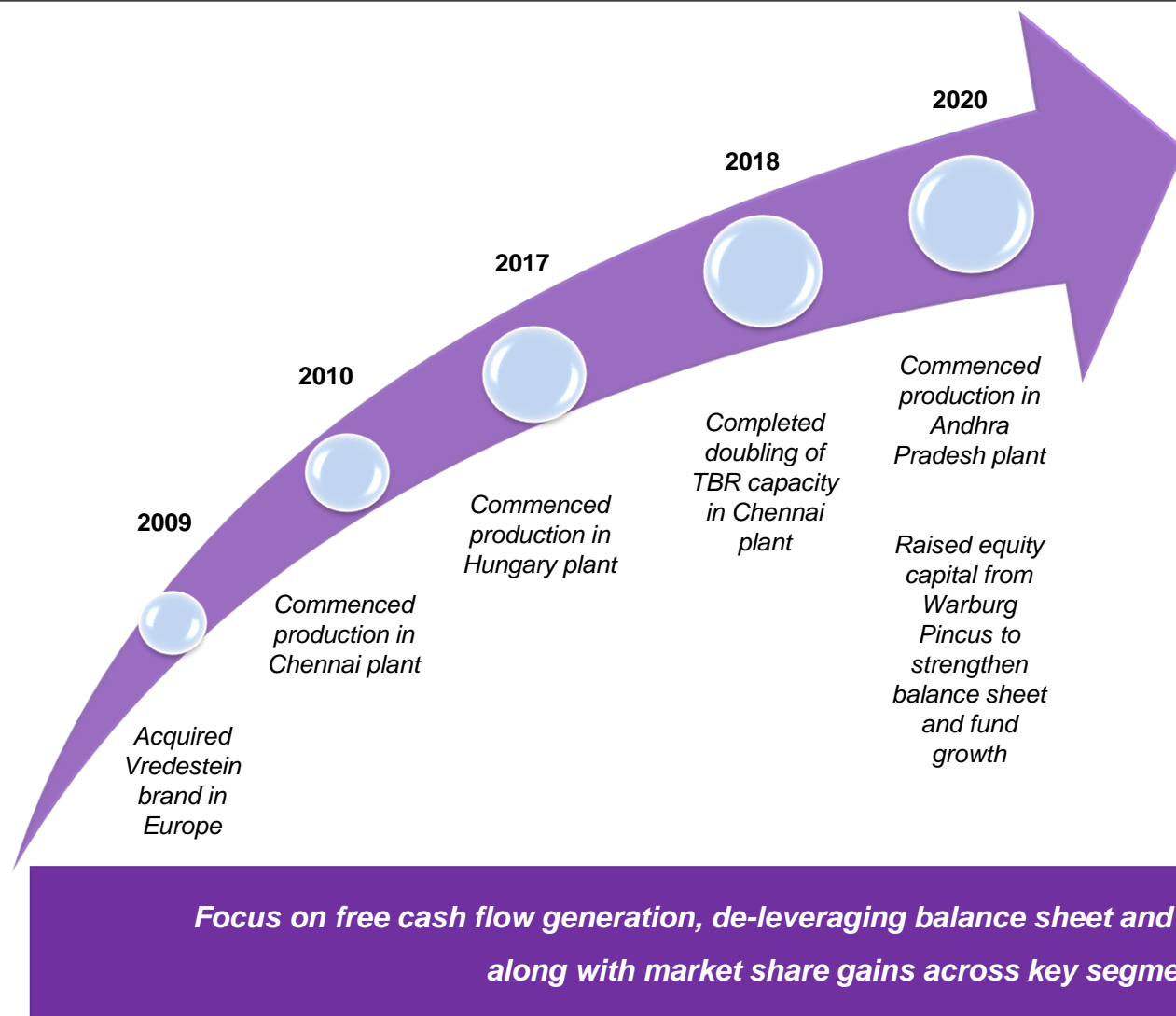


Revenue Mix – India 2Q FY 2021



# Well Set to Leverage Attractive Market Opportunity

## Key milestones over past ~10 years



### Past Decade

Significant investments made in building brand, plant infrastructure, distribution, and R&D capability

### Today

Enjoy leading market position and industry-leading capacity having made timely investments

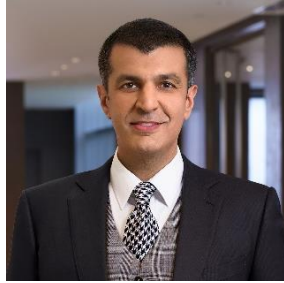
Approaching end of current capex cycle and with continued focus on key building blocks (R&D, Distribution, Branding/Marketing, etc.), well placed to capitalize on growth opportunity going forward



# Strong Management Team with Deep Experience



**Onkar S Kanwar**  
Chairman &  
Managing Director



**Neeraj Kanwar**  
Vice Chairman &  
Managing Director



**Hizmy Hassen**  
IT & Digital

Years with Apollo: -



**Markus Korsten**  
Advanced  
Manufacturing &  
European  
Manufacturing  
Operations  
Years with Apollo: 7



**Gaurav Kumar**  
Finance & Legal

Years with Apollo: 16



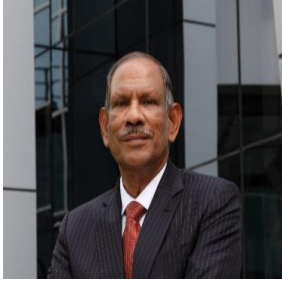
**Daniele Lorenzetti**  
Research &  
Technology

Years with Apollo: 4



**Pedro Matos**  
Global Programme  
Management &  
European OE Business

Years with Apollo: 6



**PK Mohamed**  
(Advisor) Technology

Years with Apollo: 44



**K Prabhakar**  
Projects

Years with Apollo: 31



**Benoit Rivallant**  
European Operations

Years with Apollo: 6



**Sunam Sarkar**  
CSR, Human  
Resources, IT,  
Procurement & Supply  
Chain

Years with Apollo: 21



**Yoichi Sato**  
Quality, Health, Safety  
& Environment

Years with Apollo: 2



**Satish Sharma**  
Asia Pacific, Middle  
East &  
Africa Operations

Years with Apollo: 23

# Experienced Board of Directors with Wide Expertise



**Onkar S Kanwar**

Chairman &  
Managing Director  
Apollo Tyres



**Neeraj Kanwar**

Vice Chairman &  
Managing Director  
Apollo Tyres



**Anjali Bansal**

Former Partner and  
India MD  
TPG Private Equity

Independent Director



**Akshay  
Chudasama**

Managing Partner  
Shardul Amarchand  
Mangaldas & Co

Independent Director



**Francesco Crispino**

Co-Founder  
Greater Pacific Capital

Independent Director



**Francesco Gori**

Former-CEO  
Pirelli

Non Independent  
Director



**Vishal Mahadevia**

MD, Head of  
Warburg Pincus India

Non Independent  
Director



**Vikram S Mehta**

Former Chairman  
Shell Group India

Independent Director



**Vinod Rai**

Former Comptroller  
and Auditor General of  
India

Independent Director



**Sunam Sarkar**

President & Chief  
Business  
Officer, Apollo Tyres  
Holdings  
(Singapore) Pte Ltd  
Non Independent  
Director



**Satish Sharma**

President – APMEA  
Apollo Tyres

Non Independent  
Director



**Pallavi Shroff**

Managing Partner  
Shardul Amarchand  
Mangaldas & Co

Independent Director



**Gen. Bikram Singh**

Former Chief of Indian  
Army

Independent Director



**Robert Steinmetz**

Former Head of  
International Business  
Continental AG

Non Independent  
Director



## ❖ Positive industry dynamics

- ❖ Robust demand momentum in replacement segment
- ❖ India in rapid phase of radialization trend – strong underlying growth profile
- ❖ Attractive market structure consolidating around strong, established domestic brands
- ❖ Restriction on imports have further added to market attractiveness for domestic producers

## ❖ Clear roadmap to healthy profit levels in Europe

- ❖ Specialisation of Dutch plant would lead to significant improvement in cost competitiveness
- ❖ Improvement in product mix in PCLT segment
- ❖ European business gaining market share in focused categories (UHP PCLT / UUHP PCLT / TBR / Agri)

## ❖ A strong portfolio of brands with leadership positions

- ❖ Volume and price leadership in Truck & Bus (India)
- ❖ Gaining market share in other segments (e.g. Passenger vehicles, 2W) & Geographies (e.g. Vredestein in Europe)

- ❖ **Strong execution in challenging market environment**
  - ❖ Both revenues and profits higher than prior year for last quarter, despite COVID-19
  - ❖ Continue to gain share in replacement and OE markets in India
  - ❖ Efficient working capital management also contributed to free cash flow generation
  - ❖ Digital launches helped reduce fixed costs and also leverage new age marketing tools
  - ❖ Despite headwinds because of Covid-19, ensured timely commercialization of Andhra Pradesh plant
  
- ❖ **State of art production facilities and continued focus on R&D**
  - ❖ State of art facilities with focus on automation have helped achieve manufacturing excellence
  - ❖ Podium position in European PCLT test results
  
- ❖ **Backed by long-term private equity investor**

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## India

- ❖ Strong demand momentum across key segments
  - ❖ Recorded best ever volumes in Truck & Bus replacement and Passenger vehicle replacement in September 2020
  - ❖ Recorded best ever volumes in Agri (tractor rear) replacement in June 2020
  - ❖ Enthusiastic response to recent launches in 2W segment
- ❖ In first five months of FY21 gained ~500bps market share in Passenger vehicle / Agri and ~350bps market share in Truck & Bus segment (as per internal estimates)
- ❖ OEM demand started recovering towards the end of 2QFY21.
- ❖ Expanded distribution footprint (+350 dealers in 1HFY21). Touch points in Rural India more than tripled in 1HFY21
- ❖ Maintained strong operating performance, reporting EBITDA margin of 19% in 2QFY21 and 16% in 1HFY21

## Europe

- ❖ Witnessed market recovery and expanded customer base (added +200 customers in 1HFY21)
- ❖ Maintained revenues at same level as last year despite tough environment
  - ❖ Market share gains - 12 bps in UHP / UUHP PCLT segment, 23bps in TBR segment & 25bps in Agri segment 1HFY21
  - ❖ Introduced 2 new product ranges in winter and all season segments with podium positions
- ❖ In advanced stages of plant specialisation, which would lead to significant improvement in cost competitiveness

## Cash flows

- ❖ Generated free cash flow (consolidated) of ₹ ~9.1bn during 1HFY21, driven by
  - ❖ Recovery in top line performance and control over costs
  - ❖ Reduced finished goods inventory (consolidated) by 30% (compared to Mar'20) and RM inventory by 7% (compared to Mar'20) leading to efficiency in working capital
- ❖ Reduction in capex

## Fund mobilization

- ❖ Raised ₹ 10.8bn from a top private equity Investor
- ❖ Raised debt in early part of 1QFY21 at competitive rates to adequately strengthen the liquidity position at the onset of Covid-19 crisis

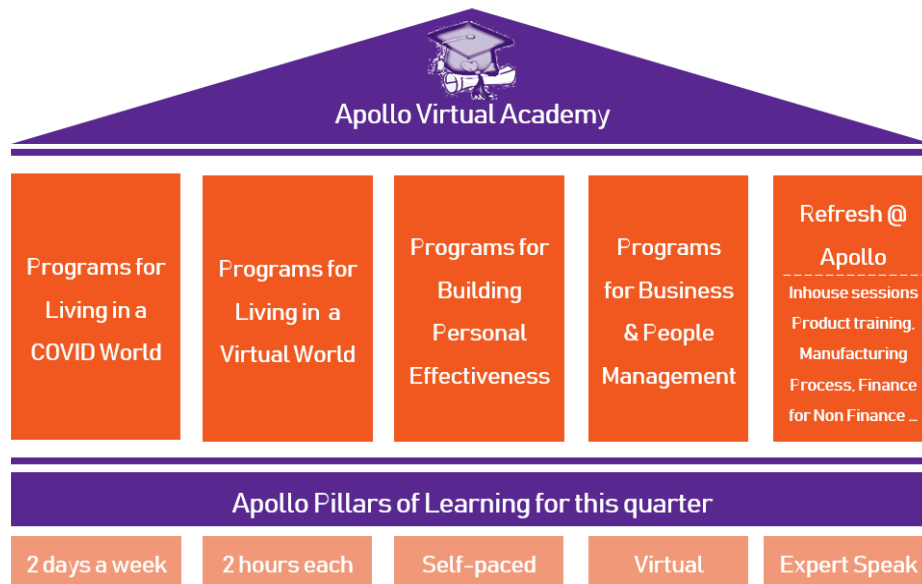
## Balance sheet deleveraging

- ❖ Reduced net debt from ₹ 60bn (Mar '20) to ₹ 46bn (Sept '20), helped by
  - ❖ Positive free cash flow generation
  - ❖ Well timed fund raise
- ❖ Net Debt / EBITDA (TTM) stands at 2.4x as on 30 Sep'20 (3.2x – Mar '20)



# Dealing with COVID-19 – Employee Initiatives

## Employee Engagement, Recognition and Welfare



The graphic for the Voluntary Corona Kavach Policy. It features an illustration of four people in business suits holding a large red umbrella, standing in front of a background of red coronavirus particles. To the right of the illustration is a dark grey box with white text listing the policy details.

**VOLUNTARY CORONA KAVACH POLICY**

- COVID SPECIFIC POLICY
- HOSPITALISATION EXPENSE COVERED
- HOME CARE EXPENSE COVERED
- COVID TEST EXPENSE COVERED

The graphic for the COVID Helpline Service. It features an illustration of a person in a yellow shirt standing next to a laptop, with a doctor in a white coat and stethoscope on the screen. To the right of the illustration is a white box with black text listing the service details.

**COVID HELPLINE SERVICE**

**ONLINE DOCTOR CONSULTATION**

**OPERATING IN NEW "NORMAL" WORLD**

- Consult with a Doctor via Video Call
- Check COVID symptoms and general health advisory assistance
- Valid till 10<sup>th</sup> September 2020, service will be renewed basis feedback

Enclosed is User Manual for appointment booking

# Dealing with COVID-19 – Resuming production



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## ❖ Strong focus on business fundamentals

- ❖ Consolidating position in India with 3R strategy
  - ❖ Range – A formidable portfolio that allows leadership position in India and a wider footprint in export markets
  - ❖ Rural – New distribution formats facilitating access to untapped markets
  - ❖ Retail – Focus on Branded Retail Format
- ❖ Focus on premium (UHP / UUHP PCLT) segments in Europe
- ❖ Continued investments in brand building and R&D
- ❖ Ramp up of Andhra Pradesh Plant

## ❖ Cost control & rationalisation

- ❖ Focus on fixed cost reduction
- ❖ Supply chain initiatives like network re-design etc, to help reduce costs while optimizing working capital
- ❖ Cost competitiveness from planned specialisation of Dutch plant

*Focus on improving return on capital profile, reducing leverage ratios and generation of positive free cash flow*

## ❖ Thrust on Digitalisation

- ❖ Focus areas - Process digitalization, Business Model Innovation and Social media use in media mix
- ❖ Multiple digital product launches across regions

## ❖ Focus on raw materials

- ❖ R&D focus on new recipes to a) boost performance and b) reduce input costs
- ❖ De-risking business model from a) single source suppliers and b) dependence on specific countries for certain inputs
- ❖ Focus on strategic tie ups for RM sourcing

## ❖ Focus on capex and balance sheet

- ❖ Control over capex and capital allocation
- ❖ Focus on sweating assets, generating positive free cash flows and improving RoCE
- ❖ Balance sheet deleveraging to be a key focus area

*Focus on improving return on capital profile, reducing leverage ratios and generation of positive free cash flow*



# Focus on Brand Building

Global brands with a legacy of performance, quality, trust and reliability



## Most Valuable Indian Brands (2019) – Brand Finance

Rank 53

Rank 69

Rank 93

Apollo

MRF

JK

Onboarded “God of Cricket” as Apollo Tyres’ Brand Ambassador





## Customer engagement activities

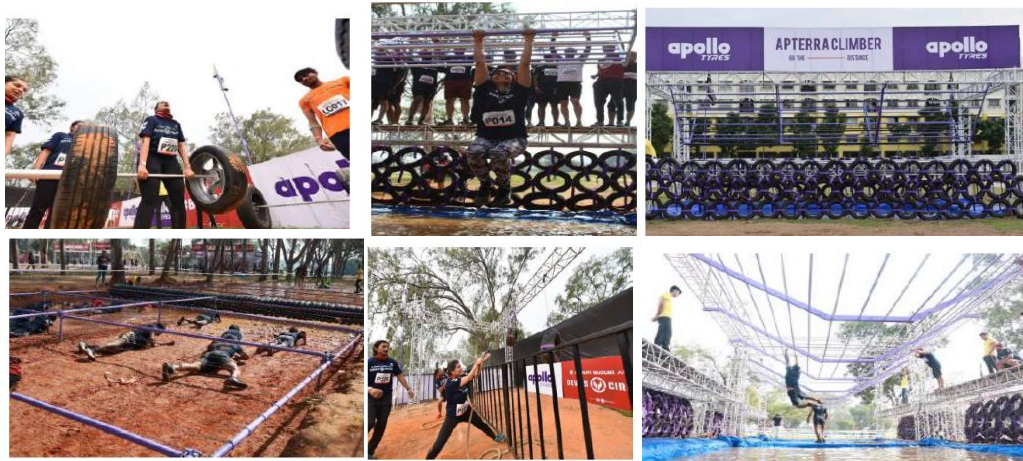
### Bad road buddies



### Track day in Hungary



### Devil's circuit

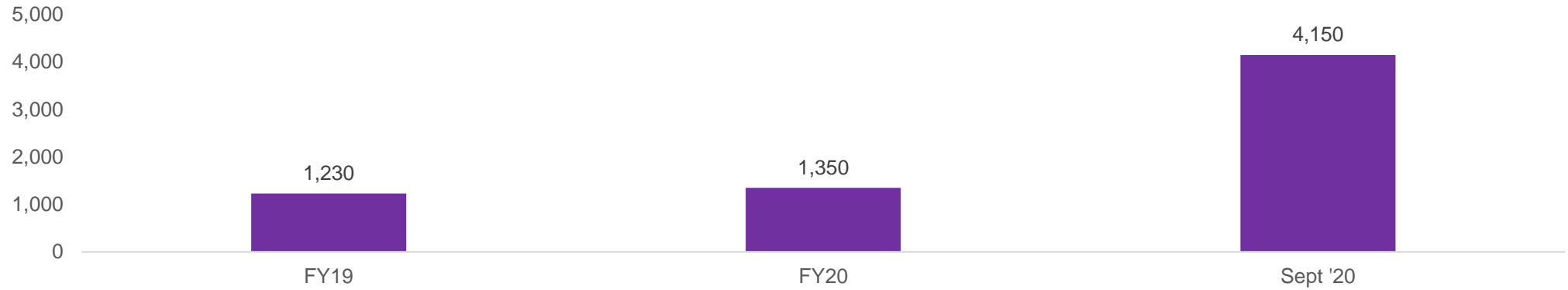


### Art of driving videos



# Expanding Footprint in Rural India

Total rural outlets (including sub dealers)



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## India

- ❖ Continued focus on gaining new customers and deepening ties with existing customers in the OEM segment
  - ❖ Started deliveries to Kia India
  - ❖ Secured fitment on almost all recently launched SUVs - Hyundai Creta , Tata Gravitas & Toyota Urban Cruiser
  - ❖ Secured fitment of TBR on Tata Signa 5528
  - ❖ Tata's new generation LCV launched on Apollo Endurance tyre
- ❖ Continued focus on strengthening market position in replacement segment
  - ❖ Continue to make strong gains in the Passenger vehicle and tractor rear segment
  - ❖ Strong response to high end 2W radial tyre (Alpha) launch

## Europe

- ❖ Growing OE penetration has helped grow share of car dealer business (revenue share of car dealer business grew by 40bps in 1H FY21)
- ❖ Gained market share in UHP / UUHP PCLT segments resulting in improvement in sales mix (~360 bps increase in UHP/UUHP revenue share in total PCLT)
- ❖ Podium positions in test results



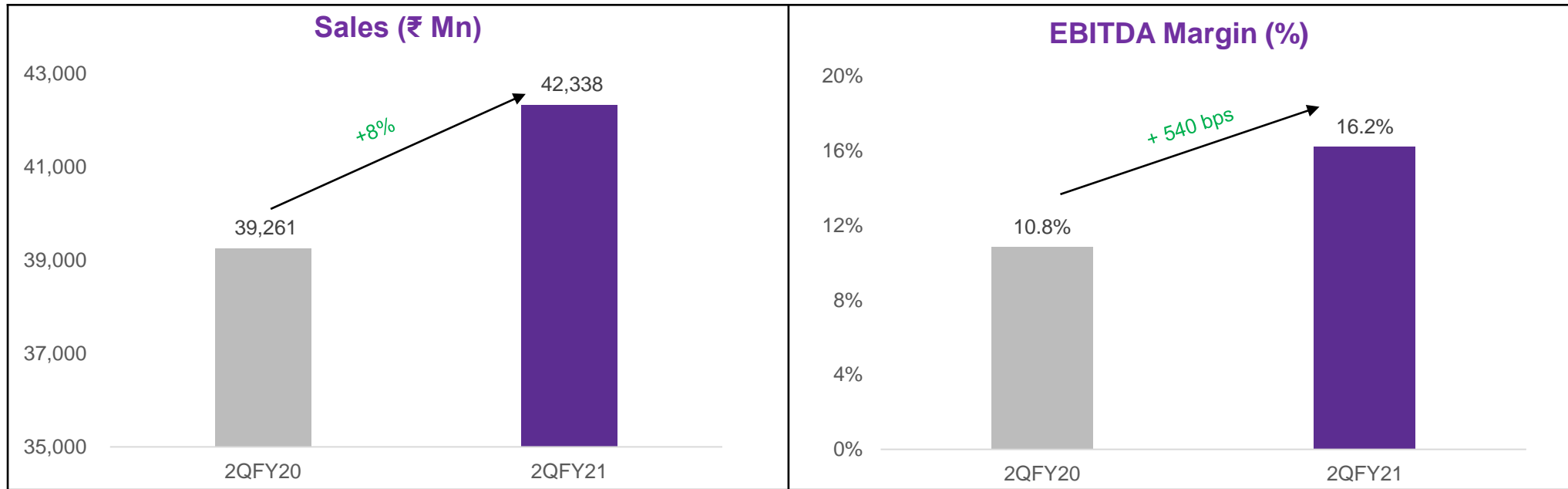
# Podium Positions in Europe



Date	Test Agency	Recommendation	Position	Tyre Model
Apr-20	ADAC	Recommendable	4th	Vredestein Vorti
Apr-20	AutoBild Top 50	Exemplary	4th+5th	Vorti and Aspire XP
Apr-20	AutoBild Allrad	Exemplary	3rd	Vredestein Ultrac Satin
Apr-20	AutoBild Sportscars	Good	4th	Vredestein Vorti
Apr-20	AutoMotorSport	Good	4th	Vredestein Vorti
Sep-20	Consumer Reports	Recommendable	2nd	Vredestein Hitrac
Sep-20	Consumer Reports	Recommendable	3rd	Vredestein Pinza AT
Sep-20	ADAC	Recommendable	3rd	Vredestein Wintrac Pro
Sep-20	AutoMotorSport	Exemplary	3rd	Vredestein Wintrac Pro
Sep-20	AutoBild Top 32	Exemplary	2nd	Vredestein Quatrac
Oct-20	AutoBild Allrad	Exemplary	3rd	Vredestein Wintrac Pro

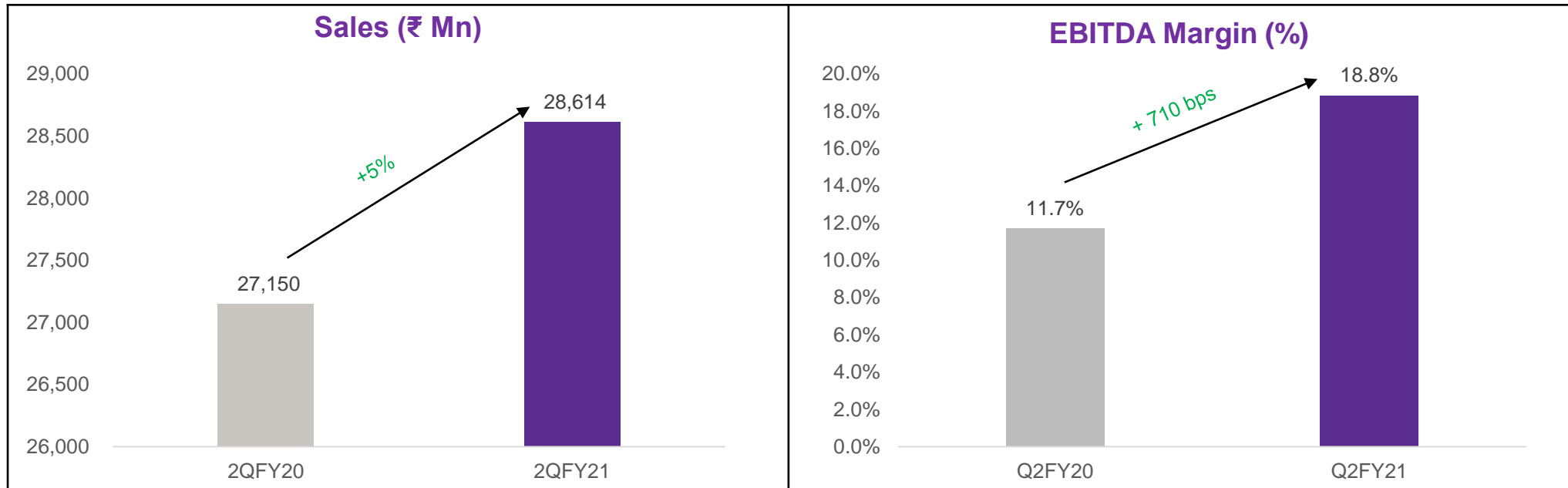
*Podium positions are key driver of improvement in market share, price positioning and profitability*

# Operating Highlights – Consolidated



- ❖ Topline performance driven by demand recovery both in India and Europe
- ❖ Margin performance helped by a) recovery in topline, b) subdued RM cost and c) control over costs
- ❖ Among the key subsidiaries, Reifencom GmbH reported 16% YoY growth in topline

# Operating Highlights – India



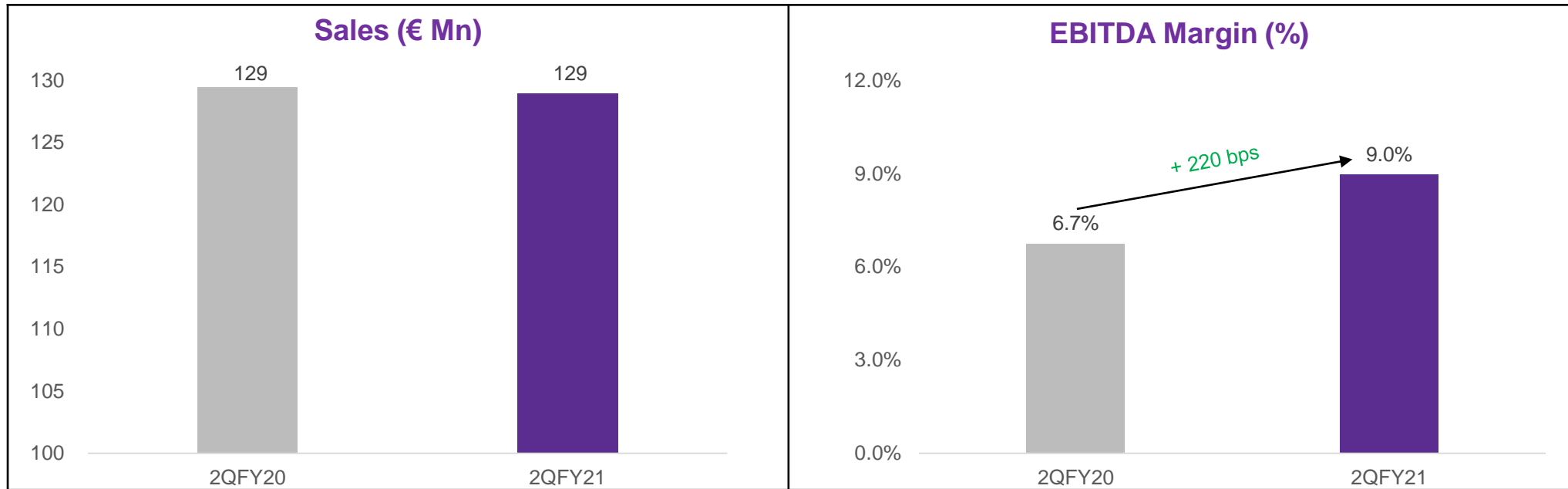
## ❖ Volume

- ❖ Almost all product segments posted double digit volume growth (YoY) in replacement segment
- ❖ Even in OEM we saw volume growth in key product segments in September 2020

## ❖ EBITDA margins were supported by a) recovery in topline, b) improvement in sales mix, c) lower RM cost and d) control over fixed costs

## ❖ Have undertaken an employee optimization exercise across geographies resulting in a one off expense in 2QFY21

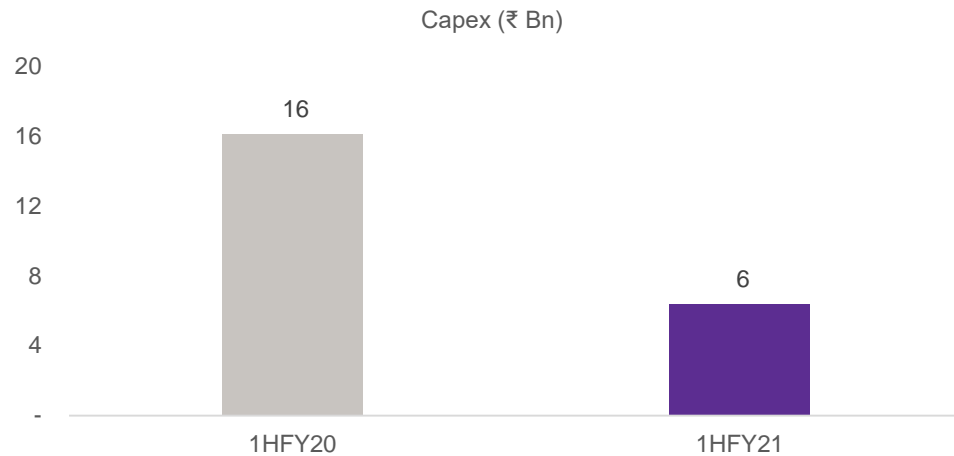
# Operating Highlights – Europe<sup>1</sup>



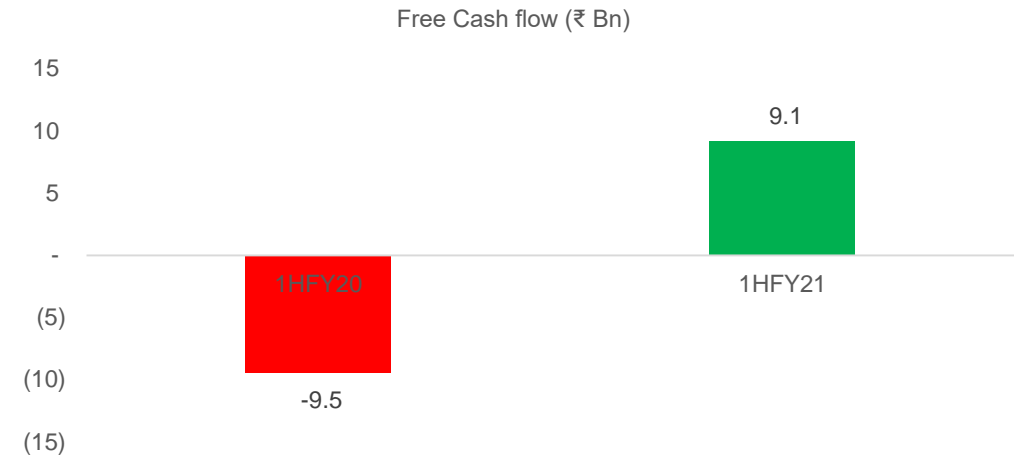
- ❖ Maintained YoY revenue despite subdued demand environment
- ❖ Gained market share in UHP and UUHP PCLT segments
- ❖ Margin supported by mix improvement, lower RM cost and cost containment measures

# Consolidated Cash Flow & Balance Sheet Highlights

## Control over capex



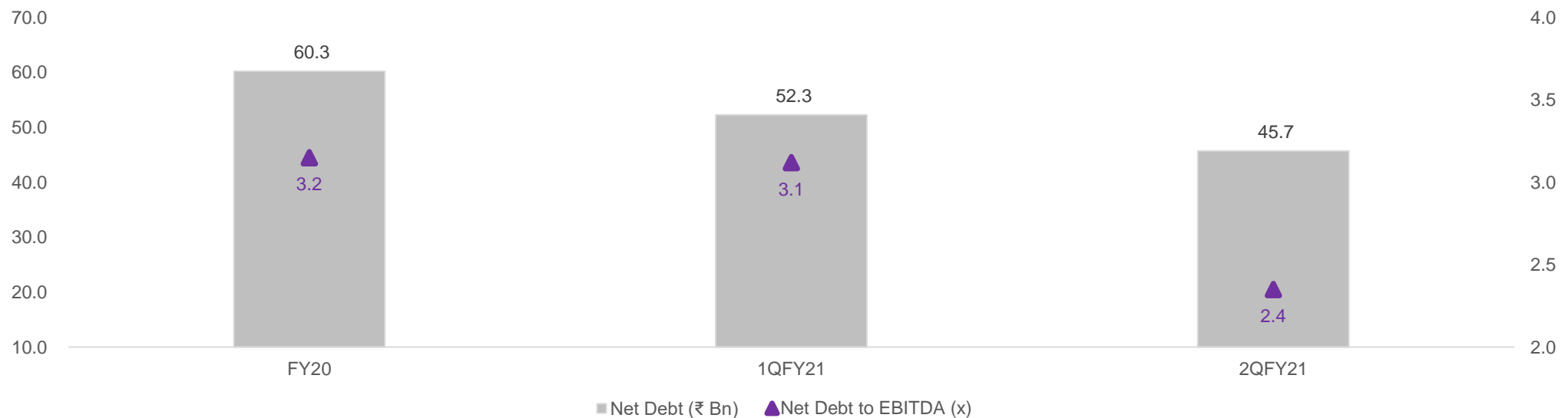
## Free cash flow generation



Notes:

1. Free Cash Flow: Cash from operating activities less capex, interest and lease payments

## Further strengthened balance sheet





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# Profit & Loss – Consolidated

Particulars (₹ Mn)	2QFY21	2QFY20	1QFY21	% Change - YoY	% Change - QoQ
Net Sales	42,338	39,261	28,282	8%	50%
Other operating Income	489	597	452	-18%	8%
Raw Material <sup>1</sup>	23,014	22,442	16,308	3%	41%
Staff Cost	6,233	5,943	5,370	5%	16%
Other Costs	6,632	7,154	4,684	-7%	42%
EBITDA	6,948	4,320	2,373	61%	193%
EBITDA Margin	16.2%	10.8%	8.3%		
Depreciation	3,312	2,742	3,091	21%	7%
Other Income	385	40	268		
EBIT	4,020	1,618	-450	148%	-993%
EBIT Margin	9.4%	4.1%	-1.6%		
Interest	1,167	640	1,172	82%	0%
Tax	793	148	-276		
PAT	2,000	831	-1,346		
PAT Margin	4.7%	2.1%	-4.7%		

# Profit & Loss – Standalone

Particulars (₹ Mn)	2QFY21	2QFY20	1QFY21	% Change - YoY	% Change - QoQ
Net Sales	28,614	27,150	17,273	5%	66%
Other operating Income	489	597	452	-18%	8%
Raw Material <sup>1</sup>	16,808	17,464	10,901	-4%	54%
Staff Cost	2,165	2,004	1,957	8%	11%
Other Costs	4,646	5,027	2,961	-8%	57%
EBITDA	5,483	3,252	1,905	69%	188%
EBITDA Margin	18.8%	11.7%	10.8%		
Depreciation	1,743	1,486	1,715	17%	2%
Other Income	303	15	153		
EBIT	4,043	1,780	344	127%	1077%
EBIT Margin	13.9%	6.4%	1.9%		
Interest	1,018	513	1,028	98%	-1%
Tax	815	270	-148		
PAT	2,162	998	-536		
PAT Margin	7.4%	3.6%	-3.0%		

# THANK YOU

**For further details please feel free to get in touch with the IR team**

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**Group Head - Accounts and Taxation**  
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