

# Q3 FY 2021 – Investor Presentation



**February 2021**

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# Apollo Tyres – Top 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 YTD FY21 performance (EBITDA margin - 16%)



## Strong brands with leading market positions

- ❖ Apollo Tyres: #1 in Truck & Bus & one of the top players in Passenger vehicles in India
- ❖ Vredestein: Dominant position in fast growing all season PCLT segment in Europe



## 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

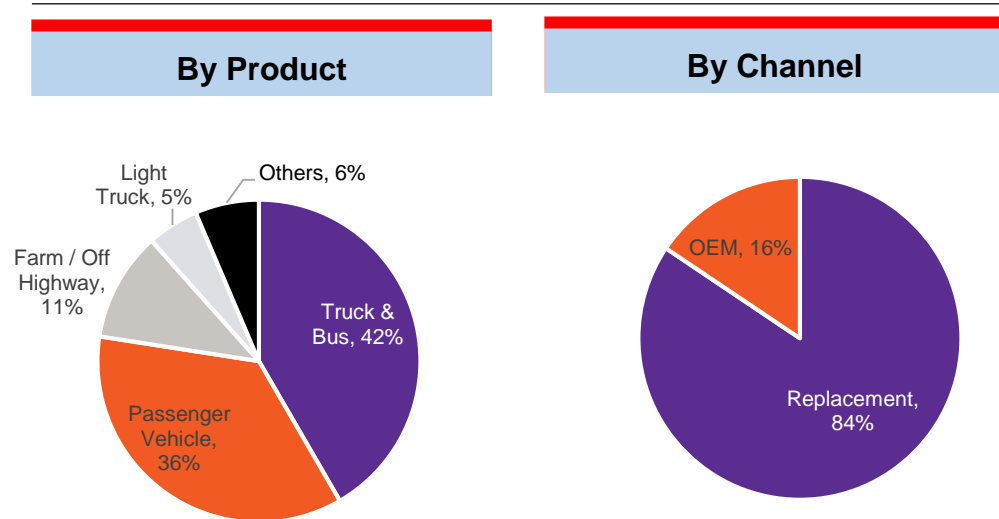
- ❖ ~6,700 dealers in India; +450 dealers in YTD FY21
- ❖ ~7,000 dealers in Europe; +300 dealers in YTD FY21



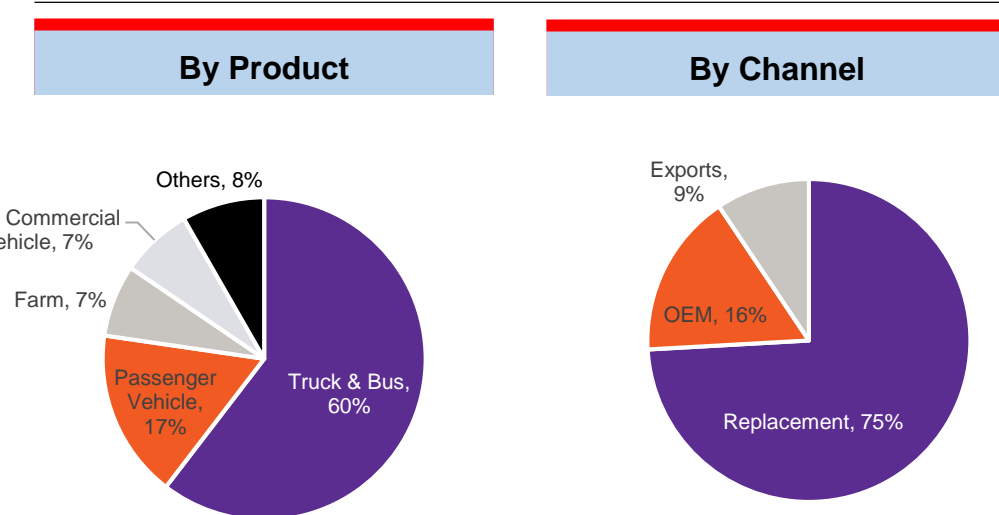
## Strong supportive ecosystem of talent

- ❖ ~18,000 employees

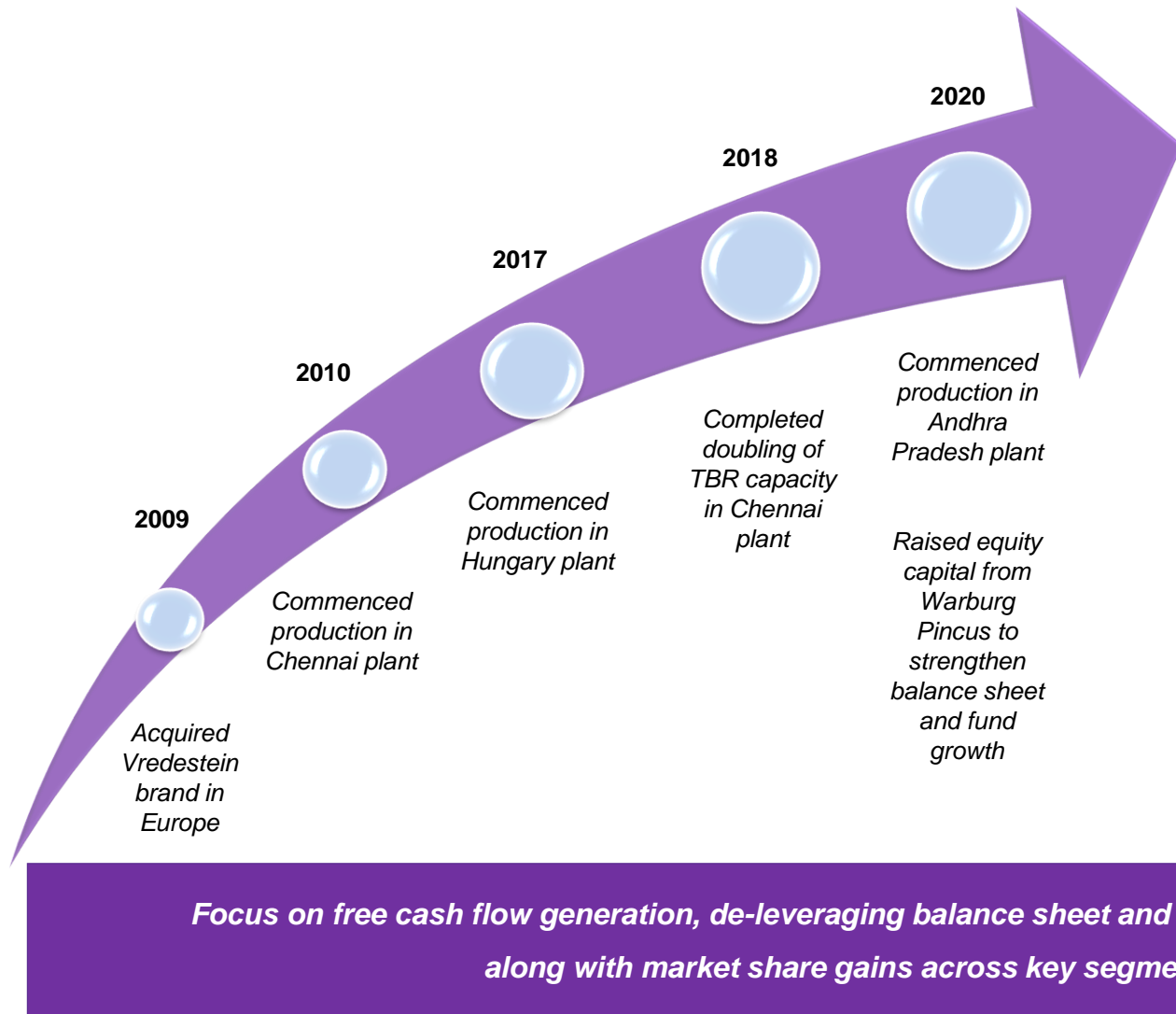
Revenue Mix – Consolidated YTD FY 2021



Revenue Mix – India YTD FY 2021



## 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

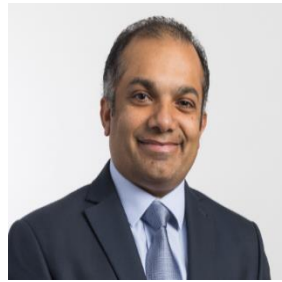
# Strong Management Team with Deep Experience



**Onkar 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



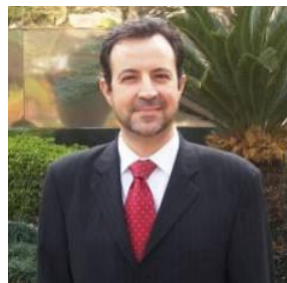
**Gaurav Kumar**  
Finance & Legal

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,  
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 Kanwar**

Chairman & Managing Director  
Apollo Tyres



**Neeraj Kanwar**

Vice Chairman & Managing Director  
Apollo Tyres



**Anjali Bansal**

Former Global Partner and India MD  
TPG Private Equity  
Independent Director



**Akshay Chudasama**

Regional 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 of companies  
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 & Whole-time Director  
Non Independent Director



**Pallavi Shroff**

Regional Managing Partner  
Shardul Amarchand Mangaldas & Co  
Independent Director



**Gen. Bikram Singh (Retd.)**

Former Chief of Indian Army  
Independent Director



**Robert Steinmetz**

Former Chief of International Business  
Continental AG  
Non Independent Director

## Strong Leadership Team & Board, and Backed by Long-Term PE Investor

- Experienced leadership team with significant tenure and track record
- Backed by long-term private equity investor

## Positive Industry Dynamics in India

- Attractive market structure consolidating around strong, domestic brands
- India still in rapid phase of radialization trend – strong underlying growth profile
- Robust demand momentum; Passenger Vehicle market still underpenetrated in India
- Import restrictions further add to market attractiveness for domestic producers

## Strong Portfolio of Leading Brands

- Volume & price leadership in Truck & Bus, the largest market segment in India
- One of the top players in Passenger Vehicle in Replacement market in India
- Gaining market share in other segments (e.g. 2W) and in other geographies (e.g. Vredestein in Passenger Vehicles and Apollo in Truck and Bus)



## Strong Execution in a Challenging Market

- Revenues/Profits higher than prior year for last couple of quarters, despite COVID
- Market share gains across key segments in India
- Efficient working capital management also contributing to free cash flow generation
- Digital launches helped reduce costs and also leverage new age marketing tools
- Despite COVID-19 headwinds, timely commercialization & ramp up of AP plant

## State of art production facilities and continued focus on R&D

- Consistent focus on investments in R&D and product excellence for the long-term
- State-of-the-art facilities with focus on automation have helped achieve manufacturing excellence
- Podium positions garnered in European PCLT test results, evidencing traction

## Focused in Key Niches in Europe with Clear Roadmap to Healthy Profitability

- Europe gaining share in focused categories (UHP/UUHP PCR, TBR, Agri)
- Specialization of Dutch plant will lead to significant uptick in cost competitiveness given ramping up of production in Hungary
- Improvement in product mix in Passenger Vehicle segment



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## India

- ❖ Demand momentum across key segments / key channels on the back of preference for personal mobility, government spend on infra, import restrictions, recovery in sectors like mining
  - ❖ Q3 turnover highest ever clocked by the company, driven by YoY growth in both OEM and Replacement segment
  - ❖ Recorded best ever volumes in Passenger Vehicle Replacement in December 2020
  - ❖ Increased prices in replacement segment by 2-3% across product categories in Q3FY21
- ❖ In first seven months of FY21 gained ~500bps market share in Agri, ~400bps market share in Passenger Vehicle and ~300bps market share in Truck & Bus segment (as per internal estimates)
- ❖ Sustained recovery in OEM has also started contributing to growth. Leading share of business with all key OEM's
- ❖ Expanded distribution footprint (+450 dealers in YTDFY21). Touch points in Rural India quadrupled in YTDFY21
- ❖ Maintained strong operating performance, reporting EBITDA margin of 21% in Q3FY21 and 18% in YTDFY21

## Europe

- ❖ Witnessed weaker market sentiments with growth in all season tyres partially offsetting the decline in winter tyres
- ❖ Despite adverse market conditions, expanded customer base (added +300 customers in YTDFY21)
- ❖ Market share gains both in PCR (26 bps in UHP segment) and TBR segment (75 bps)
  - ❖ Improvement in sales mix - UHP / UUHP accounted for ~37% of PCLT sales in volume terms
- ❖ In the last leg of plant specialisation, which would lead to significant improvement in cost competitiveness

## Cash flows

- ❖ Generated free cash flow (consolidated) of ₹ 12bn during YTDFY21, helped by
  - ❖ Recovery in top line performance and control over costs
- ❖ Control over capex
- ❖ Working capital optimisation

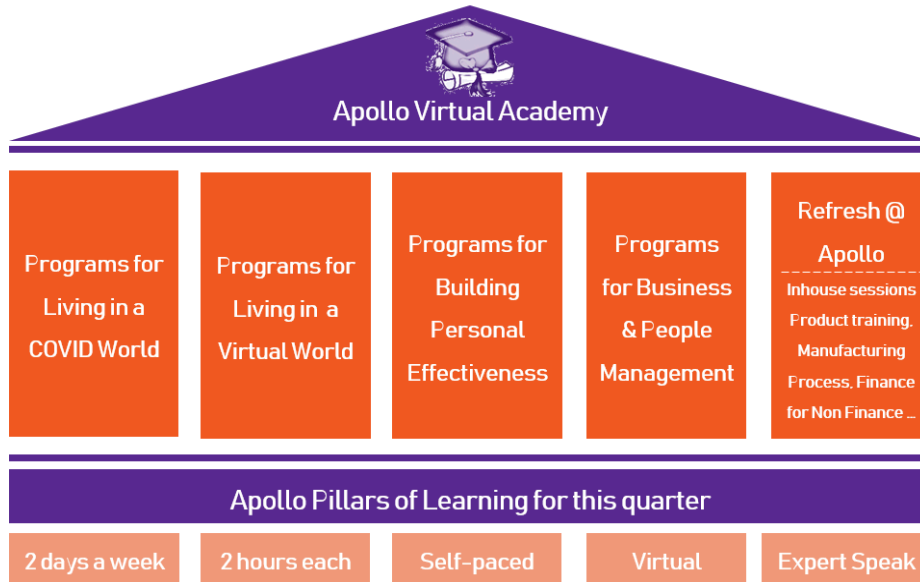
## Fund mobilization

- ❖ Raised ₹ 10.8bn from a top private equity Investor
- ❖ Raised debt in early part of Q1FY21 at competitive rates to adequately strengthen the liquidity position
- ❖ Realised significant interest cost savings on the back of reduction in debt & reduced interest rates

## Balance sheet deleveraging

- ❖ Reduced net debt from ₹ 60bn (Mar '20) to ₹ 38bn (Dec '20), helped by
  - ❖ Positive free cash flow generation
  - ❖ Well timed fund raise
- ❖ Net Debt / EBITDA (TTM) stands at 1.6x as on 31 Dec'20 (3.2x – Mar '20)

## Employee Engagement, Recognition and Welfare



**VOLUNTARY CORONA KAVACH POLICY**

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

**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*

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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 and higher profitability
- ❖ 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*

# Key Near-Term Areas of Focus

## ❖ 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 higher utilization / sweating assets, generating positive free cash flows and improving RoCE
- ❖ Balance sheet deleveraging to be a key focus area

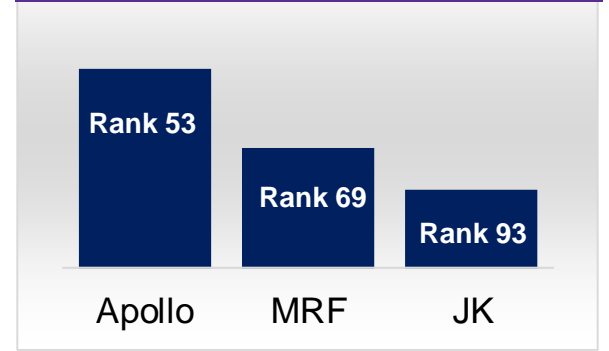
*Focus on improving return on capital profile, reducing leverage ratios and generation of positive free cash flow*

# Focus on Brand Building

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



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



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





## Customer engagement activities

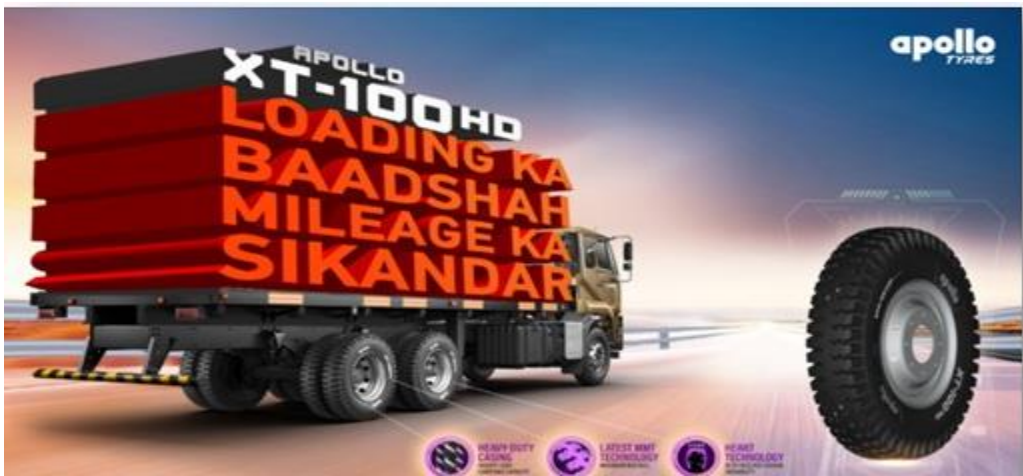
### Bad road buddies



### Track day in Hungary



### XT 100 HD Product Launch

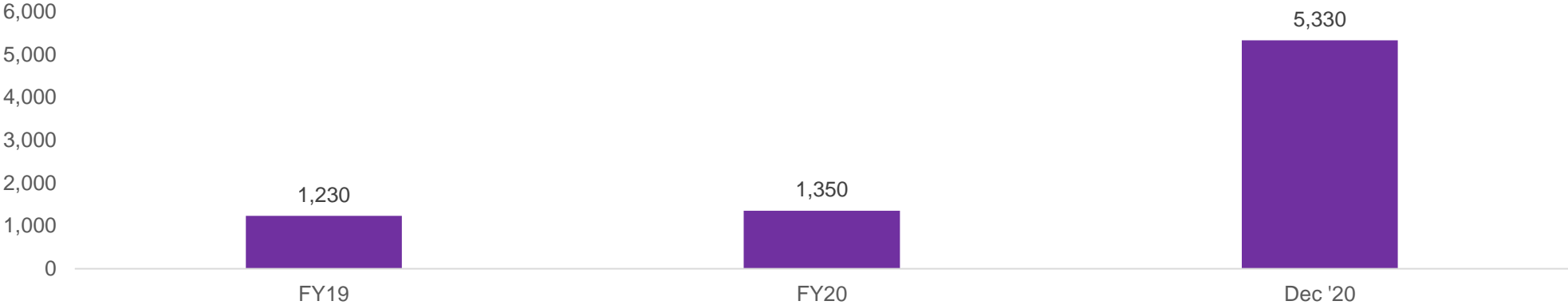


### BOFO e-commerce Portal Launch



# 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
  - ❖ Secured business from Isuzu
  - ❖ Secured business for Tata's Tipper ME exports;
  - ❖ First company to start supplies of 16" radials to Tata and VECV (LCV)
- ❖ Continued focus on strengthening market position in replacement and OEM segment
- ❖ Launched e-commerce portal for PCR / 2W tyres in India – “buy online, fit offline”
- ❖ Increased prices both in OE and Replacement segment

## Europe

- ❖ Gaining traction in targeted premium OEM, which would further support brand building and journey towards premiumization
- ❖ Increase in distribution reach through specific customers (including online) wins
- ❖ Gained market share in PCLT UHP segments resulting in improvement in sales mix (~37% of PCLT sales volumes contributed by UHP / UUHP segment in first nine months of FY21)
- ❖ Podium positions in test results

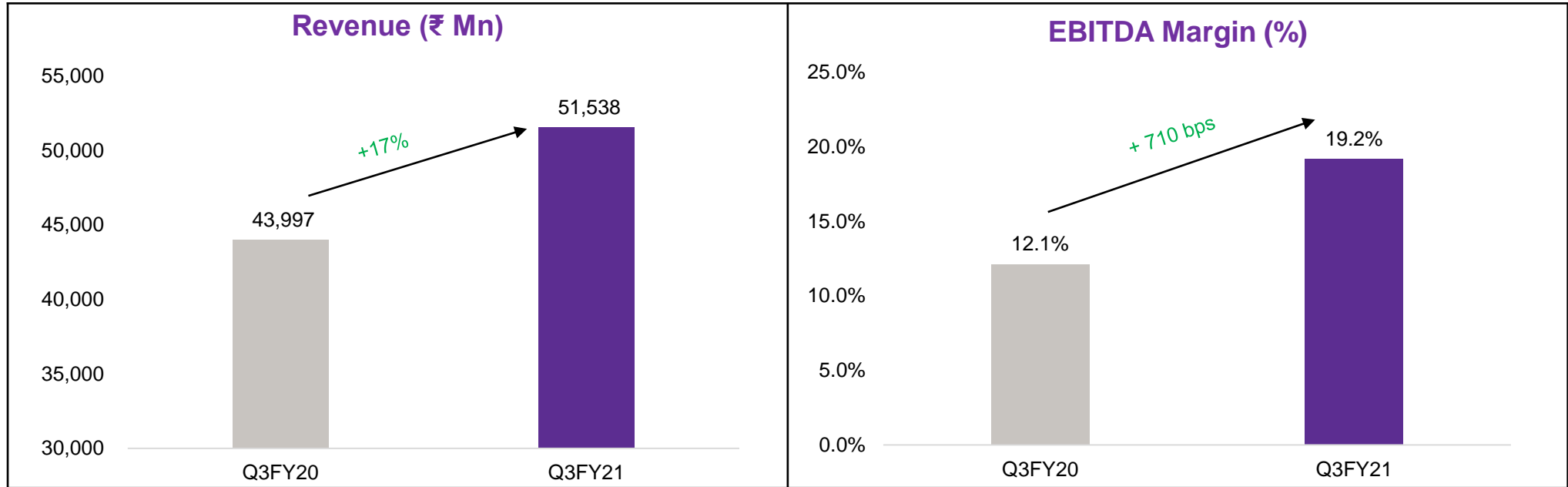
# Podium Positions in Europe



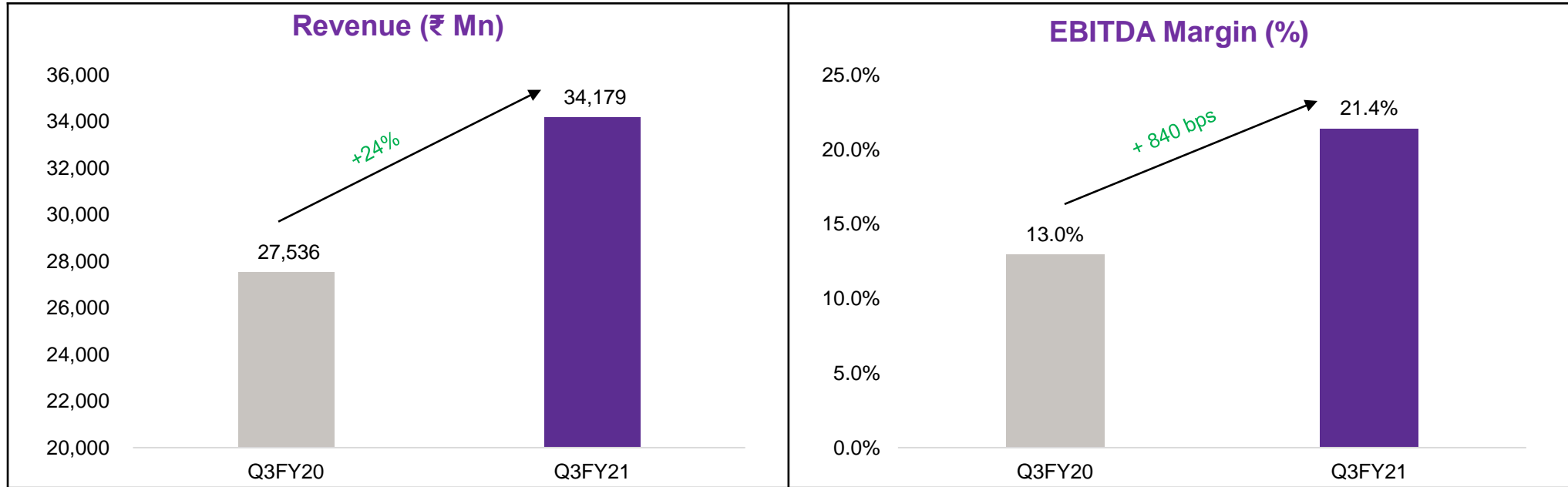
Date	Test Agency	Recommendation	Position	Tyre Model
Apr-20	ADAC	Recommendable	4th	Vredestein Vorti
Apr-20	AutoBild Top 50	Exemplary	4th+5th	Vorti and Aspire XP
Apr-20	AutoBild Allrad	Exemplary	3rd	Vredestein Ultrac Satin
Apr-20	AutoBild Sportscars	Good	4th	Vredestein Vorti
Apr-20	AutoMotorSport	Good	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



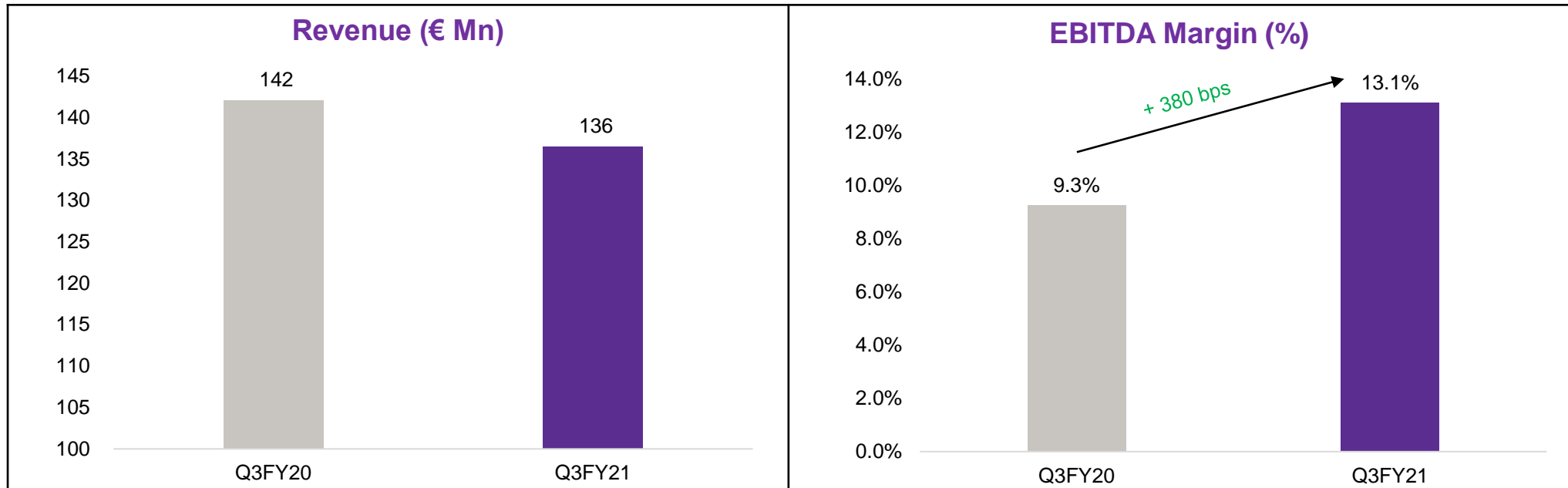
- ❖ Topline performance driven by strong demand recovery across segments in India.
- ❖ The topline growth in India was driven by strong growth in both replacement and OEM segments.
- ❖ In Europe, despite a sluggish demand environment sales mix has been further improved with UHP / UUHP accounting for ~37% of PCLT sales in volume terms (YTD FY21)
- ❖ Margin performance helped by a) recovery in topline, b) subdued RM cost and c) control over costs



## ❖ Volume

- ❖ Saw strong volume growth in both OEM and Replacement segment during the quarter.
- ❖ Almost all product segments posted double digit volume growth (YoY)
- ❖ Expect demand momentum to sustain going forward
- ❖ Took a price increase in both OEM and Replacement segment
- ❖ EBITDA margins were supported by a) recovery in topline, b) lower RM cost and c) control over fixed costs

# Operating Highlights – Europe

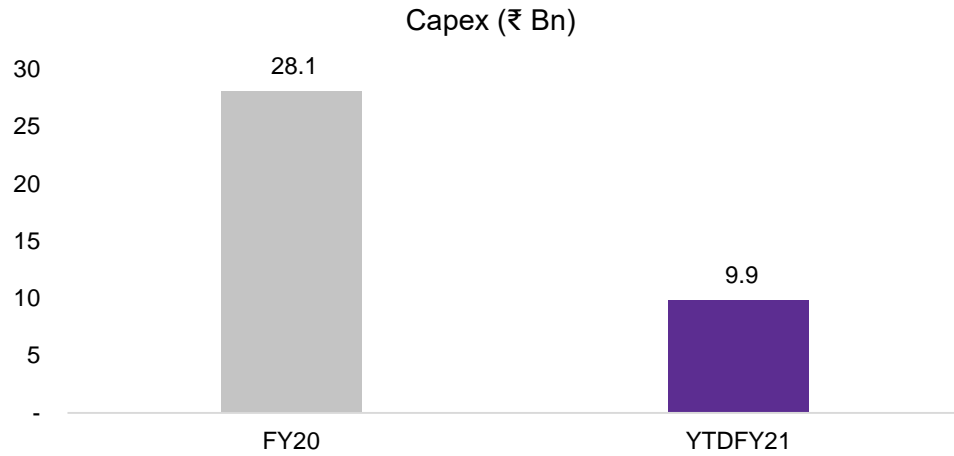


- ❖ Saw YoY decline in revenue on account of subdued demand environment, with growth in all season tyre partially negating decline in winter tyre segment
- ❖ Gained market share in UHP PCLT segments.
- ❖ Improvement in sales mix - UHP / UUHP accounted for ~37% of PCLT sales in volume terms (YTD FY21)
- ❖ Margin supported by pricing / mix improvement, lower RM cost and cost containment measures

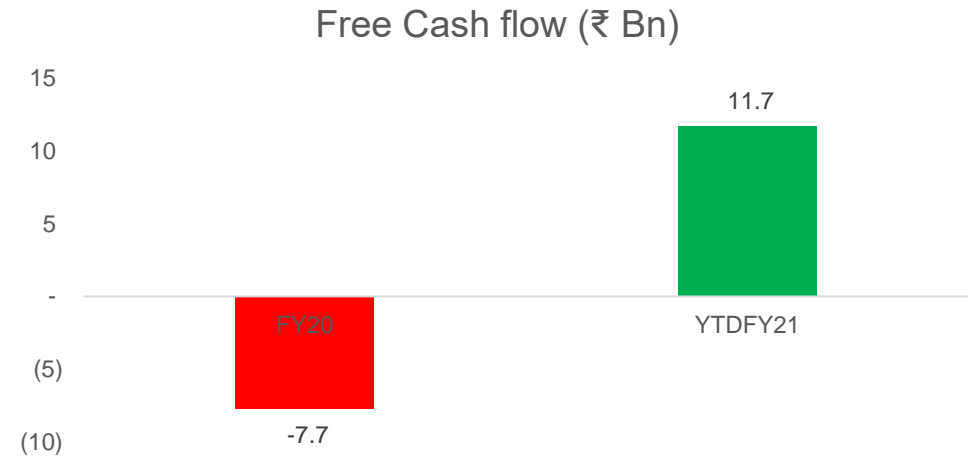


# Consolidated Cash Flow & Balance Sheet Highlights

## Control over capex



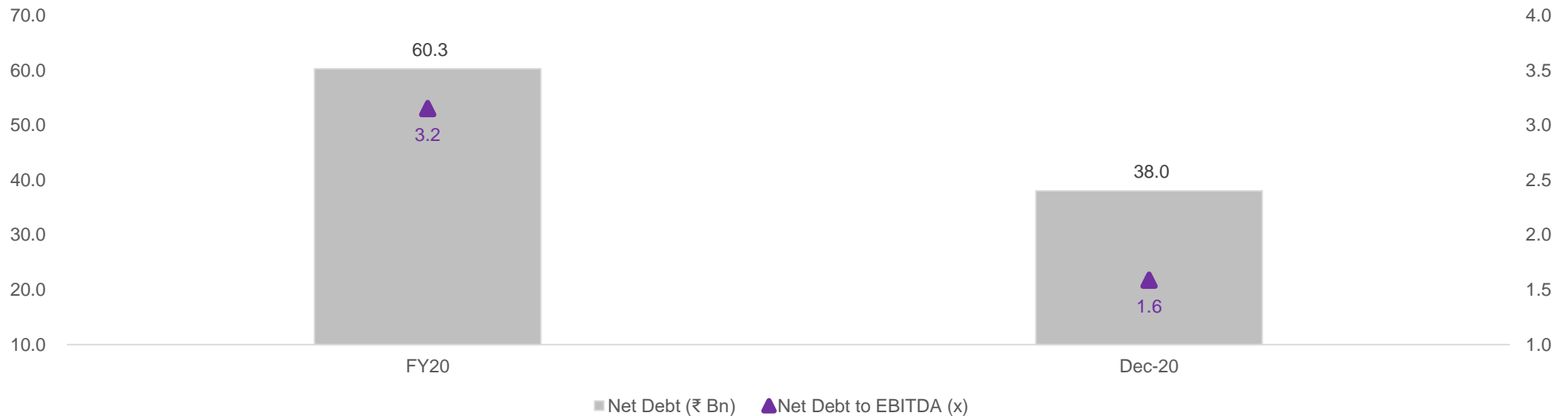
## Free cash flow generation



Notes:

- 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)	Q3FY21	Q3FY20	Q2FY21	% Change - YoY	% Change - QoQ
Net Sales	49,653	43,472	42,338	14%	17%
Other operating Income	1,885	526	489	259%	286%
Revenue from Operations	51,538	43,997	42,827	17%	20%
Raw Material <sup>1</sup>	27,039	24,769	23,014	9%	17%
Staff Cost	6,826	6,445	6,233	6%	10%
Other Costs	7,779	7,448	6,632	4%	17%
EBITDA	9,894	5,335	6,948	85%	42%
EBITDA Margin	19.2%	12.1%	16.2%		
Depreciation	3,273	2,830	3,308	16%	-1%
Other Income	636	178	385		
EBIT	7,257	2,684	4,024	170%	80%
EBIT Margin	14.1%	6.1%	9.4%		
Interest	1,049	673	1,167	56%	-10%
Exceptional Items	55	-	6,009		
Tax	1,715	272	-690		
PAT	4,438	1,739	-2,463		
PAT Margin	8.6%	4.0%	-5.8%		

# Profit & Loss – Standalone

Particulars (₹ Mn)	Q3FY21	Q3FY20	Q2FY21	% Change - YoY	% Change - QoQ
Net Sales	32,302	27,022	28,614	20%	13%
Other operating Income	1,876	514	489	265%	284%
<b>Revenue from Operations</b>	<b>34,179</b>	<b>27,536</b>	<b>29,102</b>	<b>24%</b>	<b>17%</b>
Raw Material <sup>1</sup>	19,419	16,780	16,808	16%	16%
Staff Cost	2,263	2,160	2,165	5%	5%
Other Costs	5,180	5,025	4,646	3%	12%
<b>EBITDA</b>	<b>7,316</b>	<b>3,571</b>	<b>5,483</b>	<b>105%</b>	<b>33%</b>
<b>EBITDA Margin (%)</b>	<b>21.4%</b>	<b>13.0%</b>	<b>18.8%</b>		
Depreciation	1,770	1,528	1,743	16%	2%
Other Income	233	86	303		
<b>EBIT</b>	<b>5,780</b>	<b>2,129</b>	<b>4,043</b>	<b>171%</b>	<b>43%</b>
<b>EBIT Margin</b>	<b>16.9%</b>	<b>7.7%</b>	<b>13.9%</b>		
Interest	893	549	1,018	63%	-12%
Exceptional Items	55	-	48		
Tax	1,477	273	815		
<b>PAT</b>	<b>3,354</b>	<b>1,307</b>	<b>2,162</b>		
<b>PAT Margin (%)</b>	<b>9.8%</b>	<b>4.7%</b>	<b>7.4%</b>		

# THANK YOU

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

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