



REALISE YOUR TRUE POTENTIAL

Good Morning Ladies and Gentlemen,

It gives me great pleasure to welcome you to this 38th Annual General Meeting of Apollo Tyres Ltd. The Directors' Report and Audited Accounts for the financial year ended 31st March 2011 are with you. With your permission, I shall take them as read.

As I stand before you today, I am reminded of our meeting in July 2009, when the world was trying to recover from an economic crisis, the likes of which we had never witnessed before. We had then been busy with understanding how the recovery would take place; what we needed to do to generate growth and how to plan for the future. However, in true Apollo spirit we went ahead and dedicated ourselves to our task of achieving what you, our shareholders, wanted us to. And we succeeded, against many odds, to close this year with our stated target of a turnover of US\$ 2 billion.

It is amazing how quickly perspectives of the economy can change. In some senses we are currently facing the lag effect of the earlier crisis. Global recovery seemed to have hit a snag, where nearly every country is trying to cope with a general manufacturing slowdown, high input costs, a higher cost of borrowing and spiralling inflation.

The European Union is struggling with a potential debt crisis and fiscal austerity. The United States with debt and unemployment. Japan has been hit hard by a natural calamity and faces the daunting task of rebuilding a disrupted supply chain. While India and China continue to project growth, the numbers have all been revised downwards, to more moderate levels.

It is a connected world that we live in today and no one is insured if another fails. If we at Apollo have to realise our true potential, it will only be as we take others along with us in our journey.

As we proactively address today's challenges, your Company has begun a new journey to prepare for the future. Our strategy continues to remain simple. To expand. To add new products for our customers. To broaden our revenue base by increasing our footprint in new geographies. And, of course to recruit and nurture local talent.

The Chennai plant, which will reach its planned capacity towards the end of this year, will bring to your Company the scale it now requires. Similar expansions have taken place in your manufacturing units in both Europe and Africa. You would also have heard from me on the many

new markets that we have been entering into in the last few months. Much like our earlier 5-year strategic planning exercise, during the course of the next half decade, we hope to once again bring to you greater value by embracing the mantra of the times.

I do not wish to be an alarmist, but as I look ahead, as a tyre manufacturer, I am worried by the natural rubber situation that faces us today. You, our shareholders in Kerala, are possibly amongst the very few who understand this better than others.

The past year has been ruled by rising prices and a shortage in supply. Prices hit as high as \$6768 a tonne in February this year. Experts predict that this tightness is likely to last till the year 2018. As you are aware, a large number of today's productive plantations had come up in the 1980s. Most of these will require massive uprooting and replanting between 2012 and 2018. The situation is not very different right here in Kerala. Combined with this is the spectre of dramatic climate change, where the past few years have seen unprecedented rains and even flooding in the two largest natural rubber producing countries of Thailand and Indonesia. As a result, experts believe that the gap between the growing demand for natural rubber and dwindling supplies is going to increase to alarming proportions of 1 million tonnes by the year 2020.

Your Company is working on multiple fronts to address this situation to its best capability. For one, we have accelerated our research to address the substitution of natural rubber in our tyres. This is ongoing work and will continue unabated. We have also actively entered the area of rubber plantations to try and secure future supplies. And we are working on multiple fronts to holistically address the issues of climate change, renewable energy and conservation.

I feel it is the long term future that is critical to address to leave an institution and a legacy for our grandchildren. It is the issue of sustainability that each of us need to work on at an enterprise level as well as individuals. Your Company, has embraced this platform for the longer term, and begun a large number of collaborative efforts to strengthen our collective risk management capabilities.



Every year, we expect to derive greater value through a faster movement towards use of environmentally friendly materials. Your manufacturing facilities today use a larger amount of solar, wind, steam and bio gas as fuel. Your Company's robust waste management and paper recycling drives are not just for ourselves, but so that individual gain does not bring detriment to a global society.

The future arrives at our doorstep one day at a time. And the future belongs to those who plan for it today. Your Company is committed to mastering the complexities of our global system to arrive at workable solutions at all levels. My team has been hard at work to put together our next 5-year strategic plan and the key building blocks have been identified to take your company to the next level of growth and performance. The opportunities before us are indeed exciting. The June quarter, for the first time, saw India's growth rate in passenger sales outstrip that of China. More and more global automotive manufacturers are either setting up shop in India, or are expanding capacities. As China starts to slow down, India will take its pre-eminent position; not just in the automobile industry but across various sectors. This is a time of great promise for our country and all of us must work together, diligently and sincerely, to encash on that promise.

I would like to conclude by thanking each one of you for having been a partner in this ongoing journey. Your support is highly valued and your Company's success is an indication of the faith you have always bestowed upon us. The support that we continue to receive from our banks, financial institutions and the state governments of Kerala, Gujarat, Haryana, Maharashtra and Tamil Nadu; and the union governments of India, South Africa and Netherlands, enable us to plan for the future.

Your Company's true journey has just begun. Challenges are part of our lives; it is the opportunities that we need to focus on. I am optimistic and have equal faith in the future and the power of hard work, which ensures that even as we work to create value for ourselves, even greater value is generated for the society that we live in.

Thank you.

Onkar S Kanwar
August 11, 2011