

# Board's Report

Dear Member,

Your Directors have pleasure in presenting the 48<sup>th</sup> Annual Report on the business and operations of Apollo Tyres Ltd. ("the Company"), together with the audited financial statements for the financial year ended March 31, 2021.

## FINANCIAL PERFORMANCE

The financial performance of the Company for the financial year ended March 31, 2021 is summarised below:

Particulars	Year ended		Year ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Standalone		Consolidated	
Sales	113,545	108,327	169,546	160,965
Other operating income	3,789	2,356	4,424	2,537
<b>Revenue from operations</b>	<b>117,334</b>	<b>110,683</b>	<b>173,970</b>	<b>163,502</b>
<b>Operating profit (EBITDA excluding other income)</b>	<b>20,343</b>	<b>13,992</b>	<b>27,975</b>	<b>19,386</b>
Other income	1,215	286	1,294	237
Less: Finance costs	3,794	2,257	4,430	2,808
Less: Depreciation & amortization expenses	7,134	6,207	13,150	11,381
<b>Profit before share of profit/ (loss) in associate/ joint venture, exceptional items &amp; tax</b>	<b>10,630</b>	<b>5,814</b>	<b>11,689</b>	<b>5,434</b>
Share of profit/ (loss) in associate/ joint venture	-	-	0	(0)
Exceptional items	(110)	-	(6,077)	-
<b>Profit before tax</b>	<b>10,520</b>	<b>5,814</b>	<b>5,612</b>	<b>5,434</b>
Less: Provision for tax	3,292	728	2,110	670
<b>Profit after tax</b>	<b>7,228</b>	<b>5,086</b>	<b>3,502</b>	<b>4,764</b>

## OPERATIONS

In our key market, India, the tyre industry is closely linked to the automobile industry. FY21 saw lockdowns across the country, wiping out majority of the first quarter of the fiscal. While the sales saw a rebound in the second half of the fiscal, it was not enough to cover the loss of the first half of the year. According to the data released by ATMA for 11-months, the tyre industry declined by around 8% as compared to the 11-months numbers of FY20.

In the Company's other key market, Europe, the tyre industry performed poorly due to multiple reasons. Pandemic along with lull in the economic activity saw adverse impact on sales in the region. A detailed analysis of the tyre industry for India and Europe has been shared in the Management Discussion and Analysis section of the annual report.

The standalone revenue from operations of your Company was ₹ 117,334 million during FY21 as against ₹ 110,683 million during the previous financial year. EBITDA (excluding other income) was at ₹ 20,343 million as compared to ₹ 13,992 million during the previous financial year. The Net Profit for the year under review was ₹ 7,228 million, as against ₹ 5,086 million in the previous fiscal.

The consolidated revenue from operations of your Company was ₹ 173,970 million during FY21, as compared to ₹ 163,502 million in FY20. The consolidated EBITDA (excluding other income) was ₹ 27,975 million for FY21 as compared to ₹ 19,386 million for the previous financial year. On consolidated basis, Apollo Tyres earned a Net Profit of ₹ 3,502 million for FY21 as against ₹ 4,764 million for the previous financial year.

## RAW MATERIALS

The year under review had two distinct themes, the first half of the year saw the impact of COVID-19 induced lockdowns leading to demand contraction and significant fall in the raw material cost. The second half of the year showed a remarkable recovery in automobile production, return of the demand from the aftermarket leading to sharp rise in the raw material cost.

Oil prices moved to USD 25/barrel in April 20 on account of lockdowns in most parts of the world. Increased buying by China led to prices recovering to USD 40/barrel by June. The Crude prices staged a comeback from November 20 onwards on account of vaccine roll out, return of demand and OPEC supply management strategy. The year ended with Crude prices crossing USD 70/bbl. In Q4 FY21 Brent Crude prices were 20% higher than the same period last year.

The USD/ INR exchange rate averaged 74.0 in FY21 as against 70.8 in FY20. The rupee weakened by 5% during the fiscal year.

The weakness in demand due to the lockdowns in Q1 led to Natural Rubber prices touching a level of ₹120/kg. The prices gained momentum from August 20 onwards clocking a level of ₹135/kg and breaching the barrier of ₹160/kg by December 20. The decision to hike the Minimum Support Price of Natural Rubber to ₹170/kg led to prices climbing to this level in March 21. The inverted duty on Natural Rubber at 25% or ₹30/kg whichever is lower continued during the year. The demand supply gap to the tune of 45% in India and lack of availability of suitable grades for radial application led to continued imports of Natural Rubber. The port restriction on imports of Natural Rubber remained in force during the year.



The year saw availability concerns in key raw materials such as Nylon Fabric, Carbon Black, Polyester, Beadwire and Steel Tyre Cord. The Company managed to secure the supplies of raw materials through continued focus on new vendor development, long term contracts and partnership approach with its Raw Material Business Partners. The Company shared its vision and expectation from its partners through a virtual Global Partners' Summit conducted in Sept 20. The partners were also recognized for their best practices during the Summit.

The Customs duty @20% on imports of Nylon Fabric continued during the year. This together with the duty on Natural Rubber points to a continuing inverted duty structure. The antidumping duty on imports of Styrene Butadiene Rubber (SBR) from Korea, Thailand and Europe and on imports of Rubber Chemicals from Europe remained in force during the year.

The global shipping and logistics industry faced shortages of containers, blank sailings, port congestion leading to sharp spike in Ocean Freight rates during the second half of the year adding to the cost push. The Company continued its focus on conserving cash through optimizing the inventory levels.

## DIVIDEND

Your Company has a consistent track record of dividend payment. In compliance with the Dividend Distribution Policy of the Company, the Directors are pleased to recommend a dividend of ₹ 3.50 (350%) per share of Re. 1/- each on Equity Share Capital of the Company for FY21 for your approval.

The dividend, if approved, shall be payable to the Members holding shares as on cut-off date i.e. July 16, 2021.

## RESERVES

The amount available for appropriations, including surplus from previous year amounted to ₹ 45,339 million. Surplus of ₹ 42,116 million has been carried forward to the balance sheet. A general reserve of ₹ 1,000 million has been provided.

## BOARD OF DIRECTORS

### A) Appointment/ Re-appointment of Directors

Mr. Francesco Crispino (DIN: 00935998) was appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 consecutive years with effect from July 3, 2020 to July 2, 2025 by the Members at the AGM held on August 20, 2020.

Mr. Vishal Mahadevia (DIN: 01035771) was appointed as a Non-Executive Non-Independent Director of the Company, liable to retire by rotation with effect from August 21, 2020 by the Members through Postal Ballot dated September 24, 2020.

General Bikram Singh (Retd.) (DIN: 07259060) was re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 3 consecutive years with effect from August 11, 2020 to August 10, 2023, by the Members at the AGM held on August 20, 2020. The Board noted that his continuous association would be of benefit to the Company.

Mr. Vinod Rai (DIN: 00041867) was re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 consecutive years with effect from February 9, 2021 to February 8, 2026, by the Members through resolution passed by Postal Ballot on September 24, 2020. The Board noted that his continuous association would be of benefit to the Company.

Pursuant to the provisions of Section 152(6) of the Companies Act, 2013, Mr. Satish Sharma (DIN: 07527148) and Mr. Francesco Gori (DIN: 07413105), Directors of the Company, are liable to retire by rotation and being eligible offers themselves for re-appointment.

The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise and hold highest standards of integrity.

None of the aforesaid Directors are disqualified under Section 164(2) of the Companies Act, 2013. Further, they are not debarred from holding the office of Director pursuant to order of SEBI or any other authority.

### B) Changes in Directors and Key Managerial Personnel

During the year under review and between the end of the financial year and on the date of this report, except the aforementioned Appointments/ Re-appointments of Directors, there are no other change in Directors and Key Managerial Personnel of the Company.

### C) Declaration by Independent Directors

In terms with Section 149 (7) of the Companies Act, 2013, Independent Directors of the Company have submitted declarations that they meet the criteria of Independence as provided in Section 149(6) of the Companies Act, 2013 and also Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Independent Directors have also complied with the Code for Independent Directors as per Schedule IV of the Companies Act, 2013. All our Independent Directors are registered on the Independent Directors Databank.

### D) Formal Annual Evaluation

Pursuant to the provisions of the Companies Act, 2013, the Board is required to carry out annual evaluation of its own performance and that of its Committees and individual Directors. The Nomination and Remuneration Committee (NRC) of the Board also carries out evaluation of every Director's performance. Accordingly, the Board and NRC of your Company have carried out the performance evaluation during the year under review.

For annual performance evaluation of the Board as a whole, it's Committee(s) and individual Directors including the Chairman of the Board, the Company has formulated a questionnaire to assist in evaluation of the performance. Every Director has to fill the questionnaire related to the performance of the Board, its Committees and individual Directors except himself by rating the performance on each

question on the scale of 1 to 5, 1 being Unacceptable and 5 being Exceptionally Good.

On the basis of the response to the questionnaire, a matrix reflecting the ratings was formulated and placed before the Board for formal annual evaluation by the Board of its own performance and that of its Committees and individual Directors. The Board was satisfied with the evaluation results.

#### E) Separate Meeting of Independent Directors

In terms of requirements under Schedule IV of the Companies Act, 2013 and Regulation 25(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors was held on February 5, 2021.

The Independent Directors at the meeting, inter alia, reviewed the following:-

- Performance of Non- Independent Directors and Board as a whole.
- Performance of the Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors.
- Assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### F) Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee, laid down a Nomination & Remuneration Policy for selection and appointment of the Directors, Key Managerial Personnel and Senior Management and their remuneration. The extract of the Nomination and Remuneration Policy covering the salient features are provided in the Corporate Governance Report forming part of Board's Report.

The Nomination & Remuneration Policy of the Company is available on the website of the Company and the web link is: <https://corporate.apollotyres.com/investors/corporate-governance/?filter=CodesPolicies>

#### G) Code of Conduct for Directors and Senior Management

The Company has formulated a Code of Conduct for Directors and Senior Management Personnel and has complied with all the requirements mentioned in the aforesaid code. For further details, please refer the Corporate Governance Report.

## PRODUCT & MARKETING

In FY21, the APMEA operations continued its focus on key themes for the Indian market - consolidating its leadership position and expanding market share by introducing new products across segments. During the fiscal, the Company inaugurated its new greenfield plant in Andhra Pradesh, India.

In the Medium and Heavy Commercial Vehicle (M&HCV) category, the Company's truck range registered all time highest numbers and from Q3 onwards peaked at highest ever sales

month after month. In the Truck Bus Bias (TBB) segment, the Company launched its bias rib tyre, Apollo Abhimanyu, which has been tested for more than 2.5 million kms of field and indoor testing. The Company also launched its premium drive tyre, Apollo XT100 HD, the new flagship Bias drive tyre in the TBB range.

In the Pickups and Small Commercial Vehicle (SCV) category, the Company's Endumaxx LT has found fitments in reputed OEMs including Ashok Leyland, Tata Motors and Isuzu, as well as increased market share in the replacement market.

In the Passenger Vehicle category, the Company launched Apterra Cross for the Compact SUV segment, even as its flagship pattern, Apterra HT2, for the SUV segment continued to be one of highest growing pattern.

To cater to the growing and highly profitable luxury car segment, the Company expanded its Aspire 4G portfolio and now has the complete tyre portfolio to cater to luxury car brands.

During the year, the Company inaugurated its motorcycle tyre plant in Vadodara, Gujarat for high end cross ply and steel radial products. The fiscal saw the Company launching a specialized off-road pattern for Royal Enfield motorcycles - actiGRIP R6 and actiGRIP F6.

In Europe, the Company completed its specialization of its plant in Enschede, The Netherlands. This will help it to make the Dutch operations economically viable as it focusses on profitable products like agricultural tires and high value - niche segment passenger car tyres.

During the fiscal, the Company has revamped the product portfolio of Apollo branded tyres in Europe. While the market share of the Vredestein brand remained stable over the fiscal, given the decline in the PV tyres market, the Company inched its market share up in Ultra High Performance (UHP) and Ultra Ultra High Performance (UUHP) segments. In Industrial Construction segment, the Company added new OEM customers including Caterpillar and Liebherr and posted good growth riding on back of a strong replacement volumes.

A detailed analysis of the Company's key initiatives for both regions have been shared in the Management Discussion and Analysis section of the annual report.

## FUTURE OUTLOOK

The second wave of COVID-19 pandemic means bad news for the various economies, including India. International Monetary Fund (IMF) is projecting a global growth at 6% in 2021, moderating to 4.4% in 2022. Of course, high uncertainty surrounds this outlook in relation to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions. In Europe, the economic activities are currently undergoing stress due to COVID-19 induced lockdowns and falling demand. As per the IMF, the European economy is expected to recover by 4.7% in 2021. In its update in April, IMF said it expects India's GDP to grow 12.5% in FY22, the highest among emerging and advanced economies. GDP growth for FY23 is pegged at 6.9%. India is the only country expected to register a double-digit growth this fiscal. However, the rapid spread of the second wave of COVID-19 might temper the bullish outlook.

Against such an outlook, the Company continues to have a cautious approach. The focus is on employee safety and conserving cash. The Company is re-engineering production and cutting down on all avoidable costs and focusing on the good cost – R&D, eTraining, brand building, etc.

For the APMEA region, it has planned key launches in the M&HCV category for FY22 in TBB and TBR categories including some future flagship products to further improve market share. In other categories like LCV/SCV, 2W and OHT, it will continue its efforts to drive radialisation as it offers the best value to customers and maintaining the strong technology position of the Company.

Europe region has been working on refreshing its entire portfolio in last 2 years. The region is confident that these upgraded products will help it to consolidate and grow its position in the market. The region will continue to focus on the all season segment where the Company has been one of the pioneers. The newly introduced high performing products and the widest portfolio of sizes will help consolidate and grow the position in this segment.

Further, the Company has refreshed its summer range with the new Ultrac and upgraded Vorti+. These new products will help build a position in the summer tyre category. It has firmed up plans to accelerate the introduction of 'Apollo' branded TBR tyres and Industrial tyres in key European markets.

### COMMISSIONING OF ANDHRA PRADESH GREENFIELD FACILITY

The Company's 7<sup>th</sup> manufacturing unit globally, and the fifth one in India was commissioned on June 25, 2020 virtually and the first tyre was rolled out from the Andhra Pradesh greenfield facility in the southern part of the country.

Located in Chinnapanduru village in Chittoor district of Andhra Pradesh (AP), this facility of the Company is spread over 256 acres. The Company will invest close to ₹40,000 million in the Phase I of this greenfield facility. While the capacity will be ramped up gradually, as the demand improves, by 2022, this plant will have a capacity to produce 15,000 passenger car tyres and 3,000 truck-bus radials per day. With a modular layout, the capacity at this facility can be increased with minimal engineering efforts and with economies on investments.

This highly automated plant uses IT driven systems and robotics and employs young and skilled associates on the shop floor, mostly hired locally. The deployment of state-of-the-art manufacturing technologies at this facility will enable the Company to target premium OEMs and aftermarket customers in India. This will further consolidate the Company's vision of providing world quality products to global markets.

### INAUGURATION OF A TWO WHEELER MANUFACTURING FACILITY

A dedicated commercial facility to manufacture two wheeler radial and cross ply tyres in Company's Limda Plant was virtually inaugurated on July 15, 2020 by Mr. Onkar Kanwar, Chairman and Managing Director.

This facility, spread over more than 10,000 square meter area, is housed within Company's Limda plant in Vadodara. This facility

has an initial capacity to produce 30,000 motorcycle radials and 60,000 motorcycle cross ply tyres per month and will cater to the premium segment of the two-wheeler industry.

### MATERIAL CHANGES AND COMMITMENTS

Except the impact of COVID-19 as mentioned in this report, no material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year of the Company to which the financial statements relate and on the date of this report.

### SIGNIFICANT MATERIAL ORDERS PASSED BY REGULATORS

No significant material orders have been passed during the year under review by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

### CHANGE IN THE NATURE OF BUSINESS, IF ANY

There is no change in the nature of business of your Company during the year under review.

### INTERNAL FINANCIAL CONTROLS

Internal Financial Control (IFC) means the policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

The Company has identified and documented key internal financial controls as part of Standard Operating Procedures (SOPs). The SOPs are designed for critical processes across all plants, warehouses and offices wherein financial transactions are undertaken. The SOPs cover the standard processes, risks, key controls and each process is identified to a process owner. In addition, the Company has a well-defined Financial Delegation of Authority (FDoA), which ensures approval of financial transaction by appropriate personnel.

The Company uses SAP-ERP to process financial transactions and maintain its books of accounts. The SAP has been setup to ensure adequacy of financial transactions and integrity & reliability of financial reporting. SAP was implemented in the European operations in year 2016. SAP was also implemented at Company's Greenfield plants in Hungary and Andhra Pradesh.

The financial controls are evaluated for operating effectiveness through management's ongoing monitoring and review process, and independently by Internal Audit. The testing of controls by Internal Audit are divided into three separate categories viz. a) automated controls within SAP, b) segregation of duties within SAP and restricted access to key transactions, c) manual process controls.

In our view, the SOPs, FDoA, SAP-ERP and independent reviews by the Internal Audit help in establishing adequate internal financial controls with reference to its financial statements and such internal financial controls are operating effectively.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required by Regulation 34 (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed Management Discussion and Analysis Report is presented in a separate section forming part of the Annual Report.

### SUBSIDIARY/ ASSOCIATE COMPANIES

As the Company follows its vision to become a global tyre brand of choice, it has multiple Subsidiaries for facilitating these operations in various countries. As on March 31, 2021, your Company had 34 Overseas Subsidiary Companies (including step subsidiaries), 1 wholly owned Subsidiary in India, 1 Associate Company and 1 Joint Venture.

Vredestein Marketing B.V., a wholly owned subsidiary of Apollo Vredestein B.V. was liquidated on September 30, 2020.

Apollo Tyres Centre of Excellence Limited, a wholly owned subsidiary of the Company was incorporated in India on October 10, 2020.

As per the provisions of Section 129 of the Companies Act, 2013, the consolidated financial statements of the Company, its Subsidiaries and Associates are attached in the Annual Report. The annual accounts of Subsidiaries and Associates will be made available to shareholders on request and will also be kept for inspection by any shareholder at the Registered Office and Corporate Office of your Company. A statement in Form AOC-1 containing the salient features of the financial statements of the Company's Subsidiaries, Associates and Joint Venture for the year ended March 31, 2021 is also attached with financial statements.

### MATERIAL SUBSIDIARIES

Your Company has following material unlisted Subsidiaries viz. Apollo Vredestein B.V., Apollo Tyres (Hungary) Kft., Apollo Tyres B.V., Apollo Tyres Cooperatief U.A. and Apollo Tyres Holdings (Singapore) Pte Ltd. as on March 31, 2021.

Pursuant to Regulation 24(1) of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Mr. Akshay Chudasama, an Independent Director of the Company was nominated as Director on the Board of Apollo Vredestein B.V., Apollo Tyres (Hungary) Kft., Apollo Tyres Holdings (Singapore) Pte Ltd. and Ms. Pallavi Shroff, an Independent Director of the Company was nominated as Director on the Board of Apollo Tyres B.V. & Apollo Tyres Cooperatief U.A., with effect from April 1, 2019.

#### a) Apollo Vredestein B.V.

Apollo Vredestein B.V. focuses on manufacturing, marketing, sales and distribution of tyres for passenger cars, commercial vehicles, agricultural and industrial vehicles and bicycles. The Company's distribution network extends through Europe.

During the year, the Company has completed specialization of its manufacturing plant in Enschede, The Netherlands. After this reorganization, the plant will primarily produce Ultra-high performance segment of passenger car tyres and continue to focus on premium agricultural tyres and Spacemaster tyres.

Launch of a new visual identity for the Vredestein brand, including an updated logo and a new vibrant colour scheme was a major brand promotion initiative during the year which translated into a complete set of on-line and offline advertising campaigns. Three product introductions for passenger car tyres were launched virtually including the creation of a digital experience centre for the Vredestein brand and live streams with Company's top executives.

FY21 was a landmark year for new product introductions across segments.

#### b) Apollo Tyres (Hungary) Kft.

Apollo Tyres (Hungary) Kft. is one of the latest manufacturing facility within Apollo Tyres group. The Company produces both passenger and commercial vehicle tyres.

During FY21, the Company continued to ramp up its production capacity for both product categories.

#### c) Apollo Tyres Holdings (Singapore) Pte. Ltd.

The principal activities of the Company is of sourcing raw materials for Apollo Tyres manufacturing plants in India and Europe besides the provision of other services to the group. 56% of the raw material procurement is for Natural Rubber for the year FY21. Major sourcing countries are Thailand, Indonesia and China. Company has also started outsourcing finished goods for APMEA and Europe regions for certain specific tyre categories.

Global Supply Chain team based out of Singapore consolidates and manages Global Ocean Freight, Transport Optimization, Offtake activities, Supply Chain Cost Analysis, Mould Management and Certification Projects.

In addition, Corporate HR team, based out of Singapore, is managing and facilitating the effective deployment of HR systems and policies, globally, in key areas such as Talent Acquisition, Rewards & Mobility, Talent Management and core HR processes, which are aligned to the business objectives of Apollo Tyres with the mandate of enhancing organizational effectiveness and human capital utilization.

#### d) Apollo Tyres B.V.

Apollo Tyres B.V. incorporated in Netherlands is a Holding Company with two Subsidiaries, Apollo Vredestein B.V. and Apollo Tyres (Hungary) Kft.

#### e) Apollo Tyres Cooperatief U.A.

Apollo Tyres Cooperatief U.A., a direct Subsidiary of the Company, is incorporated in The Netherlands. The Company is primarily acting as a Holding Company for all overseas operations.

### DEPOSITS

During the year under review, your Company did not accept deposits covered under Chapter V of the Companies Act, 2013.

### AUDITORS

M/s. Walker Chandio & Co LLP, Chartered Accountants, Firm Registration No. 001076N/N500013 (the firm licenses audit software as well as audit methodology from Grant Thornton

International Ltd), had been appointed as Statutory Auditors of your Company for a period of 5 years from FY18 to FY22 at the Annual General Meeting held on July 5, 2017.

### AUDITORS' REPORT

The report given by M/s. Walker Chandio & Co LLP, Chartered Accountants, Statutory Auditors on financial statements of the Company for FY21 is part of the Annual Report. The comments on statement of accounts referred to in the report of the Auditors are self explanatory. The Auditors' Report does not contain any qualification, reservation or adverse remark.

During the year under review, the Auditors had not reported any matter under Section 143(12) of the Companies Act, 2013. Therefore, no detail is required to be disclosed under Section 134(3)(ca) of the Companies Act, 2013.

### COST AUDIT

M/s. N.P. Gopalakrishnan & Co., Cost Accountants, were appointed with the approval of the Board to carry out the cost audit in respect of the Company's plants at Perambra (Kerala), Limda (Gujarat), Chennai (Tamil Nadu) and Chinnapandur (Andhra Pradesh) as well as Company's leased operated plant at Kalamassery (Kerala) for FY21.

Based on the recommendation of the Audit Committee, M/s. N.P. Gopalakrishnan & Co., Cost Accountants, being eligible, have also been appointed by the Board as the Cost Auditors for FY21 subject to Members' approval. The Company has received a letter from them to the effect that their re-appointment would be within the limits prescribed under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for such re-appointment within the meaning of Section 141 of the Companies Act, 2013. The remuneration to be paid to M/s. N.P. Gopalakrishnan & Co., for FY22 is subject to ratification of the shareholders at the ensuing AGM.

Cost records as specified by the Central Government under Sub-Section (1) of Section 148 of the Companies Act, 2013 are made and maintained by the Company.

### SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had re-appointed M/s. PI & Associates, Company Secretaries as Secretarial Auditor of the Company for FY21 to undertake secretarial audit of the Company.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark. Secretarial Audit Report given by Secretarial Auditors is annexed with the report as Annexure I.

### MEETINGS OF THE BOARD OF DIRECTORS

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, 7 (seven) Board meetings were convened and held. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The details of all Board/ Committee meetings held are given in the Corporate Governance Report.

### AUDIT COMMITTEE

The details of the Audit Committee including its composition and terms of reference mentioned in the Corporate Governance Report form part of Board's Report.

The Board, during the year under review, had accepted all recommendations made to it by the Audit Committee.

### VIGIL MECHANISM

The Company has formulated a vigil mechanism through Whistle Blower Policy to deal with instances of unethical behaviour, actual or suspected, fraud or violation of Company's code of conduct or ethics policy. The details of the policy are explained in the Corporate Governance Report and also posted on the website of the Company.

### COMMITTEES OF BOARD

Pursuant to requirement under Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors has constituted various Committees of Board such as Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, Business Responsibility Committee, Risk Management Committee and Corporate Social Responsibility Committee. The details of composition and terms of reference of these Committees are mentioned in the Corporate Governance Report.

### SHARE CAPITAL

During the year under review the 108,000,000 Compulsorily Convertible Preference Shares (CCPS) having face value of ₹ 100/- each were issued and allotted to Emerald Sage Investment Ltd on April 22, 2020 and October 7, 2020, the same were converted to 63,050,966 Equity Shares on December 5, 2020. Consequent to the aforesaid conversion, the issued and paid up Equity Share Capital of the Company has increased from 572,049,980 equity shares to 635,100,946 equity shares.

The Issued, Subscribed and Paid-up Equity Share Capital of the Company as on March 31, 2021 was 635,100,946 equity shares of Re 1/- each.

#### a) Issue of equity shares with differential rights

Your Company has not issued any equity shares with differential rights during the year under review.

#### b) Issue of sweat equity shares

Your Company has not issued any sweat equity shares during the year under review.

#### c) Issue of employee stock options

Your Company has not issued any employee stock options during the year under review.

#### d) Provision of money by Company for purchase of its own shares by employees or by trustees for the benefit of employees.

Your Company has not made any provision of money for purchase of its own shares by employees or by trustees for the benefit of employees during the year under review.

## CONVERSION OF CCPS TO EQUITY SHARES

During the year under review, the Company had allotted the following Compulsorily Convertible Preference Shares ("CCPS") to Emerald Sage Investment Ltd, an affiliate of Warburg Pincus LLC

- (a) 54,000,000 (Fifty four million) 6.34% CCPS having face value of ₹ 100/-each ("Tranche 1 CCPS"), at par, for cash, for an aggregate amount of ₹ 5,400,000,000 (Rupees five thousand four hundred million only) on April 22, 2020.
- (b) 54,000,000 (Fifty four million) 6.34% CCPS having face value of ₹ 100/- each ("Tranche 2 CCPS") at par, for cash, for an aggregate amount of ₹ 5,400,000,000 (Rupees five thousand four hundred million only) on October 7, 2020.

The aforementioned Tranche 1 and Tranche 2 CCPS were converted to Equity Shares aggregating to 63,050,966 at a conversion price of ₹ 171.29 and the allotment to Emerald Sage Investment Ltd. was made on December 5, 2020.

The aforesaid Equity Shares allotted to Emerald Sage Investment Ltd have been listed on stock exchanges (NSE and BSE) and permitted for trading effective from December 28, 2020.

After the aforementioned allotment of Equity Shares, the cumulative ownership of affiliates of private equity funds managed by Warburg Pincus LLC, including the Allottee, is approximately 18%.

## DEBENTURES

During the year, the following series of Secured Redeemable Non-Convertible Debentures (NCDs) were issued and allotted by the Company on Private Placement basis:-

Sl. No.	Series of NCDs	No. of NCDs @ Face Value ₹ 10,00,000 each	Value (₹ in Million)	Date of Allotment
1	APT 8.75% NCDs 2030	5,000	5,000	April 9, 2020
2	Apollo Tyre 7.70% NCDs 2025	5,000	5,000	May 18, 2020

The aforesaid NCDs are listed on the debt segment of the National Stock Exchange of India Limited (NSE).

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

During the year under review, your Company has not given any loan or guarantee which is covered under the provisions of Section 186 of the Companies Act, 2013. However, details of investments made during the year are given under notes to the financial statements.

## RELATED PARTY TRANSACTIONS

All contracts/ arrangements/ transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Suitable disclosures as required by the Indian Accounting Standards have been made in the notes to the financial statements. The policy on related party transactions as approved by the Board is uploaded on the Company's website.

## MANAGERIAL REMUNERATION

- a) The details required pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in the Corporate Governance Report.
- b) During the year under review, Mr. Neeraj Kanwar (DIN: 00058951), Vice Chairman & Managing Director, also received remuneration from Apollo Tyres (UK) Pvt. Ltd., wholly owned Subsidiary of the Company.

## PARTICULARS OF EMPLOYEES

Particulars of employees as required in terms of the provisions of Section 197 of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are set out in Annexure A to the Board's Report.

## PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

Your Company has in place a formal policy for prevention of sexual harassment of its employees at workplace and the Company has complied with provisions relating to the constitution of Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Furthermore, there was no pending compliant/ case at the beginning as well as ending of financial year.

## HEALTH, SAFETY & ENVIRONMENT

As a firm commitment to Health, Safety and Environment (HSE), the year saw multiple initiatives to implement and review the HSE plans and achieve the defined KPIs. For details on HSE, please refer to Management Discussion and Analysis Report.

## AWARDS AND RECOGNITIONS

In its constant quest for growth and excellence, your Company was honoured and recognised at various forums. The prominent Awards are listed below for your reference.

Name of the Award	Category	Awarded by
ICQCC 2020	Quality	Bangladesh Society for Total Quality Management
Certificate of Appreciation	Recognition for the efforts and contribution towards ending Tuberculosis	Ministry of Health and Family Welfare

## RISK MANAGEMENT

The Company has constituted a Risk Management Committee (RMC) of the Board comprising of Directors and Senior

Executives of the Company. The RMC has a Risk Management Charter and Policy that is intended to ensure that an effective Risk Management framework is established and implemented within the organisation. The Company has also formed Internal Risk Committees (IRCs), which review risk registers for Asia Pacific Middle East Africa (APMEA) Region including India, Europe region and Corporate Functions including United States (US) Region headed by President (APMEA), President (Europe) and Chief Financial Officer as Chairperson of the respective Committees. The IRCs review each risk on a quarterly basis and evaluate its impact and plans for mitigation. Further details about the RMC including its composition are mentioned in the Corporate Governance Report which forms part of the Board's Report.

### CORPORATE SOCIAL RESPONSIBILITY

The Company initiated its CSR activities way before the Companies Act, 2013 came in existence. The Company has a well-defined CSR policy which is made as per the requirement of Section 135 of the Companies Act, 2013. All the CSR activities are aligned with National and Sustainable Development Goals. The Company has a CSR team, who exclusively works towards achievement of CSR goals of the organisation. All the CSR activities of the Company are routed through registered trust (Apollo Tyres Foundation) and runs under the close monitoring and guidance of CSR committee.

In the reporting year, the organisation has undertaken various initiatives related to Healthcare Programme for Trucking Communities, Solid Waste Management and Sanitation Programme for Communities, Livelihood for Underprivileged Women, Biodiversity Conservation and Philanthropy Initiatives; focussing on eradicating hunger and poverty, preventive health and promoting education.

Corporate Social Responsibility Report, pursuant to clause (o) of sub section (3) of Section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014 including salient features mentioned under outline of Company's CSR policy forms part of this Report as Annexure II.

The CSR Policy of the Company is available on the website of the Company and the weblink is: - <https://corporate.apollotyres.com/investors/corporate-governance/?filter=CodesPolicies>

### BUSINESS RESPONSIBILITY REPORT

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, mandates the top 1000 Listed Companies by market capitalisation to include Business Responsibility Report ("BR Report") in their Annual Report.

Your Company falls under the top 500 Listed Companies by market capitalisation. Accordingly, a BR Report describing the initiatives taken by the Company from an environmental, social and governance perspective, forms part of this Report as Annexure III.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo, are given in Annexure IV, forming part of this report.

### ANNUAL RETURN

As per Section 134(3)(a) of the Companies Act, 2013, the Annual Return referred to in Section 92(3) has been placed on the website of the Company [www.apollotyres.com](http://www.apollotyres.com) under the Investors Section (Refer link: <https://corporate.apollotyres.com/en-in/investors/corporate-governance/?filter=Others>).

### CORPORATE GOVERNANCE REPORT

Your Company always places major thrust on managing its affairs with diligence, transparency, responsibility and accountability thereby upholding the important dictum that an organisation's corporate governance philosophy is directly linked to high performance.

The Company is committed to adopting and adhering to established world-class corporate governance practices. The Company understands and respects its fiduciary role and responsibility towards its stakeholders and society at large, and strives to serve their interests, resulting in creation of value and wealth for all stakeholders.

The compliance report on corporate governance and a certificate from M/s. Walker Chandio & Co LLP, Chartered Accountants, Statutory Auditors of the Company, regarding compliance of the conditions of corporate governance, as stipulated under Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached herewith as Annexure V to this report.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 134(3)(c) of the Companies Act, 2013, your Directors state that:

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;



- (e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### SECRETARIAL STANDARDS

During the year under review, your Company had complied with all the applicable Secretarial Standards.

### ACKNOWLEDGEMENT

Your Company's organisational culture upholds professionalism, integrity and continuous improvement across all functions, as well as efficient utilisation of the Company's resources for sustainable and profitable growth.

Your Directors wish to place on record their appreciation to the respective State Governments of Kerala, Gujarat, Haryana, Tamil Nadu and Andhra Pradesh and the National Governments of India, Netherlands and Hungary. We also thank our customers, business partners, members, bankers and other stakeholders for their continued support during the year. We place on record our appreciation for the contribution made by all employees towards the growth of your Company.

For and on behalf of the Board of Directors

Place : London  
Date : May 12, 2021

**ONKAR KANWAR**  
Chairman & Managing Director  
DIN: 00058921



## FORM NO. MR - 3

## SECRETARIAL AUDIT REPORT

## FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**Apollo Tyres Limited**  
(L25111KL1972PLC002449)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Apollo Tyres Limited (hereinafter called "the Company")**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent and as applicable to the Company, in the manner and subject to the reporting made hereinafter:

Subject to the limitations given in this report, we have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021, according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

- d. The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014; (*Not applicable to the Company during the audit period*)
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (*Not applicable to the Company during the audit period*)
  - f. The Securities and Exchange Board of India (Registrars and Share Transfer Agents) Regulations, 1993; regarding the Companies Act and dealing with client; (*Not applicable to the Company during the audit period*)
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (*Not applicable to the Company during the audit period*)
  - h. The Securities and Exchange Board of India (Buy - back of Securities) Regulations, 2018; (*Not applicable to the Company during the audit period*)
  - i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vi) We further report that with respect to the compliance of the below mentioned laws, we have relied on the representations made by the Company and its officers for system and mechanism framed by the Company for compliances under the following Specific laws applicable as mentioned hereunder:
1. Pneumatic Tyres and Tubes for Automotive Vehicles (Quality Control), Order, 2009;
  2. Bureau of India Standards Act, 1986 and the Rules made thereunder as applicable to Tyre Industry; and
  3. Rubber Act, 1947 and Rubber Rules, 1955.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to board and general meetings.
- (ii) The Listing Agreements entered into by the Company with the BSE Limited and National Stock Exchange of India Limited read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ('Listing Regulations')).

Subject to the limitations given in this report, during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc.



**We further report** that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision were carried through and there were no instances where any director expressing any dissenting views.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period the following event(s) occurred during the year which have a major bearing on the Company's affairs in pursuance of the laws, rules, regulations, guidelines, standards etc. referred to above.

- i. On February 26, 2020, the Company executed an agreement with Emerald Sage Investment Ltd (an affiliate of Warburg Pincus LLC) to issue 108,000,000 6.34% Compulsorily Convertible Preference Shares (CCPS) having a face value of ₹ 100 each, at par, for cash, by way of preferential allotment on a private placement basis. The Members of the Company approved the issue of CCPS (Tranche 1) through its Extraordinary General Meeting held on March 23, 2020

and issue of CCPS (Tranche 2) through Postal Ballot held on September 24, 2020. The Company had allotted 54,000,000 CCPS (Tranche 1) and 54,000,000 CCPS (Tranche 2), for cash, for an aggregate amount of ₹ 10,800 Million on April 22, 2020 and October 7, 2020 respectively. Pursuant to the Agreement, one of the conditions for conversion was met and accordingly the Company has issued 63,050,966 equity shares having a face value of Re 1 per share.

#### LIMITATIONS

*It is to be noted that due to Covid-19 situation in the Country and in compliance of the Covid-19 norms issued by the Government of India and State Governments from time to time, the Firm had carried out the audit virtually and the documents, registers, forms, etc. were made available to us by the company through electronic medium. Further, wherever possible we have also taken confirmations from the Company but the audit, as conducted, is subject to limitation of availability of documents due to continuous restrictions imposed by governments.*

For **PI & Associates**  
Company Secretaries

Sd/-  
**ANKIT SINGHI**  
Partner  
ACS No.: 20642  
C P No.: 16274  
UDIN: A020642C000282827

Date : 12/05/2021  
Place : Noida

Further, this report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.



**ANNEXURE A**

To,  
The Members,  
**Apollo Tyres Limited**

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our Responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Compliance Certificate/Management Representation Letter about the compliance of laws, rules and regulation and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards are the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For PI & Associates**  
Company Secretaries

Date : 12/05/2021  
Place : Noida

Sd/-  
**ANKIT SINGHI**  
Partner  
ACS No.: 20642  
C P No.: 16274  
UDIN: A020642C000282827