



On the Horizon

Apollo Tyres is focusing on the road ahead as it diversifies and expands in the European, Asian, and global markets.

Images by Grantly Lynch and Apollo Tyres

Apollo Tyres has seen stunning growth in recent years as the India-based organisation has strategically entered the African and European markets and become a global brand. Today, the high-performance tyre manufacturer has four manufacturing units in India, three in southern Africa, and one in the Netherlands.

As Vice Chairman and Managing Director, Neeraj Kanwar is carefully positioning Apollo Tyres for the road ahead. Neeraj recently spoke to *The CEO Magazine* about the company's global expansion and development.

The CEO Magazine: Can you give our readers an overview of your professional career and background?

Neeraj: I did my industrial engineering degree at Lehigh University in Pennsylvania in the United States, and then I worked for a short period of time at the American Express Bank in New York. This was during the early 1990s, and in 1993 I came back to India and started a small, non-banking finance company.

I started that company and I did everything—hiring and firing people, and investments in equity and markets. It was hard-core training. I then came into Apollo Tyres sometime in

early 1995. When I came in, I had training in the marketing and sales department.

After six to eight months' exposure in marketing, I set up a strategic planning and coordination department in Apollo, which focused on listening to the customer and producing what the customer wanted, rather than what we wanted to produce. That was a brand new department in the company and it started doing very well.

From then on, I moved to manufacturing and looked after four plants. In early 2000, I became the leader of the manufacturing units and then became the CEO in 2004, and in 2005 the board took me on as a board member on the supervisory board.

In 2005, I led a team to create a vision for the next five years. At that point, we were a \$300 million company and we said that we wanted to become a \$2 billion company by 2010 through inorganic and organic growth.

By organic growth we meant expanding our existing facilities and establishing new greenfields. Inorganic growth focused on acquisitions outside of India. The main thing was that we wanted a global footprint, rather than just being an Indian company. Those were the two main drivers for us for the next five years.

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- Neeraj Kanwar

In 2006, we acquired Dunlop Tyres International in South Africa. We were the first Indian tyre company to move out of our comfort zone and get into South Africa. South Africa taught us a lot of lessons, mainly in cultural integration. I was warned that multinational acquisitions often fail because of cultural differences between the companies, so I ensured that the teams were culturally integrated. I think over time it's become clear that what sets Apollo apart is its ability to integrate cultures and that's what we are really proud of.

In 2009, we got the opportunity to acquire Vredestein Banden BV in the Netherlands. We always wanted to move into Europe. Germany is the most mature market in the world so if we can play in this market then we can play in any market. If you are able to create a brand in this market you can create a brand anywhere. That was the philosophy that we moved forward with.

Therefore, Vredestein became very important for us because Vredestein got us a European channel of distribution. It brought us a good brand and it also brought in good technology. We've been seeing very healthy growth for Vredestein in Europe, even during this period where the automotive industry is not doing all that well. We are a very niche player. We have found an avenue for ourselves in the market to grow with very healthy profit margins. >



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Over the past three to four years, we have invested close to €150 million in Vredestein in Holland. We have hired 200 workmen in our plant in Holland. We have increased the capacity of the plant and we've also upgraded the technology of the plant.

Simultaneously, once we achieved the \$2 billion mark with the acquisition of Vredestein and Dunlop in 2010, we then turned our attention to our next goal and vision. We decided that the next vision for us was to become one of the top-10 players in the world by 2016. Marketing and technology are key for us with this goal. From now until 2016, we'll be seeing a lot of investments in R&D, marketing, and creating a brand in Europe and the rest of the world.

"Rubber Resources, part of Elgi, was founded by Vredestein, now Apollo. Both companies share not only the same roots and DNA (tires) but also Indian based holdings. These factors guarantee continued trustful partnership when searching for added value for the whole supply chain." - Marc Beeldsnijder, Head Marketing and Sales, Rubber Resources

Last year we moved our passenger-car tyres department of R&D into Holland because Western Europe is the automotive hub of the world. If I don't know what my customers are doing then I won't know how to cater to the BMWs or the Mercedes of the world. We actually moved 40 families from India to the Netherlands in 2012. We've got Indians, South Africans, and the Dutch working very well together in this new R&D centre in Holland.

We have also invested in India with a new R&D centre for commercial-vehicle tyres. Last year, I set up a global marketing office in London where I've employed people from a diverse range of industries. My main goal is that I want to create a brand in the next five to 10 years which will mean something and really stand out from the crowd.

We've entered new markets, with offices in Thailand, Indonesia, Dubai, Australia, and Brazil, where we've hired people on the ground and where sales and marketing activities have already begun a year ago. We see a lot of enthusiasm and a lot of customer demand from these countries.

We just need to see how we can service these new markets and from which plants. Right now they are being catered through India and Europe, but our next step is obviously to look at Southeast Asia, Thailand or Indonesia, to see where we could set up a plant. I give it another three to four years before Apollo has a huge plant in either of these locations, which would then cater to those markets.

What would you identify as the biggest challenges that you've faced since you've been in charge?

I think when I joined, the company was really working in silos. If you

take any global company, the people like to protect their own data and their own departments and that's where I came in and broke that and brought in a culture of transparency, openness, and communication. The main thing was reinforcing trust between individuals and the company.

The chairman always talks about family values and that's what Apollo is all about—it's about families and how we can work together to achieve our collective targets. Given that communication transparency, data movement was important for us. We launched ERP [enterprise resource planning] in the company in early 2000 and that really broke down a lot of silos and allowed for real-time data. Before, decision-making was slow and it was a big challenge for us. If you empower your employees at all levels, you involve them in the decision-making process and it becomes very fast.

Why do you think it's so important for Apollo to collaborate with its suppliers and its key partners to achieve success?

We started this journey six to seven years ago. In India, Apollo was buying 80 per cent of its raw materials from the domestic market. In order to reduce prices and get a better understanding of technology, we had to break that and we had to go to various countries and start developing new vendors and suppliers. At that point in time there were teams set up who went to China, Russia, and South America and started developing new vendors.

That gave us a boost in our raw material costs. Subsequently, once we did that we also went to the big suppliers to suggest undertaking joint projects that are a win-win for both of us. We get to share our expertise, they get to share their expertise, and we get a

better product and a better relationship with our supplier.

Over the next few years, what do you believe the future holds for Apollo?

I think the past year and a half has taught us a lot of lessons about the world of tyres. We are a very aggressive and dynamic company and we like to take risks. At the same time, we respect our shareholders and we respect what we need to do for our shareholders because at the end of the day we are their custodians.

This five-year period is going to reveal a very different Apollo. It's going to reveal an Apollo which is global and creating global brands. We just partnered with Manchester United and we have tied up with them for the UK and India. I think it's a good platform for us to take on and you'll see much more action from the Apollo brands in the coming years. ●

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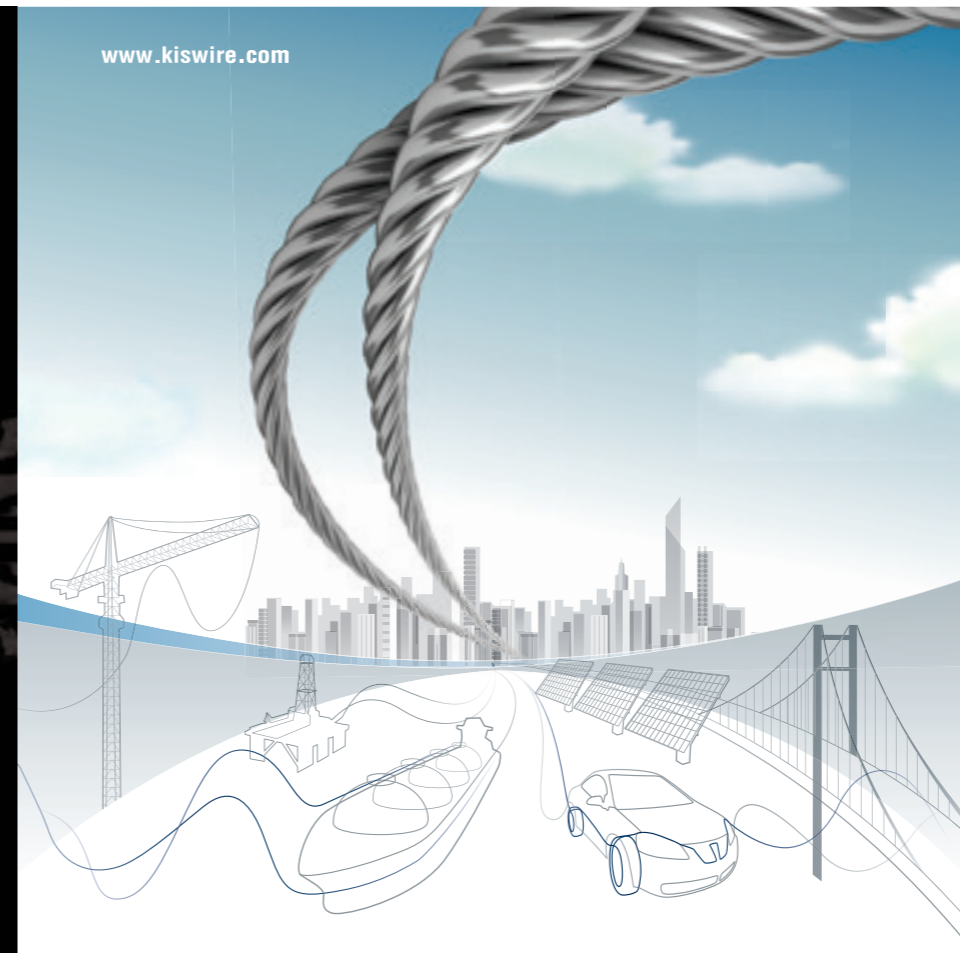
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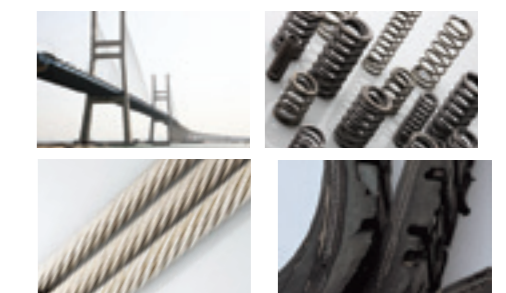
| | | | |
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| Compound price per kg | | \$ 2.74 | \$ 2.42 |
| Advantage per kg | | | \$ 0.32 |
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