Abhishek Jain, Whole Time Director, PPAP Automotive Limited

Yash Ved, IIFL | Mumbai | July 14, 2016 14:35 IST

Abhishek Jain, Whole Time Director, PPAP Automotive Limited manages all the operations of the company. After gaining valuable work experience in USA, he joined the company in 2003. Abhishek holds a Bachelor of Science Degree in Industrial Engineering from Purdue University, USA. He has been an active Executive of the Toyota Kirloskar Supplier Association for over 7 years and is currently a member of the Executive Committee of the Honda Suppliers Club.

PPAP Automotive Limited (PPAP) is a leading manufacturer of Automotive Sealing Systems, Interior and Exterior Automotive parts in India. The company's state of the art manufacturing facilities are located in Noida (UP), Greater Noida (UP), Chennai (Tamil Nadu) and Pathredi (Rajasthan). The company manufactures over 500 different products for its customers and continuously targets to achieve zero ppm in Quality and Delivery performance for all its customers. Its customers include prestigious manufacturers like Maruti Suzuki India Limited, Honda Cars India Limited, General Motors India Private Limited, Toyota Kirloskar Motor Private Limited, Renault Nissan Automotive India Private Limited, Tata Motors Limited, Ford India Private Limited and Mahindra and Mahindra Limited along with other OEM’s.

Replying to **Yash Ved** of ***IIFL***, Abhishek Jain says "Looking forward, we remain upbeat on the new vehicle sales outlook for 2016 and beyond.”

Can you share with us the overview on the financials?

The total income was Rs.302.75 crores in FY16, as compared to Rs.318.50 crores last year. This figure includes Tool sales of Rs.7.81 crores in FY16 as compared to Rs.34.02 crores in FY15.

The EBITDA grew by 28% in FY16, at Rs.52.06 crores as compared to Rs.40.77 crores in FY15. The EBITDA margin is at 17.20% compared to 12.80% in FY15. The net profit was Rs.15.27 crores for the current year, up by 27% from Rs.12.03 crores last year.

As a result of the above, the EPS for the year has increased to Rs.10.91 from Rs.8.59 per share in the previous year.

The Board of Directors have reviewed the performance of the company on 19th May and have recommended a final dividend of Re.1/- per share.

The debt-equity ratio at 0.35 is also under control and we are in a comfortable position to effectively manage our exposures.

If you look at the trend for the previous three years, we have been improving on all parameters and are making our best efforts to sustain the improved performance.

Brief us about your expansion plans and the road ahead?

We are constantly working towards expanding our product base and our customer portfolio. Our endeavour is to provide customers with a superior value added solution for their vehicles. Since inception, PPAPhas been manufacturing Plastic based Sealing Systems.

Recently, we have set up a JV with our technology partners to expand into EPDM based Automotive sealing parts. We are also exploring new opportunities for our Injection business.

We are constantly interacting with our customers for new avenues where we can add value to them. We are also looking at expanding the target audience by examining opportunities in the Non Passenger Vehicle segment viz. LCV, Railways, etc.

. While our existing plant is a finishing plant set up on leased premises, we are in the process of building a new plant in Chennai. The new plant at Chennai will be focusing on servicing the customers in the region.

We are also considering setting up a new plant in Gujarat. Suzuki, as you are aware is going full steam on its facilities in Gujarat. We have already secured land assets in this area and shall be setting up the plant as the requirement becomes evident.

We are also exploring to expand our existing customer and product base.

What outlook do you see for the industry per se?

In 2015, passenger vehicle sales grew by 7.2%, to 2,789,678 units according to figures from the Society of Indian Automobile Manufacturers (SIAM).

Looking forward, we remain upbeat on the new vehicle sales outlook for 2016 and beyond. RBI and the World Bank have pegged India's growth at 7.6% over FY17 bolstered by a positive performance from the key manufacturing and services sectors.

Domestic demand for new and used vehicles is likely to remain strong due to good monsoon prospects, payout of the 7th Pay Commission and improvement in availability of affordable credit, resulting in rising real GDP per capita. This rise will surely result in a good spell for the Automotive Industry.

Moreover, passenger car density remains extremely low in India at about 21 cars per 1,000 people, but will rise to 28.4 by 2020. (according to BMI Research)

All in all, we are quite positive about the growth outlook.

What is your take on margins?

We achieved 17.2% EBITDA margin in FY16. This is a significant improvement over previous years. We have been improving on all parameters and are focused to sustain the improved performance.

Comment on your Capex plans?

For the current year (FY17), the capex is planned at about Rs. 35 Crores. This capex will focus on setting up of a new plant as well as improvement of capacities wherever required. A significant part of this capex will also be utilized to improve our technology so that we can become more competitive in the long run for our customers.

Your sales target for 2020?

We have been working very closely with our customers and expect that we should be able to maintain our leadership position for the existing business. We are also continuously exploring new customers and new products while setting up new plants close to our customers so that we can explore more opportunities with them.

As a policy, we have decided that our growth initiatives have to add value to the company and we do not get into a rat race of the top line. Therefore, we are making all efforts in ensuring that the base of the company is strong and we build a great company with great products for eternity.