

# PPAP Automotive bets on lightweight tech to fuel growth

Whether it is reducing the wall thickness of injected moulded parts or tightening the size of a sealing system, the Noida-based Tier 1 supplier is offering new solutions to OEMs looking to lightweight their vehicles. **Amit Panday reports.**

**P**PAP Automotive (formerly Precision Pipes and Profiles Company), the Rs 320 crore Noida-based Tier 1 supplier of automotive sealing systems, interior and exterior injection parts, is bullish about market growth in FY2016-17. The company is expecting to record double-digit growth (primarily in the passenger car segment) as per the performance of the first two quarters of FY2017.

Speaking to *Autocar Professional*, Abhishek Jain, whole-time director, PPAP Automotive, says, "The company primarily caters to the passenger vehicle market. While total automobile sales (passenger vehicles, commercial vehicles, two- and three-wheelers) dropped by over 18 percent in December 2016, the PV segment saw a marginal dip in numbers due to demonetisation. As such, there does not seem to be any long-term effect of demonetisation on the PV market and the market continues to show strong demand. Therefore, there has been no change in our



annual growth targets. We witnessed a minor dip in our revenues in December 2016 compared to the target revenues which has, by far, been corrected in the following months. Our annual target revenue remains unchanged."

Industry data for February 2017 indicates that the passenger vehicle (PV) segment has grown by 9.16 percent YoY between April 2016 and February 2017. The growth has been strongly driven by the demand for utility

**PPAP Automotive manufactures a host of products with a focus on engineered plastic parts.**

**PPAP HAS THE CAPABILITY TO EXTRUDE UP TO FOUR DIFFERENT HARDNESS MATERIALS IN THE SAME PROFILE.**

vehicles (UVs) in the domestic market. The UV sub-segment has registered an impressive growth of 31 percent YoY during the same period, thereby pulling up overall growth from other sub-segments such as cars and vans.

On the other hand, the export business, which is close to one-fourth of the domestic market in terms of volumes, has recorded a decent jump of 16.28 percent YoY during the 11 month period of this fiscal.

This is good news for

PPAP Automotive, which caters to Maruti Suzuki India, Honda Cars India, Toyota Kirloskar Motor, Renault-Nissan, Tata Motors, Mahindra & Mahindra (M&M), General Motors India and others in the PV segment. Notably, the share of business with Maruti Suzuki for PPAP Automotive to its overall revenues accounts for around 45 percent. Honda Cars India, on the other hand, contributes close to 39-40 percent of company's overall revenues. These are understood to be inclusive of the revenues from exports.

Jain, who is looking forward to even further improved market conditions in FY2017-18, is optimistic about the impact of Union Budget 2017. "Budget 2017-18 was the first one to be announced early and included the Railway Budget as well. This lays a very important foundation of improving the overall accountability of spending each paisa by each department by the government. The finance minister has laid out a two-year target of many important constituents of the Indian economy,



which is again a first of its kind. The current Budget primarily focuses on boosting rural demand as well as boosting the incentives for SMEs. Both are supposed to be the key drivers of the Indian economy. The Budget lays a strong foundation of long-term growth for the Indian economy," he stated.

In its Q3 FY2017 (October-December 2016) results, PPAP Automotive has reported total quarterly income of Rs 84.23 crore, which marks a jump of 17.35 percent YoY. According to an official document, the quarterly income also included tool sales of Rs 9.88 crore.

During Q3 FY2017, PPAP Automotive began supplies to Maruti Suzuki for its recently launched hatchback Ignis and to Toyota Kirloskar Motor for the new Fortuner SUV. The October to December 2016 period also marked the company's foray into the two-wheeler segment, wherein it added Suzuki Motorcycles India (SMIL) to its customer portfolio. It will be providing SMIL injection moulded parts for future models.

For the first three quarters of FY2016-17, PPAP Automotive's EBIDTA margin stands at 17.80 percent. Besides the new orders and new product despatches it made during Q3, the company's list of main supplies also include parts for the Toyota Innova Crysta, Maruti Suzuki Baleno RS and Vitara Brezza petrol and Renault Kwid for the export markets.

During Q1-Q3 FY2017, it also ventured into the light commercial vehicle (LCV) segment by bagging order(s) from SML Izuzu for development and supply of instrument panels.

On the product side, the company is known to have manufactured over 500 different products and is currently working towards achieving quality levels



of zero ppm (parts per million), a measurement used to define quality standards across the industry.

### CORE COMPETENCE

The core competence of PPAP Automotive, which entered the automotive parts business in 1985 with Maruti Suzuki, is in polymer extrusion-based sealing systems and injection moulded products. According to the senior company official, it has the capability to extrude up to four materials in the same profile as per customer specifications.

"We have the capability of processing engineered plastics like PVC, PP, ABS and TPO. We have been focusing on engineered plastic components. We will continue to focus on plastic technologies. We are planning to expand our product portfolio with new products for new customers and new markets. We are working on a lot of new injection moulded products too," reveals Jain.

Over the years, PPAP has developed strong technology alliances with

**Lightweighting gains can be had across a multitude of vehicle parts through materials and processes.**

Japanese companies in order to cater to the ever-increasing demands of its local customers. In 2012, the company has ventured into EPDM rubber-based automotive sealing system by establishing a joint venture with its technology partner Tokai Kogyo Company from Japan.

"In order to survive in the Indian market, all OEMs have realised that they have to optimise on fuel efficiency and this is what they have been doing over years. Efforts on the front of lightweighting have gained significant traction due to OEMs' evolving approach towards improving fuel economy. When we work with any OEM, we offer them suggestions on how to cut down weight through different parts model-after-model. Items like reducing the wall thickness of injection moulded parts or work on the profile / size of a sealing system now regularly feature in our discussions on the product development side," Jain adds, underlining the growing OEM focus on lightweighting efforts.

According to him, parts such as petrol tanks, which

were made of sheet metal earlier, are now converted into plastics, thereby offering considerably weight savings.

Quoting another example, Jain disclosed, "Within sealing systems, we make glass-run channels, which are fitted on the window glasses sliding up and down. Conventionally, this part was made of rubber. But it is now made using TPV – a form of engineered plastic. This has reduced the weight of this part by almost 30 percent."

### OEMs OPEN UP, FOCUS ON QUALITY, LESS SO ON COST

As the passenger car market evolves, Jain sees a growing trend of focus on quality while giving up their tight hold on costs. "OEMs are now open to new technologies, provided that these offer them good value addition. An increase in costs by 10-15 percent can be brought down through large-scale production but the benefits such as weight reduction, compliance with stringent quality standards and reliability are big advantages. This is what I believe the OEMs are looking at," he added.

The company is currently operating on quality benchmark of less than five ppm with products for all customers combined. In its drive to scale up quality standards, PPAP Automotive's top management has taken up several initiatives internally, which includes department heads dealing with quality benchmarks directly reporting to the COO.

"You cannot switch to global quality benchmarks overnight. It's a culture in which every member of the organisation must participate. This reflects in every job involved in running a company across all products and services. We are working on it," summarises Jain. ■



**Abhishek Jain: "To survive in the Indian market, all OEMs have realised that they have to optimise on fuel efficiency and lightweighting has gained significant traction."**