

INTERVIEW



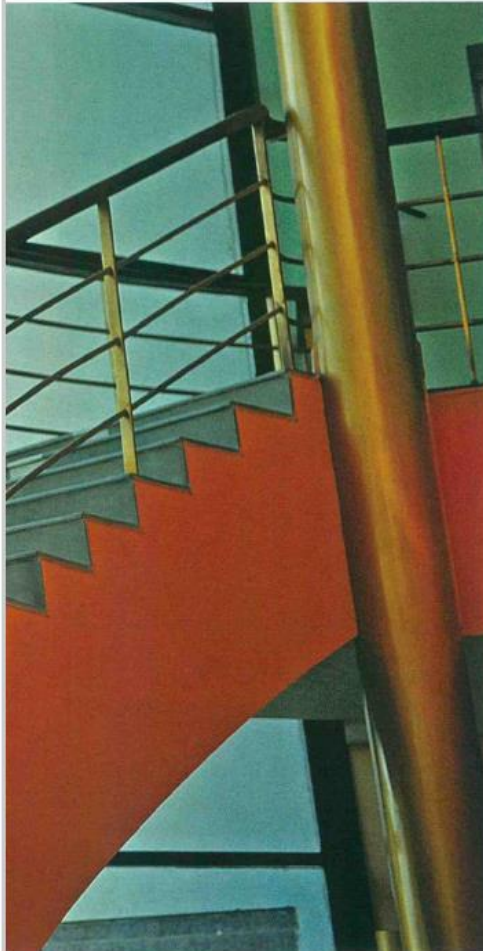
Abhishek Jain

PPAP Automotive's CEO and MD on using the slowdown to implement Industry 4.0 across seven manufacturing plants **Page 18**



Abhishek Jain: 'Our products are powertrain-neutral and can be used in EVs as well as hybrid vehicles.'

PPAP Automotive, the Noida-based manufacturer of sealing systems, interior and exterior injection-moulded parts, has used the ongoing slowdown to enhance its capabilities in design, development and R&D. **CEO and Managing Director Abhishek Jain** says the company, which has also bagged new OEM business in the recent past, is actively implementing Industry 4.0 measures at its 7 plants in India to be future-ready when growth returns. An interview by **Mayank Dhingra**.



How has the ongoing fiscal year been for PPAP Automotive, given the extreme downturn in the market?

The business in the current year is slightly depressed. The ongoing reduction in demand of vehicles has hampered our sales as well. We have seen an unprecedented drop in the topline as well as the bottomline in the ongoing fiscal year.

What measures have you taken to remain sustainable?

We have taken the problem of reduced demand as an

opportunity to make the operations leaner and to make the company flexible to adapt to the volatility of the market conditions. During an upturn, the minor expenses generally get neglected. However, during this period, our efforts have been to look at the total expenditure profile including fixed costs and our effort has been to reduce our breakeven point.

During this period, we have also restructured our organisation in order to focus on increasing the topline as well as improve the decision making and accountability in the



A hydraulic plastic injection-moulding machine. PPAP has three injection facilities, one each in Surajpur, Uttar Pradesh; Pathredi, Rajasthan and Viramgam, Gujarat.

'We have begun making parts for the Hyundai Creta and will soon start for the Verna. We are also in talks for two more models as well.'

organisation. We have also started enhancing our design, development as well as R&D areas so that we can improve our capabilities to serve customers. We are confident that when the pent-up demand is transformed into actual sales, our performance will be much better than before.

What has been your level of capacity utilisation across all of PPAP's manufacturing facilities?

During the downturn period, our capacity utilisation has been reduced to around 65-70 percent from 80-85 percent levels.

Have you had to shelve any investment plans for this year and defer them for FY2021?

During a downcycle, it is extremely important to preserve your cash flows. Therefore, we have reviewed our capex plans and are continuing with only those investments which are directly linked to a customer project.

You had won a pilot project for Hyundai Motor India last year. What is the update with winning more business with the No. 2 car manufacturer in India?

The pilot project was a trial project between both the companies to understand

each other. After successful implementation of that project, we have started manufacturing parts for their Creta model. Now that the trust is established between Hyundai and PPAP, we are getting continuous opportunities from them. We will soon start manufacturing parts for their Verna model during the next quarter and we are also discussing parts for two more models with them.

Kia Motors, a Hyundai Group subsidiary, has also entered the Indian market. Have you been awarded business from Kia Motors India?

Not yet. We have started receiving quotation interests from them through our relationship with Hyundai, but nothing concrete is on the cards yet.

Among the Japanese customers, does Honda Cars India still remain your biggest client in terms of revenue?

Honda is a very important customer for us but it is the second largest customer in terms of revenue. We have been associated with Honda since the first-generation City was launched in the Indian market. Maruti Suzuki India has been our oldest and the largest customer since the start of the automotive business for the company.

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PPAP's portfolio of extrusion and injection-moulded parts suitable for fitment in interior and exterior of any vehicle, and fuel-agnostic. Clockwise from top left: A front doorpad on the first-gen Honda Amaze; an inside boot side-cowl garnish for Honda BR-V; an inside boot side-cowl garnish; lid for inside rear hatch loading lip; AC vent ducting; a wheel arch lining; rear parcel tray and B-pillar inside trim.

We are also working with Toyota, Renault-Nissan, Isuzu, Suzuki Motorcycle India and many Japanese Tier 1 companies.

Could you detail the per-car share for each of these manufacturers while also specifying the kind of parts being supplied?

PPAP is engaged in the manufacturing of body sealing systems and exterior and interior injection-moulded products. Our target is to service our customers with a bouquet of all the products that we are capable of developing and delivering to them with zero defect in quality and delivery. The per-car share varies from model to model. For the company's body sealing system, the range is between Rs 1,000 - 1,500 and for injection products, the range is between Rs 1,000 - 6,500, depending on the customer and model.

Have you been able to tap business opportunity offered by MG Motor India? If yes, what are you supplying to the company?

As a pilot project, we are supplying injection moulded products for the MG Hector. We have received interests from them for our body sealing systems and are discussing the same.

Does PPAP need to work in any way and support clients in progressing towards the upcoming BS VI norms? Have you developed any EV-specific part?

The products manufactured by the company are powertrain-neutral. Our products are used in vehicles with petrol or diesel engines. The same products can also be used in any electric vehicle or hybrid vehicles as well.

What were the company's revenues in FY2019 and what is your growth outlook for this year?

The operating revenue for FY2019 was Rs 410 crore. The overall production of vehicles during this year is expected to fall compared to the previous year. Although we saw a spurt in demand during the festive season, that spurt has not yet resulted in increase of production of vehicles by our customers. This demand was primarily met by clearing of inventories which were built up earlier. Since the inventories have been largely reduced, we expect that production of vehicles may pick up from Q4 (FY2020).

What investments have you earmarked towards R&D, developing new product lines or capacity expansion in the short-term?

PPAP has set up integrated operations that offer built-to-print solutions to our customers. We are engaging with our customers at the design stage and we support each other during the entire development process. For R&D, the company has a separate design centre, tool manufacturing facility, as well as an exhaustive testing and validation facility. Our in-house R&D unit has been recognised by the Government of India's Department of Scientific and Industrial Research (DSIR), which comes under the aegis of the Ministry of Science and Technology.

What kind of automation/IoT/ digitisation solutions have you deployed or are planning to deploy at your sites?

We have already entered the fourth industrial revolution, which will be led by digitising all inputs and taking logical decisions by analysing the data patterns. This revolution is known as Industry 4.0.

PPAP started working on this objective about two years ago. Our first focus was to stabilise and upgrade our basic IT infrastructure and establish secure networks

to safeguard ourselves from any cyber attacks. Following this, we have implemented SAP HANA as our fundamental ERP system, on which, all other applications will be built or be integrated with it. At the same time, the company has also introduced many software solutions in Human Resource Management, Product Life Cycle Management, Compliances, Customer Relationship Management, Calibration Management, and Mould Maintenance Management among others.

Our next immediate target is to digitise our logistics operations to reduce our logistics costs. We are also actively pursuing the digitisation of our safety, quality and production management systems.

Do you think the future demands significantly different sets of skills for manufacturing on the shopfloor?

The fourth industrial revolution will bring about a massive change in the skill sets at the shopfloor. Since more and more companies are opting for automation, the demand for traditional workers will be reduced. The workers will need to be trained in focused vocations so that they become experts in their respective domains. The industry is partnering with various institutions to upgrade the skills of the



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The company has deployed PLM, calibration management as well as mould maintenance management software solutions to streamline operations and target zero defects in quality and delivery.

workers in order for them to stay relevant in future.

Are you exporting/ plan to export parts to support any global OEM's operations? Is Hyundai a part of that list?

We are already exporting our parts as part of CKD kits exported by our customers. We export our products to countries like Japan, Mexico, Thailand and Venezuela through Renault-Nissan, Toyota as well as Honda.

Do you plan to enter the aftermarket with an extrusion/ moulding-related accessory?

Till date we have been a 100 percent OEM-focused company. During this

downturn, we have realised that we must de-risk our business model to reduce our dependence on any customer or industry or market. The aftermarket is part of the strategy that we are working on to de-risk.

What is your current ratio of OEM to OES business, given that a lot of body repair jobs would require the necessary parts to be supplied by PPAP?

The current ratio of OES would be somewhere between 5-10 percent of our total sales.

What are some of the environmental sustainability measures that the company has taken to reduce its carbon footprint?

PPAP Automotive is an ISO 14001-certified company. Recently, we have also been awarded ISO 50001 for our efforts in efficiently managing our energy footprint. We have also started focusing on sustainability guidelines according to GRI standards to reduce our impact on the environment as well as society at large. Our focus is to reduce any discharge and promote the 3R (reduce, re-use and recycle) concept to reduce our impact on the environment.

Through our CSR foundation, we are pursuing plantation of native trees in the NCR region to reduce the pollution problem that is prevalent in the region. Our target is to plant at least 100,000 trees annually towards this initiative.

How do you like to unwind in your free time and what have you been reading lately?

I love to spend my maximum free time with my kids. Being with them gives me solace. I am not an avid reader but I love watching documentaries on digital platforms about politics, drama, history, and also law and order. ■

