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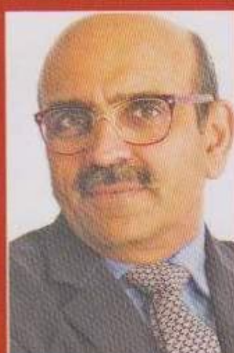
The Number Bosses

CFOs

Their Companies & Beyond









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Manish Dhariwal
PPAP Automotive

The key challenges that we are facing today are — Improving the efficiency of returns on financial resources — Keep our exchange rate based exposure at minimum Building up an organisation which supports each and every operation with feedback on improvement areas.

At PPAP Automotive Limited, what are your top three priorities?

Exploring Economically viable growth opportunities

We are today very comfortably placed as regards our financial position with our Debt Equity Ratio at 0.35. Our profitability has also seen a marked improvement over the last 3 years. The challenge now is to productively grow the organisation. Any growth decision entails risk and we are focused on undertaking only economically viable growth initiatives.

Continuing the drive to improve internal efficiencies

The improvement in profitability has been achieved due to the company wide drive to increase efficiency across all the departments. We are focusing on sustenance as well as identifying new areas where we can improve our efficiencies.

Digitising the operations

The next phase of improving efficiency will be driven by digitising the various aspects of operations. We have identified various areas where we can further improve the risk as well as improve the efficiency.

What are the key challenges faced by yourself as a CFO of PPAP Automotive Limited?

In line with the above priorities, the key challenges that we are facing today are

- Improving the efficiency of returns on financial resources
- Keep our exchange rate based exposure at minimum
- Building up an organisation which supports each and every operation with feedback on improvement areas.

Can you help us with an example on any strategy execution you were closely involved with during your tenure as a CFO, which eventually helped the company grow and obtain its objective?

In FY14, PPAP was facing a serious challenge of being in the midst of a significant capex programme while the profitability in the previous year had hit all-time lows. We went ahead with making strong changes in the organisation.

We removed the loss making fringe businesses (via a slump sale process), set up our plant at Pathredi for Honda, invested in our JV, and lastly also carried out the change of name of our company from earlier "Precision Pipes and Profiles Co Ltd" to the current "PPAP Automotive Ltd".

These steps taken by us at that time have borne fruits.

Is your company planning to expand its product base? Can you please explain how the new product launches can help contribute to sales volumes and profitability? What is the target market share you intend to achieve with new and existing products?

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. In PPAP, we were resorting to Plastic based

We are an OEM company and deliver our products to car manufacturers in the country. Therefore, the sales volume is dependent on the business they generate. We basically work very closely with our customers and try to give them a superior product with superior value, with an edge over competition.

Sealing System since inception. Recently, we have set up a JV Company with our technology partners to expand into EPDM based Automotive sealing parts. We are constantly interacting with the customers for new avenues where we can add value for them. We are also looking at expanding the target audience by examining opportunities in the Non Passenger Vehicle segment viz. LCV, Railways, etc.

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PPAP automotive has given dividends in FY16 after it declared dividends in FY12. The company has been inconsistent so far when it comes to dividends. How do you see the dividend policy shaping up for your company over the coming years?

The return to shareholders is an important consideration by the board of directors of the company. However, the priority is to ensure the health of the company before any payouts to any shareholders are made.

While we were consistently giving dividends till FY12, a conscious decision in FY13 of stopping the dividend was taken since we wanted to conserve the financial resources to meet the requirements of the operations of the company.

Considering the progress of the company's financial requirements, the board of directors has recommended dividend from FY15 onwards. Going forward the Board will follow a consistent dividend policy.

What essential steps are being taken to improve the net profit margin as the historical data suggests unpredictable margins, even though the margins have improved in recent times?

Our margins have been consistently improving since FY13. The EBITDA margin has improved from 7.24% in FY13 to 17.20% in FY16. We are working on multiple fronts towards protecting the already achieved levels and are looking at further improvement

- Improving internal operating efficiencies by focusing on elimination of waste and improving the processes.
- Reducing the exchange rate risks through focus on localisation

As a result, our raw material costs as a percent of sales has come down from 60% in FY13 to under 53% in FY16. Other expenses which cover elements like power, freight, administrative overheads etc have come down from 16.56% to 14.32% over this period.

Will you be able to bring down your overall cost of capital? Is MCLR helping you bring down cost of capital?

Our overall cost of capital has been coming down consistently and MCLR is expected to bring down the same further as the MCLR based rates are lower than the bank base rates. We are continuously exploring other opportunities to reduce our cost of capital.