

Being One Up in the Value Game Helps PPAP Stay Ahead

Financial Snapshot

Fig in ₹ cr	FY13	FY14	FY15	FY16	FY17	CAGR 4yr (%)
Revenue	215	246	318	302	342	12.30
EBITDA	20.03	36.27	44.5	53.17	66.51	34.99
EBITDA margin (%)	9.32	14.74	13.99	17.61	19.45	
Profit	1.54	5.46	12.03	15.27	23.91	98.50

Source: BSE

Global benchmarking and competitive pricing have enabled co enlist top clients, gain 80% share

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ET Intelligence Group: Manufacturing products in a cost-effective way and supplying them at a lower price than competitors is one way of creating a close relationship with customers and bringing long-term visibility on orders and revenue.

PPAP Automotive, a supplier of sealant products used for preventing water from entering cars, is one such company. It has a strong relationship with leading car makers such as Maruti Suzuki, Honda Car India, Tata Motors and Nissan. The company's financial performance reflects its market dominance and manufacturing efficiency.

International benchmarking and competitive pricing have helped the company enjoy an over 80% market share in automotive sealants in India. PPAP can offer its products 30-50% cheaper than those available from Thailand and Japan. It supplies 150,000 parts per day to automakers.

The company's revenue grew at an annualised rate of 12.3% in the past four years, better than the automotive

industry's volume growth of less than 10%. Its operating profit in the same period rose 35% every year, due to improvement in the products mix and cost control. Its operating profit margin widened to 19.4% in FY17 from 9.3% in FY13. The cost control initiative can be gauged from the fact that it lowered power costs to 2.4% of revenue in FY17 from nearly 4.5% four years earlier. PPAP didn't hesitate to even cut petty expenses. For instance, it reduced the print run of its annual report by 40% in FY17, switching to sending it through digital medium.

The company's revenue outperformance to the industry volumes growth is likely to continue, as it is making more value-added products which fetch higher realisations, adding more customers and continuing with efforts at efficiency.

PPAP supplies stainless steel strip sealants for Maruti's Baleno, a car with a waiting period of 6-10 weeks. This has helped raise the proportion of steel strip sealants to 51% of total revenue in the June quarter from 45% a few years ago. Realisation on stainless-steel sealant is 50-100% higher than conventional products.

The company added Hyundai as a new client and has started supplying sealants for its small car Eon. It recently commissioned new plants in Gujarat and Chennai, investing close to ₹35 crore. PPAP will start supply of instrument panel to SML Isuzu and parts for new bikes of Suzuki. Exports currently contribute nearly 10% of total sales.

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