



Abhishek Jain, Managing Director and CEO, PPAP Automotive

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In an interaction with Mamta Maity, indiainfoline.com, Mr. Abhishek Jain, Managing Director and CEO at PPAP Automotive Limited said "the Company manufactures over 1,000 different SKUs and ships over 2,00,000 parts every day to its customers which include the Japanese OEMs, the local OEMs as well as other major OEMs in the passenger vehicle segment as well as the commercial and the two-wheeler segment."

To start with, can you take us through your journey of being the only listed entity manufacturing automotive body sealing systems in India?

Established in 1978, for the manufacture of custom-made extrusion products, PPAP began its automotive parts business in 1985 with the commencement of Maruti Suzuki's cars production in the Indian market. We are a leading manufacturer of Automotive Sealing Systems, Interior and Exterior injection moulded products in India.

The Company manufactures over 1,000 different SKUs and ships over 2,00,000 parts every day to its customers which include the Japanese OEMs, the local OEMs as well as other major OEMs in the passenger vehicle segment as well as the commercial and the two-wheeler segment. Our state of art manufacturing facilities is located across the automotive hubs in India and presently, we cater to almost all the marquee OEMs in the passenger vehicle space.

How has been the composition of your product portfolio and in which product categories you have a JV with the other company?

We offer a diverse range of products across our business segments. The Company is focused on manufacturing of value-added products which will be margin accretive. The USP of our automotive parts products is that they are engine agnostic and can be used for assembly of both Internal Combustion Engine (ICE) and Electric Technology-based vehicles (EV). When these global OEMs first entered India for business, there was a belief that Indian companies would be unable to deliver best-in-class products, so either they had their own suppliers, or they insisted on a technical joint venture between their company and an Indian company for manufacturing.

We at PPAP believe that technology plays a pivotal role in the overall business and with this underlying thought, we have a technical collaboration with Tokai Kogyo Co. Limited, Japan since 1989, for development and manufacturing of automotive body sealing systems. Also, we have a technical collaboration with Nissen Chemitec Corporation, Japan, since 2007, for development and manufacture of interior and exterior injection products. The Company also tied up with Tokai Kogyo Seiki Co. Limited, Japan for manufacturing of tools and dies.

What has changed in the company over the last couple of years and what are the underlying parameters driving the change?

Well, that is a great question and let me answer this in detail. Since last couple of years we were busy in restructuring the Company's operations and reorganizing business segments. As you know, since 2019, the automotive industry something or the other has been happening, first, the industry went

down, then when we were supposed to have good sales when the market demand came back, unfortunately, we were hit by the pandemic, so, first lockdown happened, then during the time it was recovering, again, we were hit by the second wave, so, again lockdown happened, and now that things were becoming back to normal, again, we are having this semiconductor shortage problem happening. So, since 2019 something or the other is happening in the automotive industry.

So, in 2019 basically our entire leadership team we got together, and we brainstormed on what do we need to do to overcome this kind of disturbance in top line and bottom line, which is happening for the industry. So, our prime focus was that how do we de-risk ourselves and start expanding our customer base and how do we exploit the knowhow which we already have in the company. So that is when we started dividing the company into these five verticals to realize our hidden potential.

Our focus came on developing an aftermarket for our products so that we have a larger customer base to deal with. One of our core competence is in injection molding process. We thought why not develop some products in the neighbouring industries for achieving higher growth. That's when the pail containers business started. This has 2 benefits, 1 is to open up new market for us and second is to achieve higher utilization of assets in case there is a slowdown in the Automotive parts business

We were already doing Tool Business in the company since 2008. But that was primarily for the captive purpose. So, we thought why we don't commercialize this and develop more opportunities for ourselves. Therefore, we established our Commercial Tool Room facility. The electric vehicles are going to become a new normal going forward. So, we identified electric vehicles as a growth opportunity for us. And that's when we decided

to launch this electric vehicle components vertical, which is done in a subsidiary company. This vertical complements our existing product range of products. We have also started design and development of battery packs for the 2-wheeler industry. We are working on strategies to launch more products going forward.

So, it's taken us about one and a half to two years to figure out all these things and to restructure ourselves. And during this time, a lot of changes have happened in the company, a lot of different ways of working has been established, leadership changes have happened, organization changes have happened. Now, we are rolling out this new strategy to achieve higher growth going forward and to grow the business multi fold

In which states does PPAP have its manufacturing facilities and what is the capacity utilization?

The group has 7 state of art manufacturing facilities which is strategically located across 4 states – Noida and Surajpur (Uttar Pradesh), Pathredi (Rajasthan), Viramgam (Gujarat) & Vallam Vadagal (Tamil Nadu). The manufacturing facilities are present in the proximity to the auto hubs in the country. Our capacity utilisation stood at 67% in Q2FY22. Our aim is to improve capacity utilization levels going forward and achieve operational efficiencies. Apart from the facilities, we have 3 sales offices located in Gurgaon (Haryana), Chennai (Tamil Nadu) and Pune (Maharashtra).

Who are the key customers in the automotive parts business? What is the content per vehicle to major OEMs?

PPAP serves to almost all the marquee OEMs in the country. In the passenger vehicle segment, we cater to Maruti Suzuki, Honda, Toyota, Mahindra etc. Maruti being the oldest

client contributes to ~50% of the overall revenues. We also supply parts to Tata and Morris Garages (MG). The other prominent OEMs include Hyundai, Kia Motors, Renault, Skoda etc. In the two-wheeler and commercial vehicles side, PPAP supplies its products to Suzuki and SMZ Isuzu respectively. PPAP also supplies to many Tier-1 suppliers of these customers.

We have been constantly striving to add more customers and increase the content per vehicle for the existing customers. The Company has opened 3 Sales offices in Gurgaon, Pune and Chennai for the team to be closer to the customer. The content per vehicle ranges from Rs1,500 to Rs8,000 per vehicles depending on the customer and the location of our manufacturing facility. The EV component vertical would be seeing a higher content per vehicle ranging from Rs15,000 to Rs25,000 per 2 wheeler or 3 wheeler.

Moving on to other businesses, can you throw some light on the aftermarket business segment?

PPAP has ventured in the aftermarket and spare parts business as a part of its growth and de-risking strategy. The Company has established a wholly owned subsidiary Elpis Component and Distributors Private Limited (Elpis) and the focus is to develop spare parts and premium car accessories to cater for aftermarket. Currently, we offer 250+ products as spare parts and 50+ accessories which includes range of cleaning products and interior accessories such as Rear tray, charger, phone holder, perfumes etc.

Elpis commenced its business with a warehouse in Okhla, New Delhi and with the rise in the demand the Company is in the process of establishing a new warehouse in Gurugram, Haryana to cater to rising distribution requirements. PPAP supplies its products through a widespread distribution

network of 60+ dealers across 35 cities. Elpis is also foraying into e-commerce by promoting the products on e-commerce websites (Amazon) as well as its own online shopping portal (shopelpis.com). Currently, it contributes 3% to the revenues and the intent is to increase it to 10% by FY24. We see a lot of traction in this segment and it will be one of our growth verticals in future.

Can you briefly explain the rationale behind entering pail container and tooling business?

The pail container business was started in order to leverage the spare capacity of our injection molding machines. Currently, we supply 5 litre, 10 litre, 20 litre and 25 litre capacity containers to agriculture industry. We are now in the process to develop 15 more products to cater to adhesive, paints and FMCG industry.

PPAP has commercialised its tool room facility in 2019 to manufacture plastic injection molds. Currently we can design and develop molds of size upto 1.8 meters and can manufacture 80+ molds per year. The tooling facility is equipped with large size VMC machines and supported with latest CAD software's for designing and analysis purpose. The tools are manufactured for Automotive, White Goods and Medical Goods segment. With China+1 strategy, we are witnessing a good demand from the customers.

Let us now talk about the big buzz – The EV segment and the steps taken by PPAP to enter and grow in this area of business?

The EV space is definitely the talk of the town and we have realised that it is an important area of growth for the company. PPAP has established a new subsidiary company PPAP technology Limited (PTech) through which it will develop EV components for two-wheeler industry. PTech has installed its primary assembly line to manufacture battery packs

with a capacity of 150 MWh per year and is planning to increase this capacity to 250 MWh per year. The industry is witnessing a gradual transition from ICE based two-wheelers to electric two-wheelers. Along with this, we will also promote our existing product range to this new customer base.

PPAP currently manufactures battery packs and supplies to EV customers in the two-wheeler segment. We will also focus on development of battery pack for storage applications like Solar Street light, For mobile towers and energy storage solution. As we know that EV space is gaining momentum, the Company is confident to grow this business vertical and contribute meaningfully to the top line and bottom-line going ahead.

What are the Company's plans on the capex front?

We believe that capex is a part of our business model. In this industry, we need to set up new plants closer to OEMs facilities in order to source new business and develop relationships. We incur capex with the underlying thought of 'Every Paisa Counts'. We are currently in the process of expanding our facility in Chennai plant and some machines addition in our Pathredi plant. We have also invested in increasing capacity of our Commercial Tool Room vertical and also invested in new lines for our Battery Pack assembly lines.

What is the growth outlook for the Company given the backdrop of Covid-19 and Semiconductor issue in the industry?

The auto industry is still hampered by the supply side constraints of semi-conductors. We expect that this issue will continue to hover around in the H1CY2022. The government has recently approved a Production Linked Incentive (PLI) scheme of Rs76,000cr for semi-conductor and display board production in the

country. We welcome the move and it is a step in a right direction.

The Company is poised to grow strongly on the back of various initiatives taken across all the business segments. The core focus will be to increase operational efficiencies which will enable us in improving our margins and return ratios over next 2 years. There will be significant thrust on adding new clients both in auto and on non-auto businesses along with expanding into newer geographies. We should see a robust growth trajectory once we enter in the normalised scenario of post covid era.