

# In conversation with Abhishek Jain, MD and CEO of PPAP Automotive

Bhavya Rathod / 30-May, 2023 / Categories: Trending, Interviews



*The company is striving to achieve Global Level Excellence in everything it does for its customers, says Abhishek Jain, MD & CEO, PPAP Automotive*

## 1. The company witnessed a resilient financial performance in Q4 with revenue surging by 2 per cent and PAT increased by 3 times. What are the underlying factors contributing to such growth?

During the Quarter under review, the company was able to increase its profit margins due to higher utilization of assets as well as softening of commodity prices. The company is aggressively pursuing tariff increases with all customers which are going to contribute to the growth of the topline as well as the bottom line.

## 2. What is the overview of the Auto industry given that the semi-conductor chip shortage has eased out to a certain extent?

The Auto Industry is witnessing strong demands with long waiting periods for the hot-selling models. Although the semi-conductor chip supply has eased out compared to previous years, but it continues to be a challenge for many of our customers. There have been many reports on new capacities being created for these semi-conductors. Once these capacities come into play, the situation should become stable.

## 3. The company had incurred Rs 80 crore of capex in the last couple of years. Going forward, what are the capex plans?

PPAP group has started focusing on five strategic business areas for its future growth. Automotive Business which comprises the traditional business will continue to be our key focus. In this Business, we have set up our plants in all the passenger vehicle hubs of the country and are developing parts for all the major OEMs. The second key focus area for us is our Commercial Tool Room facility which we call CTR. Here, the focus is on making tools and dies for in house consumption as well as for customers – both inside of the Automotive Industry as well as outside of it. The third area for growth is our Industrial Product division, which focuses on extension of our key competence in industries outside of the Automotive Industry. The next focus for us is the After Market business which is done in a subsidiary company called Elpis Components. This is again a big avenue for growth, and we see multifold growth coming through in the years to come. The next focus area for us is the Lithium-Ion Battery business in which we focus on Energy storage as well as Mobility solutions.

In the last couple of years, we have invested in growing the above businesses. The fundamental investing in plant and machinery is complete. This year, it will be a year of reckoning, wherein we will see the fruits of all the hard work done in the last couple of years being reaped.

Going forward, we will wait for the results of the investment done and we don't have any major capex plan as of now for next 1-2 years. We will invest only in maintenance capex and balancing capex required to meet the customer's demand -.

## 4. Can you highlight the leading customers and the content per vehicle for the top 3 OEMs? Also, how it has increased in the last couple of years?

PPAP caters to almost all the marquee OEMs in the country. In the passenger vehicle segment, Maruti Suzuki is our biggest customer contributing to almost 40 per cent of the sales, Honda contributes around 15 per cent, Toyota contributes around 10%, Tata Motors 8 per cent followed by Renault Nissan, Volkswagen SKODA, MG, Hyundai, Kia etc.

Our focus to increase content per vehicle is twofold. One is the premiumisation of the parts wherein we can command a higher contribution per part and increasing the number of parts per vehicle. We focus on three primary technologies when we talk to the OEM. Plastic Extrusion, Plastic Injection and Rubber Extrusion. The first two are done by PPAP and the later one is taken care by the JV company. Our focus is to develop maximum parts in the Body Sealing system category as well as Exterior and Interior Injection moulding components. Over a period, this strategy has helped us to increase our contribution per car multifold times. For example, when we started the business, our contribution was roughly Rs. 1000 per car, which has now increased to upto Rs. 8000 per car for some customers.

## 5. What are the key strategic objectives for the company 5 years down the line?

The company is striving to achieve Global Level Excellence in everything it does for its customers. This is the driving force for our existence. For the past 3 years, we have also begun aligning our operations with sustainability guidelines which are guiding us to do the right things in all the business areas that the company is engaged in. We have also realised that we must be independent in developing technology which is again a key area for focus for us and we have started developing solutions for customers and are improving our capability in this area. We have also well understood the need for de-risking our business from dependence on any single customer or industry or geography and have started working on it.

Based on the above thoughts, we have identified 5 strategic business verticals to focus on:

**Automotive Parts** – Our focus is to develop new premium technology and increase the content per vehicle across OEMs and add new OEMs including their Tier1 suppliers. There will be a sharp focus on the development of value-added parts that will command higher prices and contribute to higher margins.

**Aftermarket** – This vertical will continuously add new SKU's to improve the product offerings in the spare parts and accessories segment. The company is also expanding its dealer network across the country. We will strive to improve our online presence and sell more through e-commerce platforms.

**Commercial Tooling** – the focus is on making tools and dies for in-house consumption as well as for customers – both inside of Automotive Industry as well as outside of it.

**Industrial Product** – This vertical focuses on the extension of our key competence in industries outside of Automotive Industry. In this vertical, we focus on developing parts for customers in White Goods, machinery, Container sealing and other applications.

**Lithium Ion Battery** – This vertical is focussed on developing battery packs for storage as well as mobility application. The focus is on developing solutions for other applications as well like Robots, Drones and Golf carts.

This year will be a year of reckoning for us as all these verticals will start contributing to the business and will improve the top line as well as margins for the group.