



“PPAP Automotive Limited
Q3 and 9 Months FY '26 Earnings Conference Call”
February 16, 2026

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 16th February 2026 will prevail.”



**MANAGEMENT: MR. ABHISHEK JAIN – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. SACHIN JAIN – CHIEF FINANCIAL OFFICER**

**STRATEGIC GROWTH ADVISORS – INVESTOR
RELATIONS ADVISORS**

Moderator:

Ladies and gentlemen, good day, and welcome to PPAP Automotive Limited Earnings Conference Call for Q3 and 9 months FY '26. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance, and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Jain, Managing Director and CEO of PPAP Automotive Limited. Thank you, and over to you, sir.

Abhishek Jain:

Thank you, and a very good afternoon to everyone. A very warm welcome to all the participants joining us on today's call. I am joined by Mr. Sachin Jain, our Chief Financial Officer; along with Strategic Growth Advisors, our IR Advisors. Our quarter 3 and 9-month financial year '26 financial results, along with the investor presentations have been uploaded on the stock exchanges as well as on our website. We trust you have had the opportunity to review them.

Let me begin today's call by briefly outlining a recent strategic transaction successfully completed by the company. As part of its strategic roadmap in 2012, PPAP entered into a 50-50 joint venture with Tokai Kogyo Company Limited, Japan, to manufacture EPDM-based rubber components and TPV glass run channels for the automotive industry, primarily catering to Maruti Suzuki and Honda.

Over the years, the JV established manufacturing operations in Greater Noida, Gujarat and Chennai, creating a pan-India production footprint. Between 2012 and date, PPAP invested an aggregate amount of INR48.5 crores in the joint venture to support capacity expansion and business development. Historically, however, the JV exerted a drag on PPAP's consolidated financial performance.

Although operating metrics showed improvement in recent periods and the business turned marginally profitable, the returns remained materially below expectations and disproportionate to the capital deployed. This continued gap between invested capital and returns remain a key concern for the company as well as its stakeholders.

Accordingly, after a comprehensive evaluation of the long-term strategic alignment with the JV partner and in light of PPAP's evolving growth priorities, the Board of Directors determined that exiting the partnership would be in the best long-term interest of the company and its stakeholders. After extensive negotiations and detailed discussions with the JV partner, an agreement was executed on 1st of January this year, outlining the terms and timelines for completion of the transaction.

Pursuant to the agreement, all requisite formalities have been duly completed. The company has received the full consideration of INR100 crores for the sale of its shareholding. And accordingly, the shares held by PPAP have been transferred to the JV partner. Further, the nominee directors of PPAP on the Board of the JV company have tendered their resignations with effect from 13th February 2026 and shall have no liabilities or obligations in respect of the JV company thereafter.

The proceeds from the stake sale will be judicially utilized to reduce the company's net debt and to fund strategic capital expenditure initiatives. The disciplined allocation of capital is expected to strengthen the balance sheet, enhance financial flexibility and further improve the overall financial health of the company.

The exit significantly enhances PPAP's strategic flexibility and sharpens its ability to pursue independent growth initiatives. The company is now better positioned to accelerate expansion and diversify into a broader product portfolio, serving a wider customer base across multiple segments and importantly, across multiple geographies.

With strong competitive capabilities, established technical expertise and robust infrastructure already in place, PPAP is well equipped to capitalize on emerging opportunities. This strategic move effectively removes constraints and unlocks a wide range of new growth avenues for the company. The company's Chennai plant is already under expansion and will be ready by April of this year. This facility will further offer better technological as well as competitive local solutions to its customers.

Going forward, PPAP will remain firmly focused on strengthening its position as a preferred partner in the sealing solutions. The company aims to deepen its presence across the mobility sector while selectively expanding into high potential industry applications, thereby broadening its addressable market and reinforcing its long-term growth trajectory.

Now coming to the quarterly review. The Indian automobile industry experienced a selective recovery during the third quarter, driven by festive demand and the release of pent-up demand following GST rate adjustments. However, growth remained uneven across OEMs and models.

While certain high-volume models saw moderation, several new launches are still in the ramp-up stage and have yet to achieve optimum volumes. Against this background, demand variability and the deferment of planned volumes for new models resulted in softer-than-anticipated performance in the company's automotive segment during the quarter.

Encouragingly, in the quarter currently underway, we are witnessing a gradual ramp-up in volumes, which is translating into improved sales momentum. The model-specific performance variations at OEMs had temporarily impacted our top line despite overall industrial stability, but this trend is now showing signs of normalization in the ongoing quarter.

Our aftermarket business continues to demonstrate strong structural growth. During the quarter under review, our aftermarket business, which is operated under a wholly owned subsidiary

called Elpis Automotive delivered over 30% year-on-year growth, which was primarily driven by the expansion in the distribution network, increase in the product portfolio offered to all the distributors and strong brand visibility.

This business is steadily improving its contribution and margins and is emerging as a meaningful growth engine, derisking the group from customer-centric risks. The commercial tool room business continues to operate at healthy utilization levels. The order pipeline remains robust across automotive and non- automotive applications. We will be further strengthening financial prudence as well as governance of this business from quarter 4 onwards as it will start operating under a wholly owned subsidiary of the company called Meraki Precision Tools Limited.

The Industrial Products division continues to make steady progress in expanding into non-automotive applications by leveraging our core extrusion and injection molding capabilities. We are witnessing encouraging traction, particularly from export markets and expect this division to scale meaningfully over the coming quarters. Its growth will play a key role in diversifying our revenue streams and further derisking both our customer concentration and geographic exposure.

Our lithium-ion battery pack business, which is done under a wholly owned subsidiary called Avinya Batteries Limited is also approaching a turnaround phase. In the final month of the quarter under review, we achieved the highest monthly sales in the history of this company. After several months of persistent effort and restructuring, the business is now gaining traction. We are confident that this momentum will sustain in the current quarter with expectations of achieving record sales levels and a significant reduction in operating losses contributed by this division.

Against this backdrop, our consolidated revenue from operations for the quarter ended 31st December 2025 stood at INR138.9 crores broadly in line with the corresponding quarter of the previous year. For the 9 months ended December 2025, consolidated revenue amounted to INR392.47 crores as compared to INR406.78 crores in the previous year, reflecting a marginal decline of approximately 3.5%.

At the consolidated level, the company reported a profit after tax of INR6.61 lakhs for quarter 3 as against a loss in the immediately preceding quarter, indicating gradual operational stabilization and improving cost absorption. For the 9-month period, consolidated PAT stood at a loss of INR 225 lakhs, reflecting the impact of softer volumes during the earlier part quarter 1 of the year and continued investments in growth initiatives.

Quarter 4 performance so far has been encouraging and is in line with our expectations. We remain confident of achieving our stated revenue guidance with financial year '26 revenues projected at approximately INR575 crores with an estimated EBITDA of INR58 crores. At the PAT level, the company expects to close financial year '26 with INR8 crores of PAT. This estimate excludes the extraordinary gain arising from the sale of shares in the JV company, which will be accounted for separately.

Additionally, the company is currently evaluating the potential implications, if any, of the implementation of the renewed labor codes. Accordingly, the present guidance does not factor in any potential impact arising from these regulatory changes. We remain firmly confident that the strategy initiated 5 years ago is delivering the intended results now and is now entering a phase where its full impact will become increasingly visible.

The structural actions taken over the past few years are expected to significantly strengthen our operating performance, enhance financial resilience and meaningfully derisk the business over the long term. We are optimistic about sustained value creation for all our stakeholders and sincerely appreciate the trust, support and most importantly, the patience shown by everyone throughout this journey. That is all from my side.

We will now open the floor for any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Raj Mehta from Wisdom Index Advisors.

Raj Mehta: So sir, on our recent transaction of the sale of stake in our joint venture, can you please give us the color of the rationale behind the same? And also following the exit from the Tokai JV, does the company continue to source any technical tooling or process-related services from Tokai transition.

Abhishek Jain: So as I explained to you in my opening address, basically, there was a misalignment on the long-term strategy with the JV partner. So that was the first reason why we initiated the stock. And over the years, the amount of capital that we had invested in this company, INR48.5 crores, there was almost zero return coming on that capital. So these were the primary 2 reasons why this transaction was initiated.

And for your technical sourcing, we don't -- PPAP is completely -- has been always completely independent. And we make our own product design, our own tools, we manufacture them, design them, everything, raw material sourcing, all those decisions are taken independently by PPAP. And that is not from today onwards, but for the past many, many years. So we are a fairly independent company, and we have the requisite technical capability to cater to all the customer requirements independently by ourselves.

Raj Mehta: Okay, sir. And sir, given our plan to undertake the EPDM rubber business at the Chennai facility, so what is the estimated capex requirement for setting up this capability? And additionally, has this capex already been factored into the company's existing capex guidance?

Abhishek Jain: See, the first phase of this capex is roughly around INR30 crores, which includes the building also.

Raj Mehta: Okay?

Abhishek Jain: So the building is already ready. I think by April, it should get the final touches done. We have already ordered the machinery for that plant, which will again get installed by April. And this

was all part of our capex plan for this year. We had already decided this in the beginning of the year, and we have started expanding into this category. For your information, this is the second line for EPDM rubber, which we are -- we'll be setting. We already have one infrastructure, which we had invested about 2 years back, already existing in the Greater Noida facility, which we are already using to cater to similar products for OEMs.

Moderator: The next question is from the line of Tushaar Talwar, an Individual Investor.

Tushaar Talwar: I have a few questions, but I'll take them one by one. My first question, sir, is on the INR100 crores that you've got for the sale of the JV shares. Can you please tell us exactly how we intend to apply these proceeds? Because we have a significant finance cost and a large part of it can be taken care of by these proceeds. So I just want to get a sense of the breakup between what we're going to use for debt repayment and what we are going to use for expansion and where?

Abhishek Jain: Basically, our target is that the long-term loans that we have in the company, that will basically -- according to whatever the schedule is of repayment, those will get repaid over the next 2 to 3 years that we are not going to repay early. Whatever part of working capital we are utilizing, a part of that, we will reduce, still continue to have some working capital being used.

And we keep this money in safely with us for doing more of capital expenditure, which will be planned -- decided in this month of March this year. So it will all mostly be utilized for all those purposes. At a net level, you will see almost 30% reduction of the interest cost because of this transaction.

Tushaar Talwar: All right, sir. That's very helpful. Sir, my second question was on our lithium-ion division. So I just wanted to get a little bit of color from you that what is our competitive advantage here because mostly all the batteries are being -- the technology or the imports is coming from China. So why have we been involved in this for so long when the competitive intensity is quite high? And why do we think that this is something that is going to succeed for us apart from our auto components business, which has been mature and has been growing for quite some time?

Abhishek Jain: Yes. I think that's a very interesting question that you've asked. We were also thinking quite negatively about 6 months back about this business. But in the last 6 months, first of all, this industry is now going through a cleanup phase. So a lot of unorganized players which had come up, those have already shut shop or those who had taken up commitments from the customers, they are not able to fulfill the required commitments, either on the delivery side or -- neither on the quality side.

So our basic competitiveness to be -- to put it very, frankly, comes from the fact that we've been in the automotive business for the past 35 years. And we have a sense of how a stable, reliable, quality-focused product can be made. And the customers have seen that this company is already 5 years old, and they've not run away from the industry. They're still honoring their commitment, and we have a very transparent way of working.

So that's basically our attraction point for all the customers who are doing business with us that they trust us to remain in this business and basically deliver a reliable and quality-oriented product for them.

Now from the business point of view, right now, we are doing energy storage solution products in this company. And in the past, we were dealing with some -- again, our customers were also very unorganized type of customers. But last year, when we started focusing on this ESS thing, that time we are now dealing with some marquee customers, like Philips and Luminex and a few more.

So that gives us confidence that this business is now going to become successful. And we are seeing the offshoot -- in December, we saw whatever trials and testing we did in the entire year, they resulted in higher sales in December because the actual production started in December.

Even in January and further this quarter, we are seeing confirmed orders, confirmed purchase orders from all these customers, which is giving us confidence that this business is now -- whatever worst could happen in this business, that is already over. And now whatever strategy we adopted last year, with focus, with finding good customers, having long-term relationships with them, that is now becoming fruitful.

So ESS is going to become one of the major focus areas in this. And second, I don't know if you know or not that there is some regulation coming out that all these e-Rickshaws from April '27 onwards have to get mandatory converted from the lead-acid battery to the lithium-ion battery. And the volume of this change is huge. So we have now customers coming to us requesting us to make those kind of battery packs for them. So our model is kind of unique.

We are doing a very transparent kind of pricing and operations with them. So I think this ESS, coupled with this e-Rickshaw battery, which we are -- which we started making, this will result in a good business for this company. And we'll be able to eliminate most of the losses that are - that have been there on the balance sheet in the past so many quarters.

Tushaar Talwar: Understood, sir. Can I take one more question or should I join the queue?

Abhishek Jain: You can ask one more question, I think.

Tushaar Talwar: So sir, it's less of a question and more of a feedback. So sir, I've been following the company for quite some time, and we keep trying different things like there was the Kogyo JV, there was also this battery division and then there is our core segments. I just wanted to understand, sir, what is your thinking on capital allocation? Because what happens is that all of these are promising segments at some point in time and then we face issues with them.

What is your thought process on when do you as management think about pulling the plug on something which hasn't been working for a few years? Because what happens is that we -- it tends to bleed a little-little, small-small amounts of money, which tends to add up over time. So now that we have got like an INR100 crores payout from the JV, do we have any sense of how

we are going to deploy this in the future and whether we have a slightly different strategy from the past where we are seeding multiple businesses, but we possibly maybe, and don't take this the wrong way, are not thinking about exiting them at the right time. That was just my larger qualitative question here.

Abhishek Jain:

I think that's a very fair question to ask, Mr. Talwar, because the kind of financial performance, which we've experienced, I'm sure a lot of people are thinking about the same thing. But thank you for asking that question very honestly to us. And that has been a concern for us as well. I mean, let me put it very honestly to you. That was a concern when we start -- when we finished our quarter 2 Board meeting, even the whole Board of Directors were concerned about this question, this focus and prudent allocation of capital, whether we are being emotionally attached to the business or we are actually running the business as it should be done.

So first thing to make it very clear to you is that we are not emotionally attached to any business. Business is business end of the day. We have to give it due time to get matured. And the moment it starts -- and then we have to take a feedback on, do we continue with it or do we not continue with it. I think with the JV, we took much more time to come to this realization that maybe it wasn't -- I mean, we could have exited the JV earlier than this year. But I think in hindsight, when time is right, only then everything is right.

For the battery division also, we were thinking about what to do financially, this business was not doing well. But whatever developments now we are seeing from quarter 3 onwards, we have a different opinion, and we are monitoring the situation very closely. Whatever things we are seeing, I think those things are all positive, and we don't intend to take any decision -- adverse decision of selling the business or something right now. We are going to continue with it.

Similarly, for the aftermarket, industrial product, Meraki, we are continuously checking the nerves of the business. So -- and if in case in future, we feel something is going wrong, then we can take a decision. But as of now, I am very confident personally that whatever we started the focus on all these 5 businesses; automotive, OEM business, enhancing good technologies there, aftermarket, industrial product applications, the commercial tool room and the battery business, I think this is the right direction for the company going forward.

And this year, you will see all these businesses adding positively to the company. I'm quite confident of that. But we'll wait and see for now. In case any quarter or any year goes bad, we'll adjust the business accordingly.

Moderator:

The next question is from the line of Varun Arora from Emkay Global Financial Services Limited.

Varun Arora:

Two questions. So the target, if you can give on revenue-wise and margin-wise for FY '27, first is this? Second, on the capex side, if you can tell us that in the 9 months of FY '26, how much is spent already? And what are your plans for FY '27? These are 2 questions, sir, then I'll get back in the queue.

Abhishek Jain: Okay. Varunji, for financial year '27, we are -- we are still processing all the required information. And in March, we have our Board meeting. So at that time, we will give all the details about the guidance very clearly to you. We'll be very open to it. On the capex side, in 9 months, we have done capex of about INR37 crores. And the total capex for this year planned was INR55 crores. So in this 3 months, we'll be covering up that capex. For next year, also based on the -- in March, we will be able to declare a better situation to you.

Varun Arora: Fair enough, sir. Sir, another question on the robust pipeline of this order book of INR752 crores. So basically, non-EVs INR38 crores and INR714 crores is non-EV -- sorry, EVs INR38 crores and non-EVs INR714 crores. So if you can break it down further this non-EV business, what's the business vertical you're getting from the order book? And how much time you'll be able to execute it, if I ask, sir?

Abhishek Jain: So this is basically the order book for the automotive business. And the orders are from various customers like Maruti, Tata, Honda, MG, Hyundai and even from 2-wheeler customers.

Varun Arora: But can you break it down? I mean, like 4-wheeler, how much that's order book and 2-wheeler? And one more thing now since you said 2-wheelers, are you planning to give some inclination towards the 2-wheeler so that maybe you can derisk the 4-wheeler situation.

Right now, the 4-wheeler is doing good industry-wise. But what if the things are not working good, so you derisked by increasing in somewhere around for 2-wheelers, maybe for the CVs, may be for something else. So any plan on that, sir? And if you can break it down in like 4-wheelers and 2-wheelers, the order book size, sir?

Abhishek Jain: See, first of all, for the 2-wheeler business, we already have business with Suzuki Motorcycle. And in this quarter also, we are developing some parts for them. I don't have the exact number right now with me. But we are developing a lot of parts for them and which will come in mass production within this year. So that focus is there on 2-wheelers through Suzuki motorcycle.

And if you're talking about all the other segments, we are now broadly -- the mandate given to the team is to focus on mobility rather than only automotive. We have certain business from tractors also and commercial vehicles for -- on the EV side, not on the non-EV side, but we are developing parts for them as well.

So the automotive -- the OE business, which we talk about, I think focus there is to expand the customer base as well rather than only focusing on the passenger vehicle segment that we have been focusing on right until now. And sorry, what was your other question? One was the 2-wheeler and the commercial vehicle?

Varun Arora: No, no, only that how much they are contributing? I mean the order book size as the 2-wheeler, how much they are contributing towards your order book size as well as the CVs?

Abhishek Jain: The 2-wheeler and the other segments, I think would contribute about 5% of the order book. Primarily 95% would be, again, for the passenger vehicle market.

- Varun Arora:** Okay. Sir, if I may squeeze one more question or shall I fall in the queue?
- Abhishek Jain:** Please continue. You can ask.
- Varun Arora:** Okay. Sir, lastly, in the aftermarket, so how much it is contributing towards your revenue in revenue terms, right, if you can give a percentage term? And what is the target? I mean...
- Abhishek Jain:** Right now, contribution is 5%. But we -- our target is -- I mean, target -- there's no target to -- in terms of percentage contribution to the top line, it will contribute 10%. But like this year, we have grown almost by 30%. And next year also, we are expecting this business to grow by -- again by 30%. So our current -- like we started this year with an MRR of 1.5 crores per month, which last quarter, we increased to around INR 2.5 crores.
- In this quarter, our target is to make it up to INR 3 crores. And next year, eventually make it up to INR 5 crores MRR kind of situation. Again, see we are expanding the product portfolio, adding a lot of spare parts also, consumable parts also, accessories also. So these 3 areas we are focusing on for growth.
- Moderator:** The next question is from the line of Sania Desai from DS Securities.
- Sania Desai:** I had a couple of questions. My first question was that have you seen any kind of impact on the EPDM rubber business due to absence of the Tokai's technical support? And also just to extend this question, I wanted to understand if we have had any kind of impact of the JV exit on our Japanese OEM business?
- Abhishek Jain:** There is no impact as such on the EPDM business per se. Whatever business we were doing, I mean that company is doing the business separately. And whatever business we were doing, that is continued. We have our own technology. We have our own material recipes. Everything is available with us, and we are quite capable of doing that business ourselves. Your second question was the JV Japanese business, right?
- Sania Desai:** Correct. The impact of JV exit.
- Abhishek Jain:** I think we've already developed all the technology, everything by ourselves in -- over the last few years. And apart from some short-term loss of business, I don't see a long-term impact at all because of this JV not being there or because of this technical support not coming through.
- Sania Desai:** Okay. Okay, sir. Sir, my second question was that if you could just help us understand what has led to our subdued performance in Q3? Because even though there has been strong revival in the automotive sector, our performance is subdued. Is it because of any model-specific demand softness?
- Abhishek Jain:** It is primarily because of demand softness from a particular OEM or for a particular model. What we have analyzed, like there are certain models in Maruti, which were supposed to have higher production numbers, but because of the market, they have reduced. And because of that, our numbers are down because our exposure to those models were higher.

Similar trend we are seeing in Tata Motors also, especially for one model called which is Curvv ,we have a very high number of parts for that model. And unfortunately, the sales of that model is not coming through.

Third major impact what we are having is from the Honda. Honda, I'm sure you must be aware that all the models are not performing as per the original expectations. And all these things put together, Maruti, Tata, Honda and even some sort of Hyundai, this is what is dragging us down. We were not present in Mahindra models, which have done extremely well in the industry.

But in future, we've already got inroads in Mahindra. And in future, whatever models which will come through, we will be the preferred suppliers for those models as well. So it is primarily because of the model-wise problems, that's all.

Sania Desai: Okay. And so sir, then the parts and sealing systems for the newer models that are currently seeing higher demand. So do we have capabilities to cater the same?

Abhishek Jain: We already had installed capacity to achieve those volumes in quarter 3. That is why if you see our capacity utilization is low because that capacity is already there in the system. Our manpower cost is also a little bit high, which is impacting the EBITDA only because we had to create our manpower to cater to those higher numbers.

Unfortunately, the customers did not offtake those parts. But that was already the quarter 3 story. In quarter 4, since January, we are already seeing all these models achieve their expected forecast of volumes. And therefore, our utilization of capacity is going up and the utilization of whatever human resources extra we had created, those are getting utilized.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Abhishek Jain for closing comments. Thank you, and over to you, sir.

Abhishek Jain: Yes. Thank you very much, everyone, for joining us today and for your continued engagement. We hope we have been able to address your queries comprehensively. Should you require any further information or clarification, please feel free to reach out to us directly or connect with our Investor Relations Advisors, Strategic Growth Advisors. We appreciate your continued interest and support. Thank you very much. Thank you.

Moderator: Thank you, sir. On behalf of PPAP Automotive Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.