

“PPAP Automotive Limited
Q4 & FY26 Earnings Conference Call”
May 12, 2026

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

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Moderator: Ladies and gentlemen, good day and welcome to PPAP Automotive Limited's Earnings Call for Q4 and FY26. 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 the date of this call. These statements are not the guarantees of future performance and 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 the conference call, please signal an operator by pressing star then zero on your touchtone 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: Yes. Thank you, Iqra and a very good afternoon, everyone. I extend a very warm welcome to all the participants joining us on this call today. I'm joined today by Mr. Sachin Jain, CFO, And Strategic Growth Advisors, our Investor Relations Advisors.

Sachin Jain: Good morning -- good afternoon, all.

Abhishek Jain: We have uploaded our quarter 4 and financial year '26 financial results and presentations on the stock exchanges as well as on our website and I hope everyone has seen them. Quarter 4 financial year '26 marks a significant turning point for the company, reflecting the positive outcome of the sustained efforts and strategic initiatives undertaken over the past several quarters.

The quarter not only demonstrated improved business performance and operational recovery, but also laid the foundation for the future through several long-term strategic reforms and organizational initiatives aimed at driving sustainable growth and value creation. I'm pleased to share with you that going forward, the company, along with all its subsidiaries will collectively operate under the unified identity of the Ajay Group.

This represents a significant milestone in our journey towards building a stronger, more cohesive and future-ready organization with a shared vision, unified culture and enhanced strategic alignment across all businesses. In alignment with the group's long-term strategy, apart from the rebranding, three additional strategic initiatives have also been undertaken and set in motion.

These initiatives are again aimed at sharpening the business focus, driving the operational efficiencies and enabling more effective capital allocation, thus creating sustainable long-term value for all the stakeholders. The first strategic reform was the successful completion of the divestment of our stake in the joint venture company, PPAP Tokai India Rubber Private Limited.

This divestment has been done through Tokai Kogyo Company Limited, Japan. Over a period of nearly 10 years, the company had invested approximately INR48.5 crores in the venture, which generated limited financial returns. The stake has now been divested for a total consideration of INR100 crores, representing a significant value realization for the company.

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The proceeds from the transaction after payment of applicable taxes will strengthen the company's reserves, support reduction in net debt and provide additional financial flexibility for long-term strategic investments and future growth opportunities. The second strategic restructuring initiative relates to the tooling business operating under the Meraki brand.

In line with our focus on creating sharper business verticals and enabling specialized growth, the tooling business is proposed to be hived off into a wholly-owned subsidiary of PPAP under the name of Meraki Precision Tool Engineering Limited. This restructuring is expected to provide greater operational focus, enhance scalability and strengthen the business' ability to pursue growth opportunities independently.

The transition is targeted to be completed by quarter 2 of financial year '27, subject to the receipt of the necessary regulatory and statutory approvals. The third strategic reform relates to the battery business operated through the wholly-owned subsidiary, Avinya Batteries Limited. As part of the group's ongoing efforts to streamline operations and to improve efficiency, the company has proposed the merger of Avinya Batteries Limited with the parent entity, PPAP Automotive Limited.

Again, this merger is expected to enhance the operational synergies, optimize resource utilization and simplify the corporate structure, which will further enable stronger integration of the battery business with the overall strategy of the group. The merger process is targeted to be completed by quarter 4 of financial year '27, subject again to the necessary regulatory and statutory approvals.

We are confident that following the successful implementation of these reforms, the group will emerge stronger and better positioned for long-term growth. Collectively, these restructuring initiatives represent a significant strategic milestone for the Ajay Group and are aimed at creating a more focused, financially stronger, operationally efficient and future-ready organization capable of delivering sustainable value to all the stakeholders.

Coming to the operational performance, we are pleased to report a strong sequential recovery during quarter 4 of financial year '26, driven by improved execution across key business segments and gradual normalization in customer schedules. The quarter reflects strengthening business momentum and the positive impact of focused operational initiatives undertaken across the organization.

Consolidated revenue for quarter 4 grew by 18.6% year-on-year basis and 25.7% on a quarter-on-quarter basis to INR175.5 crores (wrongly said kindly read it as INR174.6 crores). EBITDA for the quarter increased by 12.9% year-on-year to INR16.9 crores, supported by improved business momentum, better operational performance and enhanced execution during the quarter. Capacity utilization levels also improved meaningfully to approximately 78%, reflecting stronger throughput across facilities and gradual stabilization in customer schedules.

For financial year '26, the company reported a consolidated revenue of INR567 crores. While the overall performance remained resilient amid a challenging operating environment, revenue growth during the year was primarily impacted by the deferment of SOPs as well as model-specific performance trends across the market and customer segments in which we operate in.

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Despite these headwinds, the company continued to maintain operational stability and remain focused on strengthening its fundamentals and long-term capabilities. During the year, the company had revised its guidance in January 2026 to reflect the prevailing business environment and customer schedules at that particular point.

However, during the later part of Q4, demand conditions and due to some ordering patterns remained softer than anticipating, resulting in a variance even against the revised guidance. The deviation in guidance was primarily driven by a slower-than-expected demand recovery from the automotive OE customers. Some orders of the tooling business got deferred to the quarter 1.

Some battery-related orders also got deferred to quarter 1, and moderation in the consumer durables demand cycle. Lower sales volume during the quarter also impacted operating leverage, thereby affecting profitability. At the PAT level, profitability was further impacted by mark-to-market losses on investments and an additional one-time employee benefit obligation of approximately INR3.6 crores arising from the Labor Code implementation challenges, which were not factored into the earlier guidance.

Looking ahead, while our order pipeline and customer engagements remain encouraging across all the 5 businesses, the external operating environment continues to remain dynamic and volatile due to the ongoing geopolitical uncertainties, the disruptions and the logistics-related challenges arising from the West Asia conflict.

Given the evolving demanding environment and continued uncertainty, the company has decided that it will provide its financial year '27 guidance during the quarter 1 financial year '27 earnings announcement once we have a better clarity on how the market conditions are faring out.

We remain committed to further strengthening our guidance and communication framework to ensure greater transparency and provide the market with a more accurate reflection of the company's business outlook and expected performance. Let me now briefly discuss the performance across our key business segments. The first being the automotive parts business.

This business continues to remain the largest contributor to our revenues. During the year, we commenced supplies for several new vehicle models across all OEMs, further strengthening our presence across both EV and ICE segments. Going forward, the business is expected to benefit from the gradual ramp-up of all the new projects that we've started in the last year.

While simultaneously preparing for the launch of multiple new models also in the coming periods. These developments are expected to support the growth, improve capacity utilization and further strengthen our long-term business visibility. During financial year '26, the company secured new businesses of approximately INR840 crores across EV and ICE platforms.

The order book continued to remain diversified across key customers, including Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Honda and other OEMs. Now, coming to the aftermarket business.

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The aftermarket business continued to deliver robust growth momentum during the financial year '26, recording an impressive growth of 36% over the previous year.

The robust performance was driven by the company's expanding distribution network, which is now comprising of 147 distributors, which are supported by a diversified product portfolio of 1,264 SKUs, which are spread across three key segments: spare parts, service parts and accessories, including perfumes and car care products.

The business continues to strengthen its market presence through wider reach, enhanced product availability and growing customer acceptance across channels. Going forward, the focus for this business will remain on further expanding the distribution network, which will deepen the market penetration and strengthening of the product portfolio to drive higher customer engagement and higher long-term growth.

Now talking about the tooling business. The tooling business has successfully improved its utilization levels to more than 90% during the financial year '26 and maintains a robust order book pipeline across both automotive and non-automotive sectors. In financial year '26, the business grew by 12.1%. The division has successfully developed 148 molds during the entire year.

Going forward, the business will remain focused on expanding its customer base and strengthening market reach to further enhance its growth trajectory. The Industrial Products division continues to make steady progress during financial year '26 by leveraging PPAP's core strength in plastic and rubber extrusion, as well as plastic injection molding into adjacent industrial applications.

The business again witnessed encouraging traction across non-automotive applications as well as export markets, resulting in a growth of 38% during this year. This performance reflects the company's continued efforts towards diversification and expansion into new customer segments and applications.

Going forward, the division will remain focused on further strengthening its presence across industrial and export markets, with the object of diversifying revenue streams and reducing dependence on the automotive sector while building a more resilient and balanced business portfolio.

Now, talking about the battery business. The battery business witnessed an encouraging operational improvement during quarter 4 and is now gradually moving towards a turnaround phase. Revenue from the business increased by 1.28x in financial year '26 compared to the previous year, reflecting improving traction and strengthening business momentum.

Over the last few quarters, the company has undertaken several strategic initiatives aimed at improving operational efficiency, strengthening the customer engagement and enhancing the long-term scalability of the business. These efforts are expected to support a stronger and more diversified customer profile going forward.

We believe that the strategic actions already implemented together with the organizational reforms planned during the year will help improve the operating margins, which will definitely improve the

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overall business efficiency and significantly reduce the losses being contributed by this division over the medium term.

In line with our continued commitment to the shareholder value creation, the Board has recommended a final dividend of INR1.5 per equity share for financial year '26, taking the total dividend for the year to INR2.5 per equity share subject to the shareholders' approval. Friends, the end of financial year '26 marks a significant turning point for the company, wherein we have started witnessing the positive impact of higher utilization of the company's assets and the strategic initiatives undertaken over the past several quarters.

The improvement in operational efficiency and capacity utilization during the quarter 4 of financial year '26 provides confidence in the underlying strength of all the businesses being done by the company. Subject to stability in the external operating environment, we believe that sustaining the current momentum will enable the company to maintain and further strengthen the performance levels achieved during the quarter across this upcoming year.

We remain focused on strengthening our core automotive business while scaling up our emerging verticals with the objective, again, of driving long-term growth and derisking our business from sectoral and geographical risks and creating enduring value across all our business segments. With that, I conclude my opening remarks. And I request Iqra to open the floor for questions. Thank you very much for your kind listening.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit Kumar from ADM Advisors.

Rohit Kumar: Sir, my first question was considering the ongoing West Asia conflict and the resultant supply chain disruption. So the raw material prices are expected to remain elevated. So, how is PPAP managing these challenges? And what could be the potential impact on margins going ahead?

Abhishek Jain: So regarding this supply chain disruption, so there is a significant increase in the raw material prices. So that side, currently, the first priority is to supply the material to the customer without disrupting their lines. So as of now, the price increase demanded by the supplier in consultation with the customer, we are giving to the supplier so that there should not be any disruption to the customer end.

And out of that, almost 50% is already covered with the customer. We have the pass-on policy with the customer. That we are discussing -- we are in the discussion with the customer how to take care with that because currently, the situation is quite fluid. So when the situation is stabilized, post that, we will have a detailed discussion how to take care of the other balance impact of the 50%.

Rohit Kumar: Okay, sir. Okay. And sir, my second question was how does the company plan to utilize the proceeds from the proposed sales of the JV stake? So, do we have any immediate plan to reduce our debt?

Abhishek Jain: Yes. On the net level, our debt is reduced to INR103 crores. For the gross level, it is around INR195 crores because we want to deploy it for our long-term strategic requirement. So for this year, we will

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keep it like this only, and we will utilize the fund as and when there is a requirement for the strategic side. Rest capex would be done from the internal accruals only and we will keep the debt level around this level only for this financial year.

Moderator: We will take our next question from the line of Manav Jain from Jain Investments.

Manav Jain: Sir, can you elaborate the reason behind the decline in the contribution of tooling business in overall sales?

Sachin Jain: Tooling sale depends -- we have the 2 kinds of tooling sale. One is the manufacturing via the manufacturing with Meraki Precision Tools. So that side, there is no decline. And second tooling is linked with the customer SOPs. So last year in the Q4, there was some SOPs were planned.

So that's why there were high tooling sales in the last financial year. In Q4, there was a one big model there for Maruti. So, that is why there is a change in the tooling sales this year. There is no such decrease in the -- you can say the sale because we have lots of models in pipeline. So, that tooling sale will be done in the FY27. So this year, again, we will have the significant tooling sale.

Manav Jain: Okay, sir. Got it. And additionally, as you highlighted in the commentary regarding the tooling business is being restructured under Meraki Precision Tools. So like, what are management's long-term aspirations for this business for next 3 to 5 years? And what key milestones are we targeting to achieve through this restructuring?

Abhishek Jain: See, first of all, this restructuring is being done so that we have better clarity on the tooling business. And the management side also, it is a clear-cut management style because it is very different from the part business, which is primarily a just-in-time business. That's why it is required that this tooling business should be done in a separate entity.

As I explained to you in the opening remarks, this year, we are planning -- we have made almost 148 molds in the whole financial year. And gradually in the next 3 years, we will try to double this capacity. So maybe in 3 years, we are planning roughly around 300-odd molds per year, more or less 1 mold in every 1.5 days.

Manav Jain: Okay, sir. Got it. And sir, regarding the battery business, you had mentioned that the business is witnessing early green shoots on ground. And by when do we expect this business to achieve breakeven? And how do we see the capacity utilization evolving in FY '27?

Abhishek Jain: So this year, based on what orders we executed in quarter 4, in financial year '27, we expect a full recovery of this business. And based on the contracts that we already have with the customers and whatever things are being discussed, we expect that the whole plant and machinery will be 100% utilized in this year, financial year '27.

Manav Jain: Okay, sir. Got it. And have we secured any meaningful customer orders?

Abhishek Jain: Sorry?

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- Manav Jain:** Have we secured any meaningful customer orders in this business division?
- Abhishek Jain:** Yes, we already have meaningful orders, and we are engaging with good customers now. And if you wait till quarter 1, I think quarter 1, you can see the increase in sales of this division.
- Moderator:** Next question is from the line of Majid Ahamed from PinPointX Capital.
- Majid Ahamed:** Sir, my first question that I have is, sir, of the new order book, how much is the execution time line, sir, of which we have received this quarter and the financial year?
- Sachin Jain:** So generally, the execution time line depends almost 3 to 5 years. Over the period of next 3 to 5 years, we execute the lifetime order of any order which we receive.
- Majid Ahamed:** Okay, sir. Sir, you were saying that there was a slowdown in the automotive segment, but vis-a-vis if I see peers in the auto ancillary segment, they were growing much faster than its peers. Like, what were the key segment that dragged their overall growth and margins?
- Abhishek Jain:** It's not related to the automotive industry per se. But as we explained in the opening commentary also, it's particularly related to certain models and certain customers only. So, we were anticipating them to start SOPs much earlier and produce much more higher cars, but unfortunately, that has not happened.
- Majid Ahamed:** Okay, sir. Sir, when do we expect, going forward, any developments on that currently on those models?
- Abhishek Jain:** No, sorry, I didn't understand your question.
- Majid Ahamed:** Sir, you said there was a slowdown in earnings due to the delay in.
- Moderator:** I'm sorry to interrupt. We are now able to hear you.
- Majid Ahamed:** Am I audible now?
- Abhishek Jain:** Yes, you are audible?
- Majid Ahamed:** Yes, sir. Sir, my question that I have is you were saying due to some of the models, which got delayed, our revenue margins didn't go in line with our expectation. So currently, what's the update about those models, which got delayed, sir?
- Abhishek Jain:** Those models have started production now. That is why you see the increase in quarter 4 numbers, which will continue for this '26, '27 financial year also. And along with that, there will be certain new model start-ups also happening in this financial year.
- Majid Ahamed:** Got it, sir. Sir, when this comes into place, how do we see our gross margins and EBITDA margins going forward, sir, FY '27?

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Abhishek Jain: So, primarily, we need to focus on the utilization of our assets. So quarter 4, our utilization was roughly around 78%. And in the whole year, we are anticipating somewhere around that level only. Maybe quarter 1 is a little less, but over a period of time in next year, I think utilization will improve to 80%, 82%. So, that will drive all the gross margins and everything.

And second factor will be the operational efficiencies that we are planning to do. Right now, although all the inflationary costs, raw material costs have increased, but once all this stabilizes, we have some certain countermeasures to reduce our expenses like implementation of solar energy compared to the grid power supply and certain employee-related reforms also.

So, all those put together, I think our margins for financial year '26, '27 should get better than what we've been doing in the past. And quarter 4 also, you can see that on a stand-alone basis, if you remove the impact of the wage code, then we have improved the margins to 13% EBITDA compared to 11% in the previous -- on a year-on-year basis.

Majid Ahamed: Got it. Perfect. And sir, regarding the battery business, as of Q4, what was the loss, sir? Or are we in a breakeven stage as of now?

Abhishek Jain: In Q4, there is almost -- only loss of around INR40 crores -- INR40 lakhs, sorry, in the battery. Last year, it was around INR1.2 crores. So, we have reduced the losses almost 60% to 70%.

Majid Ahamed: So going forward, can we expect profits or in the breakeven stage, sir, next year?

Abhishek Jain: So this year, on a stand-alone basis, this battery segment should be profitable at the PBT level. It should be profitable.

Majid Ahamed: Got it, sir. Perfect, sir. And sir, finally, just want to know about the aftermarket segment, sir. How are we looking to grow for FY '27?

Abhishek Jain: Aftermarket business over past 3, 4 years, it's been growing at a good CAGR of more than 25%. And this year also, we are introducing many new products, adding continuously products to our portfolio and increasing the distribution network. So, we are anticipating that even this year, it will continue to grow. See, it's been only 4 years since we started this aftermarket business. And opportunity is huge in front of us, and we are going full throttle in increasing our market share in all the 3 segments that I told you about, spare parts, service parts and accessories.

Moderator: We will take our next question from the line of Rishabh Jain from RJS Capital.

Rishabh Jain: So, congratulations on the good set of numbers. My question is in the traditional automotive component business, which remains closely linked to the OEM model cycles. What trends are we witnessing in terms of new model launches and platform additions by OEMs? Also, have we added any major customers, sir, or new programs during the year? And further, can you provide a broad range of content per vehicle opportunity across passenger vehicle platforms?

Abhishek Jain: So your first question was the trends of automotive OEMs, right?

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- Rishabh Jain:** Yes. Platform additions by OEMs?
- Abhishek Jain:** So, every OEM has some program or something running now. I think we'll witness a lot of new vehicles being coming, starting production in this financial year. So, Honda also will launch new vehicles, Toyota, Tata, Kia, Nissan, Honda, Mahindra. We are seeing across the passenger vehicle segment, all the customers have some or the other model starting up in this new financial year.
- And when it comes to us, I think we have added VinFast as one of the major customers last year, apart from the EV maker, Euler Motors. And last year, we also secured businesses from Kia and Mahindra, which are supposed to start production in this financial year, '26, '27. So this year, we'll see a lot of new products being started.
- And overall, when we see our revenues, almost 78% of our revenue is from vehicles, which have been in the market for less than 5 years. So it's a fairly young portfolio of vehicles, which we are catering to. And when it comes to content per vehicle, it ranges from customer to customer. Somewhere we have higher exposure, somewhere we have lower. On an average, it ranges somewhere between INR2,500 to INR3,500 per vehicle. And on the upper side, it goes up to INR8,000 to INR10,000. And on the lower side, it goes up to INR1,000 per vehicle.
- Rishabh Jain:** Okay. And I have one other question is we understand from various OEMs that demand for entry-level passenger vehicles could remain under pressure due to inflationary conditions and concerns around rural demand and monsoon trends. Like what is PPAP's exposure to the small and entry-level passenger vehicle segment?
- Abhishek Jain:** I think the business that we are getting now -- first of all, this whole market is now shifting towards SUVs. So SUV, even if it is a mini SUV, still, I believe the demand is quite high. It's only sedans, whether it's the entry-level sedan or even the premium C-segment or D-segment sedans, that is where the problem has started in the industry. And we've seen the numbers of those vehicles coming down. But in the next year, whatever models we are starting are -- I think 90% of those are in the SUV space. And therefore, we don't see much impact of the market changes coming into our sales.
- Moderator:** As there are no further questions from the participants, I now hand the conference back to Mr. Abhishek Jain for closing comments. Over to you, sir.
- Abhishek Jain:** Yes. Thank you, Iqra, Thank You everyone for joining us today We hope we have been able to address all your questions effectively. For any further questions or clarifications, please feel free to reach out to us or our Investor Relations advisors, Strategic Growth Advisors. Wishing everyone a very good evening. Thank you very much.
- Sachin Jain:** Thank you. Thank you very much.
- Moderator:** Thank you. On behalf of PPAP Automotive Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.