



## PPAP Automotive Limited

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2<sup>nd</sup> December, 2021

**The Listing Department**  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400001  
Symbol: 532934

**The Listing Department**  
**The National Stock Exchange of India Limited**  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (E), Mumbai – 400051  
Symbol: PPAP

**Sub: Transcript of the earnings conference call held on 15<sup>th</sup> November, 2021**

Dear Sir/ Ma'am,

With reference to our letter dated 12<sup>th</sup> November, 2021, intimating you about the earnings conference call with Analysts/Investors held on 15<sup>th</sup> November, 2021, please find enclosed the transcript of the aforesaid conference call.

This is for your information & record.

Thanking you,

**Yours faithfully,**  
For **PPAP Automotive Limited**

  
**Shivani Sehgal**  
Company Secretary



“PPAP Automotive Limited's Q2 FY'22 Earnings Conference  
Call”

**November 15, 2021**



**MANAGEMENT: MR. ABHISHEK JAIN – MANAGING DIRECTOR & CHIEF  
EXECUTIVE OFFICER, PPAP AUTOMOTIVE LIMITED  
MR. SACHIN JAIN – CHIEF FINANCIAL OFFICER, PPAP  
AUTOMOTIVE LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to Q2 FY'22 Earnings Conference Call of PPAP Automotive Limited. 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 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 – M.D. & CEO. Thank you and over to you, sir.

**Abhishek Jain:** Thank you, Margaret. Good evening, ladies and gentlemen and very warm welcome to today's conference call for discussing Q2 and First Half of Financial Year '22 Earnings of the PPAP Automotive Limited.

My name is Abhishek Jain, and I'm the Managing Director and CEO of the company. Also joining me is Mr. Sachin Jain, who has been elevated to the position of CFO in the recently held board meeting.

I hope that all of you and your loved ones are safe and doing well. I hope that everyone is taking adequate precautions and following COVID appropriate behavior to limit the spread of the infection.

I also sincerely hope that everyone is getting themselves vaccinated at the earliest opportunity. In our group, we are happy to inform you that more than 95% of our people working at operations have been fully vaccinated.

Ladies and gentlemen, the past 1.5-years has been very tough for everyone, both personally and financially. The COVID cases are on the decline now and all thanks to the mammoth vaccination drive being conducted under the able guidance of our Hon'ble Prime Minister. We express our sincere gratitude to our government, vaccine makers, health workers, transportation companies, essential service providers, and everyone else for their tireless and selfless effort in ensuring the safety of every one of the entire nation.

I hope everyone has had a chance to go through our investor presentation, which includes the strategy for making the company and the subsidiary companies stronger, resulting in higher growth going forward, along with our financial performance for the quarter and half-year ended September 30, 2021.

I want to start today with a brief overview of the company. The company was established in 1978 and entered the automotive component business in 1985 with the start of operations of



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Maruti Suzuki in the country. Since then, the company has been expanding its customer base and adding new products to its portfolio. The focus of the company is to become a global level excellence company which can inspire people to outperform their potential in order to exceed the expectations set forth by our customers for society as well as all stakeholders. The company's state-of-the-art manufacturing facilities are spread over four states: Uttar Pradesh, Rajasthan, Gujarat and Tamil Nadu.

In the past two years, we have been able to restructure ourselves internally for the purpose of achieving higher growth going forward. The company has identified five verticals which it will focus on: The first vertical is the automotive part business, which is the core business of the company. PPAP is already the leading manufacturer of Automotive Sealing Systems, Interior and Exterior Automotive Parts in India.

The company also has a JV with Tokai Kogyo for manufacture of rubber automotive sealing system. The products manufactured by this vertical are all engine-agnostic products and can be extended to the electric vehicles as well. This vertical today manufactures over 1,000 different SKUs and ships over 200,000 parts every day to its customers which include all the major OEM manufacturers in passenger vehicles space, like Maruti Suzuki, Toyota, Honda, MG, Volkswagen, Hyundai, Kia, Tata Motors, Renault Nissan, Isuzu along with their tier-one companies. The company also supplies products to Suzuki Motorcycles, and a few tier-one companies for the two-wheeler segments.

We have always believed that latest technology plays a pivotal role in the overall business. And with this underlying thought, we have a Technical Collaboration with Tokai Kogyo, Japan since 1989, for Development and Manufacturing of Automotive Body Sealing Systems.

Also, we have a Technical Collaboration with Nissan Chemitec Corporation since 2007 for Development and Manufacture of Interior and Exterior Injection Molded Products.

The company also tied up with Tokai Kogyo Seiki for Manufacture of Tools and Dies.

In order to become Atmanirbhar, we have developed our in-house team as well and we have the required infrastructure to do part designing, tool designing, manufacturing of these tools and validation capability for all the new products that are made by the company. Now, we have an established team of engineers who are developing cutting edge technology focusing on the long-term customer requirements.

In this vertical, we are continuously scouting for new customers and increasing our focus on per car value for the existing customers. We have already opened three new sales offices in Gurgaon, Pune and Chennai region in order for the team to be closer to the customer. We are currently in the process of expanding our facility in Chennai and adding some machines in our Pathredi plant.



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We are also investing in new technologies both on the part side as well as the process side to further develop the technology prowess for the company. We are on track for developing approximately 400-plus parts for our customers which will be in production in the next two years.

As you know, the Indian automobile industry has been grappling with semiconductor shortage. The global semiconductor supply constraint continues to be a challenge, resulting in lower production across the industry. The demand for vehicles has **bounced back** however, the supply side issues continue to impact the industry. We expect things to improve on-ground and drive the auto sales once COVID scenario is normalized. During the quarter under review, due to the ongoing semiconductor shortage, the sales for this vertical was impacted due to reduction of production by the OEM customers. Rising commodity prices continue to be a challenge for the bottom line for PPAP as well as the joint venture company PTI.

Ladies and gentlemen, the second vertical for growth is the Aftermarket business. This is a new area of growth for the company, which is being rolled out in the 100% subsidiary company called Elpis Components & Distributors Private Limited. The focus for this vertical is to develop and supply spare parts as well as premium car accessories and cleaning products. Currently, the company offers 250-plus products as spare parts and 50-plus products for accessories. The company has already set up its presence with 60-plus dealers located in 35 cities. The country has also established its online shopping portal, [shopelpis.com](http://shopelpis.com) and also we are selling through Amazon India. If you are an Instagram user, please like and follow our page which is known as [elpisauto](https://www.instagram.com/elpisauto).

The third vertical for the company's growth is Pail Container business. This business was born out of identification of products for which we can utilize the spare capacity of our injection molding machines. We have started supplying these containers to the agriculture-based industry. We already have five products to offer and we are developing 15 more products in order to expand to Adhesives, Paints, FMCG and Lubricant Industries.

The fourth vertical for exponential growth is - the Electric Vehicle industry. We have established a new subsidiary, known as PPAP Technology Limited to focus on this enormous opportunity. As you all know, the two-wheeler industry is going through a massive transformation to EV vehicles. The expectation is that more than 50% of the industry will switch over to electric vehicles in the next five years.

We have also made some headway in developing battery packs for this industry. Our in-house design and development team is currently working on eight battery packs for our customers. We have already established one assembly line, which has a capacity of 125 MW hour per year or 20,000 plus battery packs per year. This subsidiary will also focus on development of battery packs for storage applications, like solar street light, mobile towers, and energy storage solutions.



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Currently, we have three customers in the EV two-wheeler segment and six customers for solar street light solutions, who we are supplying to. We are seeing a lot of traction in this vertical and a lot of interest from the customers. We are very confident that this vertical will show promising growth going forward. Since this is a new company, the breakeven is expected to reach by March 2022.

The fifth vertical for growth is the Commercial Tool Room for Manufacture of Plastic Injection Molds. Currently, this vertical can design and develop molds of size up to 1.8 meters. This vertical can manufacture 80-plus molds per year. This division manufactures molds for our automotive part business, also, apart from this; we have three other customers in automotive segment, three in white goods segment and one in medical segment.

Due to global logistic problems, we are seeing a lot of traction in this vertical from customers, not only in the automotive segment, but in white goods, electrical goods, medical goods, and other segments as well. Basically, what we feel is that most of the companies who were buying exclusively from China have changed their policy to China Plus One and that is why this business will have a huge opportunity for us going forward.

Now, let me throw some light on the financial performance and key developments as on Q2 & First Half Financial Year '22. For the standalone company, the revenue grew by 25.2% from Rs.82.9 crores to Rs.103.8 crores in the quarter under review. Revenue witnessed a sequential growth of 32% on a year-to-year basis. EBITDA stood at Rs 11.7 crores with the company achieving an EBITDA margin of 11.3% in the quarter under review. PAT has turned positive at Rs.2.6 crores compared to a loss of Rs.3.3 crores in the first quarter of the current financial year. 95% of the revenue is derived from sale of parts, whereas balance is derived from sale of tools and others. Maruti Suzuki continues to be the largest customer of PPAP, and it contributes 34% to the overall revenues.

PPAP has also started supplying extrusion and injection molding parts to MGs newly launched SUV 'Astor.'

During this quarter, we have also received the 'Machinist Super Shop Floor Awards for 2021' which is organized by the Times of India Group in the category of maintenance for the financial year 2021.

The capacity utilization has improved from 54% in the first quarter to 67% in the second quarter. Our aim is to improve capacity utilization levels going forward and achieve operational efficiencies.





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For consolidated PPAP, our aftermarket subsidiary, Elpis Component Distributors Private Limited has turned profitable and contributes positively to the overall financial performance of PPAP.

The EV corporate subsidiary, PPAP Technology Limited, being a new company, is yet to achieve breakeven and is expected by March 2022.

The performance of the joint venture company, PPAP Tokai India Private Limited, known as PTI, continues to be subdued due to the reduction of volumes due to semiconductor shortage as well as unprecedented increase of commodity prices.

Just to summarize, the company is now poised for higher growth and has identified five areas which as mentioned earlier for creating a mark for itself and establishing itself as a global level excellence company in India. Till now, due to unprecedented market conditions, the growth has been hampered. As soon as the market conditions get corrected, the company will return to its former glory.

Thank you, everyone, for your kind listening. I apologize; today's explanation has taken some extra time. We will be more than happy to answer any questions that you may have. Over to you, moderator to manage the questions-and-answers. Thank you.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Raj Joshi from Ace Securities. Please go ahead.

**Raj Joshi:** I believe PPAP had done its earning call maybe a couple of years ago. This is a good practice that we have commenced again, and I hope it will be a regular exercise every quarter going forward. So, my question is what had changed in the company over the last couple of years and what are the underlying parameters driving the change?

**Abhishek Jain:** Thank you, Mr. Joshi. First of all, I'd like to apologize for not being able to organize these conference calls for over 1.5-to-2-years. The reason for that was primarily we were busy in restructuring ourselves in achieving this higher growth. 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-



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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 the hidden potential of ourselves. And that is why our primary focus came on developing an aftermarket for our products so that we have a larger customer base to deal with, then because we were already focusing on injection molding products, so we thought why not develop some products in the neighboring industries for achieving higher growth. That's when the pail business started. Tools business we were already doing in the company since 2008. But that was primarily for the captive purpose. So, we thought why don't we commercialize this and develop more opportunities for ourselves. Then at the same time, this whole buzz for electric vehicles was going on. So, we then thought we should definitely try and make some dent in the market for electric vehicles as well. And that's when we decided to launch this electric vehicle company. 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. So, it took us about this much time to organize ourselves. And now that we are ready with the strategy, now we are ready with our reorganization, we are ready to achieve this higher growth, now, we will continue with the quarterly conference calls and make sure that every quarter we get on this call and explain to everyone what has gone right in all these five verticals, what has gone wrong, where we are today, what has happened so that we are all on the same page going forward and we share honestly, what is the good part and the bad part both with everybody.

**Moderator:** The next question is from the line of Varun Gupta from Augmenta Research. Please go ahead.

**Varun Gupta:** I have three questions. Going with the first one, I wanted to check like what percentage of increase of raw materials cost are you able to pass on to the customers and how much of it is absorbed by the company? The second question I have is what would be the average content for vehicle and what are you targeting that content per vehicle to be going forward in the next one or two years as far as you can give the guidance on? So, my third question is, obviously there's some cost pass-through to the eventual customers, there's some part of the revenue growth that might come from that side and there also might be some part of the revenue growth that's coming from your pure growth and not from your cost pass-through. So, if you could give the bifurcation of that numbers, for example, if you grew 20% in this quarter, 10% of it might be a factor of your increase in prices towards eventual customers and 10% might be due to the pure growth you had in terms of customer offtake?

**Sachin Jain:** So, about the raw material percentage increase in compensation, it is like 50%-50%, 50% is compensated by the customer and right now the 50% cost increase or the decrease to be taken care by the company itself. And the second question is regarding the average content per vehicle. So, it varies customer-to-customer. And for Maruti it is between Rs.2,500 to Rs.3,000 and for Honda it is more than Rs.7,500. So, it varies across the customer. And the third point cost-





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revenue growth, so if you see in Q2 we understand now the commodity prices are at peak, so, in the next six months, the growth mostly will be only in terms of the volume increase, not in terms of the cost-revenue growth. And as per the industry announcement or the ICRA report, so there is India rating report, there are chances that the auto industry would grow around 15% to 18% in this financial year, factoring the semiconductor and other things. So, on the same line, we are also looking to have the growth in third and fourth quarter.

**Moderator:** Next question from the line of Kunal Koladiya from Anova Capital. Please go ahead.

**Kunal Koladiya:** Sir, my first question pertains to our aftermarket subsidiary. So, as you mentioned that it has turned profitable. So, I just wanted to understand that what is the percentage of growth we expect from the segment going ahead like if you can give some guidance for FY'23?

**Abhishek Jain:** See, this is a new focus for us which we started last year only. So currently, the year-on-year growth is exponential, because we are growing very aggressively towards this opportunity, which is available to us. In about three years' time, we expect aftermarket business to roughly contribute about 5% to 8% of the total business we have for automotive parts.

**Kunal Koladiya:** Any FY'23 per se guidance you would like to provide from this segment?

**Abhishek Jain:** I've already told you that this is a new segment and this should contribute 5% to 8% in the next two to three years.

**Kunal Koladiya:** My next question is about our EV business. So, like, just wanted to understand that who are our customers and like have we started supplying any components to the players like Ola Electric or Ather?

**Abhishek Jain:** In the EV business, because we are developing our own technology, this has just started about a year back. So currently, we have some makers who are making electric cycles and customers which are making two-wheelers which are located locally in this Uttar Pradesh region. So total, we have about three customers for mobility. Right now, we're not doing any business with Ola or Ather or any of the established ones. It's too soon for us to do this business because we are still in learning phase, we're still trying to develop the technology. So, we have three customers right now who we are doing business with. I'm not at liberty to disclose those information to you today, but we have supplied a lot of battery packs for testing purpose and those are under evaluation. So as soon as the results come out, we can start supplying to some other makers as well.

**Kunal Koladiya:** Sir, in continuation to this question like, as you mentioned in your opening remarks as well, that the EV segment has exponential growth opportunities. So, are we targeting or planning to do



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some inorganic expansion in terms of technology in the near future to expand this business segment?

**Abhishek Jain:** See, inorganic growth, we're not going to say no to it right now, but our current focus is on developing our own technology. First, establishing ourselves in this segment, because it's a very new segment for us and it takes time to learn the tricks of the trade. So, we want to first get a feel and develop our knowledge for this business and then start thinking about inorganic growth. So, we are conversed to it, but currently, we don't want to focus on something which we don't know. First, we want to establish the know-how. establish our learning curve and then go aggressive for it.

**Kunal Koladiya:** So, for overall business, are we looking for any CAPEX in the coming years, and if any CAPEX we have done in FY'22?

**Sachin Jain:** On overall basis, if we talk about the PPAP and subsidiaries, so, there would be the probable CAPEX of about Rs.60 crores to Rs.65 crores in this financial year that we have planned, but further it will also depend how the things shape up in the coming months. So, till now, we have spent around Rs.22 crores.

**Kunal Koladiya:** So, the balance approximately Rs.40 crores will be spent in the ...

**Abhishek Jain:** In FY'22.

**Kunal Koladiya:** And in FY 23, do we have any targets?

**Abhishek Jain:** Yes, we have no target as such. It depends on how the business is going to develop. So, we play very safe when we talk about CAPEX in the company. So, we have some plans, but we're going to wait and see how things are developing and maybe then take a call on what is required to be done

**Moderator:** The next question is from the line of Nisha Desai from Raga Securities. Please go ahead.

**Nisha Desai:** I have a few couple of questions. firstly, the company has achieved a capacity utilization of around 67% in Q2 FY'22. So, what will be the level of capacity utilization we can expect for the rest of the year?

**Sachin Jain:** The projection growth which has been anticipated by the market is that will be happening in H2. So, end of the March, we will be able to achieve the capacity utilization of around 80%.

**Nisha Desai:** My next question is on the EV segment. Apart from the battery pack, do we manufacture any other components?



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**Abhishek Jain:** See, whatever we are making as the traditional components, so, all those parts are applicable for the EV segment as well. So, what we are actually trying to do is we are engaged in cross-selling of product portfolio with all the customers. So, when we talk to our EV maker like a two-wheeler company who is making electric vehicles, apart from selling our battery pack we also extend our portfolio for plastic injection parts and there are some components which go in from extrusion side also, so we try to do that. And then these plastic injection molding parts, they require tooling also to be made. So, we cross-sell our tooling division to make those tools also to them. This whole bouquet of products is what we offer to the electric vehicle makers. So, starting with the tooling, required for the plastic products itself, then some ceilings which is required, and then, of course, the battery pack which we are making.

**Nisha Desai:** If you could throw some light on what is the estimated opportunity in the aftermarket business?

**Abhishek Jain:** This has been an untapped opportunity for us. So, we are rolling out our products, we are introducing a lot of new products for the aftermarket especially. So, there is a big opportunity available to us. And that is why we are saying that this division should contribute about 5% to 8% of our business in the next two to three years.

**Nisha Desai:** My question is what is the company's top line and bottom-line growth forecast for next three to five years perspective?

**Abhishek Jain:** I'm sorry, that's a forward-looking statement. So very difficult for us to give you the clear-cut answer, but like I was explaining in the opening remarks, that these five areas, in which we have restructured ourselves, five verticals, we have separate teams who are working on the business development side and on the operations side to grow all these businesses. So, I think in the next two to three years, our top line should be very different from what it is currently on a standalone basis and on a consolidated basis.

**Moderator:** The next question is from the line of Amit Shah from Ace Securities. Please go ahead.

**Amit Shah:** Sir, I have a couple of questions. Firstly, which are the products added to our product portfolio?

**Abhishek Jain:** Please look at our investor ppt and you will find in some slides. Very difficult to explain you over the phone. But if you refer to slide numbers 21, 22, 23, 24, 25 you can see the product portfolio which is being offered by the company now.

**Amit Shah:** Any product segment that you are planning to venture?

**Abhishek Jain:** These five different verticals are divided up and in each vertical we are launching new products; so injection molding, toolings, we are adding battery packs we've started, then this pail containers we've started, the complete new segment of aftermarket has been started and even in



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automotive products, we've launched a couple of new products and we're developing new technologies now so that we can be self-dependent and launch more products, which the customer wants in the future.

**Amit Shah:** What is the share of value-added products currently? Value-added in the sense premium product currently and what will be its share say a couple of years down the line?

**Abhishek Jain:** Each customer is premium for us. Our target is to delight them with our products and services. So, I don't know if we've never differentiated between a value added or non-value-added products. For us essentially the target is on meeting the customer's expectations. So, all the products are value added for us.

**Moderator:** The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

**Nitin Gandhi:** Can you share something on your long-term contracts with OEM vendors for auto parts for a particular product, they must be for two years, three years and what's the overall value collectively all these put together will be how much and how it was shaping in last one year back and how much order book value addition you have got in last quarter?

**Abhishek Jain:** See, our basic contract for any part that we're developing for OEM customer is for the lifecycle of the vehicle. So now, every four to five years, customer changes the complete model. So, this life cycle used to be six to seven years earlier, now it has come down to four to five years and then we have contract with them to supply spare parts for 15-years more. So, for any part that we are making for an OEM customer is a 20-year lifecycle which we need to manage. Regarding the order book, currently, we have around 400-plus products which we are developing, and I think if I am not wrong, we are working on around 40 different projects putting all the customers together, some for Maruti, some for Honda some for MG, Hyundai, Kia, Toyota, everyone put together.

**Nitin Gandhi:** But can you share something on a total value of the long-term contracts, five years, seven years, whatever it is?

**Abhishek Jain:** Total value, we don't have the data with us right now. But we can get back to you on that.

**Nitin Gandhi:** Can you share something more on Isuzu and MG Motor contracts, how big they are...?

**Abhishek Jain:** Isuzu and MG Motor same contract is there with 15 to 20 years lifecycle; first four to five years for the OEM business and then for the spare parts for 15-years

**Nitin Gandhi:** All four verticals other than auto which you have shared that is pail container EV and commercial tooling... because for aftermarket you said Rs 25 crores to Rs 30 crores is potential in three years



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but for other three business, can you share what is the potential at the end of three years from now?

**Abhishek Jain:** We are quite confident that these will be significantly adding to the top line of the company going forward.

**Nitin Gandhi:** What about your investment of roughly Rs.50 crores in this JV, which is not yielding any returns as on date, can you share something more on that, how you propose to bail out and that within two years, three years timeframe can you have 10% return on this investment?

**Abhishek Jain:** See, the problem is that the JV is very similar to what we have in the PPAP automotive part business. Problem is twofold basically in that company as well, first is the top line, which has gotten reduced because of this semiconductor shortage happening this year. So, that has resulted in a drop of sales because of which the fixed cost is not getting distributed on smaller scale now, and second problem is what I was talking in the opening remarks as well is the high commodity prices which are happening. So, they have really played havoc in that company as well, similar to what PPAP has faced. So, we hope that once this supply constraint of semiconductor is gone and the production increases for vehicles, top line will increase in that company, and right now, it is very difficult to say about the commodity prices getting corrected. But we have decided that we will start discussions with our customers on how to arrive at a win-win situation to make sure that both have a win-win thing going forward.

**Nitin Gandhi:** What is the previous best revenue in a quarter or in a year for that subsidiary?

**Sachin Jain:** So, for the subsidiary we have the best value of around Rs.21 crores in a quarter two years back before this disruption took place.

**Nitin Gandhi:** So, what is the revenue potential of this in a best-case scenario at 75%?

**Sachin Jain:** Around Rs.80 to Rs 90 crores you can easily achieve if the capacity utilization goes up to 75%.

**Nitin Gandhi:** This is 100% subsidiary or...?

**Sachin Jain:** No, this is the 50:50 JV

**Nitin Gandhi:** So Rs.50 crores is our investment, Rs.50 crores equally spent by the partner, right?

**Sachin Jain:** Yes.

**Nitin Gandhi:** And asset turn can be a max 1.2?

**Sachin Jain:** Yes, 1.2, in our type of industry is one of the good ATR.



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**Nitin Gandhi:** Coming back to auto, based on the orders which you have in hand, is it possible that your asset turn can shoot beyond 1.4 in three years' time because you have been more or less hovering for 1, 1.2 for very long. So, unless you scale up significantly in two or three years, it will not make any meaningful big profits?

**Sachin Jain:** 1.4 ATR is good in our type of industry. So, if you compare with other auto ancillary also, so there is a definitely CAPEX requirement along with the growth. So, we expect the CAPEX would be there. However, we are working on this. We are also adding new aftermarket business on the auto side. So, the CAPEX would go but however, the overall turnover will grow so that our ATR can be improved in the next three years.

**Nitin Gandhi:** Can you share some more color on tooling business, what is the potential?

**Sachin Jain:** The business for the aftermarket should contribute 5% to 8%. The same way we are targeting that tooling business should also contribute around 5% to 8% in our overall turnover.

**Nitin Gandhi:** But tooling should give you higher margin of 25%, right, because it's a complete in-house technology and with very low asset base you are able to get, right?

**Sachin Jain:** Yes, definitely, tooling also, the ATR is around 1 to 1.1 across the industry. So, investment requirements would be there. But however, as we mentioned that margins are better in tooling business than the other business being the technology-driven business.

**Moderator:** The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

**Shashank Kanodia:** Just wanted to understand for this quarter, we have grown northwards of 25% quarter-on-quarter. So, what will be the volume growth and what will be driven by realizations?

**Sachin Jain:** If you compare with the quarter-on-quarter basis, growth due to realization would be around 2% to 3% with respect to the previous quarter and rest is volume growth.

**Shashank Kanodia:** In that terms, we have vastly outperformed our largest client, right because I think Maruti has grown sub-10% on quarter-on-quarter basis, but we have grown 25%-plus, right? Do we expect this trend to continue going forward for few quarters with new clients on board and stuff?

**Abhishek Jain:** We are getting orders from a lot of customers. So, definitely we will be in a better position from customer point of view. But today's situation is such that semiconductors, we don't know who has been able to crack the jackpot of securing semiconductors going forward. So very difficult for us to comment whether this trend will continue or not continue. But what we are doing is, we are expanding our customer base for this automotive parts business. And not only limited to





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OEMs, we are also getting a lot of enquiries, a lot of interest from good quality tier-1 makers. So hopefully we should continue to grow much higher than what our main customer is doing.

**Shashank Kanodia:** Sir, is there any targeting, let's say as a company we need to grow 10% higher than the industry benchmark or any such parameters that you guys have been working with?

**Abhishek Jain:** We've set some long-term targets for that division, for the BD team to focus on, but then main target is to get a lot of business from new customers. So, they are really scouting hard for development of opportunities, and especially in the west region and the south region. That is the reason why we are expanding our plant in Chennai, because in that region still a lot of untapped potential is there and our teams are working very hard to develop new customers in that region. In Pune region, we already have a few customers. So, we're trying to get more customers in that region both in the passenger vehicle space and in the two-wheeler space.

**Shashank Kanodia:** How has been the production schedule from the OEM for October-November-December -- do we see any quarter-on-quarter growth for this?

**Abhishek Jain:** Again, it is very difficult for anyone to plan this time means customers commit some numbers but end of the day it depends on if they're able to procure the semiconductors or not. Overall, things should get better this quarter because our biggest customer committed a certain number and they're quite confident of sourcing that number of semiconductors and making vehicles for that. So, I think this problem should start getting better. But it is a long-term problem. I don't think we are getting out of this semiconductor problem for at least one full year now. Estimates are coming out. I think January 2023 is when things should start getting back to normal completely and the customers would be back to their normal sourcing actions rather than doing firefighting every day for sourcing of semiconductors.

**Shashank Kanodia:** Are we supplying existing product profile to Tata Motors or any...?

**Abhishek Jain:** Tata Motors has been our customer since 2006. We developed the first Nano components with them.

**Shashank Kanodia:** So, are we present in Punch which is a recent launch from them?

**Abhishek Jain:** Yes, yes, we supply outer belt and roof molding.

**Moderator:** Thank you. The next question is from the line of Devan Shah from PhillipCapital. Please go ahead.

**Devan Shah:** My question is pertaining to the revenue contribution from the different clients which we have, if you can share the data?



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**Abhishek Jain:** Currently, Maruti Suzuki is the biggest customer for us for automotive parts business and they contribute around 50% to the top line. Second biggest customer for us is Honda, which contributes around 20%. Tata contributes about 5% and Renault Nissan contributes 4%. Hyundai and Kia put together they contribute about 2% of the top line right now and for the other players like MG, Tata Motors, Isuzu, SML ISUZU and Suzuki Motorcycles, etc.,

**Devan Shah:** 100% of the revenue comes from the passenger vehicles, right?

**Abhishek Jain:** No, out of that around 6% revenue also come from the two-wheeler side also.

**Moderator:** The next question is from the line of Anurag Jain, a shareholder. Please go ahead.

**Anurag Jain:** What is the policy for receivables for different categories of customers? I'm asking this question especially in light of two things. One, like Ford has folded up its operations. From the news that one can see that a lot of vendors money stuck there. And with a lot of these new electric vehicle companies coming in, very few of them will survive and prosper, most of them may not be able to be successful in the industry and for the existing players also, it's a challenge because the industry will move from ICE to electric vehicles. So, in light of this, how do you propose to manage your receivables because the company has gone through a significant change in last two years?

**Sachin Jain:** On the receivable side, for the OE customer, there is no challenge in receivables and that is mostly driven by the only standard payment term. So specifically for Ford, we don't have any outstanding and there is no payment stuck at Ford. And about the other segment that is mostly the market-driven and we are taking adequate care while dealing with the new customers. Initially, we set up with the advance payment or the post-dated cheques and gradually once the confidence is built up, then we go to the credit facility.

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

**Abhishek Jain:** Thank you, Margaret. I thank everyone for taking time out of your busy schedules to attend the conference call today. Please feel free to approach us with any questions that you may have. We will be more than happy to show you around the excellent facilities that have been created to service the customer. I thank SGA Advisors for organizing this call. Last but not the least, a big thank you to the team at PPAP for supporting this call.

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