



## PPAP Automotive Limited

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20<sup>th</sup> August, 2024

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

**Subject: Transcript of earning conference call for the quarter ended 30<sup>th</sup> June, 2024**

Dear Sir,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 enclosing herewith transcript of earnings conference call held on Tuesday 13<sup>th</sup> August, 2024 to discuss financial results for the quarter ended 30<sup>th</sup> June, 2024.

The transcripts are also available on Company's website at:  
[https://www.ppapco.in/assets/pdf/quarterly\\_reports/PPAP\\_Transcript\\_Q1FY25.pdf](https://www.ppapco.in/assets/pdf/quarterly_reports/PPAP_Transcript_Q1FY25.pdf)

This is for your information and records.

Thanking you,  
Yours Faithfully,  
For **PPAP Automotive Limited**

**Pankhuri Agarwal**  
**Company Secretary & Compliance Officer**



“PPAP Automotive Limited  
Q1 FY‘25 Earnings Conference Call”  
August 13, 2024



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



*PPAP Automotive Limited  
August 13, 2024*

**Moderator:**

Ladies and gentlemen, good day, and welcome to Q1 FY '25 Earnings Conference Call of PPAP Automotive Limited. This conference call may contain forward-looking statements about the company, which are based on the belief, 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, Managing Director and CEO. Thank you, and over to you, sir.

**Abhishek Jain:**

Yes, thank you very much for organizing this conference call today. Good morning, everyone. I extend a very warm welcome to all the participants joining us on this call for discussing the company's quarter 1 performance for the financial year '25.

I am accompanied by Mr. Sachin Jain, the CFO of the company, along with the team of SGA, which is our Investor Relations Advisors. I hope all the participants have reviewed the results which are declared in the Board meeting held on 10th of August 2024. I hope all of you also got an opportunity to go through the investor presentation, which has been circulated by SGA, a copy of which is also available with the stock exchanges as well as on our company's website.

Let me begin today's conference call with the operational updates along with the business updates across our verticals, followed by a financial overview. Just to recap, PPAP, along with its affiliates and subsidiary companies focuses on three businesses: the first is the parts business, followed by the Tool business and the Lithium-Ion battery business.

In the parts business, there are three technologies, which the group has developed its expertise in: first is Plastic extrusion; rubber extrusion and plastic injection molding. These products are developed for automotive OEMs as well as the aftermarket and for industrial applications.

In the Tool business, our focus is on developing plastic injection molding tools both for automotive parts as well as electrical goods industry. In lithium-ion battery business, we started the business with focus on the mobility segment, but we accelerated this business to focus on energy storage solutions.

It gives me the pleasure to inform you that we have started the new financial year on a promising note, wherein on a consolidated level, we have been able to cut down on the losses and have started seeing green performance. I take this opportunity to thank the entire team of PPAP for putting in their best efforts to achieve this milestone. I am extremely confident that this will become a fundamental base for us to achieve greater heights going forward.



I also take this opportunity to thank all the stakeholders for their patience and their unwavering support over the past 2 years. On the part operations front, we were able to improve operational efficiencies, resulting in the improvement of EBITDA levels. Although, the top line remains challenging, but due to improvement in realization, coupled with cooling of raw material prices and efficiency improvement, we were able to improve our performance.

The automobile parts business, which is the most significant part of the business, the company focuses on developing Automotive Body Sealing systems as well as Interior and Exterior Injection moulded products. Please note here that the company's products are all engine-agnostic.

In spite of this fact, the company is focusing on developing parts for EV being developed in the country. We have already started production for the new Maruti Swift, which was launched recently. I feel proud to inform you that we have also started production of parts for the recently launched Tata Curvv model by Tata Motors.

This model is really special for the company as there are 27 parts which are produced by us, and out of which 16 parts are completely new technology parts, which are all premium parts, which have been developed by our own engineers and has been introduced for the first time in the country.

We continue our good relationship with all our customers and are developing many parts of the future model launches. Along with this, we are continuously discussing the business for their future models as well. Also, I'm happy to share that our customers have started exporting our parts as CKD parts to their global operations.

The industrial parts business is also seeing good traction. In fact, this division was able to sell last year full year sales within the first quarter of this year. During the quarter, this division has developed air handling unit, sealing solutions along with other products. This division has also supported in improving the utilization levels of the plant as well as developing products for the export market.

In this year, it is expected that this division would contribute about 3% of the company's sales. But the important point to note is that this division will propel the company in the export market. The business should contribute 10% to the group sales in 2 to 3 years from now. Recently, we have retagged these products under a new brand name called Avinya Precision Products, which means innovation in Sanskrit language.

Now let me give you a brief update on the tooling business. The tooling business is also gaining significant traction with orders being received both from automotive as well as electrical segments. The tooling business has been rebranded as Meraki Precision Moulds, which means creativity. During the quarter, we have orders for utilizing the assets 30% on a yearly basis, and we expect to increase this to 80% of capacity utilization by the end of this year. This business should contribute 4% to 5% to the total sales of the company this year.



Turning to the aftermarket business. This business is operated under the brand of ELPIS, which means hope. This business is being done in the subsidiary company fully owned by PPAP. This vertical not only promotes the company's manufactured products in the market, but also engages contract manufacturers for products that are in high demand in the market.

The brand ELPIS is gaining trust of customers in terms of quality and reliability, and we expect that sooner than later would become a major player in the market. This business should also contribute 4% to 5% to the total sales on a yearly basis. The focus is expected to grow faster due to rapid expansion of distribution network as well as introduction of many new SKUs.

Our key focus for this business is to tap into the international market and to export our products internationally. We aim to capitalize on the brand that we have been focused on building in the past 2 to 3 years. This vertical range of accessories are also seeing significant traction on e-commerce sales platforms like Amazon and Flipkart.

Now I would like to touch upon the lithium-ion battery vertical. This vertical was a major contributor to the consolidated loss. During the quarter under review, we were able to significantly reduce the losses through sale of manufactured goods. We have developed solutions for the solar battery storage application as well as telecom battery storage solution along with energy storage solution. We are quite optimistic that by the end of this year, this business which is done in the subsidiary company fully owned by PPAP would become green.

Now moving on to the financial overview of quarter 1. On a standalone basis, revenue increased from INR 111.4 crores to INR 118.7 crores, reflecting a marginal increase of 6.6%. In spite of the marginal increase in total revenue, gross profit with cash, a significant uptick year-on-year to INR 51.5 crores with gross profit margins improving from 39.9% to 43.4%.

Improvement in the cost level is the result of improved realization coupled with softening of raw material prices, along with improvement in consumption efficiencies. EBITDA has risen from INR 7.4 crores to INR 12 crores in quarter 1, registering a strong growth of 62.2% on a year-on-year basis.

We are delighted to share that as promised during the last year, we have reached to a double-digit EBITDA margin of 10.1% in this quarter, and we expect this trend to be maintained and further improved. The company reported a profit of INR 1.4 crores against a loss of INR 1.6 crores on a year-on-year basis.

In terms of the consolidated financial results, top line increased from INR 116.5 crores to INR 122.7 crores in quarter 1 on a year-on-year basis. EBITDA also surged from INR 6.3 crores to INR 11.8 crores, a growth of 88.5% year-on-year basis, along with an improvement in EBITDA margin from 5.4% in quarter 1 of financial year '24 to 9.6% in quarter 1 of financial year '25.

Going forward, we are confident that the company will continue to grow in a sustainable manner. Although the industry witnessed a muted growth in the first quarter of financial year '25, with domestic passenger car segment growing 6% on a year-on-year basis, our endeavor is to grow



the business faster through growing the industrial products division as well as the aftermarket division.

Going forward, we expect to increase our utilization levels from currently 68% to 80% by the end of this year. Our efforts in improving the consumption efficiencies, along with the higher utilization of assets, would certainly put us on a strong footing and improve the financial performance of the company.

As we have been saying for the last year, this year was a year of reckoning for us. The hard work put in the past 2 to 3 years by each and every member of the PPAP family should start yielding great results from this year onwards. We are very excited, and we look forward for your active participation as well as your support. Thank you very much.

And now I'd like to hand over to the moderator for the question-and-answer session. Thank you very much.

**Moderator:** The first question is from the line of Jigar Shah from Elevate Research.

**Jigar Shah:** Sir, Maruti in its earnings call mentioned that it plans to increase the capacity of Ertiga and will launch newer models in FY '25. So have you already received any business for some of these models?

**Abhishek Jain:** Ertiga, we are already supplying. And there are a couple of models in the pipeline for Maruti. I think this year, they'll be launching their electric vehicle. So we have a business for that model as well.

**Jigar Shah:** Okay. Okay. Got it. And secondly sir, what is the update on our industrial product business? Have we made roads to cater the market lines? What is our order book that we have currently for this vertical?

**Abhishek Jain:** Industrial products division, in the first quarter, we saw good sales, which was almost the same amount of sales we did for last year. So that's a very good thing. And this division has basically secured export orders for the U.S. market. The first order they trend sometime in November last year.

And now in the last quarter also, they have sent small orders, which are under trial at the customer's end. Once all these trials get over, then they are on a good putting to export all these parts abroad. So there are 2 markets which we are focusing on. One is the U.S. market and the other is the GCC, Gulf countries market.

**Moderator:** The next question is from the line of Aniket Kulkarni from BMSPL Capital.

**Aniket Kulkarni:** So firstly, the debt for the company has increased from INR50 crores in FY '21 to about INR160 crores in FY '24. So if you could explain what is the reason for this increase? And what are your debt reduction plans going ahead?



**Abhishek Jain:** Yes. About the debt rise, as we have already explained in many times in our call. Debt was taken towards the 2-3 expansion plan which company had done in previous year, especially the commercial tool room size, we had expanded. Secondly, in the automotive facility also we have extended ourselves in Gujarat and Chennai side. And also with the couple of projects, we have increased our borrowing.

And on the long-term side, who are planned to keep the borrowing at the current level, until and unless we have any committed projects so that we need to replace any further funding. Otherwise, we will try to maintain at the current level only.

**Aniket Kulkarni:** So you will try to maintain that at current level, right?

**Abhishek Jain:** Yes.

**Aniket Kulkarni:** Okay. Okay. And secondly, if you could explain, so during FY '16 to FY '19, the company was talking around 17% to 20% EBITDA margins. So could you explain why? And why are the margins in recent times come to below 10%. So what has happened in the meantime for margins to come down like this? And can the company grow back to the 17% to 20% margin level? And for that to happen, what will be the variables that would have to fall in place? So for example, crude prices, improved realization from customers. So what can be the triggers to get back to these margins?

**Abhishek Jain:** Kulkarni-ji, I think your question is very exhaustive question. We would request you if you can get in touch with us, and we can have a proper discussion on this issue from '16 to '19 and what has happened in '24. the margins were reduced primarily because of the raw material prices shooting up post COVID.

Before COVID, we were maintaining higher margins. Now what we are seeing is these raw material prices are now softening. And coupled with better realizations from customers, we anticipate a better EBITDA margin going forward. So we were down to single-digit EBITDA in the last 1 or 2 years. Now we are up to double digit. And we expect further gradual increase in EBITDA margins going forward.

**Aniket Kulkarni:** Right. All right. Understood. And maybe...

**Abhishek Jain:** Get in touch with us, and we can explain you completely from the margin -- '16 to '19 and then what has happened till now.

**Aniket Kulkarni:** Yes, sure, sure, sure. And finally, lastly, in your previous calls, you had mentioned that the company will benefit from higher per part contribution in EVs. So if you could explain this in detail, how this will benefit results over the next year or two? And if we are excited about the EV story, can we get customers like Ola Electric and other 2-wheelers on-board around with 4-wheelers because I think we don't have any exposure to 2-wheelers as of now. But can we get customers like Ola Electric going forward?



**Abhishek Jain:** 2-wheeler, our products that are there for 2-wheeler are only limited to plastic injection molding. And unless and until the plant is close to the customers' premises, it is very difficult to get that business and make a profit out of it. So 2-wheelers is a different ballgame altogether for Ola Electric and all.

But what we are doing in 2-wheelers is, we are, Suzuki motorcycle, HMIPM is quite close to our company's premises and we are getting in touch with them. We already have had a lot of business from their side, and we are focusing on developing them as a big customer. From EV point of view, we are focused on getting more and more parts for the EV as well. Right now, the Tata Nexon EV, we are on board. We are supplying to them. MG, both Zs 11, Aster and Comet both models we're already supplying to them. Tata also recently launched Curvv EV. We are supplying, in fact for this particular Curvv EV, our value per car is the highest ever where we could achieve for Tata Motors.

And as I was explaining in the opening commentary, we introduced 16 completely new technology parts. In the country, which has been the first-time such parts have been made here. Before this, all these parts were being imported from outside and only used for luxury vehicles, but we were successful in developing all these parts for Tata Curvv EVs.

And for Suzuki also, we are developing parts for their EV, which is supposed to be launched I think, this year. And even for other customers, they have not yet declared their plan officially. So I'm not at liberty to disclose their names, but we are developing a lot of parts for them as well.

**Aniket Kulkarni:** Understood, sir. And so on the 16 new parts which you are making. So are these parts applicable to other manufacturers as well? Or is it only customized for a Tata Curvv? Because of the development, the higher potential...

**Abhishek Jain:** According to a particular model, the technology we have developed in-house for ourselves. And right now, we are making the parts for this particular model, but that does not restrict us to do business for other customers. We will continue to develop other customers also for this kind of technology.

**Moderator:** The next question is from the line of Kaustav Bubna from BMSPL Capital.

**Kaustav Bubna:** So just on the previous question, I just wanted to understand, you had mentioned in your earlier calls for EVs, higher per part contribution. So could you touch on that? What do you mean by higher per part contribution? how is this going to benefit our company?

**Abhishek Jain:** Sorry, I didn't understand, higher per car contribution?

**Kaustav Bubna:** Per part-- Per part contribution. So like an EV would require more parts, would you get more business?

**Abhishek Jain:** Earlier was that EV -- first of all, our parts are on engine-agnostic. What EV require are, what is the trend today is that people are looking for more premium option in vehicles, more features





and all that. So I think my comment during the last investor calls was that EVs will require premium products to be developed. And that is what we've done for this Tata Curvv EV.

**Kaustav Bubna:** Understood. Understood. And sir, last question, wanted to understand, your promoter holding has fallen from 65% to 64.6% in this latest quarter. So is that because of some dematerialization of shares or you all have sold shares -- I just wanted to understand.

**Sachin Jain:** I think that is primarily because of the ESOP

**Abhishek Jain:** We are talking about the increase in the shares.

**Kaustav Bubna:** Sorry.

**Abhishek Jain:** You are talking about the additional issuance of share capital in this quarter?

**Kaustav Bubna:** Yes. In your June '24 shareholding pattern, your promotor shareholding is 64.6% versus in March, it was 65.01%. So is that because of ESOPs or have you sold stake?

**Sachin Jain:** Yes, it is due to the ESOP.

**Kaustav Bubna:** So there's no promoter selling that has happened, right? You can confirm that.

**Sachin Jain:** No, no. There's no promoter shareholding, which was last year. There's no change.

**Kaustav Bubna:** And we'd like to get in touch with you privately. I tried before also. So this time, could you please -- it would be great to meet you privately and discuss.

**Abhishek Jain:** Akash is there on this call today from SGA. Akash, would you please get in touch with them and...

**Kaustav Bubna:** I had spoken to Akash, but it didn't happen. I'm a shareholder in your company, so it would be nice.

**Management:** So I told him, we'll take it post results.

**Moderator:** The next question is from the line of Yug Modi from AP Capital.

**Yug Modi:** Sir, can you give some guidance on top line growth that can be achieved in FY '25 on a year-on-year basis?

**Abhishek Jain:** Sorry? Top line growth for this year FY '25?

**Yug Modi:** Yes.

**Abhishek Jain:** We've already explained our vision in the call that the industry, we are expecting to reach the capacity utilization up to 80% by end of this financial year. So then that would be in our top line.



**Yug Modi:** Understood. Lastly, sir, how much of our revenue comes from exports? And what countries do you export our products?

**Abhishek Jain:** Right now, it is under 1%. It is hardly significant. We export products. But that is one big market which we are developing. And this year, it should contribute about 1% to 2%. But in future, this will be a very important focus for us, developing the export market.

**Moderator:** The next question is from the line of Rohan Patel from Turtle Capital.

**Rohan Patel:** I just wanted to understand that, like we entered FY '24 with INR523 crores on top line. I wanted to understand what can top line looks in 3 years, like how fast we can grow? And what would be the contribution from all the segments like you may be having internal benchmark?

**Abhishek Jain:** What we started on doing around 2020, '21 was, we are focusing on de-risking our business from one customer or one segment or one geography completely. So the way we are doing all these 5 businesses in the company, which is automotive parts, aftermarket, industrial products, the tooling room and the lithium-ion battery business.

We expect that from current, almost 80% plus sales coming in from only OEMs. And out of that 80%, again, 40% or maybe total sale of around 50% coming from a single customer, we should be able to de-risk this situation. And maybe in 3 to 4 years' time, bring down the dependence on any one customer or any one segment by almost 50%. So in the long run, we expect that these aftermarket business should contribute about 10% to the top line, even the aftermarket or even the industrial product should be roughly about 10%.

Commercial tool room will be around 5% to 6% because that is a very investment-heavy business. So we have to be very careful while installing new capacity. But the 5% to 6% is what should be contributed by that. And then lithium-ion battery business, again, should contribute at least 20% to the complete top line.

So if you look at 3 to 4 years down the line, then roughly, our automotive business, which is about 80% to 90% of the total business, should come down to around 50% or under 50%. And our business with only one customer, which is currently 50% should come down to about 25%. It's not that automotive business will not grow. It will grow at its pace, depending on how the market grows, but we are expecting that all these other businesses will grow much faster in the next 3 to 4 years.

**Rohan Patel:** Okay. So just like you can give your point. From INR522 crores somewhat, can we expect in 3 years or 4 year's time that our sales could be say, somewhere between a range of INR900 crores, INR1,000 crores. Can we expect doubling in 3 to 4 years? Or that could be too aggressive.

**Abhishek Jain:** Yes, that's a very difficult thing for me to comment right now, because we are not supposed to give forward-looking statements of kind. But looking at what prospects we are able to develop and looking at what the market is, I think that seems to be a reasonable assumption going forward.



- Rohan Patel:** Anyways, when we say that we can grow at this rate and capacity is getting utilized as it's optimum level, can we expect our margins to come in the range of, say, 15% to 19% or 15% to 17% doubling from here? Once you're able to...
- Abhishek Jain:** Margins will not increase that much. I think it is very difficult to achieve those margins. But like we've been saying in last year as well, that somewhere in the 10% to 13% is where we are comfortable in now. That should be a sustainable margin for our company.
- Rohan Patel:** Can we expect for positive surprises going forward?
- Abhishek Jain:** Sorry?
- Rohan Patel:** Can we expect positive surprises in the margin front?
- Abhishek Jain:** Positive. Yes, of course.
- Moderator:** Next question is from the line of Ravindra Shah from RSH Investments.
- Ravindra Shah:** My first question is what is the amount of capex done in this quarter, Q1 FY '25? And how much capex will be done during the current financial year?
- Sachin Jain:** Yes, the current quarter, we have spent around INR 5.8 crores on a stand-alone basis. And for the full year, we are expecting around INR 35 crores to INR40 crores for this year.
- Ravindra Shah:** Okay. Okay. Got it. And my second question is, why has our or EV or battery storage vertical not picked up as expected? Are there any structural issues? And what are our plans to turn the vertical into a meaningful contributor to the overall top line?
- Abhishek Jain:** Ravindra-ji, like I explained in my opening commentary, The reason why we started this business was to focus on mobility segment, 2-wheeler or 3-wheeler, but we spent a lot of time and effort on that. And unfortunately, we could not gain good traction from those industries because most of the organized players of 2-wheelers and 3-wheelers have their internal in-house battery pack making facility.
- The only ones which were less for us was unorganized players, and there was a big risk in doing business with them. So since last year, we have pivoted this business now from focusing on mobility to Energy Storage Solutions, which is a very big market in the country. And there are a lot of opportunities. Solar application, which we are already doing, Energy storage solution, we've already made certain samples, and we supply solutions to our customers, which are under trial. Telecom battery solutions, this has been recently been completed by us.
- Now it is also under trial. So all these things, they have a huge potential in the Indian market. So we are expecting that, once these trials get over then we can get good business. Customers when they visit our facility, which is located in Noida, they are quite delighted to see the level of operations. And each and every customer which comes to us has commented that our facilities



are much superior than our competitors in this space. So with good facility, good products, now it is a matter of time when we have good results coming in, in form of the business.

**Moderator:** The next question is from the line of Anil Kumar Sharma, an individual investor.

**Anil Kumar Sharma:** My questions have already been answered. Thank you.

**Moderator:** The next question is from the line of Kabir from Rio Investments.

**Kabir:** So just wanted to understand like we were trying to negotiate with OEMs on revision in tariffs. Any status update? Or has this been agreed with all the OEMs?

**Sachin Jain:** So we have already mentioned in the opening commentary that the improvement in EBITDA is the result of the improvement of realization also. So there are certain price negotiation, which were going on with the customer. So that has contributed a positive result, and that has already been set in this quarter.

**Kabir:** Okay. And like, as you said, like we have seen EBITDA margin improvement since last quarter. So like what level can EBITDA margin stabilize going forward on a steady-state basis?

**Abhishek Jain:** Yes, we are expecting around comparing to 11% to 12% will be the stable margin for the next 1 or 2, years.

**Kabir:** Okay. 11% to 12%.

**Moderator:** The next question is from the line of Ashish Raut from XK Securities.

**Ashish Raut:** So I have a couple of questions. The first question is, how do you see the revenue mix shaping up from all the business verticals over the next couple of years?

**Abhishek Jain:** I understand that it is already covered in the earlier portion. So as already mentioned that 3 to 4 and 4 to 5 years, we are expecting that our automotive business should be in the range of 50% and rest of it should contribute 50%. Commercial tool room . Investor product business, our aftermarket business along with the battery business.

**Ashish Raut:** Okay. Okay so my second question is, how is the demand trending in the current quarter so far?

**Sachin Jain:** Current demand is right now okay , there is no as such change for the same from the customer base with we are doing transactions in transition, it is in line with our expectations, which were shared by the customer in the start of financial year.

**Moderator:** As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Abhishek Jain:** Thank you, moderator, for facilitating this call. Thank you, everyone, for joining us today on this call. I appreciate everybody giving their time and effort to listen to what the company and



*PPAP Automotive Limited*  
*August 13, 2024*

the group is doing. If you have any further questions, please feel free to get in touch with us or our advisers or Investor Relations, SGA. Their team is presently available for you.

If you are in New Delhi area, please feel free to get in touch with us. We would be more than delighted to show you the operations of the company so that you can get a sense of what exactly how we're doing. So thank you very much again for everyone. Thank you for joining on 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.