



PPAP Automotive Limited

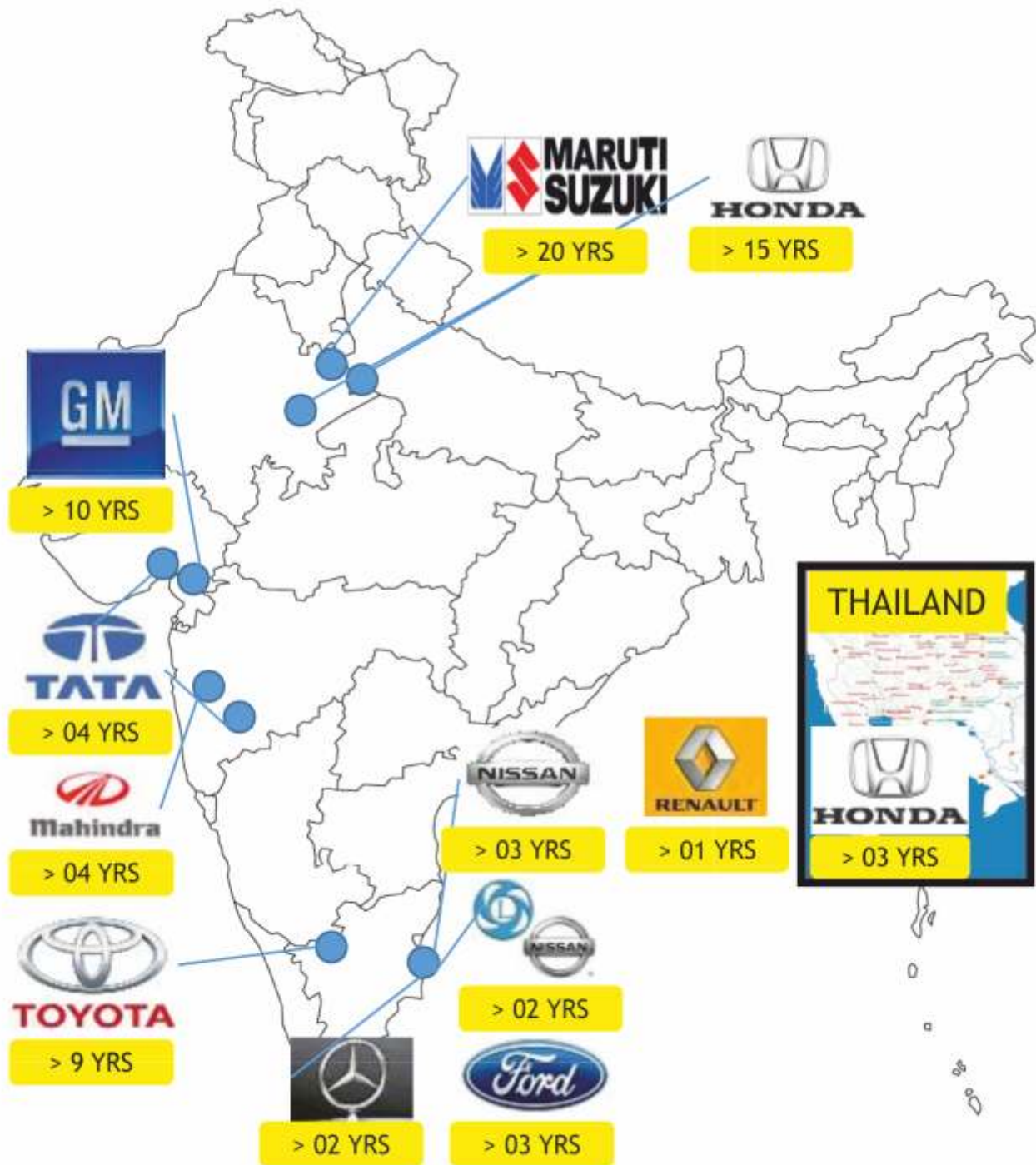
(Formerly Precision Pipes and Profiles Company Limited)

Annual Report 2014-15

Taking Challenges, Together



CUSTOMERS



CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me immense pleasure to be able to communicate with you, once again, at the end of an exciting year and also present to you, your Company's Annual Report for the year ended 31st March, 2015.

The last year commenced with very high expectations of economic revival and strong growth due to a new Central Government. However, despite multiple initiatives by the Central Government, India could not register significant growth due to the drag by multiple geo-political factors like the political and financial crisis in Europe, lack of global demand, appreciation of the US dollar, high interest rates, etc.



On the positive side, the fall in the commodity and oil prices have helped to reduce the inflation.

Despite the Global headwinds, India could grow at 7.3% in FY 2014-15. Going forward, the future outlook looks positive, as further reforms and easing of the interest rates are likely to boost the Indian economy and the country may be heading for double digit growth 2-3 years, from now.

In FY 2014-15, the combined growth of the entire Indian automotive industry was 8.68%. However, the growth in domestic passenger vehicles was at 3.9% only.

During your Company's three decade journey in the automotive industry, we have always been a leading manufacturer of automotive parts, in our product segments. We have always been and are continuously investing in technology and we are rapidly improving the skills and knowledge of our people. Further, we are constantly associating ourselves with global technology partners and are benchmarking our operations with the best in the world.

During the year under review, your Company's revenue from operations increased by 29.07% over the previous year. The Profit after tax (PAT) registered a growth of 120.14%. Your Company was able to improve upon its PAT margins from 2.1% to 3.78% of sales. We have been growing at a CAGR of 13.75% during the past 5 years, despite the stagnation in the Indian economy and in the automotive market.

During the year, your Company successfully commenced production at its new plant at Pathredi, in Rajasthan.

I am happy to inform that as part of our Corporate Social Responsibility (CSR) program, your Company is pursuing-"Education for the underprivileged children".

I also take this opportunity to express my sincere gratitude to our customers, stakeholders, technology partners, financiers, employees and suppliers for their unstinted support over the past several years. Without their valuable and continued contribution, we would not have reached, where we are today.

Yours truly,

A handwritten signature in black ink, appearing to read 'Ajay Kumar Jain', written in a cursive style.

Ajay Kumar Jain
Chairman & Managing Director





CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ajay Kumar Jain	Chairman and Managing Director
Mr. Bhuwan Kumar Chaturvedi	Non-Executive, Independent Director
Mr. Ashok Kumar Jain	Non-Executive, Independent Director
Mr. Pravin Kumar Gupta	Non-Executive, Independent Director
Ms. Vinay Kumari Jain	Non-Executive Director
Mr. Abhishek Jain	Executive Director

CHIEF FINANCIAL OFFICER

Mr. Manish Dhariwal

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Sonia Bhandari

STATUTORY AUDITORS

M/s. O. P. Bagla & Co.
Chartered Accountants

COST AUDITORS

M/s. Chittora & Co.
Cost Accountants

BANKERS

ICICI Bank Limited
HDFC Bank Limited
Axis Bank Limited
State Bank of India
Yes Bank Limited

CIN : L74899DL1995PLC073281

REGISTERED OFFICE

54, Okhla Industrial Estate,
Phase III, New Delhi-110020

CORPORATE OFFICE

B-206A, Sector-81, Phase II,
Noida-201305, Uttar Pradesh

REGISTRAR AND SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited
44, Community Centre,
2nd Floor, Naraina Industrial Area,
Phase I, New Delhi-110028

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DIRECTORS' REPORT

Dear Members,
PPAP Automotive Limited

Your Directors have pleasure in presenting the Twentieth Annual Report together with the audited financial statements for the year ended 31st March, 2015.

Financial highlights

₹ in crores

Particulars	For the year ended	
	31-Mar-15	31-Mar-14
Total Revenue	322.64	255.11
Earnings before interest, tax, depreciation and amortization expense (EBITDA)	44.50	36.27
Less: interest	7.12	3.04
Depreciation & amortization	21.53	19.74
Profit / (loss) before extraordinary items and tax	15.83	13.48
Less: extraordinary items	0	5.46
Profit / (loss) before tax (PBT)	15.83	8.02
Less: Tax expenses		
Current tax	2.78	3.31
Deferred tax	1.02	(0.75)
Profit / (loss) for the period (PAT)	12.02	5.45
Add : profit brought forward from previous year	95.28	89.82
Total available profits	107.3	95.28
Less: Transferred to reserves	1.20	-
Dividend amount including dividend distribution tax	1.67	-
Profits carried forward to the following year	104.43	95.28

Business Operations

Revenue from operations (net of excise) of your Company has increased to ₹ 318.50 crores as against ₹ 246.75 crores in the previous year, registering a growth of 29.07%.

The profit after tax of your Company registered a growth of 120.14% . During the year under review, the Company was able to improve its profit after tax margin from 2.1% to 3.78% of sales. The growth in profit is due to the management's continuous focus on improving the overall efficiencies of each operation of the Company. The initiatives taken have resulted in improving the operating margins. Due to continued focus on optimizing the capital expenditure, the results are showing an improvement trend due to increase in utilization of assets.

During the year under review, the Company successfully commenced commercial production at the new plant established in Pathredi region in Rajasthan. The Company will be able to provide cost effective products to its customers in Bhiwadi (Rajasthan), Neemrana (Rajasthan) and Manesar (Haryana) areas. Your Company continuously engages with the technology partners to offer latest technology to the customers as well as improving the skills and knowledge of its employees.

Dividend

Your Directors are pleased to recommend a dividend of ₹ 1 per equity share of ₹ 10/- each for the financial year ended

Directors' Report

31st March, 2015. The payment of dividend is subject to the approval of shareholders at the ensuing Annual General Meeting of the Company. The total outgo on account of equity dividend amounts to ₹ 1.68 crores including dividend distribution tax of ₹ 0.28 crores.

Transfer to Reserves

Your Company has transferred ₹ 1.20 crores to the General Reserve from the accumulated profits.

Deposits

During the year under review, your Company has not accepted any deposits within the meaning of provisions of Chapter V (Acceptance of Deposits by Companies of the Companies Act, 2013) read with the Companies (Acceptance of Deposits) Rules, 2014.

Technical Collaboration

The Company has technical collaborations with Tokai Kogyo Co. Limited, Japan and Nissen Chemitec Corporation, Japan and is receiving the requisite support, as per the needs of the business.

Tokai Kogyo Co. Limited, Japan and Nissen Chemitec Corporation, Japan, extend their continuous support in terms of new product development, innovations, latest technology, etc. as per the needs of your Company.

Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT- 9 in accordance with Section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, is annexed herewith as "Annexure- A" to this Report.

Number of Board Meetings

The Board met four times during the financial year, the details of which are given in the Corporate Governance Report.

Directors and Key Managerial Personnel

During the financial year 2014-15, Mr. Ashok Kumar Jain was appointed as Additional / Independent Director of your Company with effect from 27th May, 2014. Subsequently, he was appointed as an Independent Director by the shareholders at the 19th Annual General Meeting of the Company held on 27th September, 2014, on non-rotational basis to hold office up to 5 (five) consecutive years till 26th May, 2019.

Mr. Bhuwan Kumar Chaturvedi, was appointed as Additional / Independent Director with effect from 26th December, 2013. Subsequently, he was appointed as an Independent Director by the shareholders of the Company at the Annual General Meeting held on 27th September, 2014, on non-rotational basis to hold office up to 5 (five) consecutive years till 25th December, 2018.

Ms. Vinay Kumari Jain, was appointed as Additional / Non-Executive Director of your Company with effect from 26th December, 2013. Subsequently, she was appointed as a Non-Executive Director by the shareholders of the Company at 19th Annual General Meeting held on 27th September, 2014 on rotational basis.

Further, in compliance with the provisions of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. Pravin Kumar Gupta was appointed as Independent Director on the Board of your Company at the 19th Annual General Meeting held on 27th September, 2014 on non-rotational basis to hold office up to 5 (five) consecutive years till 31st March, 2019.

Mr. Abhishek Jain retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

Mr. Ajay Kumar Jain, Chairman & Managing Director, with effect from 1st November, 2015 and Mr. Abhishek Jain, Whole Time Director (who is liable to retire by rotation), with effect from 3rd June, 2015 are to be re-appointed at the ensuing Annual General Meeting for the tenure of three years.

Directors' Report

Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, the Directors confirm :

- i. that in the preparation of annual accounts for the financial year ended 31st March, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2015 and of the profit and loss of the Company for the financial year ended 31st March, 2015;
- iii. that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the annual accounts for the financial year ended 31st March, 2015 have been prepared on a 'going concern basis';
- v. that the internal financial controls are adequate and are operating effectively; and
- vi. that proper systems to ensure compliance with the provisions of all applicable laws are adequate and operating effectively.

Evaluation of the Board's performance / effectiveness

In terms of provisions of the Companies Act, 2013 read with Rules issued thereunder and Clause 49 of the Listing Agreement, the Board of Directors have evaluated the effectiveness of the Board. Accordingly, the performance evaluation of the Board, each Director and the Committees was carried out for the financial year ended 31st March, 2015. The evaluation of the Directors was based on various aspects which, *inter alia*, included the level of participation in the Board Meetings, understanding of their roles and responsibilities, business of the Company along with the environment and effectiveness of their contribution. The Board subsequently evaluated its own performance, the working of all Board Committees and Independent Directors (without participation of the relevant Director).

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Independent Directors at their meeting, without the participation of the Non-Independent Directors and Management, considered / evaluated the Boards' performance, performance of the Chairman and other Non-Independent Directors.

Nomination and Remuneration Policy

In accordance with the Section 178 and other applicable provisions, if any, of the Companies Act, 2013 read with the rules thereunder and Clause 49 of the Listing Agreement, the Board of Directors formulated the Nomination and Remuneration Policy on the recommendation of the Nomination and Remuneration Committee of the Company.

In accordance with the Nomination and Remuneration Policy, the Nomination and Remuneration Committee has, *inter alia*, the following responsibilities:

1. Ensuring appropriate induction & training program: The Committee shall ensure that there is an appropriate induction & training program in place for new Directors, KMPs and members of Senior Management and review its effectiveness;
2. Formulate the criteria for appointment as a Director: The Committee shall formulate criteria and review them on an ongoing basis for determining qualifications, skills, experience, expertise, qualities, positive attributes required to be a Director of the Company.
3. Identify persons who are qualified to be Directors / Independent Directors / KMPs / SMPs: The Committee shall identify persons, who are qualified to become Directors / Independent Directors / KMPs / SMPs and who satisfy the criteria laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Agreement or any other enactment, for the time being in force.
4. Nominate candidates for Directorships subject to the approval of Board: The Committee shall recommend to the Board the appointment of potential candidates as Non-Executive Director or Independent Director or Executive Director, as the case may be.
5. Evaluate the performance of the Board: The Committee shall determine a process for evaluating the performance of every Director, Committees of the Board and the Board, on an annual basis.

Directors' Report

6. **Remuneration of Managing Director / Directors:** The Committee shall ensure that the tenure of Executive Directors and their compensation packages are in accordance with applicable laws, in line with the Company's objectives, shareholders' interests and comparable with industry standards.
7. **Review performance and compensation of Non-Executive Independent Directors:** The Committee shall review the performance of the Non-Executive Independent Directors of the Company. The Committee shall ensure that the Non-Executive Independent Director(s) may receive remuneration by way of sitting fees for attending the meetings of Board or Committee(s), thereof provided that the amount of such fees shall be subject to ceiling / limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment, for the time being in force.
8. **Review performance and compensation of KMPs / SMPs etc.:** The Committee shall ensure that the remuneration to be paid to KMPs / SMPs shall be based on the experience, qualifications and expertise of the personnel and governed by the limits, if any, prescribed under the Companies Act, 2013 and rules made thereunder or any other enactment, for the time being in force.
9. **Directors' and Officers' Insurance:** The Committee shall ensure that where any insurance is taken by the Company on behalf of its Directors, KMPs / SMPs either for indemnifying them against any liability or any other matter as may be deemed fit, the premium paid on such insurance, shall not be treated as part of the remuneration payable, to any such personnel.

Disclosure relating to remuneration of Directors, Key Managerial Personnel and particulars of employees

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as "Annexure-B" to this Report.

Names of companies which have ceased / become subsidiaries / joint ventures / associate companies during the year

i) Associate Companies

During the financial year 2014-15, PPAP Automotive Chennai Private Limited and PPAP Automotive Technology Private Limited became wholly owned subsidiaries of your Company and cease to be the subsidiaries by 31st March, 2015. Both the above mentioned companies ceased to be the subsidiaries of your Company during the year. Currently, your Company holds 40% stake in the equity share capital in both of the mentioned companies.

ii) Joint Venture

PPAP Tokai India Rubber Private Limited (JV) is a joint venture between your Company and Tokai Kogyo Co. Ltd., Japan. The JV company utilizes the Rubber (Metal and Non-Metal) and thermoplastic vulcanized (TPV) extrusion technology for manufacturing Automotive sealing systems. Your Company has invested ₹ 13 crores in JV Company during the financial year 2014-15.

The JV company's esteemed customers includes Maruti Suzuki India Limited, Honda Cars India Limited and Toyota Kirloskar Motor Private Limited. JV company also exports to TOACS (Thailand) Co. Limited.

Corporate Governance

As per Clause 49 of the Listing Agreement with the stock exchanges, a separate section on corporate governance practices is annexed herewith as "Annexure-C", followed by the Company, together with a certificate from the Practising Company Secretary confirming compliance, forms an integral part of this Report.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms an integral part of this Report is annexed herewith as "Annexure-D" and gives details of the overall industry structure, developments, performance and state of affairs of the Company's business, internal controls and their adequacy.

Directors' Report

Material changes and commitments affecting the financial position of the Company which have occurred between 31st March, 2015 and 26th May, 2015 (date of the Report)

There were no material changes and commitments affecting the financial position of the Company between the end of financial year (31st March, 2015) and the date of the Report (26th May, 2015).

Particulars of loans, guarantees or investments

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

A) Details of investments made by the Company as on 31st March, 2015

Investment in Equity Shares

Name of the Company	Amount as at 31 st March, 2015 (in ₹)
PPAP Tokai India Rubber Private Limited	375,000,000
PPAP Automotive Chennai Private Limited	40,000
PPAP Automotive Technology Private Limited	40,000

B) There are no loans given and guarantees issued by your Company in accordance with Section 186 of the Companies Act, 2013 read with the Rules issued thereunder.

Related Party Transactions

During the financial year 2014-15, your Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 read with Companies (specification of definitions details) Rules, 2014, which were in the ordinary course of business and are on arms' length basis and in accordance with the provisions of the Companies Act, 2013, rules issued thereunder and Clause 49 of the Listing Agreement. During the financial year 2014-15, there were no transactions with related parties which qualify as material transactions under the Listing Agreement. All Related Party Transactions are placed before the Audit Committee for approval.

The details of the related party transactions as required under Accounting Standard-18 are set out in note no. 31B to the financial statements forming part of this report.

The Form AOC- 2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is annexed herewith as "Annexure- E" to this Report.

Auditors

Statutory Auditors

The Members at the 19th Annual General Meeting of the Company held on 27th September, 2014 have approved the appointment of M/s. O.P. Bagla & Co. (Firm Registration No. 000018N), Chartered Accountants, New Delhi, as statutory auditors for a period of four years commencing from the nineteenth Annual General Meeting till the conclusion of the twenty third Annual General Meeting, subject to ratification by the Members of the Company at every Annual General Meeting.

In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the statutory auditors shall be placed for ratification by the shareholders at every Annual General Meeting. Accordingly, the appointment of M/s. O. P. Bagla & Co., Chartered Accountants, New Delhi, as statutory auditors of the Company, will be placed for ratification by the shareholders at the ensuing Annual General Meeting. In this regard, the Company has received a certificate from the statutory auditors to the effect that if their appointment is ratified by the members of the Company, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

The Auditors' Report for the financial year 2014-15 does not contain any qualification, reservation or adverse remarks.

Directors' Report

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. VLA & Associates, Company Secretaries, to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditors is annexed herewith as "Annexure-F" to this Report.

The Secretarial Auditors' Report for the financial year 2014-15 does not contain any qualification, reservation or adverse remarks.

Cost Auditors

The Board had appointed M/s. Chittora & Co., Cost Accountants for the financial year 2014-15 to carry out the cost audit of Company's records. However, pursuant to a clarification provided by the Ministry of Corporate Affairs, the cost audit for the financial year 2014-15 was not applicable to the Company and hence for the financial year 2014-15, cost audit was not conducted.

As per Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the Board of Directors of your Company has appointed M/s. Chittora & Co., Cost Accountants, as the Cost Auditors for the financial year 2015-16 on the recommendations made by the Audit Committee. The remuneration proposed to be paid to the Cost Auditors, subject to the ratification by the members at the ensuing Annual General Meeting, would be ₹ 125,000 (Rupees one lakh twenty five thousand only) excluding taxes and out of pocket expenses, if any.

Your Company has received consent from M/s. Chittora & Co., Cost Accountants, to act as the Cost Auditors of your Company for the financial year 2015-16 along with a certificate confirming their independence.

Corporate Social Responsibility

The Board of Directors at its meeting held on 13th November, 2014 approved the Corporate Social Responsibility (CSR) Policy for your Company pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, on the recommendations of the CSR Committee. The CSR Policy outlines the CSR vision of your Company which is based on embedded tenets of trust, fairness and care.

The initiatives undertaken by your Company during the financial year 2014-15 in CSR have been detailed in this Annual Report. The CSR activities in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014, is annexed herewith as "Annexure-G" to this Report.

Risk Management Policy

Risk is an integral part of the business and Company is committed to managing the risks in a proactive and efficient manner. Your Company periodically assesses risks in the internal and external environment along with the cost of treating risks and incorporates risk treatment plans in its strategy, business and operational plans.

During the financial year 2014-15, the Board of Directors of your Company has approved the Risk Management Policy.

The details of Risk Management as practiced by the Company are provided as part of Management Discussion and Analysis Report attached as "Annexure-D" to this Report.

Details of Significant and Material Orders passed by the Regulators

During the financial year 2014-15, no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Details on Internal Financial Controls related to Financial Statements

Your Company has put in place adequate internal financial controls with reference to the financial statements.

Your Company has adopted accounting policies which are in line with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 that continue to apply under Section 133 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. These