



# PPAP Automotive Limited

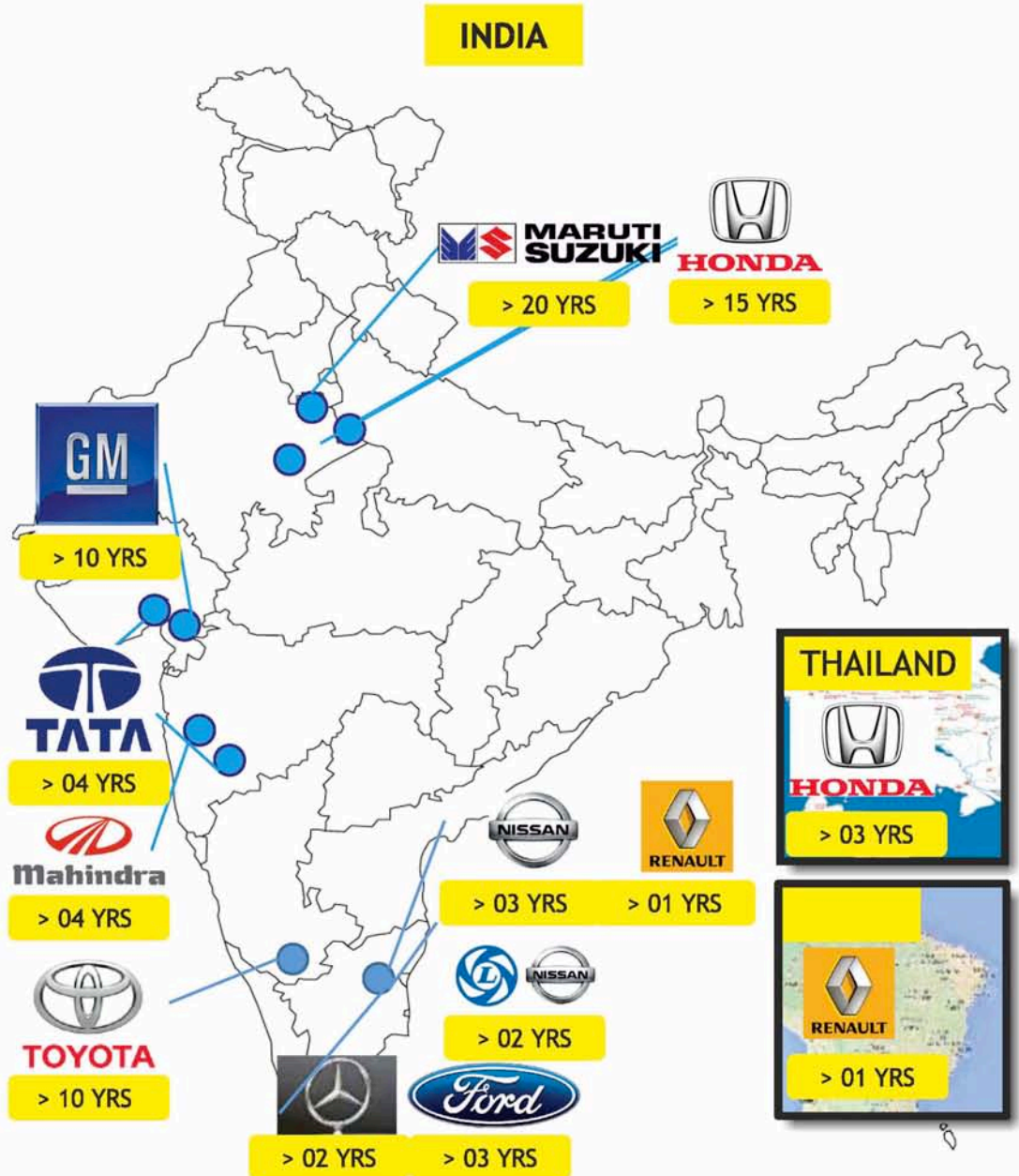
(Formerly Precision Pipes and Profiles Company Limited)

## Annual Report 2015-16

*Taking Challenges, Together*



# CUSTOMERS





# CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to be able to communicate with you through this Annual Report 2015-16 about the performance of your Company.

During the last year, the government launched a series of initiatives to revive and also boost the Indian economy. The focus included improving the infrastructure, roads and railways, ease of doing business, creating an investor-friendly FDI policy regime, banking reforms, as well as, targeting inflation.

During the year under review, the sales of passenger vehicles in India grew by 7.24%. Within the category of passenger vehicles, passenger cars, utility vehicles and vans grew by 7.87%, 6.25% and 3.58% respectively during FY16; over the same period last year. Over the last five years, the automobile demand in India has been improving on the back of numerous new model launches. Your Company has good prospects in future too as most of the OEMs manufacturing passenger vehicles in India, are our clients.

Your Company's total Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) increased from ₹ 40.36 crores in FY15 to ₹ 52.06 crores in FY16, registering a growth of 20%. The Profit After Tax (PAT) increased by 26.93% to ₹ 15.27 crores in FY16 (from ₹ 12.03 crores in FY15). The earnings per share of the Company increased to ₹ 10.91 from ₹ 8.59 last year.

In FY16, our total dividend pay-out was ₹ 2 per share including ₹ 1 per share proposed as the final dividend. It is always our endeavor to suitably share the improved financial performance of our Company with our shareholders. PPAP believes in integrity and honesty and has built and will continue to build strong relationship with all its stakeholders.

I am also happy to share with you that your Company was awarded the Certificate for "Improvement in Quality Performance" and Certificate of Appreciation for "Spares Schedule Adherence" by Maruti Suzuki India Limited. Besides this, your Company has also received the "Overall Best Quality Award" from General Motors India and "Customer Back order Resolution Speed" Award from Honda Motors India.

Our journey on the sustainability front has continued with improved performance in governance, environmental protection and social responsiveness.

Your Company has always maintained and will continue to maintain high benchmarks for technology, quality and efficiency.

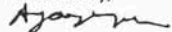
The coming year is full of better expectations. India's Gross Domestic Product (GDP) is expected to expand by 7.9% in FY17 as compared to 7.4% in FY16. All major sectors namely agriculture, industry and services are expected to contribute to the growth of Gross Value Added (GVA). The consequent increase in consumption is likely to continue through 2017; making it possible for India to sustain its position as the fastest growing economy. Going forward, PPAP is working towards growing more than the market and delivering stronger financial performance in FY17.

Your Company is fully committed towards its social responsibilities. PPAP continues to focus on the areas of "Education" and providing "Infrastructure facilities to schools" for the under privileged children. Your Company has also taken the initiative for promoting computer education. Apart from this, your Company has also contributed for Chennai's – "Flood Relief and Rehabilitation".

I would like to take this opportunity to acknowledge the contributions, dedication and commitment of all our team members which has led to our success. My deep appreciation to all our business partners, vendors and business associates, for all their contributions for our smooth operations. Finally, a special thank you to all our stakeholders for your faith and encouragement over the past several years.

We look forward to your continued support in the years ahead and commit to better financial performance in future, as well.

Yours truly,



Ajay Kumar Jain

Chairman & Managing Director





## CORPORATE INFORMATION

CIN : L74899DL1995PLC073281

### REGISTERED OFFICE

54, Okhla Industrial Estate,  
Phase III, New Delhi-110020  
Tel. No. : +91-11-26311671 / 26910777

### BOARD OF DIRECTORS

Mr. Ajay Kumar Jain  
*Chairman and Managing Director*

Mr. Bhuwan Kumar Chaturvedi  
*Non-Executive and Independent Director*

Mr. Ashok Kumar Jain  
*Non-Executive and Independent Director*

Mr. Pravin Kumar Gupta  
*Non-Executive and Independent Director*

Mrs. Vinay Kumari Jain  
*Non-Executive Director*

Mr. Abhishek Jain  
*Executive Director*

### Chief Financial Officer

Mr. Manish Dhariwal

### Company Secretary and Compliance Officer

Mrs. Sonia Bhandari

### CORPORATE OFFICE

B-206 A, Sector-81, Phase II,  
Noida-201305, Uttar Pardesh, India  
Tel. No. : +91-120-2462552 / 53

**Website :** [www.ppapco.in](http://www.ppapco.in)

**Email ID :** [investorservice@ppapco.com](mailto:investorservice@ppapco.com)

### AUDITORS

M/s. O. P. Bagla & Co. (*Statutory Auditors*)

M/s. Chittora & Co. (*Cost Auditors*)

M/s. VLA & Associates (*Secretarial Auditors*)

### BANKERS

ICICI Bank Limited

The Hongkong and Shanghai Banking Corporation  
Limited

HDFC Bank Limited

State Bank of India

Axis Bank Limited

Yes Bank Limited

### REGISTRAR AND SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited  
44, Community Centre,  
2<sup>nd</sup> 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 Twenty First Annual Report together with the audited financial statements for the year ended 31<sup>st</sup> March, 2016.

### Financial highlights

(₹ in crores)

Particulars	For the year ended		
	Standalone		Consolidated
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2016
Revenue	304.06	322.64	319.72
Earnings before interest, tax, depreciation and amortization expense (EBITDA)	53.37	44.50	54.06
Less: interest	7.84	7.12	7.87
Depreciation & amortization	22.76	21.53	24.67
Profit / (loss) before extra-ordinary items and tax	22.77	15.83	21.52
Less: extraordinary items	-	-	-
Profit / (loss) before tax (PBT)	22.77	15.83	21.52
Less: Tax expenses			
current tax	5.33	2.78	5.33
deferred tax	2.17	1.02	2.17
Profit / (loss) for the period	15.27	12.02	14.02
Add : profit brought forward from previous year	104.43	95.28	100.79
Total available profits	119.70	107.3	114.81
Less: transferred to reserved	1.50	1.20	1.50
Dividend amount including dividend distribution tax	3.37	1.67	3.37
Profits carried forward to the following year	114.83	104.43	109.94

### Performance of your Company

#### • Consolidated

Your Company recorded consolidated revenue from operations (net of excise) of ₹ 319.72 crores. The consolidated operating profit before finance costs, depreciation and tax was ₹ 54.06 crores. The consolidated profit after tax stood at ₹ 14.02 crores.

#### • Standalone

On a standalone basis, the revenue from operations (net of excise) was ₹ 304.06 crores in financial year 2015-16 as against ₹ 322.64 crores in financial year 2014-15. The operating profit before finance costs, depreciation and tax was ₹ 53.37 crores in financial year 2015-16, as against ₹ 44.50 crores in financial year 2014-15. Profit after tax was ₹ 15.27 crores in year 2015-16 as compared to ₹ 12.02 crores of preceding year.





## Directors' Report

### Dividend

During the financial year 2015-16, your Company declared and paid an interim dividend of ₹ 1/- per equity share of face value of ₹ 10/- each in the month of November, 2015. In addition, your Directors have recommend a final dividend of ₹ 1 per equity share of face value of ₹ 10/- each for the financial year 2015-16.

The final dividend, subject to approval of members, will be paid within statutory period, to the members whose names appear in the Register of Members, as per book closure. The total outgo for the current year, including proposed final dividend, amounts to ₹ 3.37 crores, including dividend distribution tax of ₹ 0.57 crore.

### Transfer to reserve

Your Company has transferred ₹1.50 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 Section 73 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, Nissen Chemitec Corporation, Japan and Tokai Kogyo Seiki Co. Limited, Japan and the Company is receiving the requisite support, as per the needs of the business.

Tokai Kogyo Co. Limited, Japan, Nissen Chemitec Corporation, Japan and Tokai Kogyo Seiki Co. Limited, 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

Pursuant to Section 92(3) of the Companies Act, 2013 read with rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return is annexed herewith as "Annexure - A" to this report.

### Number of Board Meetings

The Board met five times during the financial year 2015-16. In terms of Section 173 of the Companies Act, 2013 and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the gap between any two meetings did not exceed one hundred and twenty days, details of which are given in the Corporate Governance Report annexed herewith as "Annexure - D" to this report.

### Audit Committee

The Board has reconstituted the Audit Committee of the Company by appointing Mr. Ashok Kumar Jain, Non- Executive Director and Independent Director, as member of the Committee w.e.f 19<sup>th</sup> May, 2016. The Details of reconstitution of the Committee are given in the Corporate Governance Report, which is annexed herewith as "Annexure - D" to this report.

### Directors and Key Managerial Personnel

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mrs. Vinay Kumari Jain (DIN: 05313541), retires by rotation and being eligible, offers herself for re-appointment at the ensuing Annual General Meeting.

## Directors' Report

### Statement on declaration given by Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### 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 31<sup>st</sup> March, 2016, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgments 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 31<sup>st</sup> March, 2016 and of the profit and loss of the Company for the financial year ended 31<sup>st</sup> March, 2016;
- 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 31<sup>st</sup> March, 2016 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 compliance with the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the performance evaluation of the Board and its Committees were carried out during the year under review, details of which are given in the Corporate Governance Report annexed herewith as "Annexure - D" to this report.

### 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 Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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



## Directors' Report

the criteria laid down under the provisions of the Companies Act, 2013, rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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.
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**

During the financial year 2015-16, M/s PPAP Automotive Systems Private Limited became wholly owned subsidiary of your Company and ceased to be the subsidiary by 31<sup>st</sup> March, 2016. Currently, your Company holds 40% stake in the equity share capital in the mentioned company.

A Report on the performance and financial position of the Joint Venture and associates Companies as per the provisions of Companies Act, 2013 is provided in the prescribed Form AOC-I is annexed herewith as "Annexure - C" to this report.

### **Corporate Governance**

The Company has complied with the Corporate Governance requirements as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. A separate section on Corporate Governance, along with a certificate from M/s VLA & Associates, Company Secretaries, confirming the compliances is annexed herewith as "Annexure - D" to this report.



## Directors' Report

### Management Discussion and Analysis Report

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

### Material changes and commitments affecting financial position between end of the financial year and date of report

No material changes and commitments have occurred after the close of the year till the date of this report, which affect the financial position of the Company.

### Particulars of loans, guarantees and 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 31<sup>st</sup> March, 2016:

Investment in Equity Shares:

Name of the Companies	Amount as at 31 <sup>st</sup> March, 2016 (in ₹)
PPAP Tokai India Rubber Private Limited	375,000,000
PPAP Automotive Chennai Private Limited	40,000
PPAP Automotive Technology Private Limited	40,000
PPAP Automotive Systems 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 2015-16, 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 on arms' length basis and in accordance with the provisions of the Companies Act, 2013 and rules issued thereunder. All related party transactions have been approved by the audit committee of the Company.

The Company has not entered into any material related party transaction during the year under review. Accordingly, no transactions are being reported in Form AOC-2 in terms of Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the details of the transactions with related parties are provided in the Company's financial statements in accordance with the accounting standards.

### Auditors

#### Statutory Auditors

The appointment of M/s O. P. Bagla & Co., Chartered Accountants (Firm Registration No. 000018N), was ratified by the members of the Company at the last Annual General Meeting of the Company held on 26<sup>th</sup> September, 2015. As per the provisions of Section 139 of the Companies Act, 2013, the appointment of Auditors is required to be ratified by members at every Annual General Meeting.

In this regard, the Company has also received a certificate from the auditors to the effect that if their appointment is ratified by the shareholders at the ensuing Annual General Meeting, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.



## Directors' Report

The notes on the financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

### Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013, the Board of Directors on the recommendation of the audit committee appointed M/s Chittora & Co., Cost Accountants, as the Cost Auditors of the Company for the financial year 2016-17 and has recommended their remuneration to the shareholders for their ratification at the ensuing Annual General Meeting.

The audit committee has also received a certificate from M/s Chittora & Co., Cost Accountants, certifying their independence and arm's length relationship with the Company.

### Secretarial Auditors

M/s VLA & Associates, Company Secretaries, was appointed as Secretarial Auditors of the Company, to conduct Secretarial Audit for the year under review, pursuant to the provisions of Section 204 of the Companies Act, 2013.

The Secretarial Audit Report for the year under review, does not contain any qualification, reservation or adverse remarks and is annexed herewith as "Annexure - F" to this report.

### Corporate Social Responsibility

The brief outline of the Corporate Social Responsibility (CSR) initiatives undertaken by the Company during the financial year 2015-16 is annexed herewith as "Annexure - G" to this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

### Risk Management Policy

Risk is an integral part of the business and your 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.

The details of Risk Management, as practiced by the Company are provided in the Management Discussion and Analysis Report which is annexed herewith as "Annexure - E" to this report.

### Policy on sexual harassment of women at workplace

The Company has zero tolerance towards sexual harassment at the workplace and towards this end, the Company has adopted a policy in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules made thereunder. All employees (permanent, contractual, temporary, trainees) are covered under the said policy. An internal complaints committee has been constituted under the above policy which provides a forum to all female personnel to lodge complaints (if any) therewith for redressal.

During the financial year under review, the Company has not received any complaint of sexual harassment.

### Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future

There are no significant and material orders passed by the regulators or courts or tribunals that would impact the going concern status of the Company and its future operations.

### Details on internal financial controls related to financial statements

Your Company has put in place a mechanism to ensure that the effectiveness of its internal financial control framework is assessed on an ongoing basis and corrective steps are taken, wherever required. As part of this