



PPAP Automotive Limited

Annual Report 2016-17



Taking Challenges, Together



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CORPORATE INFORMATION

CIN: L74899DLI995PLC073281

REGISTERED OFFICE

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

CORPORATE OFFICE

B-206 A, Sector-8I, Phase-II, Noida-201305
Uttar Pradesh, India
Tel. No.: +91-120-2462552 / 53
Website: www.ppapco.in
E-mail: investorservice@ppapco.com

CHIEF FINANCIAL OFFICER

Mr. Manish Dhariwal

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mrs. Sonia Bhandari

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
HDFC Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Axis Bank Limited
State Bank of India
Yes Bank Limited

REGISTRAR AND SHARE TRANSFER AGENT

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



BOARD OF DIRECTORS



1. MR. AJAY KUMAR JAIN
(Chairman and Managing Director)
2. MR. ABHISHEK JAIN
(Chief Executive Officer and Managing Director)
3. MR. BHUWAN KUMAR CHATURVEDI
(Independent Director, Chairman of Audit Committee)
4. MR. PRAVIN KUMAR GUPTA
(Independent Director, Chairman of Nomination & Remuneration Committee and Stakeholders' Relationship Committee)
5. MR. ASHOK KUMAR JAIN
(Independent Director, Chairman of Corporate Social Responsibility Committee)
6. MRS. VINAY KUMARI JAIN
(Non-Executive Director)



CHAIRMAN'S MESSAGE



Dear Shareholders,

I am delighted to reach all of you through this Annual Report for the Financial Year 2017 and be able to report to you on the performance of your Company.

This was, yet, another successful year for PPAP as we continued to grow, as well as, strengthen our capabilities. Our strong performance has once again demonstrated our determination to continuously deliver superior value to our shareholders, in the current term and also provide sustainable growth in future, by strengthening our organization for prospering tomorrow, also.

During the last year, the Government made significant progress on important economic reforms leading to strong and sustainable growth in future. The push for local manufacturing along with tax reforms in form of the Goods and Services Tax (GST) will help raise ease of business, improve competitiveness and enhance India's GDP growth to above 8%.

These reforms are positive for our industry as they will enhance our competitiveness which would lead to greater domestic demand. This will also improve our prospects as a

Global hub for small car exports to the Global markets. It is expected that going forward, exports of vehicles from India to the Global markets would rise significantly.

According to Government estimates, India has potential to be the world's top production destination and market for small cars. Our current rank of fifth largest automotive market in the world will change to the third largest passenger vehicle market in the next decade. Our contribution to GDP from the current level of 7% is likely to change to 12% by 2026. The Indian auto industry currently employs over 19 million people.

The key factors for the healthy growth over the last few years have been buoyant markets due to improved consumer sentiment and easy availability of affordable credit.

Our consistent drive to increase customer penetration and the introduction of new products has facilitated our growth. We are continuing on our journey of "Built in Quality" to achieve high standards of product quality, as well as, cost optimization, across all our plants.

In view of the strong traction from customers, we are building new facilities to support their growing requirements. Currently, we are building facilities in Tamil Nadu and Gujarat to become closer to our customer.

Your Company is focused on being a responsible corporate citizen and endeavors to serve the Society through short and long term CSR activities for Environment, Safety, Education and various Community Service projects.

I would like to take this opportunity to thank the entire team of your Company for their meaningful contribution and unstinted commitment. I would also like to extend my sincere gratitude to all our technology partners, customers and associates for their support over the years and look forward to everyone's support in future as well.

I assure all of you, of our sincere commitment to create superior, as well as, sustainable value for all the stakeholders.

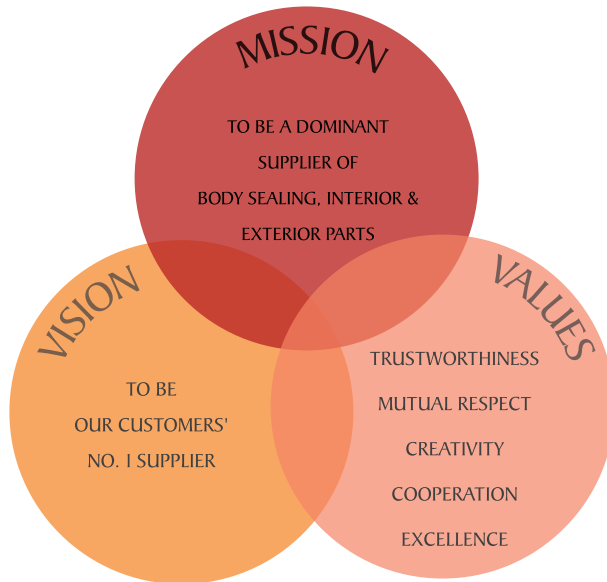
Yours Truly,

A handwritten signature in black ink, appearing to read "Ajay", is placed above the printed name.

Ajay Kumar Jain

Chairman & Managing Director

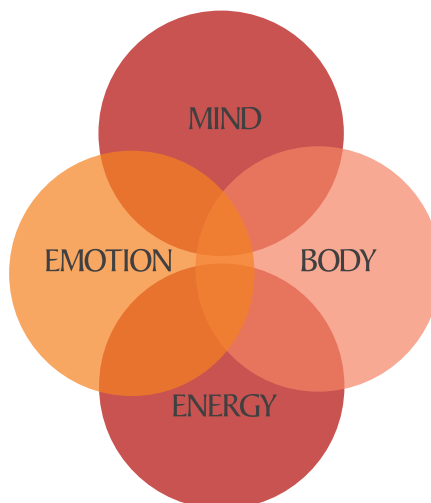
PPAP PHILOSOPHY



Principles

- Take initiative for continuous improvement through change and challenge
- Foster corporate culture that enhances individual creativity and values cooperation and team work
- Passionately satisfy the customer through attractive quality of products and services
- Dedicate yourself to achieve the highest standards in all activities
- Preserve the environment and maintain harmony with society

Foundation on Human Capital Development



DIRECTORS' REPORT

Dear Members,

PPAP Automotive Limited

Your Directors have pleasure in presenting the Twenty Second Annual Report of your Company along with the Audited Standalone and Consolidated Financial Statements and the Auditors' Report thereon for the year ended 31st March, 2017.

Financial Highlights and State of Company's Affairs

(₹ in crores)

Particulars	For the year ended			
	Standalone		Consolidated	
	31 st March, 2017	31 st March, 2016	31 st March, 2017	31 st March, 2016
Total Revenue	344.74	304.06	368.20	319.72
Earnings before interest, tax, depreciation and amortization expense (EBITDA)	66.51	53.37	70.98	54.06
Less: interest	5.78	7.84	5.78	7.87
Depreciation & amortization	24.39	22.76	26.41	24.67
Profit / (loss) before extra-ordinary items and tax	36.35	22.77	38.80	21.52
Less: extraordinary items	-	-	-	-
Profit / (loss) before tax (PBT)	36.35	22.77	38.80	21.52
Less: Tax expenses				
current tax	11.75	5.33	11.90	5.33
deferred tax	0.69	2.17	0.69	2.17
Profit / (loss) for the period	23.91	15.27	26.21	14.02

• Standalone financial statements

Your Company's standalone total revenue during the year was ₹ 344.74 crores, as compared to ₹ 304.06 crores in the previous year, an increase of 13.38% over the previous year. Your Company achieved standalone operating profit before finance costs, depreciation and tax of ₹ 66.51 crores as against ₹ 53.37 crores during the previous year, higher by 24.62%. The standalone net profit after tax for the year under review was ₹ 23.91 crores, as against ₹ 15.27 crores in the previous year, a growth of 56.58%.

• Consolidated financial statements

Your Company's consolidated total revenue during the year was ₹ 368.20 crores, as compared to ₹ 319.72 crores in the previous year, an increase of 15.16% over the previous year. Your Company achieved consolidated operating profit before finance costs, depreciation and tax of ₹ 70.98 crores as against ₹ 54.06 crores during the previous year, higher by 31.30%. The consolidated net profit after tax for the year under review was ₹ 26.21 crores, as against ₹ 14.02 crores in the previous year, a growth of 86.95%.

Dividend

During the financial year 2016-17, your Company declared and paid an interim dividend of ₹ 1.25 (i.e. 12.50%) per equity share of face value of ₹ 10/- each in the month of November, 2016.

Based on the Company's performance, your Directors' are pleased to recommend a final dividend of ₹ 1.75 (i.e. 17.50%) per equity share of ₹ 10/- each fully paid up for the financial year 2016-17 amounting to

Directors' Report

₹ 24,500,000 (excluding tax), subject to the approval of shareholders at the ensuing Annual General Meeting ("AGM") of the Company.

Deposits

During the year under review, your Company has not invited or accepted any deposits from the public, pursuant to the provisions of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) 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

The extract of the Annual Return of the Company in the prescribed Form MGT-9 under the provisions of Section 92 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, annexed as "Annexure - A" to this report.

Meetings of the Board of Directors

During the year under review, five Board meetings were convened and held. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The details of all Board / Committee meetings held are given in the Corporate Governance Report.

Audit Committee

The Audit Committee's purpose is to oversee the quality and integrity of accounting, auditing and financial reporting process including reviewing of the Company's statutory and internal audit reports. The Audit Committee also gives recommendations for enhancement in scope and coverage of internal audit for specific areas, wherever it is felt necessary. The Audit Committee is provided with all the necessary assistance and information to carry out its function effectively. All the members of the Audit Committee have the requisite financial, legal and management expertise.

The details of composition of the Audit Committee, its terms of reference and meetings held during the year under review, are given in the Corporate Governance Report.

The Corporate Governance Report have been detailed in a separate section and is attached separately to this to this annual report.

Directors and Key Managerial Personnel

During the year under review, the Board of Directors on the recommendation of the Nomination and Remuneration Committee has elevated the position of Mr. Abhishek Jain, Whole Time Director to the Chief Executive Officer and Managing Director of the Company at the their meeting held on 17th March, 2017, for a period of five years commencing from 1st April, 2017 to 31st March, 2022, subject to the approval of shareholders at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Abhishek Jain (DIN: 00137651), retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Mr. Abhishek Jain has given his declaration in terms of Section 164(2) of the Companies Act, 2013 to the effect that he is not disqualified from being reappointed as a Director of the Company.

Brief resume of Director seeking appointment and reappointment along with other details as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is given in the Corporate Governance Report.

Directors' Report

Statement on declaration given by Independent Directors

The Independent Non-Executive Directors of the Company have submitted their declarations of Independence, as required under Section 149(6) of the Companies Act, 2013 read with Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stating that they meet the criteria of Independence as provided therein and such declarations were taken on record by the Board in its first meeting held during the financial year 2017-18.

Credit Rating

The credit rating agency CRISIL, has assigned the following rating to your Company for the Bank loan facilities:

Long term Bank loan facilities	CRISIL A / Positive (Reaffirmed)
Short term Bank loan facilities	CRISIL A1 (Reaffirmed)

Directors' Responsibility Statement

In terms of and pursuant to Section 134 of the Companies Act, 2013, as amended from time to time, in relation to the financial statements for the year ended 31st March 2017, to the best of their knowledge and belief your Directors confirm the following:

- that in the preparation of financial statements for the financial year ended 31st March, 2017, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- 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 31st March, 2017 and of the profit and loss of the Company for the financial year ended 31st March, 2017;
- 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;
- that the financial statements for the financial year ended 31st March, 2017 have been prepared on a 'going concern basis';
- that the internal financial controls are adequate and are operating effectively; and
- 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

Pursuant to the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has evaluated the performance of each Director, the Board as a whole, its Committees and the Chairperson.

Performance of the Board was evaluated by each Director on the parameters such as its roles and responsibilities, contribution to the development of strategy and effective risk management, understanding of operational programmes, availability of quality information in a timely manner etc. Independent directors also carried out evaluation of the Board performance.

Board Committees were evaluated by the respective committee members on the parameters such as role and responsibilities, effectiveness of the Committee vis-à-vis assigned role, appropriateness of committee composition, timely receipt of information by the Committee, knowledge updation by the committee members etc.

Nomination and Remuneration Policy

In accordance with the provisions of Section 178 and other applicable provisions, if any, of the Companies Act, 2013 read with the Rules made 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 Nomination and Remuneration Committee of the Company.

Directors' Report

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

1. Ensure 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. Formulating 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, 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, the Board as a whole and the Chairman, 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 Non-Executive Independent Directors of the Company. The Committee shall ensure that the Non-Executive Independent Directors 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 the 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

Statement pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) and (2) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014, annexed as "Annexure - B" to this report.

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

During the year under review, none of the Company have become / ceased to be the joint ventures, subsidiaries and associates of your Company.

A report on the performance and financial position of the joint venture and associates companies as per the provisions of the Companies Act, 2013 is provided in the prescribed Form AOC-1, annexed as "Annexure - C" to this report.