



# PPAP Automotive Limited



## Annual Report 2017-18



*Taking Challenges, Together*



# CONTENTS

Chairman's Message .....	01
Mission .....	02
Board of Directors .....	03
Accolades - 2018.....	04
Directors' Report .....	05
Annexures to the Directors' Report.....	12
Corporate Governance Report .....	31
Management Discussion and Analysis Report ....	53
Standalone Financial Statements.....	62
Consolidated Financial Statements .....	120
CSR Initiatives .....	181
Manufacturing Facilities.....	182
Customers .....	183
Performance Summary .....	184

## CORPORATE INFORMATION

**CIN: L74899DL1995PLC073281**

### REGISTERED OFFICE

54, Okhla Industrial Estate,  
Phase-III, New Delhi-110020  
Tel.: +91-11-26311671 / 26910777

### CORPORATE OFFICE

B-206A, Sector-81, Phase-II,  
Noida-201305, Uttar Pradesh  
Tel.: +91-120-2462552 / 53  
Website: [www.ppapco.in](http://www.ppapco.in)  
E-mail: [investorservice@ppapco.com](mailto:investorservice@ppapco.com)

### CHIEF FINANCIAL OFFICER

Mr. Manish Dhariwal

### COMPANY SECRETARY AND COMPLIANCE OFFICER

Mrs. Sonia Bhandari

### AUDITORS

M/s. O P Bagla & Co. LLP (Statutory Auditors)  
M/s. Rakesh Singh & 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,  
2<sup>nd</sup> Floor, Naraina Industrial Area,  
Phase-I, New Delhi-110128

# CHAIRMAN'S MESSAGE



## My Dear Shareholders,

I commence my address by thanking each one of you for your continuous support.

I am happy to report that currently, we are in the midst of good times and there is good news all around. On our national front, it is a matter of joy for us that the Indian economy is now ranked as the 6<sup>th</sup> largest economy in the world and soon it will be the 5<sup>th</sup> largest. On the GDP front, according to various estimates, our economy is likely to grow by 7.3% this year and the growth is expected to accelerate to 7.5% next year. Currently, the Indian Automotive industry is ranked as the 4<sup>th</sup> largest in the world and before the year 2020 it is likely to be the 3<sup>rd</sup> largest.

Now, coming to your Company, the Financial Year 2017-18 has been an interesting year, wherein your Company has been able to deliver its best ever performance. Your Company was able to delight all its stakeholders - its customers, suppliers, employees, shareholders, as well as, the society at large.

Our economy witnessed some challenges due to the introduction of the Goods and Service Tax and various policy changes due to which growth was an issue. Our country has also been facing challenges on the inflation front due to the rise in crude oil prices and foreign exchange rates.

Despite all these disruptions, it gives me great pleasure in sharing with you that your Company was able to navigate through these turbulences and expanded by establishing its presence in all the major automotive hubs in the country.

I take pride in informing you that this year, we achieved an unprecedented EPS of ₹ 26.72 which is an increase of 49.27% as compared to the previous year.

Your Company's quest for adding new customers and new products has resulted in a revenue growth of 15% and an EBITDA margin up to 21%. The increase in our margins reflects our relentless focus on operational efficiency, profitable and sustainable growth.

The final dividend for the Financial Year 2017-18 proposed by your Board of Directors is ₹ 2.50 per share which is subject to your approval. The total dividend will be ₹ 4.50 per share, which comes to 45% of the face value of the equity share of your Company.

Your Company continues its focus on improving its operational efficiency so that we are able to build a fundamentally strong foundation on which your Company can survive and grow in perpetuity. This focus of ours, will ensure that your Company will continue to delight all its stakeholders over the long term, as well.

We have commenced the installation of solar power in our all manufacturing facilities as we are committed to reduce our carbon footprint and increase the use of renewable energy.

This year our Research and Development efforts have been recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi.

Your Company has also improved upon its activities for the preservation of our Environment, as well as, on encouraging Education for the deprived through its CSR initiatives. On the greening front, your Company has supported the plantation of 50,000 trees of native species in the National Capital Region.

Your Company is changing constantly to meet the challenges that future will bring about. We are constantly engaging with our OEM's customers and their Tier 1 suppliers to transform ourselves to meet their needs and also scout for growth opportunities. We are also foraying into the two-wheelers segment, as well as, the commercial vehicle space. We are not leaving any stone unturned in our quest to find new business opportunities to achieve profitable growth.

Before I conclude, I once again take this opportunity to express my sincere gratitude to you for your relentless support. I also thank our respected customers for trusting us with their business on a long term basis. I also express my gratitude to our technology partners, our bankers and our suppliers for facilitating the conduct of smooth business operations. Last but not the least, I thank every single employee of the Company who has stood by the core values of the Company and worked shoulder to shoulder throughout the year to deliver our superior performance.

I on behalf of the entire PPAP family assure you that we will continue on our journey to achieve global level excellence and do our best to be the pride of the industry.

Yours truly,

**Ajay Kumar Jain**  
Chairman & Managing Director



# MISSION

TO BE A GLOBAL COMPANY  
WITH AN INSPIRING WORK CULTURE  
FOR SERVING CUSTOMERS AND THE SOCIETY  
BY EXCEEDING THE EXPECTATIONS  
OF ALL ITS STAKEHOLDERS



# BOARD OF DIRECTORS



**MR. AJAY KUMAR JAIN**

*Chairman and Managing Director*



**MR. ABHISHEK JAIN**

*Chief Executive Officer and  
Managing Director*



**MR. BHUWAN KUMAR  
CHATURVEDI**

*Independent Director, Chairman  
of Audit Committee*



**MR. PRAVIN KUMAR GUPTA**

*Independent Director, Chairman  
of Nomination & Remuneration  
Committee and Stakeholders'  
Relationship Committee*



**MR. ASHOK KUMAR JAIN**

*Independent Director, Chairman  
of Corporate Social Responsibility  
Committee*



**MRS. VINAY KUMARI JAIN**

*Non-Executive Director*

# ACCOLADES - 2018



## Overall Performance Award

*By Maruti Suzuki India Limited*



## Supplier of the year 2017 - Gold

*By Toyota Kirloskar Motor Private Limited*



## Achieving Quality Target Award

*By Toyota Kirloskar Motor Private Limited*



## Zero PPM Award

*By Toyota Kirloskar Motor Private Limited*



## Achieving Delivery Target Award

*By Toyota Kirloskar Motor Private Limited*



## Appreciation Award

*By Hyundai Motor India Limited*



## Excellence in Automotive Award 2018

*By Economic Times Polymers*



## Best Supplier Business Support Award 2016-17

*By Subros Limited*



## Super Quality Excellence Award 2016

*By General Motors India Private Limited*



## Best Quality Consistency Award

*By Toyota Boshoku Automotive India Private Limited*



# DIRECTORS' REPORT

Dear Members,

## PPAP Automotive Limited

Your Directors have pleasure in presenting the Twenty Third Annual Report of your Company along with the audited standalone and consolidated financial statements and the Auditors' report thereon for the year ended 31<sup>st</sup> March, 2018.

## Financial Highlights and State of Company's Affairs

(₹ in lacs)

Particulars	For the year ended			
	Standalone		Consolidated	
	31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2017	31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2017
Revenue from operations (net of excise)	39,762.33	34,501.20	39,762.33	34,501.20
Profit before interest, tax and depreciation	8,746.46	6,867.66	8,936.34	7,158.42
Less: interest	442.39	626.80	442.39	626.80
Depreciation & amortization	2,598.96	2,438.54	2,598.96	2,438.54
Profit / (loss) before tax (PBT)	5,705.11	3,802.54	5,894.99	4,093.08
Less: Tax expenses	1,963.94	1,297.16	1,963.94	1,297.16
Profit / (loss) for the period	3,741.17	2,505.38	3,931.05	2,795.92

The Company has adopted "Ind AS" with effect from 1<sup>st</sup> April, 2017. Financial statements for the year ended and as at 1<sup>st</sup> April, 2017 have been re-stated to conform to Ind AS Note 2 to the consolidated financial statement provides further explanation on the transition to Ind AS.

## Company's Performance

The Company has adopted Indian Accounting Standards (Ind AS) with effect from 1<sup>st</sup> April, 2017, pursuant to the notification of Companies (Indian Accounting Standard) Rules, 2015 issued by the Ministry of Corporate Affairs. Previous years' figures have been restated and audited by the statutory auditors of the Company.

During the financial year 2017-18, revenue from operations on standalone basis increased to ₹ 39,762.33 lacs as against ₹ 34,501.20 lacs in the previous year registering a growth of 15.25%.

Employee cost as a percentage to revenue from operations increased to 15.90% (₹ 6,322.85 lacs) against 15.44% (₹ 5,236.31 lacs) in the previous year.

Other expenses as a percentage to revenue from operations decreased to 12.69% (₹ 5,047.78 lacs) as against 12.97% (₹ 4,474.93 lacs) in the previous year.

The profit after tax for the current year is ₹ 3,741.17 lacs as against ₹ 2,505.38 lacs in the previous year registering a growth of 49.32%.

## Consolidated financial statements

As per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable provisions of the Companies Act, 2013 read

with the Rules issued thereunder, the consolidated financial statements of the Company for the financial year 2017-18 have been prepared in compliance with applicable Ind AS and on the basis of audited financial statements of the Company, Joint Venture and associate companies, as approved by the respective Board of Directors.

The consolidated financial statements together with the auditors' report form part of this annual report.

## Dividend

During the financial year 2017-18, your Company declared and paid to the shareholders, an interim dividend of ₹ 2.00 (Rupees two only) per equity share of face value of ₹ 10 (Rupees ten) each in the month of November, 2017.

The Board of Directors of the Company are pleased to recommend a final dividend of ₹ 2.50 (Rupees two and fifty paise only) per equity share of face value of ₹ 10 (Rupees ten) each for approval of the shareholders at the ensuing Annual General Meeting (AGM). On approval, the total dividend (interim dividend and final dividend) for the financial year 2017-18 will be ₹ 4.50 (Rupees four and fifty paise only) per equity share of the face value of ₹ 10 (Rupees ten) each as against the total dividend of ₹ 3 (Rupees three only) per equity share of the face value of ₹ 10 (Rupees ten) paid for the previous financial year 2016-17.



## Deposits

Your Company has not accepted any deposit within the meaning of provisions of Chapter V of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 for the year ended 31<sup>st</sup> March, 2018.

## Technical collaboration

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

The technology partners of your Company has extend their continuous support in terms of new product development, innovations, latest technology, quality, productivity, etc. as per the needs of your Company.

## Extract of annual return

The details forming part of the extract of the Annual Return as on 31<sup>st</sup> March, 2018 in form MGT-9 in accordance with Section 92(3) of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, annexed as "Annexure-A" to this report.

## Meetings of the Board of Directors

The Board of Directors met five times during the financial year 2017-18, the details of which are given in the corporate governance report that forms part of this annual report. The intervening gap between any two meetings was in compliance with the period prescribed by the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 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 functions 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 the number of 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 annual report.

## Directors and key managerial personnel

Mr. Abhishek Jain (DIN: 00137651), Whole Time Director has been elevated to the position of the Chief Executive Officer

and Managing Director (CEO & MD) of the Company with effect from 1<sup>st</sup> April, 2017.

In accordance with the provisions of the Companies Act, 2013 and in terms of Articles of Association of the Company, Mrs. Vinay Kumari Jain (DIN: 00228718), Non-Executive Director of the Company, retires by rotation, she being eligible, has offered herself for re-appointment as a Director.

Mr. Ajay Kumar Jain (DIN: 00148839) is on the Board of the Company since 18<sup>th</sup> October, 1995 as Managing Director and was also appointed as Chairman on 10<sup>th</sup> February, 2014.

The current tenure of Mr. Ajay Kumar Jain, as Chairman & Managing Director will expire on 31<sup>st</sup> October, 2018. The Board at its meeting held on 21<sup>st</sup> May, 2018 on recommendation of the Nomination and Remuneration Committee has approved the re-appointment of Mr. Ajay Kumar Jain, as Chairman & Managing Director (CMD) of the Company for a tenure of five years with effect from 1<sup>st</sup> November, 2018 up to 31<sup>st</sup> October, 2023, subject to the approval of shareholders at 23<sup>rd</sup> AGM.

Pursuant to the provisions of the Companies Act, 2013, Mr. Bhuwan Kumar Chaturvedi (DIN: 00144487) was appointed as a Non-Executive Independent Director for five consecutive years, for a term up to 25<sup>th</sup> December, 2018 by the shareholders of the Company at 19<sup>th</sup> AGM of the Company held on 27<sup>th</sup> September, 2014. Mr. Bhuwan Kumar Chaturvedi is eligible for re-appointment as a Non-Executive Independent Director for another term of five consecutive years. Pursuant to the provisions of the Companies Act, 2013, the Board at its meeting held on 21<sup>st</sup> May, 2018 on recommendation of the Nomination and Remuneration Committee has approved the re-appointment of Mr. Bhuwan Kumar Chaturvedi as a Non-Executive Independent Director for another term of five consecutive years i.e. from 26<sup>th</sup> December, 2018 up to 25<sup>th</sup> December, 2023, subject to the approval of the shareholders through a special resolution at the 23<sup>rd</sup> AGM.

Pursuant to the provisions of the Companies Act, 2013, Mr. Pravin Kumar Gupta (DIN: 06491563) was appointed as a Non-Executive Independent Director for five consecutive years for a term up to 31<sup>st</sup> March, 2019 by the shareholders of the Company at 19<sup>th</sup> AGM of the Company held on 27<sup>th</sup> September, 2014. Mr. Pravin Kumar Gupta is eligible for re-appointment as a Non-Executive Independent Director for another term of five consecutive years. Pursuant to the provisions of the Companies Act, 2013, the Board at its meeting held on 21<sup>st</sup> May, 2018 on recommendation of the Nomination and Remuneration Committee has approved the re-appointment of Mr. Pravin Kumar Gupta as a Non-Executive Independent Director for another term of five consecutive years from 1<sup>st</sup> April, 2019 up to 31<sup>st</sup> March,



2024, subject to the approval of the shareholders through a special resolution at the 23<sup>rd</sup> AGM.

Pursuant to the provisions of the Companies Act, 2013, Mr. Ashok Kumar Jain (DIN: 06881412) was appointed as a Non-Executive Independent Director for five consecutive years for a term up to 26<sup>th</sup> May, 2019 by the shareholders of the Company at 19<sup>th</sup> AGM of the Company held on 27<sup>th</sup> September, 2014. Mr. Ashok Kumar Jain is eligible for re-appointment as a Non-Executive Independent Director for another term of five consecutive years. Pursuant to the provisions of the Companies Act, 2013, the Board at its meeting held on 21<sup>st</sup> May, 2018 on recommendation of the Nomination and Remuneration Committee has approved the re-appointment of Mr. Ashok Kumar Jain as a Non-Executive Independent Director for another term of five consecutive years from 27<sup>th</sup> May, 2019 up to 26<sup>th</sup> May, 2024, subject to the approval of the shareholders through a special resolution at the 23<sup>rd</sup> AGM.

Brief profile of Directors seeking appointment and re-appointment along with other details as stipulated under SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015, are given in the notice of 23<sup>rd</sup> AGM.

#### Declaration by Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under Section 149(6) of the Companies Act, 2013 and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year, Independent Directors of the Company had no pecuniary relationship or transactions with the Company other than sitting fees and reimbursement of expenses incurred by them for the purpose of attending meetings of the committee(s).

The terms and conditions of appointment of the Independent Directors are placed on the website of the Company at <http://ppapco.in/Template-of-Letters-of-Appointment-to-Independent-Directors.pdf>

#### Credit rating

During the year under review, the credit rating agency CRISIL has upgraded the credit rating of your Company on the long-term bank facilities to 'CRISIL A+ / Stable' from 'CRISIL A / Positive' and reaffirmed the short-term bank facilities at 'CRISIL A1' on 9<sup>th</sup> August, 2017.

Details of credit ratings:

Long term Bank Loan facilities	CRISIL A+ / Stable (Upgraded from 'CRISIL A / Positive')
Short term Bank Loan facilities	CRISIL A1 (Reaffirmed)

#### Directors' responsibility statement

In terms of and pursuant to Section 134(3)(c) of the Companies Act, 2013, as amended from time to time, in relation to the financial statements for the year ended 31<sup>st</sup> March, 2018, to the best of their knowledge and belief your Directors confirm the following:

- that in the preparation of annual financial statements for the financial year ended 31<sup>st</sup> March, 2018, 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 31<sup>st</sup> March, 2018 and of the profit and loss of the Company for the financial year ended 31<sup>st</sup> March, 2018;
- 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 31<sup>st</sup> March, 2018 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 the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors has carried out annual performance evaluation of its own performance, the Directors individually, as well as, the evaluation of the working of its Committees. The manner in which the evaluation has been carried out has been explained in the corporate governance report attached to this report.

#### Nomination and remuneration policy

The remuneration paid to the Directors is in accordance with the Nomination and Remuneration Policy formulated in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force). The salient aspects covered in the Nomination and Remuneration Policy have been given hereunder:



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

1. Ensure appropriate induction and training program: The Committee shall ensure that there is an appropriate induction and training program in place for new Directors, Key Managerial Persons 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, attributes, etc. 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, every Committee of the Board and of the Board as a whole including 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 and in line with the Company's objectives, shareholders' interests and benchmarked with the industry.
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 their experience, qualifications and expertise 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 the insurance 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.

#### **Particulars of employees**

The information required under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) in respect of Directors / employees of the Company, annexed as "Annexure-B" to this report.

#### **Joint ventures and associates**

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

In accordance with Section 129(3) of the Companies Act, 2013, your Company has prepared consolidated financial statements of the Company, which forms part of this annual report. Further, a statement containing the salient features of the financial statements of our associates and joint venture in the prescribed form AOC-1, annexed as "Annexure-C" to this report which covers the financial position of associates and joint venture Company and hence not repeated here for the sake of brevity.

#### **Corporate governance report**

Your Company is committed to maintain high standards of corporate governance and adhere to the corporate governance requirements set out by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. At the Company, we constantly strive to evolve and follow up on the corporate governance guidelines and its best practices.

The compliance report on corporate governance and a certificate from M/s VLA & Associates, Company Secretaries, secretarial auditors of the Company, regarding compliance of the conditions of corporate governance, as stipulated under Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, annexed to this annual report.

#### **Management discussion and analysis report**

As required under Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed management discussion and analysis