

December 29, 2015

PPAP Automotive Ltd (PREPIP)

₹ 168

Offering a tempting ride...

We recently did a plant visit and interacted with the management of PPAP Automotive (PPAP) (formerly Precision Pipes & Profile Co) to understand the business of the company. PPAP is one of the leading manufacturers of automotive sealing systems (~55% of revenue) and injection moulded products (~45%). The company has a technical partnership with Tokai Kogyo, Japan for its sealing systems & with Nissen Chemitec Corp, Japan, for its injection moulded division. Maruti Suzuki (MSIL), Honda Cars India (HCL) are its biggest clients accounting for 43%, 39% of its revenue. It has five manufacturing plants (three in Noida, one each in Rajasthan and Chennai) with aggregate strength of 1517 employees. During FY13-15, PPAP has seen significant improvement with revenue, EBITDA, PAT witnessing CAGR of 21.6%, 49.7%, and 179%, respectively.

Leading player in sealing system & injection moulded products

PPAP's automotive sealing system prevents noise, dust and water in the vehicle. Its products [include inner/outer belt moulding (black type), roof & window moulding, etc] are used to seal the vehicle body and glass. The segment accounts for ~55% of revenue and has higher margins of 20%-22%. PPAP also manufactures injection moulded products like door trims, interior pillars, rear parcel shelf, etc, accounting for ~45% of its revenue and has margins of 11-13%. PPAP has survived stiff competition from its peers like Ingress Mayur, TG Minda, Krishna Maruti, Motherson Sumi, etc. Its clientele includes Maruti Suzuki (43% of revenue), Honda Cars India (39%), Nissan India (9%), Toyota Kirloskar (5%), Tata Motors (2%), etc.

Technical collaboration, joint ventures - providing support

PPAP has a technical partnership with Tokai Kogyo, Japan since 1989 for its sealing systems and with Nissen Chemitec Corp, Japan since 2007, for its injection moulded division. The partnerships extend their continuous support in terms of innovations, latest technology, new product development, etc. The company has also has formed a joint venture (JV) with Tokai Kogyo Co, Japan for manufacturing rubber based sealing systems (products like opening trims, hood seals, door weather strip, etc).

Financial performance improves!

During FY13-15, revenue, EBITDA and PAT witnessed a CAGR of 22%, 50%, and 179%, respectively. EBITDA margins expanded 483 bps to 14.2% in FY15, due to operational efficiency and higher utilisation. For H1FY16, revenue and PAT increased 2.3% YoY and 52.5% YoY to ₹ 153 crore and ₹ 8 crore, respectively. The company is expanding its customer base and improving its operational efficiency, thereby increasing the utilisation level resulting in a better performance, going forward.

Exhibit 1: Financial Performance

(Year-end March)	FY11	FY12	FY13	FY14	FY15
Net Sales (₹ crore)	203.7	184.6	215.4	246.8	318.5
EBITDA (₹ crore)	54.6	34.0	20.2	31.3	45.2
Net Profit (₹ crore)	27.2	12.9	1.5	5.5	12.0
EPS (₹)	19.4	9.2	1.1	3.9	8.6
P/E (x)	8.8	18.5	154.5	43.6	19.8
Price / Book (x)	1.4	1.3	1.3	1.3	1.2
EV/EBITDA (x)	4.2	6.8	12.2	8.9	7.1
RoCE (%)	22.2	8.6	1.0	5.0	8.4
RoE (%)	16.1	7.1	0.8	2.9	6.1

Source: Company, ICICIdirect.com Research

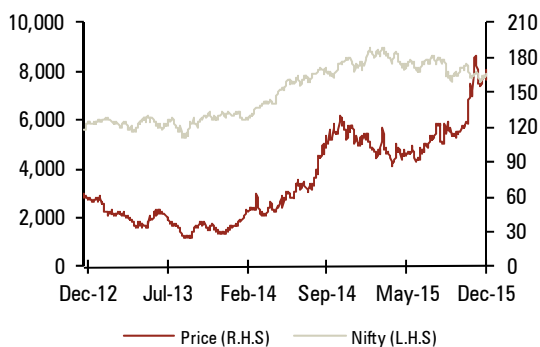
Rating matrix		
Rating	:	Unrated
Target	:	NA
Target Period	:	NA
Potential Upside	:	NA

Key Financials				
₹ Crore	FY12	FY13	FY14	FY15
Net Sales	184.6	215.4	246.8	318.5
EBITDA	34.0	20.2	31.3	45.2
Net Profit	12.9	1.5	5.5	12.0
EPS (₹)	9.2	1.1	3.9	8.6

Valuation Summary				
	FY12	FY13	FY14	FY15
P/E	18.5	154.5	43.6	19.8
EV / EBITDA	6.8	12.2	8.9	7.1
P/BV	1.3	1.3	1.3	1.2
RoNW	7.1	0.8	2.9	6.1
RoCE	8.6	1.0	5.0	8.4

Stock Data	
Particulars	Amount
Market Capitalization	₹ 238 Crore
Total Debt (FY15)	₹ 83 Crore
Cash (FY15)	₹ 1.8Crore
EV	₹ 319 Crore
52 week H/L	185 / 88
Equity capital	₹ 14 Crore
Face value	₹ 10

Price Chart

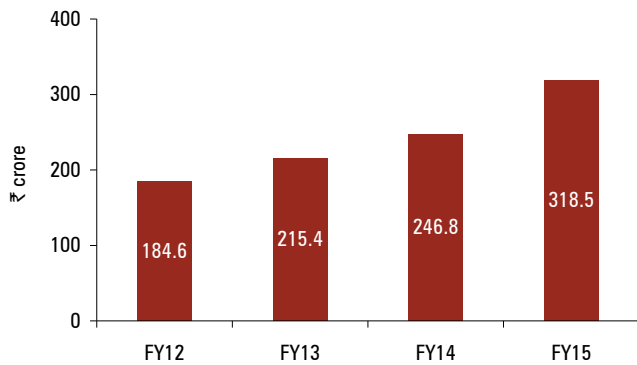


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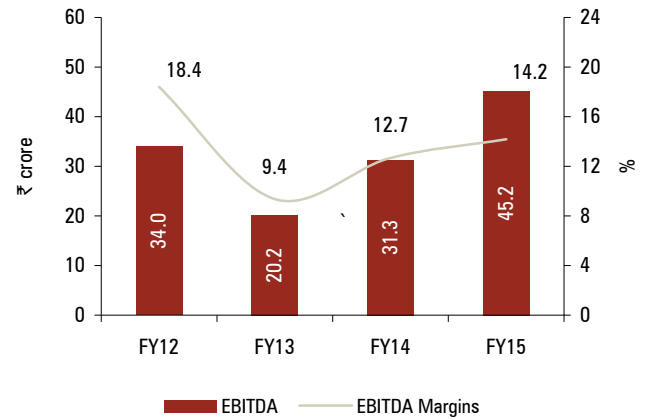
Key financials

Exhibit 2: Revenue trend in FY12-15



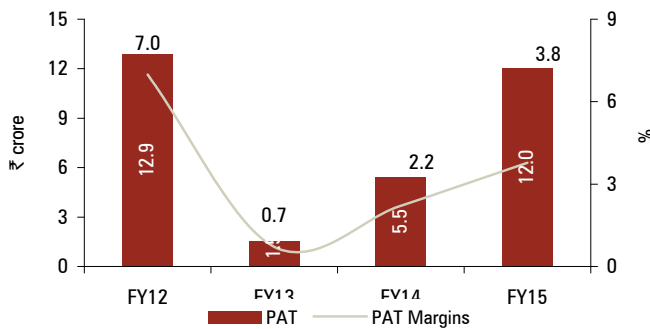
Source: Company, ICICIdirect.com Research

Exhibit 3: EBITDA & EBITDA margins trend



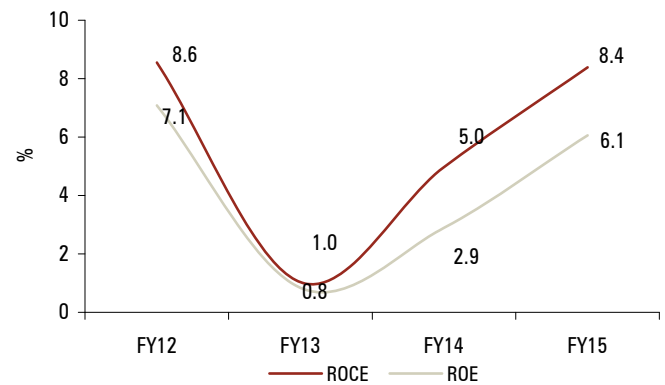
Source: Company, ICICIdirect.com Research

Exhibit 4: PAT & PAT margins trend



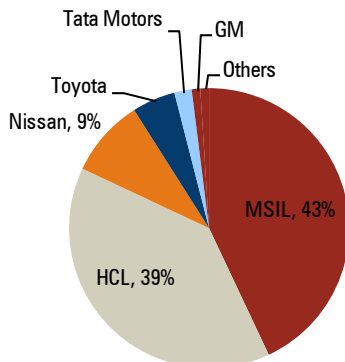
Source: Company, ICICIdirect.com Research

Exhibit 5: RoE & RoCE trend



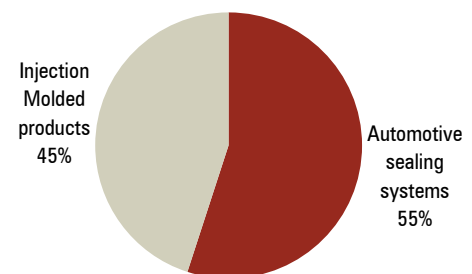
Source: Company, ICICIdirect.com Research

Exhibit 6: Customer wise (revenue mix) in FY15 (%)



Source: Company, ICICIdirect.com Research

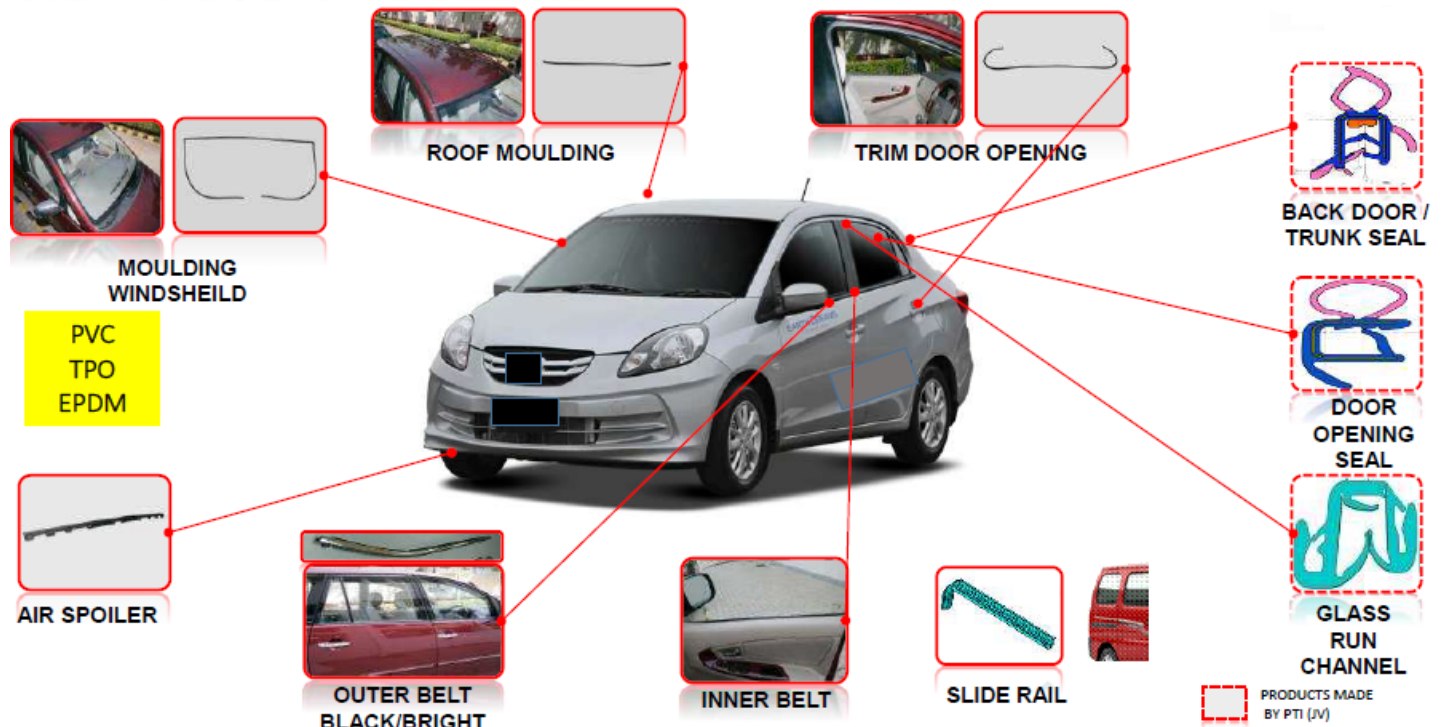
Exhibit 7: Segment wise (revenue mix) in FY15 (%)



Source: Company, ICICIdirect.com Research

Exhibit 8: Product profile – Automotive Sealing Systems

SEALING SYSTEMS



Source: Company, ICICIdirect.com Research

Exhibit 9: Product profile – Injection moulding products

INJECTION MOLDING PRODUCTS



Source: Company, ICICIdirect.com Research

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