

## Mayur Uniquoters Q4FY20

### Financial Results & Highlights

#### Brief Introduction:

Mayur Uniquoters is the largest manufacturer of artificial leather/ PVC vinyl, using the 'Release Paper Transfer Coating Technology' in India.

Standalone Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	145.2	128.4	13.08%	129.1	12.47%	535.5	594.9	-9.98%
PBT	35.7	27.2	31.25%	24.4	46.31%	105.9	130.1	-18.60%
PAT	26.6	19.8	34.34%	18.2	46.15%	80.6	87.2	-7.57%
Consolidated Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	137.2	132.6	3.47%	143.4	-4.32%	547.8	612.9	-10.62%
PBT	32.8	28.7	14.29%	30.7	6.84%	103.6	132.1	-21.57%
PAT	24.8	21.2	16.98%	23.3	6.44%	79.8	89.6	-10.94%

#### Detailed Results:

1. The company had a modest quarter with consolidated revenues and PBT growing 3.5% and 17% respectively YoY.
2. FY20 performance was still dismal with consolidated revenues and profits falling 10.6% and 11% YoY respectively.
3. Standalone revenues and profits were higher than consolidated profits indicating that other subsidiaries of the company were in the loss in Q4.
4. The board has recommended a final dividend of Rs 1 per share for FY20.

#### Investor Conference Call Highlights

1. In the PU plant, most of the project construction activities are completed now with the commissioning of wet and dry lines of PU Plant. Small supply orders and dispatches also started from the plant on March '20.
2. The plants were shut down 100% in April and were only operational 15% in May in the auto segment. The company expects sales to normalize from August onwards.
3. The management does not see any problems arising from China as the government continues to keep import duty and surcharge for leather products high which is beneficial for local players.
4. The management expects stock levels to normalize from Q3 onwards for most of the footwear industry.

5. The management has stated that among the major Indian auto companies only Hero MotoCorp is not a customer yet and the company is in the process of on-boarding them currently.
6. The overall volume decline in FY20 was 10%.
7. The main driver for the company in Q4 was OEM export which is expected to maintain its momentum going forward.
8. Auto sales have risen to 61% of sales in Q4FY20 vs 56% a year ago. Footwear has also risen 4% YoY in Q4.
9. The volumes breakup was 55% auto, 30% footwear, and 15% others.
10. The company expects good demand for PU footwear going forward due to the increase in import duty for PU footwear from China. The price difference is around 15-20%.
11. The company has placed an order for an additional coating line which has gotten delayed by 6 months due to COVID.
12. Growth in Value of exports in Q4 was 19% YoY. In volumes terms, it was 12.5% YoY. OEM exports grew 58% YoY in Q4.
13. In the domestic OEM, value growth was 6% YoY while volumes declined 2% YoY. This was due to more orders for value-added products which increased value.
14. The management has stated that there is huge potential in OEM exports which yields the company around Rs 550 per meter vs Rs 230 per meter from domestic OEM.
15. The company is in close talks with a Korean company to supply PU to the auto industry there.
16. The company is also close to a deal with Ford Motors to supply PU.
17. Most of the raw materials for the company are crude derivatives and the management does not expect any big rise in RM costs for the company going forward.
18. The management has provided a contrast in the footwear industry in India and China, wherein in China 80% footwear is PU and 20% is PVC while in India 95% footwear is PVC and 5% is PU. The management has stated that this is mainly due to the huge demand for cheap footwear in India.

**Analyst's View:**

Mayur Uniquoters has been one of the biggest artificial leather makers in the world. But the company has been through a rough patch in the past few years with stagnant revenues and decline of the unorganized footwear segment which was a big revenue generator for the company. The company is making good inroads into the auto-export segment. The OEM export revenues has risen 58% YoY indicating good performance in this segment. This is also good for the company as the realization per meter from OEM exports is more than double the realization from domestic OEMs. The management remains confident of the product's technical and quality edge. It remains to be seen how long the current slow auto environment continues and how long will it take for the management vision to materialize. Nonetheless, given its dominant market position both in the domestic and export



segments and the management's focus on not compromising on quality no matter what, Mayur Uniquoters remains a good small-cap stock to watch out for.

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