

Mayur Uniquoters Q1FY21

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) | | | | | |
|----------------------------------|--------|--------|---------|--------|---------|
| | Q1FY21 | Q1FY20 | YoY % | Q4FY20 | QoQ % |
| Sales | 44 | 132 | -66.67% | 145 | -69.66% |
| PBT | 1 | 24 | -95.83% | 35 | -97.14% |
| PAT | 1 | 16 | -95.00% | 27 | -97.04% |
| Consolidated Financials (In Crs) | | | | | |
| | Q1FY21 | Q1FY20 | YoY % | Q4FY20 | QoQ % |
| Sales | 44 | 131 | -66.41% | 137 | -67.88% |
| PBT | 0 | 17 | -98.65% | 33 | -99.30% |
| PAT | 0 | 10 | -99.10% | 25 | -99.64% |

Detailed Results:

1. The company had a dismal quarter with consolidated revenues and PBT growing 66% and 99% respectively YoY.
2. Standalone revenues and profits were almost the same as consolidated profits indicating that other subsidiaries of the company were not in the loss in Q1.

Investor Conference Call Highlights

1. The company's supply to the Mercedes plant in South Africa is expected to start from Q4FY21.
2. The product approval of BMW is still going on.
3. The sales for the quarter were down mainly due to production loss in the month of April and some days in May.
4. More than 50% of the business is coming from the auto industry.
5. Q2 is expected to be much better than Q1.
6. All the supplies are to be made to new models that will be released in the future.
7. The company is also expecting a deal from Volkswagon in the next few months.
8. There is good import substitution in the PU space as 90% of domestic requirements are imported. Currently, the demand for the company's PU is low as most makers have stocked up on imported

PU before the lockdown. The company expects new orders to come in a few months once these stocks deplete.

9. The management has stated that the rest of the year will be spent in getting back on track both for the economy and the auto and the artificial leather industry.
10. Capacity utilization is expected to come up to 60% in Q2. It was at around 27% of last year's levels in Q1.
11. Most of the drop in other expenses is due to a drop in discretionary expenses like travel, etc. There shouldn't much increase in these costs in Q2 as normalcy is expected to come back slowly.
12. The management stresses that the current times are going to weed out weak players and will make existing players more resilient.
13. The company has made sales of less than Rs 50 lacs in PU for Q1.
14. Auto OEM exports for Q1 were low mainly due to no exports during April and May.
15. Total volumes sold in Q1 were at 15.162 lac meters.
16. Volkswagen India is expected to bring in sales of 30,000 meters per month with Rs 12-15 Cr per year.
17. The value of the export sales is expected to be around 15% higher as compared to domestic sales.
18. The company is now supplying MG in the recent entrants in the auto industry.
19. The management maintains that the company remains competitive enough to compete for orders anywhere in the world.
20. Most of the plant operations were in 2 weeks of May and in June. Thus the company has only accounted for depreciation for the period when operations were open.

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. Q1 performance for Mayur was dismal mainly on the back of the production shutdown during the lockdown. The management remains confident of the product's technical and quality edge but has stated that it may take the rest of FY21 for the company and its customer segments to come back to normalcy. 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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