

Mayur Uniquoters Q2FY21

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)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	114	129	-11.63%	44	159.09%	157	261	-39.85%
PBT	19	21	-9.52%	1	1800.00%	20	46	-56.52%
PAT	14	20	-30.00%	1	1300.00%	15	36	-58.33%
Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	129	136	-5.15%	44	193.18%	173	267	-35.21%
PBT	26	24	8.33%	0	-	26	40	-35.00%
PAT	20	22	-9.09%	0	-	20	32	-37.50%

Detailed Results:

1. The company had a mixed quarter with consolidated revenues declining 5% YoY and PBT rising 8% respectively YoY.
2. The company made a good recovery QoQ which is highlighted in the QoQ rise in almost all figures.
3. H1 figures remained subdued due to bad performance in Q1.
4. The company has announced a buyback offer for 1.65% of total equity shares at the price of Rs 400. The record date for the buyback has been set on 25th November.

Investor Conference Call Highlights

1. The months of September and October have been good for the company.
2. The management has seen auto sector demand reviving but footwear demand remains subdued.
3. December and January should be at most 10-15% lower than the last figures for the company according to the management.
4. The bigger worry for the company is the onset of COVID-19 in the EU which can dampen the company's fledging exports.
5. The company is already approved by Mercedes-Benz for the supply to their South Africa plant and product supplies is expected to start for their new model from next quarter. The product approval from BMW has also been received.
6. Automotive sales may have been revived due to people avoiding public transport due to COVID-19.
7. The management expects footwear demand to come back since the wedding season has started in India.

8. PU sales have been subdued as most customers had stocked up in imported PU before the lockdown and have yet to run out. The govt of India has imposed an import duty of 10% on Pu which should help boost sales for the company and any other local makers.
9. The company has been able to increase pricing by 5% in Oct and 7% in Nov.
10. Exports accounted for 22% of sales while the rest 78% was domestic in Q2.
11. The breakup by segment is: Export general is 9%, export OM is 13%, domestic auto is 19%, auto replacement is 22%, footwear is 26%, furnishing and others are at 7%.
12. Total volumes sold in Q2 was at 58,44,868 meters.
13. Gross margins for the company depend primarily on volumes. Thus more volumes sold will yield greater gross margins.
14. The management expects the company to come back to the old margin profile in Q3.
15. Volkswagen orders are expected to be around 30,000, 40,000 meters per month at a price of at least INR 500 per meter. This is expected to start from March or April 2021.
16. The company is also pitching hard to get new models from America like Ford and Chrysler.
17. The management believes that it will take at least 1 year for the market to get established for PU.
18. The price that the company can commend from auto companies in the USA should be at least \$12 per meter. The company is also in good standing as Ford & Chrysler are looking to add PU and Mayur is one of the only 2 companies in the world doing PU for auto.
19. The management maintains that Mayur will achieve cost savings of 15% in FY21.
20. The management is confident that given the large export orders that the company has bagged, it can easily surpass its record volumes sold in FY22.
21. IN the existing PVC lines, the company has a capacity to churn out 27-28 lac meters a month.
22. The management is not concerned about competition from China for PU as Chinese companies for PU are in bad shape as most of them had resorted to price competition and the rise in RM costs has left them in big trouble.
23. The annual revenue run rate for the PU line at full capacity is Rs 125 Cr.
24. The footwear market is down as most of the industry sales were from physical stores where customers could try out the products. Even big players like Bata are running at lower than 70% capacity.
25. The approved order from BMW will start in 2022.
26. In exports, auto exports are going mainly to the USA while general export is going all over the world.
27. For backward integration, the company is now adding foam laminations in the next 4-5 months as Ford, MG and Volkswagen are asking for laminated material and the integration can save Rs 25-30 on freight costs at the least.
28. The company is also looking to move to microfiber which has a price range of \$7-20 depending on quality.

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. Q2 performance for Mayur was good with good recovery in the auto segment while footwear remained subdued. 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. The company's export orders from Mercedes and Volkswagen should help the company maintain good growth in the medium. The new import duty on PU should also help the company increase its PU sales which have stayed stagnant to date. 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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