

Mayur Uniquoters Q4FY21

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)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	194	145	33.79%	169	14.79%	520	536	-2.99%
PBT	53	36	47.22%	45	17.78%	118	106	11.3%
PAT	39	27	44.44%	35	11.43%	89	81	9.88%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	183	137	33.58%	176	3.98%	533	548	-2.74%
PBT	47	33.0	42%	46	2%	120	104	15%
PAT	35	25	40%	35	0.00%	88	80	10.00%

Detailed Results:

1. The company had a great quarter with consolidated revenues rising 34% YoY and PAT rising 40% respectively YoY.
2. FY21 numbers saw revenues fall 2.74% YoY due to loss of operations in Q1 but PAT was up 10% YoY which is remarkable for Mayur.
3. The company announced a final dividend of Rs 2 per share for FY21.

Investor Conference Call Highlights

1. The product supply to Mercedes Benz's South Africa plant will start within a month.
2. The 7th PVC line is still commissioning and is expected to start production at end of July.
3. Currently, the company is selling around 40,000-50,000 metres of PU but the breakeven level is at 2,00,000 metres.
4. Demand from US auto OEMs has been down as many players are reducing their production targets due to the IC chip shortage.
5. The margin profile is expected to stay up as the product mix shifts towards PU. The management has stated that the adoption of PU is gaining momentum in USA due to it being environmentally better than PVC and more cost-efficient than real leather.
6. Although the material costs have gone up due to the production of PU, the margin profile has gone up even more which is preferable for the company.
7. EBITDA margin for FY21 was at 24%. Volume decline in FY21 was around 8-9% YoY.
8. Mayur sold almost Rs 7-8 Cr of PU in FY21.

9. The management assures that the demand from global OEMs is indeed intact but has been delayed due to the chip shortage and will come back up once it is sorted.
10. The company will start supplying 30,000 metres per month to Mercedes Benz at the start and it expects the volumes to rise to 50,000 metres by the end of Q3.
11. The company is not looking to expand the PU lines as the current line has a peak capacity of 4,00,000 metres but it is making only 30,000 to 40,000 metres currently. The management expects that this capacity should be sufficient for growth for the next 1-1.5 years.
12. The company is looking to make PU resin and will require a capex of Rs 150 Cr to set up a facility for it.
13. The company is now in talks with a South Korean company to make a JV with them for coagulated PU used for automotive companies. Coagulated PU is mainly to be sold to South Korean OEMs as most of the OEMs from USA use solid PU only.
14. The sales breakup was 32% export and 68% domestic. In terms of industry, sales breakup was at 8% for general exports, 24% for export OEM, 13% for domestic OEM, 21% for replacement, 33% for footwear, and 1.5% for others.
15. The management states that there is no proper competitor for Mayur in India for the OEM supply and there are very few companies making PU for auto in the world.
16. Mayur is currently pitching for Chrysler and once the process is over it will start approaching domestic auto OEMs.
17. The PVC capacity for Mayur is at 3.15 million metres per month.
18. The company sold 79 lac metres in Q4 & 2.31 Cr metres in FY21.

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 a 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. Q4 performance for Mayur was phenomenal with its highest ever quarterly revenues and profits. The management remains confident of the product's technical and quality edge which has helped it bag multiple export orders global auto OEMs. But international demand from auto OEMs has stagnated due to the ongoing chip shortage. The footwear industry has come back well for Mayur in the meantime. It remains to be seen how long the auto segment will remain slow due to the IC chip shortage last and whether the demand for Mayur's products will remain resilient through it. 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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