

Mayur Uniquoters Q3FY21

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)								
	Q3FY21	Q3FY20	YoY %	Q2FY21	QoQ %	9MFY21	9MFY20	YoY%
Sales	169	129	31.01%	114	48.25%	327	390	-16.15%
PBT	45	24	87.50%	19	136.84%	66	70	-5.71%
PAT	35	18	94.44%	14	150.00%	50	54	-7.41%
Consolidated Financials (In Crs)								
	Q3FY21	Q3FY20	YoY %	Q2FY21	QoQ %	9MFY21	9MFY20	YoY%
Sales	176	143	23.08%	129	36.43%	349	411	-15.09%
PBT	46	31	48%	26	76.92%	73	71	2.82%
PAT	35	23	52%	20	75.00%	55	55	0.00%

Detailed Results:

1. The company had a phenomenal quarter with consolidated revenues rising 23% YoY and PAT rising 52% respectively YoY.
2. 9M numbers saw revenues fall 15% YoY due to loss of operations in Q1 but PAT was just above flat YoY which is remarkable for Mayur.
3. The company made a good recovery QoQ which is highlighted in the QoQ rise in almost all figures.

Investor Conference Call Highlights

1. The management expects sales momentum to carry forward in Q4.
2. The company confirms product approval from Mercedes Benz in South Africa and BMW. The order supply of Mercedes Benz will start from Q4 onwards.
3. The supply for BMW will start from the end of FY22 or the start of FY23 onwards.
4. The company has also been selected by Volkswagen India and will be generating business of 30,000-40,000 meters per month from May or June.
5. The company is in talks with a global PU maker to supply PU to them from India for South Korean motor companies.
6. MG Motors is now buying 100% from Mayur in India.
7. The management has stated that it is contemplating opening up a plant in USA if the demand from the country is better than expected.
8. PU prices will likely be sold between \$15-20 for Mayur.
9. The management has highlighted an ambitious target of breaking into the top 3 in the world market in artificial leather in the next 3-4 years.

10. Total volumes sold in Q3 were at 77,61,400 meters.
11. The margins at current levels are sustainable according to the management as it has risen due to a shift to a better product mix and Mayur has and will pass on any increase in raw material costs to the customers to preserve its margin levels.
12. The company has had its best quarter in terms of revenues and PAT margin.
13. The management expects revenues from the auto segment to grow 75-100% in the next 3 years.
14. The company will start its 7th coating line in March and it will reach a capacity of 6-6.5 Lac meters per month.
15. The expected volume in the Mercedes will be also between 30,000 to 40,000 per month.
16. The footwear segment is slowly rising as store footfall is rising but it is not able to match the growth of the auto segment.
17. Footwear segment sales have risen 14% YoY.
18. The company is also introducing new material to sell like sport shoe material from PU which it did not make in the past.
19. PU sales for Q3 were at Rs 2.5 Cr.
20. Fixed have risen in Q3 and it is expected to rise further as the primary force behind it was freight costs which are expected to stay up going forward.
21. The management has stated that it is on the lookout for acquisition targets with good machinery and R&D capability. Unfortunately, Mayur doesn't see any such prospects in India currently.
22. The company has also received an offer from BMW to start supplying to its China unit if the current order goes well.
23. The management believes that the PU unit can generate sales of Rs 100 Cr in the next 2-3 years.
24. In the Indian PU market, 70% is for low grade, 20% is for medium grade and 10% is for high grade. Mayur is concentrating solely on the medium and high grade zones here.
25. The management is hopeful of starting a new plant for knitted fabric in the next 1.5 years.
26. The company has added a person from Taiwan who is very well known for R&D in the PU sector and the Footwear world.
27. Currently, the company is doing 180,000 meters of export to USA. Once this number reaches 4 Lac, it will look to start a local facility in USA.
28. The management hopes to gradually convert the PVC majority footwear market in India towards PU in the coming years.
29. The negotiation with Hero is still going on.
30. The current management has assured that Mayur will transition to a fully professional corporate structure in the next 1.5-2 years.

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. Q3 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 from international auto majors like BMW and Mercedes. The company's domestic orders for Volkswagen & MG should help the company maintain good growth in the medium term. 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



will the non-auto segments take to match the growth momentum of the auto segment 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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