

Result Snapshot

<u>Amt. in Rs. Crs.</u>	Q4FY20	Q3FY20	Q-o-Q(%)	Q4FY19	Y-o-Y(%)
Revenue	131.11	138.62	-5.41%	127.76	2.62%
Other Income	6.11	4.79		4.80	
Total Income	137.22	143.41	-4.32%	132.56	3.52%
EBITDA	32.59	31.03	5.03%	28.13	15.84%
EBIDTA (%)	24.85%	22.38%		22.02%	
EBIT	27.55	26.37	4.48%	23.48	17.33%
PBT	32.81	30.66	6.99%	28.72	14.23%
PAT	24.83	23.29	6.59%	21.25	16.83%
PAT%	18.94%	16.80%		16.63%	

Result / Con-call Highlights:

1) Result Update:

Mayur Uniquoters reported a topline of Rs. 137.22 cr down 4.32% on Q-o-Q basis from Rs. 143.41 cr reported in Q3 FY20. EBITDA was at Rs. 32 cr with EBITDA margins improving 247 bps to 24.85% in Q4 FY20 mainly on account of better export OEM realisations. The company reported a PAT of Rs. 24 cr up 6.59% on Q-o-Q basis from Rs. 23.29 cr reported in quarter ended December, 2020. Mayur Uniquoters also recommended a final dividend of Rs. 1 per share for the quarter ended March, 2020 thereby bringing the total dividend declared to Rs. 3 per share in FY20.

Revenue Split	FY19	Q4 FY20
Auto OEM	11%	35%
Auto Replacement	23%	
Footwear Industry	36%	25%
Export OEM	17%	34%
Export General	7%	
Other	7%	6%

2) PU (Polyurethane) Plant Update:

In January, 2020 the newly commissioned PU plant with a capacity of 0.5 mn meters per month became operational with Mayur Uniquoters being the sole producer in India. Polyurethane is preferred to PVC by footwear makers due to its better strength, less likely to fade/crack and higher quality. Around ~5-6 mn meters per month of polyurethane is imported to India mainly from China. Even though prices of polyurethane produced by Mayur Uniquoters are 10% -15% higher than that of Chinese imports, the company is confident of selling its product to footwear industry with ease. The management believes under invoicing the imports is a major issue rather than pricing by Chinese counterparts which is gradually changing trends due to tighter norms in GST billing.

The PU plant has an optimum capacity utilisation of 90% with a potential topline of Rs. 135 cr assuming realisation per meter to be ~Rs. 250. The plant has been set up at a cost of Rs. 125 cr with a plan to double

Result / Con-call Highlights: (Continued)

the capacity at an additional cost of ~ Rs. 25 cr. Once the first line reaches a capacity utilisation of 75% the company would go for further expansion.

Delay in commissioning of the plant and COVID-19 impact had hindered investor sentiments in the past but it is a closed chapter now. As the economy opens up, the company has started with small orders and hopes to ramp up utilisation significantly by Q3 FY21.

Polyurethane is mainly used in the footwear industry, however the company is striving hard to introduce polyurethane in the auto industry as it struggles from high leather cost. Mayur Uniquoters is in talks with a Korean company for collaborating and supplying polyurethane products to the automotive sectors which could be revolutionary in its own segment.

3) Increasing Export OEM Business:

After ~2 years of discussion with Mercedes, Mayur Uniquoters is finally approved to supply their products to Mercedes South African plant which is expected to start in Q1 FY21. Delay in getting the approval had hindered investor sentiments but getting approvals from giant OEM's is always a lengthy and tedious process.

As the realisation in export OEM is always better (~Rs. 550 / meter in Q4 FY20) we could see further expansion in margins. Export business as a whole (OEM + General) has grown from the levels of 24% of FY19 revenue to 34% of Q4 FY20 revenue.

Mayur Uniquoters is also awaiting approval of its product from BMW. The company has always focused on developed markets sacrificing high volume low margin business in India which has helped grow the export OEM share from 3% in FY10 to 17% in FY19.

4) Management:

Family feud between Mr. Suresh Poddar and his son has resulted in his exit from the management and most of his holding. Currently Mr. Suresh Poddar and his son in law operate the company but Mr. Poddar sounded optimistic is hiring professionals to head various divisions of the company. Mr. Poddar was looking for professionals from abroad as they bring dual benefits of expertise of dealing with international OEM's and better work ethics.

5) Outlook:

Mayur Uniquoters sailed through subdued macro environment over the past two years by increasing their export sales. With the newly commissioned PU plant, the company forays into new phase of growth as it maintains its strong financial discipline. Commencement of Mercedes business in FY21 would further aid growth trajectory with other auto makers such as BMW approvals are in the pipeline. The company trades at moderate valuations of 12.76x FY20 earnings of Rs 79.7 cr however, multiple growth drivers such as commissioning of PU plant and increasing export OEM share would help company grow in double digits for next few years and a re-rating of the stock would follow. We opine to Buy on Dips with a target price of Rs. 300 valuing the company at 14x FY 22 earnings of Rs. 97 cr

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