

Proven capabilities, attractive risk-reward opportunity

Mayur Uniquoters (MUL) is a leading player in the domestic technical textile industry, manufacturing artificial/synthetic leather for a wide variety of applications viz. automotive (seat upholstery, inner linings), footwear (shoes/sandals insole, uppers), furnishing and apparel. It has the capacity to manufacture ~3.7 crore metre/annum of polyvinyl chloride i.e. PVC artificial leather & ~0.7 crore metre/annum of polyurethane (PU) artificial leather. It is a quality franchise with proven capabilities, which is highly capital efficient in nature, commanding strong double-digit margins and been a consistent CFO generator with net cash positive B/S.

Triggers

Growing automotive share to fortify ASPs, margins

Auto segment forms ~55% of revenues while footwear forms ~30%, with others contributing rest. MUL counts several major automotive OEMs both in India (MSIL, M&M, TML, MG Motor, Honda), globally (VW, Ford, Chrysler) as its clients while also serving retail brands like Bata, Relaxo, Paragon, among others. Share of footwear in overall revenues is on the decline amid higher growth in auto, other segments. This bodes well for MUL as footwear ASPs are lower than those in automotive with blended ASPs at ~₹ 200-220/metre. Recently, receipts of approval from Mercedes (South Africa), import substitution win from Volkswagen India, on boarding progress with BMW showcase MUL's efforts in this direction. Continued rise in share of automotive segment would further support ASPs, margins.

Strong financials provide additional comfort

MUL exhibits strong financial discipline with net debt free B/S, large net cash reserves on books (~₹ 160 crore as of FY20) and a track record of consistent cash generation (positive CFOs, present CFO yield at ~5%) while also boasting strong capital efficiency (average RoE in FY12-20 at ~26%, average RoIC over FY12-20 at ~56%) as well as best-in-class margins (average EBITDA margins at ~20-22%).

Valuation & Outlook

Increasing share of automotive business, stable crude oil prices, general focus on value addition and robust financials bodes well for MUL. Accordingly, we assign **BUY** rating to the stock, valuing the company at ₹ 350 i.e. 20 FY20 EPS of ₹ 17.6.

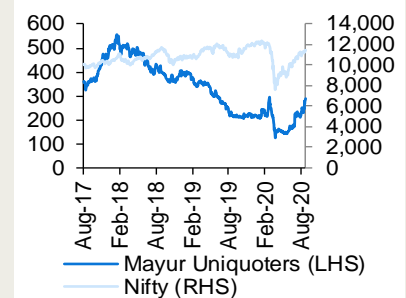


Particulars	
Particulars	Amount
Market capitalisation (₹ crore)	1,359.8
Debt (FY20, ₹ crore)	34.1
Cash & Inv. (FY20, ₹ crore)	195.9
EV (₹ crore)	1,198.0
52 Week High/Low (₹)	305/118
E equity capital (₹ crore)	22.7
Face value (₹)	5.0
Promoter Holding (%)	61.5
F II Holding (%)	7.1
D II Holding (%)	2.9

Key Highlights

- Rising share of higher ASP automotive segment in overall mix set to support overall realisations and margins
- Strong financial discipline and healthy return ratios lend additional comfort
- Assign BUY with target price of ₹ 350 i.e. 20x FY20 EPS of ₹ 17.6

Price chart



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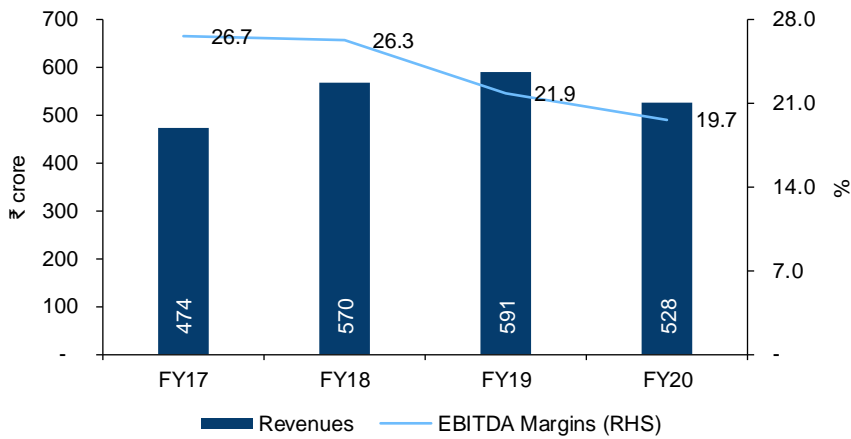
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Key Financial Summary

P&L Account (₹ crore)	FY17	FY18	FY19	FY20
Sales	473.5	570.0	591.3	528.0
EBITDA	126.2	149.9	129.3	103.9
EBITDA margin (%)	26.7	26.3	21.9	19.7
PAT	81.5	96.9	89.6	79.8
EPS (₹)	17.8	21.4	19.8	17.6
Balance Sheet (₹ crore)				
Equity	22.9	22.7	22.7	22.7
Net Worth	386.8	449.6	518.0	577.4
Debt	12.0	5.7	21.7	34.1
Debt: Equity (x)	0.0	0.0	0.0	0.1
Return Ratios (%)				
RoE	21.1	21.6	17.3	13.8
RoCE	30.3	32.1	24.6	17.2
Valuations (x)				
P/E	16.8	14.0	15.2	17.0
EV/EBITDA	9.5	8.0	9.3	11.5
P/B	3.5	3.0	2.6	2.4

Financial story in charts

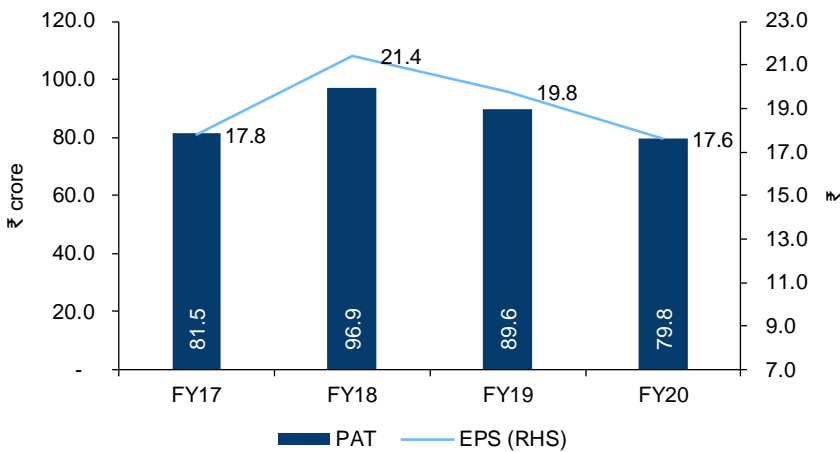
Exhibit 1: Trend in revenues and margins



MUL's revenues have grown at 3.7% CAGR over FY17-20. Share of footwear has come down while that of automotive has increased. Presently automotive forms ~55% of revenues, with footwear contributing ~30%

Source: Capitaline, ICICI Direct Research

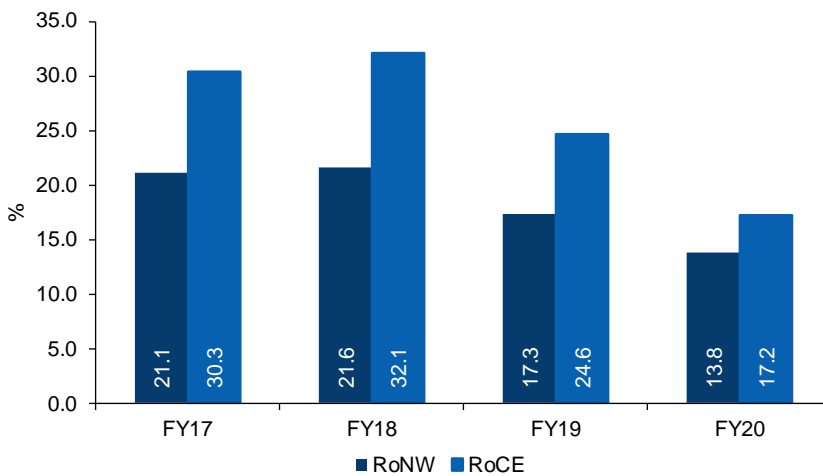
Exhibit 2: Trend in profitability



PAT has remained flattish at MUL over FY17-20

Source: Capitaline, ICICI Direct Research

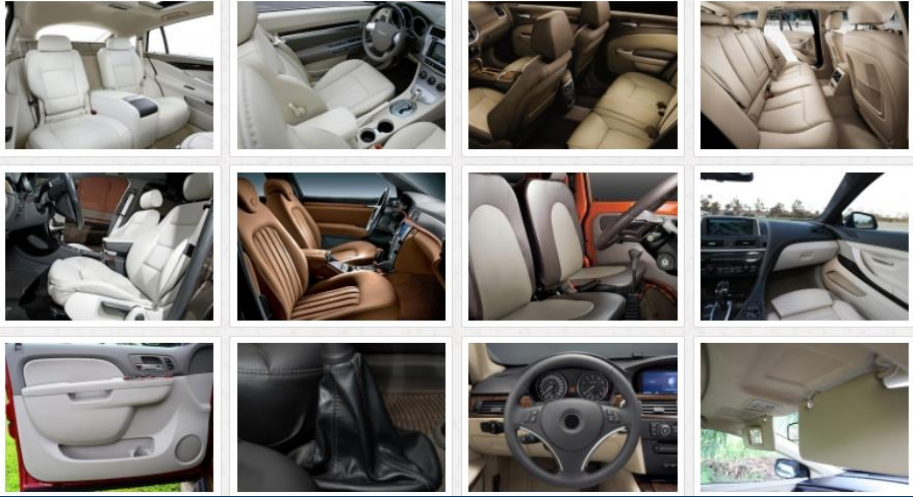
Exhibit 3: Trend in return ratios



MUL has consistently clocked strong double-digit return ratios until recently

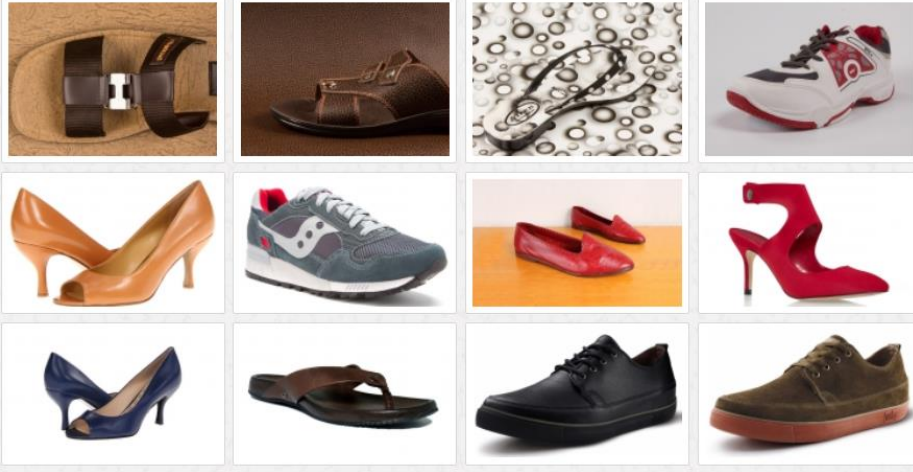
Source: Capitaline, ICICI Direct Research

Exhibit 4: Product profile- Automotive



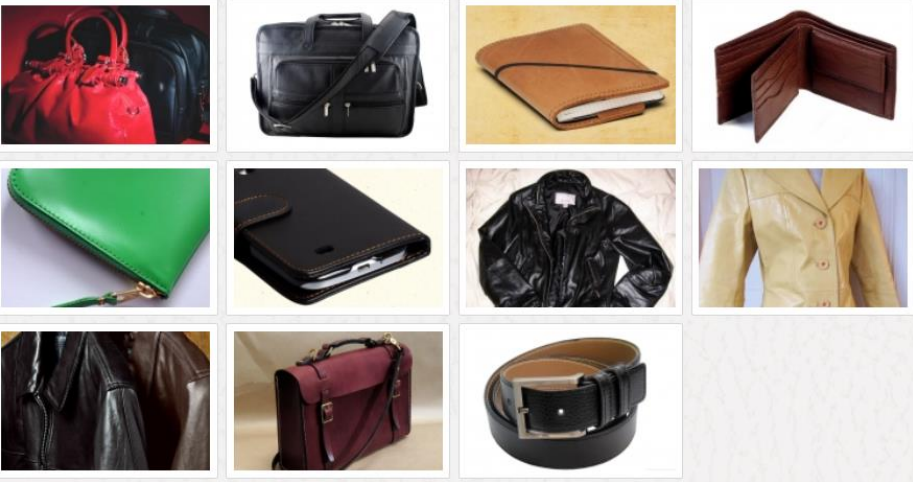
Source: Company, ICICI Direct Research

Exhibit 5: Product profile - Footwear



Source: Company, ICICI Direct Research

Exhibit 6: Product profile- Apparel & others



Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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