

## Growth bit delayed but not denied, unchanged investment thesis, positive stance retained...

**About the stock:** Mayur Uniquoters (MUL) is a leading player in the technical textile domain, manufacturing synthetic leather for automotive, footwear & apparels, etc.

- As of FY23, it clocked ₹ 776 crore as consolidated sales with EBITDA & EBITDA margins at ₹ 139 crore, 17.9% and PAT at ₹ 104.2 crore
- Footwear constituted ~20-30% of sales while the automotive segment constituted bulk i.e. ~50-60% sales with rest being constituted by others

**Q4FY23 Results:** MUL reported steady Q4FY23 results.

- On consolidated basis, Q4FY23 sales came in at ₹ 193 crore, up 8.6% QoQ
- EBITDA for the quarter came in at ₹ 35.2 crore with EBITDA margins at 18.2%, down 100 bps QoQ. Gross margins were down 115 bps QoQ
- PAT for Q4FY23 came in at ₹ 23.4 crore, down 12% QoQ

**What should investors do?** MUL's share price has largely been flat (at ~₹ 450 levels) over last five years, thereby underperforming the underlying Nifty Auto Index.

- We retain **BUY** rating on MUL amid proven capabilities in supplying synthetic leather to luxury auto OEMs in the export market. In the recent conference call, MUL did downward revise its sales guidance for FY24E (from ~₹ 1,000 crore to ~₹ 900 crore) while staying upbeat on FY25E (~₹ 1,100 crore). However, we believe this is still healthy amid literally no-growth phase seen by MUL over FY15-22 (sales at ~₹ 500-600 crore). Added positives are: cash surplus b/s, healthy RoCEs and inexpensive valuations

**Target Price and Valuation:** Rolling over our valuations and revising our estimates, we now value MUL at ₹ 610 i.e. 17x P/E on FY25E EPS of ₹ 35.8/share.

**Key triggers for future price performance:**

- With a growth revival in the domestic premium automotive space as well as uptick at auto OEM exports (luxury segment) along with retail initiatives at the company, net sales are seen growing at 15.6% CAGR over FY23-25E
- With crude price on the decline along with increasing share of high margin auto OEM exports, we build in 20.5% margins by FY25E. Consequently, PAT is seen growing at a CAGR of 23% over FY23-25E
- It has a debt free cash rich b/s with surplus cash of ~₹ 180 crore (FY23)
- Technology risk immune product profile, particularly in the auto space

**Alternate Stock Idea:** In our auto ancillary coverage we like Mahindra CIE.

- Focused on growth capex in India & efficiencies in European operations
- BUY with a target price of ₹ 520



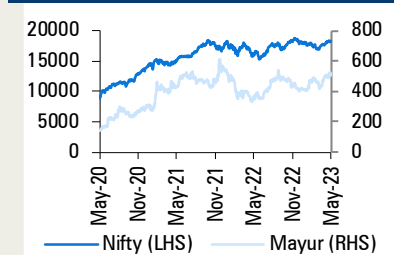
### Particulars

Particulars	Amount
Market capitalisation (₹ crore)	2,021.8
Total Debt (FY23P, ₹ crore)	23.5
Cash & Inv. (FY23P, ₹ crore)	202.0
EV (₹ crore)	1,843.4
52 week H/L (₹)	547 / 332
Equity capital (₹ crore)	22.0
Face value (₹)	5.0

### Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	59.5	59.1	59.1	59.1
FII	1.3	1.6	1.6	1.8
DII	4.3	7.2	9.4	9.8
Other	34.9	32.1	29.9	29.4

### Price Chart



### Recent Event & Key risks

- Posted steady Q4FY23 results
- Key Risk:** (i) Slower than anticipated improvement in margins and sales growth, (ii) Slower than expected uptick in auto OEM export market (high margin segment)

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### Key Financial Summary

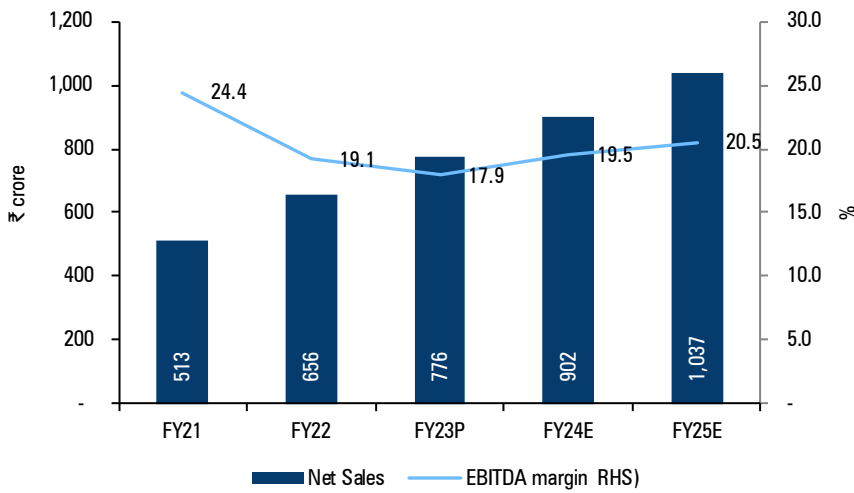
Key Financials (₹ crore)	FY19	FY20	FY21	FY22	FY23P	5 year CAGR (FY18-23P)	FY24E	FY25E	2 year CAGR (FY23P-25E)
Net Sales	591.3	528.0	512.7	656.5	776	6.4%	902	1,037	15.6%
EBITDA	129.3	103.9	125.3	125.7	139	-1.5%	176	213	23.8%
EBITDA Margins (%)	21.9	19.7	24.4	19.1	17.9		19.5	20.5	
Net Profit	89.6	79.8	89.8	94.4	104	1.5%	128	158	23.0%
EPS (₹)	19.8	17.6	20.1	21.2	23.7		29.1	35.8	
P/E	23.3	26.1	22.8	21.7	19.4		15.8	12.8	
RoNW (%)	17.3	13.8	14.4	13.3	13.8		14.7	15.6	
RoCE (%)	20.5	14.0	15.6	14.3	14.9		16.8	17.8	

## Key conference call highlights...

- The management said there was an uptick in exports in FY24E on the back on confirmed orders and addition of new clients like Ford, US
- The management said volume growth in Q4FY23 was ~17% YoY while same for FY23 was at ~14.36% YoY. Withing exports, volumes grew 18.4% YoY during FY23 whereas the same during Q4FY23 was at 45% YoY
- Polyurethane (PU) leather contribution was at ~8 lakh metre during FY23 and ~2 lakh metre during Q4FY23
- The management informed about a slowdown being witnessed in the overall footwear industry with ~5% growth expected in FY24E. Overall, the management expects topline to grow 17-18% during FY24E (lower than earlier guidance due to revision in export OEM schedule). The management expects 25-30% topline growth in FY25E. It also expects auto OEM exports to grow 60% & 70% in FY24E & FY25E, respectively
- The management said there was a rise in other expense due to increased marketing spends, which were subdued during Covid times
- The management informed about active discussions going on with big footwear brands for its PU leather and expects order inflow from Q4FY24 onwards. Further, they said export to BMW to start from CY24 end or early CY25E with material requirement pegged at 30,000-35,000 metre per month. Auto OEM exports were at ₹ 142.3 crore during FY23
- Revenue from Mercedes (South Africa) was at ₹ 43 crore during FY23 with similar revenue expected in FY24E
- The management informed about supplying PU leather to all domestic OEMs offering mid to high segment cars
- The management added that domestic auto business grew 24% YoY and expects double digit growth in FY24E
- Q4FY23 revenue breakup: Export auto OEM: ₹ 60 crore; auto OEM domestic: ₹ 39 crore; auto domestic replacement: ₹ 32 crore; footwear: ₹ 44 crore; furnishing: ₹ 32.5 crore and general exports: ₹ 17 crore

## Financial story in charts

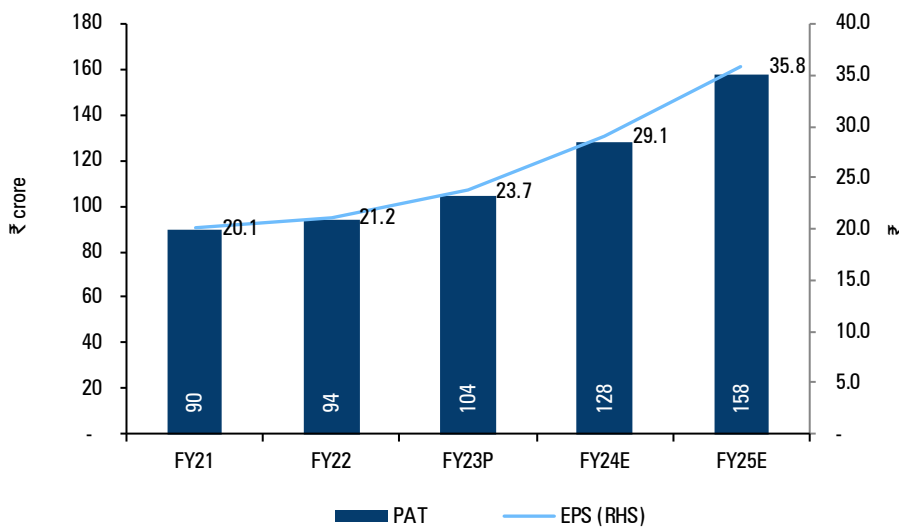
Exhibit 1: Trend in revenues and margins



MUL's revenues are seen growing at a CAGR of 15.6% over FY23-25E with EBITDA margins improving to 20.5% by FY25E vs. ~18% clocked in FY23 primarily driven by a decline in crude prices as well as greater share of higher margin auto OEM exports in the revenue mix

Source: Company, ICICI Direct Research

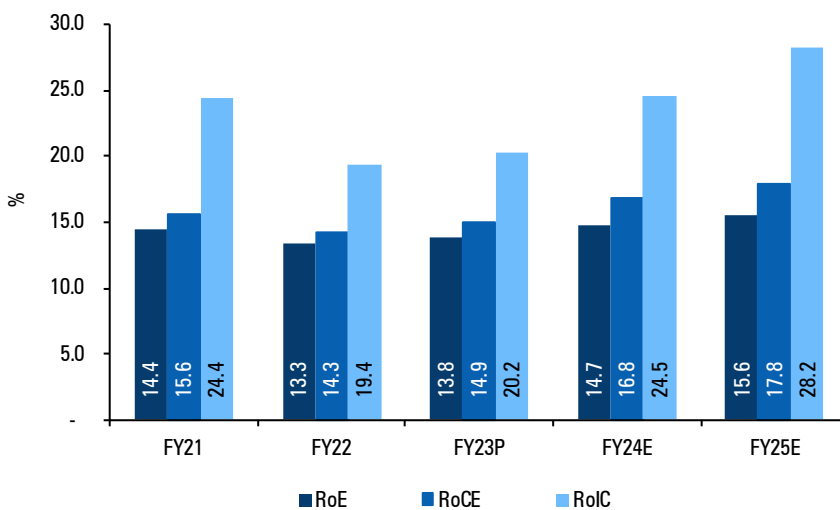
Exhibit 2: Trend in profitability and EPS



PAT is seen growing at a CAGR of 23% over FY23-25E with FY24E, FY25E EPS expected at ~₹ 29.1/share and ~₹ 35.8/share, respectively

Source: Company, ICICI Direct Research

Exhibit 3: Trend in return ratios



MUL has consistently clocked strong double-digit return ratios with RoIC seen climbing back to ~25%+ levels with RoCE seen at ~18% by FY25E

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Net Sales	656.5	775.6	901.9	1037.2	
Other Operating Income	0.0	0.0	0.0	0.0	
<b>Total Operating Income</b>	<b>656.5</b>	<b>775.6</b>	<b>901.9</b>	<b>1,037.2</b>	
Growth (%)	28.0	18.2	16.3	15.0	
Raw Material Expenses	397.8	462.8	523.1	596.4	
Employee Expenses	40.6	40.5	45.1	51.9	
Other Operating Expense	92.3	133.7	157.8	176.3	
Total Operating Expenditure	530.8	636.9	726.0	824.5	
<b>EBITDA</b>	<b>125.7</b>	<b>138.7</b>	<b>175.9</b>	<b>212.6</b>	
Growth (%)	0.3	10.4	26.8	20.9	
Depreciation	20.5	22.3	26.2	29.6	
Interest	2.4	2.5	1.9	1.2	
Other Income	20.4	17.7	22.6	28.2	
<b>PBT</b>	<b>123.2</b>	<b>131.7</b>	<b>170.5</b>	<b>210.1</b>	
Excep. charge & P/L from Asso.	0.0	0.0	0.0	0.0	
Total Tax	28.8	27.5	42.6	52.5	
<b>PAT</b>	<b>94.4</b>	<b>104.2</b>	<b>127.8</b>	<b>157.6</b>	
Growth (%)	5.1	10.4	22.7	23.2	
<b>EPS (₹)</b>	<b>21.2</b>	<b>23.7</b>	<b>29.1</b>	<b>35.8</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Profit after Tax	94.4	104.2	127.8	157.6	
Add: Depreciation	20.5	22.3	26.2	29.6	
(Inc)/dec in Current Assets	-83.4	-0.4	-60.7	-25.6	
Inc/(dec) in CL and Provisions	-8.5	6.6	27.0	-12.5	
Others	-18.0	-15.3	-20.7	-27.0	
<b>CF from operating activities</b>	<b>5.0</b>	<b>117.4</b>	<b>99.6</b>	<b>122.0</b>	
(Inc)/dec in Investments	51.0	9.3	-68.8	-75.5	
(Inc)/dec in Fixed Assets	-42.7	-33.7	-30.0	-30.0	
Others	18.3	13.6	22.6	28.2	
<b>CF from investing activities</b>	<b>26.6</b>	<b>-10.8</b>	<b>-76.2</b>	<b>-77.3</b>	
Issue/(Buy back) of Equity	0.0	-0.3	0.0	0.0	
Inc/(dec) in loan funds	-10.2	-5.5	-5.0	-5.0	
Interest and Dividend outgo	-11.3	-11.3	-15.0	-16.6	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	-1.4	-48.7	0.0	0.0	
<b>CF from financing activities</b>	<b>-22.9</b>	<b>-65.8</b>	<b>-20.0</b>	<b>-21.6</b>	
<b>Net Cash flow</b>	<b>8.6</b>	<b>40.8</b>	<b>3.3</b>	<b>23.1</b>	
Opening Cash	20.9	29.5	70.3	73.6	
<b>Closing Cash</b>	<b>29.5</b>	<b>70.3</b>	<b>73.6</b>	<b>96.8</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E	
<b>Liabilities</b>					
Equity Capital	22.3	22.0	22.0	22.0	
Reserve and Surplus	684.9	731.6	846.3	988.5	
<b>Total Shareholders funds</b>	<b>707.2</b>	<b>753.6</b>	<b>868.3</b>	<b>1,010.4</b>	
Total Debt	29.0	23.5	18.5	13.5	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Minority Interest / Others	2.6	4.2	4.2	4.2	
<b>Total Liabilities</b>	<b>738.9</b>	<b>781.4</b>	<b>891.0</b>	<b>1,028.2</b>	
<b>Assets</b>					
Gross Block	327.2	371.6	397.8	427.8	
Less: Acc Depreciation	107.5	129.7	155.9	185.4	
Net Block	219.8	241.9	241.9	242.3	
Capital WIP	11.8	1.2	5.0	5.0	
<b>Total Fixed Assets</b>	<b>231.6</b>	<b>243.0</b>	<b>246.9</b>	<b>247.3</b>	
Investments & Goodwill	158.2	148.9	217.8	293.3	
Inventory	222.1	230.7	247.1	269.9	
Debtors	122.3	133.6	173.0	170.5	
Loans and Advances	2.9	4.7	5.5	6.3	
Other Current Assets	46.6	25.2	29.3	33.7	
<b>Cash</b>	<b>29.5</b>	<b>70.3</b>	<b>73.6</b>	<b>96.8</b>	
Total Current Assets	423.3	464.5	528.5	577.2	
Current Liabilities	83.1	89.7	116.7	104.2	
Provisions	0.0	0.0	0.0	0.0	
Current Liabilities & Prov	83.1	89.7	116.7	104.2	
<b>Net Current Assets</b>	<b>340.2</b>	<b>374.8</b>	<b>411.8</b>	<b>473.0</b>	
Others Assets	8.8	14.5	14.5	14.5	
<b>Application of Funds</b>	<b>738.9</b>	<b>781.4</b>	<b>891.0</b>	<b>1,028.2</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY22	FY23P	FY24E	FY25E	
<b>Per share data (₹)</b>					
EPS	21.2	23.7	29.1	35.8	
Cash EPS	25.8	28.8	35.0	42.6	
BV	158.6	171.5	197.5	229.9	
DPS	2.0	2.0	3.0	3.5	
Cash Per Share (Incl Invst)	41.1	46.0	62.3	84.6	
<b>Operating Ratios (%)</b>					
EBITDA Margin	19.1	17.9	19.5	20.5	
PAT Margin	14.4	13.4	14.2	15.2	
Inventory days	123.5	108.5	100.0	95.0	
Debtor days	68.0	62.9	70.0	60.0	
Creditor days	30.6	34.3	40.0	30.0	
<b>Return Ratios (%)</b>					
RoE	13.3	13.8	14.7	15.6	
RoCE	14.3	14.9	16.8	17.8	
RoIC	19.4	20.2	24.5	28.2	
<b>Valuation Ratios (x)</b>					
P/E	21.7	19.4	15.8	12.8	
EV / EBITDA	14.9	13.3	10.0	7.8	
EV / Net Sales	2.8	2.4	2.0	1.6	
Market Cap / Sales	3.1	2.6	2.2	1.9	
Price to Book Value	2.9	2.7	2.3	2.0	
<b>Solvency Ratios</b>					
Debt/EBITDA	0.2	0.2	0.1	0.1	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	5.6	4.7	4.2	5.0	
<b>Quick Ratio</b>	<b>2.5</b>	<b>2.0</b>	<b>1.9</b>	<b>2.2</b>	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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