

## Gestation period ends, seeds rightly sown for high growth trajectory, healthy B/S, trades at inexpensive valuations...

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

- Automotive segment constituted bulk i.e., ~50-60% of sales while footwear segment constituted ~20-30% of sales with rest being constituted by others.
- As of FY23, it clocked ₹776 crore as consolidated sales with EBITDA & EBITDA margins placed at ₹139 crore, 17.9% and PAT at ₹104.2 crore
- In auto space, Mayur is among very few companies having capabilities and approvals to supply their produce to global luxury car players such as Mercedes, BMW, etc.

### Investment Thesis

- Auto OEM exports – key enabler for growth over FY23-25E:** Mayur has always been a quality franchise supplying its product to marquee brands realizing healthy margins and return ratios. Growth however was the only missing link/rising concern with sales being largely flat in the range of ₹ 500-600 crore over the six-year period i.e., FY16-21. This is amidst company officials engaging with global marquee players to sell value added produce especially in the automotive luxury car space to OEMs such as Mercedes, BMW among others. The seeds sown have now germinated with company commencing supplies to these players and is guiding for robust growth in this domain. In the recent conference call, the company has guided for its automobile exports rising significantly from ~₹ 160 crore in FY23 to ~₹ 600 crore by FY26E. This we believe will drive superlative growth for MUL amidst healthy growth in its base business supplying PVC & PU products to players like Maruti, Hyundai, Ford, Bata & Relaxo among others
- Healthy financials-high double-digit growth, Cash positive B/S:** With firm order pipeline both in domestic as well as export business, we expect sales at the company to grow at a CAGR of 17.5% over FY23-25E. With increasing share of high margin auto export business, operating leverage benefits and stable raw material pricing we expect margins to improve conservatively to 20% levels by FY25E. With improving scale of operations, core RoIC is seen improving to ~25%+ levels. With controlled working capital cycle, MUL is offering an attractive CFO yield of ~4%. On the B/S front, it has long been debt free company with present net cash on books at ~ ₹ 180 crore

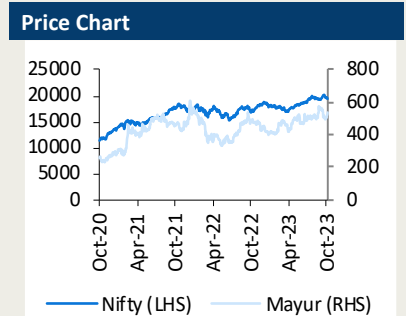
### Rating and Target Price

- We assign **BUY** rating on Mayur Uniquoters amidst healthy growth prospects especially in auto OEM export space, healthy margin profile (~20%), capital efficient business model (RoIC: 20%+) & Cash positive B/S (Net cash at ~₹180 crore as of FY23)
- We value Mayur Uniquoters at **₹ 700** i.e., 20x PE on FY25E EPS of ₹35/share
- We also drive comfort from consistent positive CFO generation at MUL with present CFO yield at ~4% and Technology risk immune product profile (No EV risk)
- This is our conviction idea in small cap auto ancillary space**



Particulars	
Particulars	Amount
Market capitalisation (₹ crore)	2,364.6
Total Debt (FY23, ₹ crore)	23.5
Cash & Inv. (FY23, ₹ crore)	202.0
EV (₹ crore)	2,186.2
52 week H/L (₹)	584 / 382
Equity capital (₹ crore)	22.0
Face value (₹)	5.0

Shareholding pattern				
	Sep-22	Dec-22	Mar-23	Jun-23
Promoter	59.1	59.1	59.1	59.1
FII	1.6	1.6	1.8	2.0
DII	7.2	9.4	9.8	9.4
Other	32.1	29.9	29.4	29.5



### Recent Event & Key risks

- Growth to accelerate over FY23-25E
- Key Risk:** (i) slower than anticipated growth in auto OEM exports and consequent margin improvement (ii) unrelated diversification requiring significant capital allocation such as a plant in foreign territory

### Research Analyst

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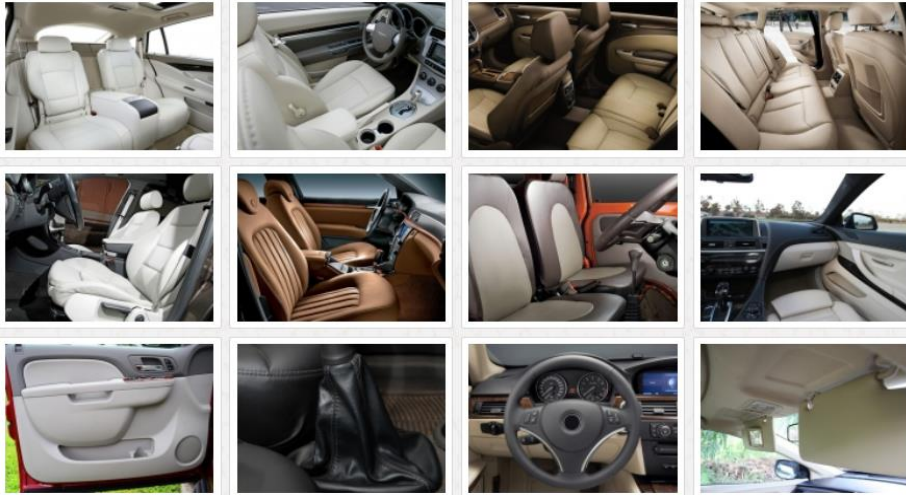
### Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	591.3	528.0	512.7	656.5	775.6	6.4%	892.1	1,070.5	17.5%
EBITDA	129.3	103.9	125.3	125.7	138.7	-1.5%	173.6	214.1	24.2%
EBITDA Margins (%)	21.9	19.7	24.4	19.1	17.9		19.5	20.0	
Net Profit	89.6	79.8	89.8	94.4	104.2	1.5%	124.1	154.0	21.6%
EPS (₹)	19.8	17.6	20.1	21.2	23.7		28.2	35.0	
P/E	27.2	30.6	26.7	25.4	22.7		19.0	15.4	
RoNW (%)	17.3	13.8	14.4	13.3	13.8		14.4	15.4	
RoCE (%)	20.5	14.0	15.6	14.3	14.9		16.3	17.9	

## Company Background

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 ~5 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.

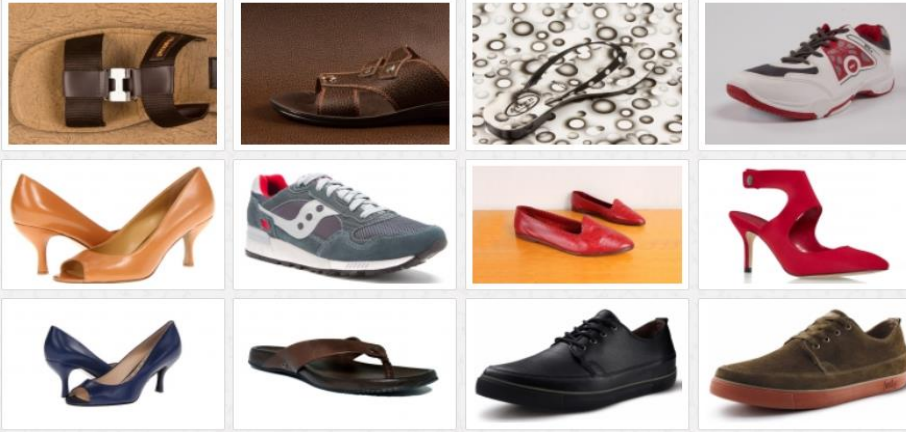
### Exhibit 1: Product profile- Automotive



Source: Company, ICICI Direct Research

Mayur Uniquoters counts several major automotive OEMs both in India (Maruti Suzuki, M&M, Tata Motors, MG Motor, Honda, Hyundai, Kia, etc.) as well as globally (Ford, Chrysler, Mercedes Benz, etc.) as its clients in the auto space

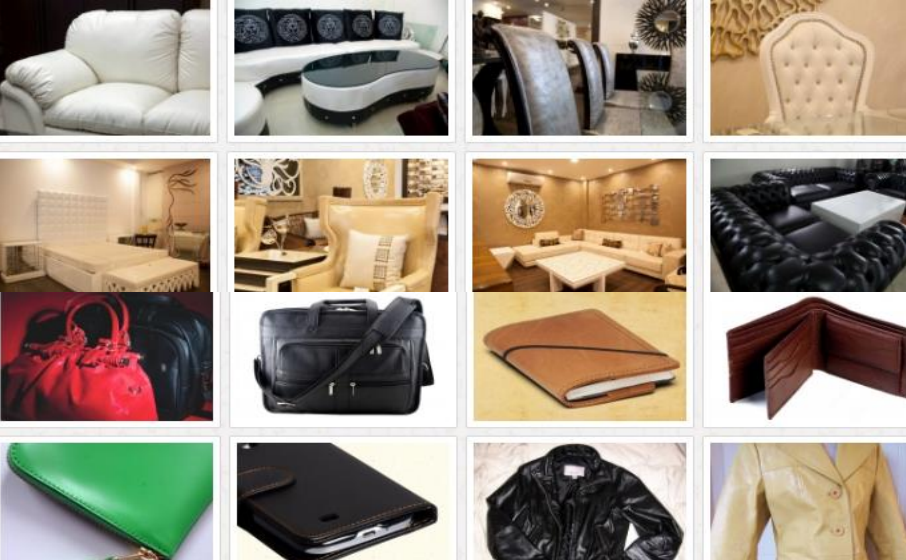
### Exhibit 2: Product profile - Footwear



Source: Company, ICICI Direct Research

Mayur Uniquoters counts several major players such as Bata, Action, Liberty, Relaxo, etc. as its clients in the footwear space

### Exhibit 3: Product profile- Furnishing, Apparel & others



Source: Company, ICICI Direct Research

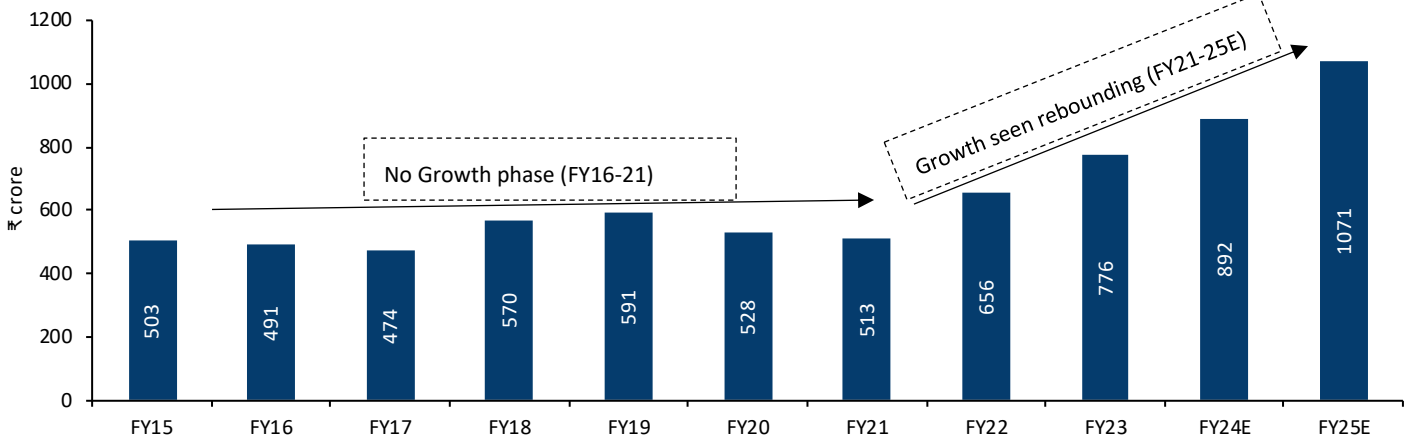
Mayur Uniquoters has recently launched its own brand in the furnishing space "TEXTURE AND HUES" and plans to go B-to-C in this segment. Here, MUL's aim is to develop ~1,000 dealers across India with ~350 added in FY23

### Investment Rationale

#### Growth rebounding post long hiatus of 6 years; Sales to grow 17.5% CAGR: FY23-25E

Mayur has consistently operated in healthy operational profile both in terms of margins as well as capital efficiency, however there was a long period of 6 years i.e., FY16-21 wherein its topline ranged between ~₹ 500-600 crore with growth elusive, testing the patience of investment community. MUL however in this period was sowing seeds for value added play thereby engaging with marquee global luxury car players which indeed have a high gestation period of quality check and approvals. With large part of approvals coming through, post Covid demand pick-up and firm order pipeline, MUL clocked healthy sales growth of 28% in FY22 & 18% in FY23 and is well poised to grow at 17.5% CAGR over FY23-25E. Its key focussed area i.e., auto OEM exports is seen more than tripling over 3 years from ~₹160 crore in FY23 to ~₹600 crore by FY26

Exhibit 4: Sales Trend (No growth phase over FY16-21; high growth phase over FY21-25E)

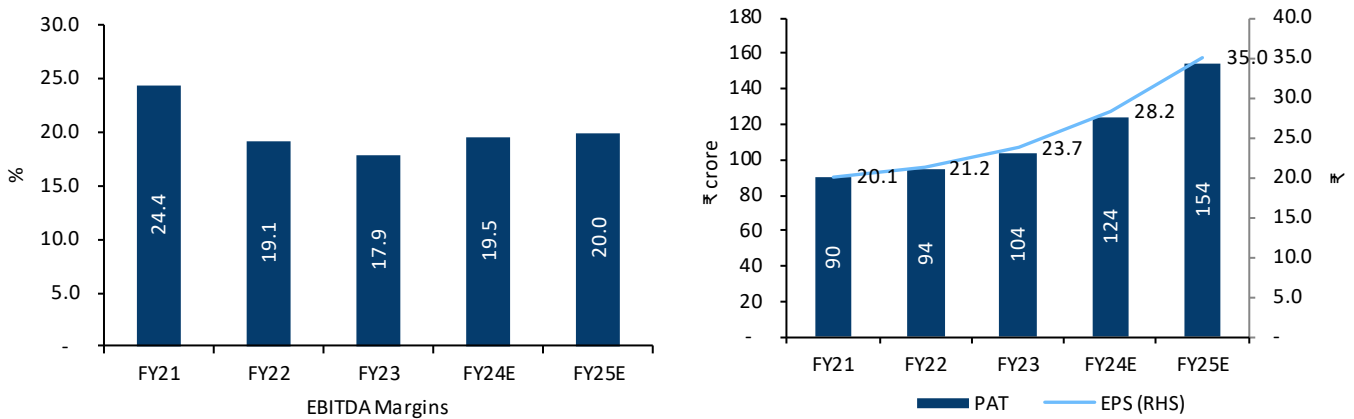


Source: Company, ICICI Direct Research

#### Margins set to improve amidst rising share of high margin Auto OEM Exports

EBITDA margins at MUL are conservatively seen inching up to 20% by FY25E. Going forward, PAT CAGR over FY23-25E is seen at 21.6% from ₹104 crore in FY23 to ₹154 crore in FY25E

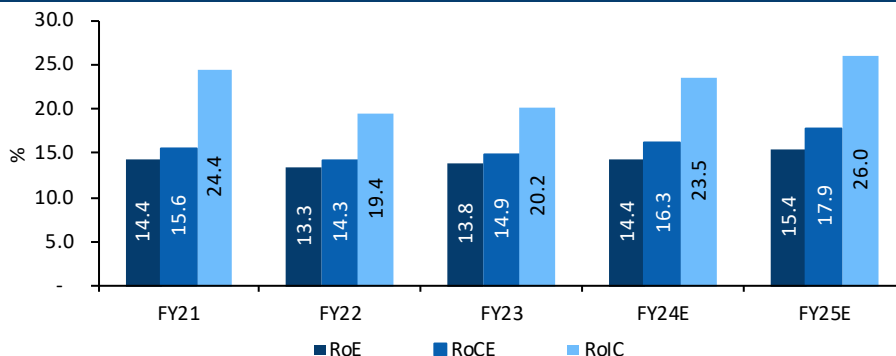
Exhibit 5: Trend in margins, PAT and EPS



Source: Company, ICICI Direct Research

#### Capital efficiency to the core; Core RoIC's set to cross 25% mark by FY25E

Exhibit 6: 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

## Risks and Concerns

### Disproportionate rise in Crude Prices

Mayur Uniquoters uses crude derivatives as their key raw material, the price of which more or less directionally moves in tandem with crude prices. Hence more than anticipated rise in crude prices and Mayur's inability to pass on the same to its end customers will meaningfully alter its margin profile and is averse to our target price calculation.

### Slowdown in global luxury car space

Large part of future growth at MUL is driven by its order pipeline catering to the global luxury car market. Hence any global GDP growth concerns amid rising interest rate scenario which could potentially dampen the demand for luxury cars is negative for Mayur Uniquoters. This may meaningfully impact our topline growth and margin improvement envisaged for the company going forward and is averse to our target price calculation.

### Lack of clarity on succession planning

Mr. Suresh Poddar, aged 77 years is the Chairman, MD & CEO of the company and has successfully steered the company making it one of the most respected names in the technical textile space especially in the auto segment. The investment community however seeks clarity on pathway on succession planning as he himself opined that there is a need to professionalise the senior management. Thus, a clear pathway on pending succession could provide comfort.

## Financial Summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Net Sales	656.5	775.6	892.1	1070.5
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>892.1</b>	<b>1,070.5</b>
Grow th (%)	28.0	18.2	15.0	20.0
Raw Material Expenses	397.8	462.8	517.0	620.9
Employee Expenses	40.6	40.5	46.0	53.5
Other Operating Expense	92.3	133.7	155.5	182.0
Total Operating Expenditure	530.8	636.9	718.5	856.4
<b>EBITDA</b>	<b>125.7</b>	<b>138.7</b>	<b>173.6</b>	<b>214.1</b>
Grow th (%)	0.3	10.4	25.2	23.3
Depreciation	20.5	22.3	29.0	32.1
Interest	2.4	2.5	2.2	1.8
Other Income	20.4	17.7	22.1	25.2
<b>PBT</b>	<b>123.2</b>	<b>131.7</b>	<b>164.6</b>	<b>205.4</b>
Excep. charge & P/L from As	0.0	0.0	0.0	0.0
Total Tax	28.8	27.5	40.4	51.3
<b>PAT</b>	<b>94.4</b>	<b>104.2</b>	<b>124.1</b>	<b>154.0</b>
Grow th (%)	5.1	10.4	19.1	24.1
<b>EPS (₹)</b>	<b>21.2</b>	<b>23.7</b>	<b>28.2</b>	<b>35.0</b>

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	94.4	104.2	124.1	154.0
Add: Depreciation	20.5	22.3	29.0	32.1
(Inc)/dec in Current Assets	-83.4	-0.4	-68.0	-107.1
Inc/(dec) in CL and Provisions	-8.5	6.6	25.9	21.0
Others	-18.0	-15.3	-19.9	-23.4
<b>CF from operating activities:</b>	<b>5.0</b>	<b>117.4</b>	<b>91.1</b>	<b>76.7</b>
(Inc)/dec in Investments	51.0	9.3	-48.8	-40.5
(Inc)/dec in Fixed Assets	-42.7	-33.8	-30.0	-30.0
Others	18.3	13.6	22.1	25.2
<b>CF from investing activities:</b>	<b>26.6</b>	<b>-10.8</b>	<b>-56.7</b>	<b>-45.3</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	-15.4	-19.4
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>-20.4</b>	<b>-24.4</b>
<b>Net Cash flow</b>	<b>8.6</b>	<b>40.8</b>	<b>14.0</b>	<b>7.0</b>
Opening Cash	20.9	29.5	70.3	84.3
<b>Closing Cash</b>	<b>29.5</b>	<b>70.3</b>	<b>84.3</b>	<b>91.3</b>

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Liabilities</b>				
Equity Capital	22.3	22.0	22.0	22.0
Reserve and Surplus	684.9	731.6	842.6	979.1
<b>Total Shareholders funds</b>	<b>707.2</b>	<b>753.6</b>	<b>864.6</b>	<b>1,001.0</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>887.3</b>	<b>1,018.8</b>
<b>Assets</b>				
Gross Block	327.2	367.4	393.6	423.6
Less: Acc Depreciation	107.5	125.5	154.5	186.6
Net Block	219.8	241.9	239.1	237.0
Capital WIP	11.8	1.2	5.0	5.0
<b>Total Fixed Assets</b>	<b>231.6</b>	<b>243.1</b>	<b>244.1</b>	<b>242.0</b>
Investments & Goodw ill	158.2	148.9	197.8	238.3
Inventory	222.1	230.7	268.8	322.6
Debtors	122.3	133.6	158.9	205.3
Loans and Advances	2.9	4.7	5.4	6.5
Other Current Assets	46.6	25.2	29.0	34.8
<b>Cash</b>	<b>29.5</b>	<b>70.3</b>	<b>84.3</b>	<b>91.3</b>
Total Current Assets	423.3	464.5	546.5	660.6
Current Liabilities	83.1	89.7	115.5	136.5
Provisions	0.0	0.0	0.0	0.0
Current Liabilities & Prov	83.1	89.7	115.5	136.5
<b>Net Current Assets</b>	<b>340.2</b>	<b>374.8</b>	<b>430.9</b>	<b>524.0</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>887.3</b>	<b>1,018.8</b>

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	21.2	23.7	28.2	35.0
Cash EPS	25.8	28.8	34.8	42.4
BV	158.6	171.5	196.7	227.8
DPS	2.0	2.0	3.0	4.0
Cash Per Share (Incl Invst)	41.1	46.0	60.1	70.8
<b>Operating Ratios (%)</b>				
EBITDA Margin	19.1	17.9	19.5	20.0
PAT Margin	14.4	13.4	13.9	14.4
Inventory days	123.5	108.5	110.0	110.0
Debtor days	68.0	62.9	65.0	70.0
Creditor days	30.6	34.3	40.0	40.0
<b>Return Ratios (%)</b>				
RoE	13.3	13.8	14.4	15.4
RoCE	14.3	14.9	16.3	17.9
RoIC	19.4	20.2	23.5	26.0
<b>Valuation Ratios (x)</b>				
P/E	25.4	22.7	19.0	15.4
EV / EBITDA	17.6	15.8	12.2	9.7
EV / Net Sales	3.4	2.8	2.4	1.9
Market Cap / Sales	3.6	3.0	2.7	2.2
Price to Book Value	3.4	3.1	2.7	2.4
<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	4.3	4.5
<b>Quick Ratio</b>	<b>2.5</b>	<b>2.0</b>	<b>1.8</b>	<b>1.9</b>

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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