

Bullishness reloaded; healthy growth lies ahead...

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 FY22, it clocked ₹657 crore as consolidated sales with EBITDA & EBITDA margins placed at ₹126 crore, 19.1% and PAT at ₹94.4 crore
- It has debt free cash rich B/S with surplus cash of ~₹ 150 crore (FY22).
- In FY23, executed buyback @₹650/share for 6.25 lakh shares; ~₹40 crore

Q3FY23 Results: MUL reported healthy Q3FY23 results

- On consol. basis, sales for Q3FY23 came in at ₹178 crore, down 13% QoQ.
- EBITDA for the quarter came in at ₹34.1 crores with corresponding EBITDA margins at 19.2%, up 223 bps QoQ. Gross margins for the quarter expanded by massive 420 bps QoQ with negative operating leverage limiting the gains (employee expense up 93 bps QoQ; other expense up 104 bps QoQ).
- PAT for quarter came at ₹26.6 crore, down 2% QoQ.

What should investors do? MUL share price have largely been flat (at ~₹450 levels) over last 5 years, thereby underperforming the underlying Nifty Auto Index.

- We retain **BUY** rating on the stock amidst proven capabilities in high end Auto OEM export market (with key clients being Mercedes Benz, BMW, among others) coupled with upbeat management commentary on growth as well as margin improvement over FY24E, FY25E.

Target Price and Valuation: Introducing FY25E and rolling over our valuations, we now value MUL at ₹ 580 i.e., 18x P/E (~1x PEG) on FY24E-25E avg. EPS of ₹32.1/share

Key triggers for future price performance:

- With revival in growth in domestic as well as global automobile space coupled with new initiatives at the company (retail presence), net sales at the consolidated level is seen growing at a CAGR of 15.1% over FY22-25E
- With crude price on decline as crude derivatives being the key raw material for MUL, along with increasing share of high margin auto OEM exports, we bake in 21% margins by FY25E (~300 bps improvement over FY23-25E).
- PAT at the company is seen growing at a CAGR of 17.8% over FY22-25E
- Technology risk immune product profile, particularly in the auto space.

Alternate Stock Idea: In our auto- ancillary coverage we like Apollo Tyres.

- Focus on b/s deleveraging, sweating of assets and capital efficiency
- BUY with target price of ₹390



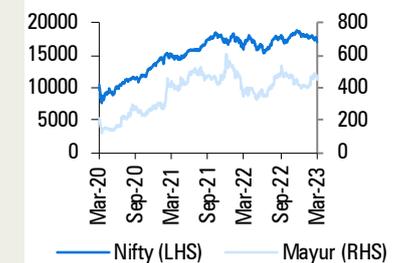
Particulars

Particulars	Amount
Market capitalisation (₹ crore)	1,999.8
Total Debt (FY22, ₹ crore)	29.0
Cash & Inv. (FY22, ₹ crore)	183.2
EV (₹ crore)	1,845.6
52 week H/L (₹)	547 / 319
Equity capital (₹ crore)	22.0
Face value (₹)	5.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	59.4	59.5	59.1	59.1
FII	1.6	1.3	1.6	1.6
DII	4.3	4.3	7.2	9.4
Other	34.7	34.9	32.1	29.9

Price Chart



Recent Event & Key risks

- Posted healthy Q3FY23 results with gross margin expansion as the key highlight (~420 bps QoQ)
- Key Risk:** (i) slower than anticipated sales growth, (ii) rise in crude led raw material prices limiting margin expansion

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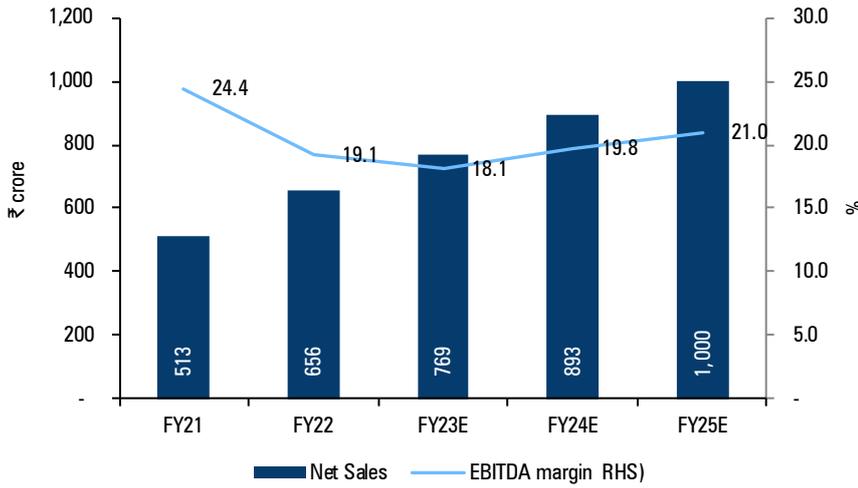
Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
Net Sales	591.3	528.0	512.7	656.5	6.8%	769	893	1,000	15.1%
EBITDA	129.3	103.9	125.3	125.7	-0.1%	139	176	210	18.7%
EBITDA Margins (%)	21.9	19.7	24.4	19.1		18.1	19.8	21.0	
Net Profit	89.6	79.8	89.8	94.4	3.0%	105	128	154	17.8%
EPS (₹)	19.8	17.6	20.1	21.2		24.0	29.1	35.1	
P/E	23.0	25.9	22.6	21.5		19.0	15.6	13.0	
RoNW (%)	17.3	13.8	14.4	13.3		13.8	14.6	15.2	
RoCE (%)	20.5	14.0	15.6	14.3		14.9	16.8	17.6	

Source: Company, ICICI Direct Research

Financial story in charts

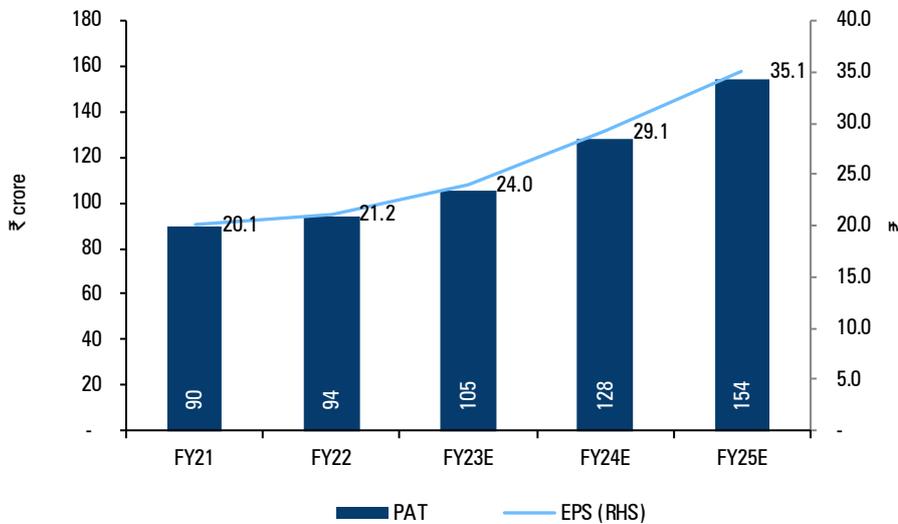
Exhibit 1: Trend in revenues and margins



MUL's revenues are seen growing at a CAGR of 15.1% over FY22-25E with EBITDA margins improving to 21% by FY25E vs. ~18% expected to be clocked in FY23E primarily driven by decline in crude prices as well as greater share of higher margin auto OEM exports in the revenue mix

Source: Company, ICICI Direct Research

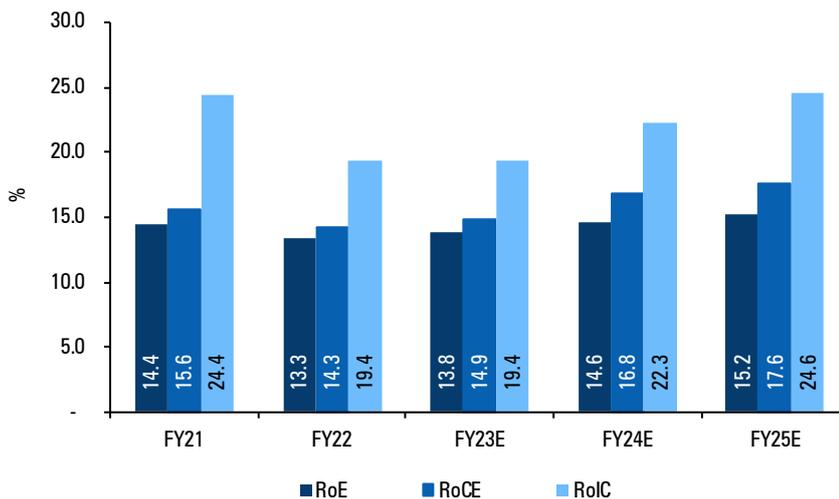
Exhibit 2: Trend in profitability and EPS



PAT at MUL is seen growing at a CAGR of 17.8% over FY22-25E with FY24E/FY25E EPS expected at ~₹29.1/share and ~₹35.1/share respectively

Source: Company, ICICI Direct Research

Exhibit 3: Trend in return ratios



MUL has consistently clocked strong double-digit return ratios with RoI 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	FY23E	FY24E	FY25E	
Net Sales	656.5	768.5	893.1	1000.3	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	656.5	768.5	893.1	1,000.3	
Growth (%)	28.0	17.1	16.2	12.0	
Raw Material Expenses	397.8	456.5	515.7	575.2	
Employee Expenses	40.6	42.4	49.1	55.0	
Other Operating Expense	92.3	130.8	151.8	160.0	
Total Operating Expenditure	530.8	629.7	716.7	790.2	
EBITDA	125.7	138.9	176.4	210.1	
Growth (%)	0.3	10.5	27.1	19.1	
Depreciation	20.5	21.1	25.0	27.5	
Interest	2.4	2.4	2.0	1.6	
Other Income	20.4	19.8	21.3	24.8	
PBT	123.2	135.1	170.8	205.7	
Excep. charge & P/L from Asso.	0.0	0.0	0.0	0.0	
Total Tax	28.8	29.8	42.7	51.4	
PAT	94.4	105.3	128.1	154.3	
Growth (%)	5.1	11.6	21.6	20.5	
EPS (₹)	21.2	24.0	29.1	35.1	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Profit after Tax	94.4	105.3	128.1	154.3	
Add: Depreciation	20.5	21.1	25.0	27.5	
(Inc)/dec in Current Assets	-83.4	-43.1	-70.8	-60.9	
Inc/(dec) in CL and Provisions	-8.5	10.4	12.7	10.9	
Others	-18.0	-17.4	-19.3	-23.2	
CF from operating activities	5.0	76.4	75.6	108.6	
(Inc)/dec in Investments	51.2	13.1	-35.5	-60.5	
(Inc)/dec in Fixed Assets	-42.7	-50.0	-40.0	-40.0	
Others	18.3	19.8	21.3	24.8	
CF from investing activities	26.8	-17.2	-54.2	-75.7	
Issue/(Buy back) of Equity	0.0	-0.3	0.0	0.0	
Inc/(dec) in loan funds	-10.2	1.0	-5.0	-5.0	
Interest and Dividend outgo	-11.3	-13.4	-15.2	-17.0	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	-1.4	-40.3	0.0	0.0	
CF from financing activities	-22.9	-53.0	-20.2	-22.0	
Net Cash flow	8.8	6.3	1.3	10.9	
Opening Cash	20.9	29.7	35.9	37.2	
Closing Cash	29.7	35.9	37.2	48.1	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Liabilities					
Equity Capital	22.3	22.0	22.0	22.0	
Reserve and Surplus	684.9	738.9	853.8	992.7	
Total Shareholders funds	707.2	760.9	875.8	1,014.7	
Total Debt	29.0	30.0	25.0	20.0	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Minority Interest / Others	2.6	2.6	2.6	2.6	
Total Liabilities	738.9	793.6	903.5	1,037.4	
Assets					
Gross Block	327.2	379.1	419.1	459.1	
Less: Acc Depreciation	107.5	128.6	153.6	181.1	
Net Block	219.8	250.5	265.5	278.0	
Capital WIP	11.8	10.0	10.0	10.0	
Total Fixed Assets	231.6	260.5	275.5	288.0	
Investments & Goodwill	158.0	145.0	180.5	241.0	
Inventory	222.1	231.6	269.2	301.5	
Debtors	122.3	147.4	171.3	191.8	
Loans and Advances	2.9	3.4	3.9	4.4	
Other Current Assets	46.6	54.5	63.4	71.0	
Cash	29.7	35.9	37.2	48.1	
Total Current Assets	423.5	472.8	544.9	616.8	
Current Liabilities	83.1	93.6	106.3	117.2	
Provisions	0.0	0.0	0.0	0.0	
Current Liabilities & Prov	83.1	93.6	106.3	117.2	
Net Current Assets	340.4	379.3	438.7	499.6	
Others Assets	8.8	8.8	8.8	8.8	
Application of Funds	738.9	793.6	903.5	1,037.4	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Per share data (₹)					
EPS	21.2	24.0	29.1	35.1	
Cash EPS	25.8	28.8	34.8	41.4	
BV	158.6	173.1	199.3	230.9	
DPS	2.0	2.5	3.0	3.5	
Cash Per Share (Incl Invst)	41.1	40.0	48.3	64.4	
Operating Ratios (%)					
EBITDA Margin	19.1	18.1	19.8	21.0	
PAT Margin	14.4	13.7	14.3	15.4	
Inventory days	123.5	110.0	110.0	110.0	
Debtor days	68.0	70.0	70.0	70.0	
Creditor days	30.6	30.0	30.0	30.0	
Return Ratios (%)					
RoE	13.3	13.8	14.6	15.2	
RoCE	14.3	14.9	16.8	17.6	
RoIC	19.4	19.4	22.3	24.6	
Valuation Ratios (x)					
P/E	21.5	19.0	15.6	13.0	
EV / EBITDA	14.7	13.4	10.3	8.3	
EV / Net Sales	2.8	2.4	2.0	1.7	
Market Cap / Sales	3.0	2.6	2.2	2.0	
Price to Book Value	2.9	2.6	2.3	2.0	
Solvency Ratios					
Debt/EBITDA	0.2	0.2	0.1	0.1	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	5.6	5.6	5.7	5.8	
Quick Ratio	2.5	2.6	2.7	2.7	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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