

05 February 2025

Mayur Uniquoters

Healthy performance, encouraging outlook; retaining a Buy

Mayur's Q3 revenue surged 17% y/y to Rs2.1bn. The greater share of value-added products and a ramp-up in the B2C business helped the gross margin expand 305bps y/y to 46.9%. However, operating deleverage (due to higher employee expense/other operating expense) curtailed the EBITDA margin expansion, which rose 260bps y/y to 22.4%. PAT growth was restricted to 12% y/y owing to lower other income (down 64.7% y/y; the share buyback led to lower surplus cash).

Soft automotives in Q3, buoyancy expected ahead. OEM exports were impacted by the US elections and lean season. Management expects strong performance in automotives backed by healthy offtake in export and domestic OEMs. Stellantis continues to be a key customer. BMW South Africa expected to increase offtake from 50,000 mtrs p.m. Strong pipeline of orders expected from the US and Europe. Domestic & replacement markets are expected to see strong traction. Supplying to Hyundai and Nissan in India.

Stable business in footwear, likely to see traction. Customers are largely from the Agra and Kanpur belt. Footwear revenue was stable at Rs425m-450m. Management expects traction in this space with revenue climbing to Rs500m.

Utilisation, capex plans. Utilisation at PVC/PU-based plants was ~70%/25-30%. The setting up of an overseas plant was put on hold as a final call on the location has yet to be firmed up.

Double-digit revenue growth, better margins in FY26; Retaining a Buy. Management expects ~Rs8bn-8.5bn revenue in FY25 and aims to double automotive OEM exports in the next 2-3 years. We expect 14%/20%/18% revenue/EBITDA/PAT CAGRs over FY24-27. We retain our Buy rating on the stock with an unchanged TP of Rs803, 17.5x FY27e earnings. **Risks:** Slowdown in the automotive and footwear sectors; increase in input costs and keener competition.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	7,756	8,030	8,810	10,100	11,825
Net profit (Rs m)	1,042	1,225	1,337	1,628	2,016
EPS (Rs)	23.7	27.9	30.4	37.0	45.9
P/E (x)	23.2	19.7	18.1	14.8	12.0
EV / EBITDA (x)	16.4	14.0	12.2	9.6	7.4
P/BV (x)	3.2	2.8	2.4	2.1	1.8
RoE (%)	14.3	15.1	14.4	15.2	16.2
RoCE (%)	12.9	14.4	14.1	15.0	16.0
Dividend yield (%)	0.4	0.4	0.4	0.4	0.4
Net debt / equity (x)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, Anand Rathi Research

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Rating: Buy

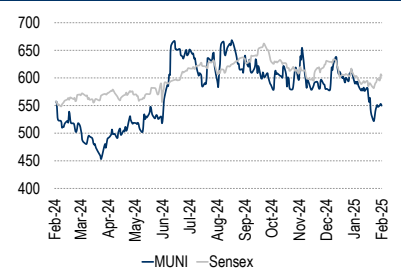
Target Price: Rs.803

Share Price: Rs.550

Key data	MUNI IN / MAYU.BO
52-week high / low	Rs700 / 454
Sensex / Nifty	78271 / 23696
3-m average volume	\$0.6m
Market cap	Rs.24bn / \$273.2m
Shares outstanding	43m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	58.6	58.6	58.5
- of which, Pledged	-	-	-
Free float	41.4	41.4	41.5
- Foreign institutions	3.2	3.2	3.3
- Domestic institutions	3.3	3.2	4.0
- Public	34.9	35.0	34.2

Relative price performance



Source: Bloomberg

Rishab Bothra
Research Analyst

Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	7,756	8,030	8,810	10,100	11,825
Growth (%)	18.2	3.5	9.7	14.6	17.1
Direct costs	4,628	4,640	4,956	5,839	7,021
SG&A	1,742	1,801	2,065	2,052	2,032
EBITDA	1,387	1,588	1,790	2,209	2,772
EBITDA margins (%)	17.9	19.8	20.3	21.9	23.4
- Depreciation	223	293	310	357	419
Other income	177	318	330	347	370
Interest expenses	25	26	28	29	33
PBT	1,317	1,588	1,782	2,171	2,689
Effective tax rate (%)	25.6	24.4	25.0	25.0	25.0
+ Associates / (Minorities)	-	-	-	-	-
Net income	1,042	1,225	1,337	1,628	2,016
Adjusted income	1,042	1,225	1,337	1,628	2,016
WANS	44.0	44.0	44.0	44.0	44.0
FDEPS (Rs)	23.7	27.9	30.4	37.0	45.9
FDEPS growth (%)	12.0	17.5	9.1	21.8	23.9
Gross margins (%)	40.3	42.2	43.8	42.2	40.6

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
EBIT (excl. other income)	1,317	1,588	1,782	2,171	2,689
+ Non-cash items	223	293	310	357	419
Oper. prof. before WC	1,540	1,881	2,092	2,527	3,108
- Incr. / (decr.) in WC	59	(638)	(549)	(526)	(703)
Others incl. taxes	(392)	(365)	(418)	(514)	(639)
Operating cash-flow	1,207	877	1,125	1,488	1,766
- Capex (tang. + intang.)	(339)	(195)	(562)	(735)	(923)
Free cash-flow	867	682	563	753	843
Acquisitions					
- Div. (incl. buyback & taxes)	(88)	(88)	(88)	(88)	(88)
+ Equity raised	(3)	-	-	-	-
+ Debt raised	(101)	(85)	7	7	9
- Fin investments	219	(539)	-	-	-
- Misc. (CFI + CFF)	(488)	20	(24)	(24)	(26)
Net cash-flow	407	(11)	459	649	738

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

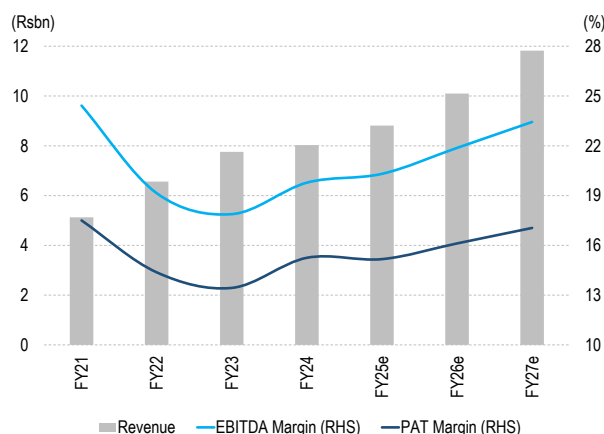
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	220	220	220	220	220
Net worth	7,536	8,671	9,920	11,460	13,388
Debt (incl. pref.)	340	255	262	269	278
Minority interest	-	-	-	-	-
DTL / (Assets)	-23	-28	-28	-28	-28
Capital employed	7,853	8,898	10,154	11,700	13,638
Net tangible assets	2,419	2,322	2,572	2,947	3,447
Net intangible assets	2	3	3	3	3
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	12	11	13	16	19
Investments (strategic)	252	376	376	376	376
Investments (financial)	1,065	1,480	1,480	1,480	1,480
Current assets (ex cash)	591	1,080	1,067	1,057	1,043
Cash	704	693	1,152	1,800	2,539
Current liabilities	105	127	129	128	128
Working capital	2,914	3,061	3,621	4,151	4,860
Capital deployed	7,853	8,898	10,154	11,700	13,638
Contingent liabilities	71	356	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	23.2	19.7	18.1	14.8	12.0
EV / EBITDA (x)	16.4	14.0	12.2	9.6	7.4
EV / Sales (x)	2.9	2.8	2.5	2.1	1.7
P/B (x)	3.2	2.8	2.4	2.1	1.8
RoE (%)	14.3	15.1	14.4	15.2	16.2
RoCE (%) - after tax	12.9	14.4	14.1	15.0	16.0
Fixed asset T/O (x)	17.2	19.8	19.9	21.5	23.4
DPS (Rs)	2.0	2.0	2.0	2.0	2.0
Dividend yield (%)	0.4	0.4	0.4	0.4	0.4
Div. payout (%) - incl. DDT	8.4	7.2	6.6	5.4	4.4
Net debt / equity (x)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Receivables (days)	62.9	72.0	75.0	75.0	75.0
Inventory (days)	108.5	93.3	100.0	100.0	100.0
Payables (days)	34.3	26.1	25.0	25.0	25.0
CFO: PAT %	115.8	71.6	84.2	91.4	87.6

Source: Company, Anand Rathi Research

Fig 6 – Revenue and margin trend



Source: Company

Financial performance

Fig 7 – Financial performance (consol.)

(Rs m)	Q3 FY24	Q2 FY25	Q3 FY25	% Y/Y	% Q/Q	9M FY24	9M FY25	% Y/Y	FY23	FY24	% Y/Y
Revenue	1,783	2,080	2,084	16.9	0.2	5,821	6,296	8.2	7,756	8,030	3.5
Raw Materials costs	1,002	1,095	1,107	10.5	1.1	3,312	3,382	2.1	4,628	4,640	0.3
Employee expenses	110	124	117	7.3	(5.5)	333	362	8.9	405	453	11.8
Other expenses	318	429	392	23.2	(8.7)	1,001	1,171	16.9	1,337	1,348	0.9
EBITDA	427	482	431	0.9	(10.4)	822	913	11.1	1,387	1,588	14.5
Other income	91	151	32	(64.7)	(78.6)	252	292	15.9	177	318	79.5
Depreciation	75	72	72	(3.9)	0.2	219	215	(1.7)	223	293	31.4
Finance costs	6	5	4	(31.6)	(20.0)	19	14	(27.7)	25	26	4.8
PBT	365	506	424	16.3	(16.1)	1,189	1,443	21.4	1,317	1,588	20.6
Tax	92	107	118	29.2	10.4	286	365	27.6	275	364	32.2
PAT	273	398	306	12.0	(23.3)	903	1,078	19.4	1,042	1,225	17.5
EPS (Rs)	6.3	9.2	7.0	12.0	(23.3)	20.5	24.8	20.8	24	27.9	17.5
As % of income				bps y/y	bps q/q			bps y/y			bps y/y
Gross margins	43.8	47.3	46.9	305	(48)	43.1	46.3	317	40.3	42.2	187
Employee costs	6.1	6.0	5.6	(51)	(34)	5.7	5.8	4	5.2	5.6	42
Other expenses	17.8	20.6	18.8	97	(183)	17.2	18.6	139	17.2	16.8	(44)
EBITDA margins	19.8	20.7	22.4	260	169	20.2	21.9	174	17.9	19.8	190
Depreciation	5.1	7.3	1.5	(358)	(570)	4.3	4.6	31	2.3	4.0	168
Finance costs	4.2	3.4	3.4	(75)	0	3.8	3.4	(34)	2.9	3.6	77
Other	0.3	0.2	0.2	(14)	(5)	0.3	0.2	(11)	0.3	0.3	0
PBT margins	20.4	24.3	20.3	(10)	(396)	20.4	22.9	250	17.0	19.8	280
Effective tax rates	25.1	21.2	27.9	279	670	24.1	25.3	123	20.9	22.9	201
PAT margins	15.3	19.2	14.7	(65)	(449)	15.5	17.1	162	13.4	15.3	182

Source: Company, Anand Rathi Research

Q3 FY25 results

Healthy performance

- Revenue surged 17% y/y to Rs2.1bn
- Easing input-cost pressures and the product-mix change (rising share of value-added products and expected ramp-up in the B2C business) expanded the gross margin 305bps y/y to 46.9%. This led to a healthy 25.1% y/y increase in gross profit to Rs977m.
- Though employee cost was 51bps lower y/y (to 5.6% of sales), higher other operating expenses (up 97bps y/y to 18.8% of sales) curtailed the expansion in the EBITDA margin, which rose 260bps y/y to 22.4%. EBITDA at Rs 468m grew a robust 32.2% y/y.
- Lower other income (down 64.7% y/y, the share buyback led to lower surplus cash) restricted PAT to Rs306m up 12% y/y, resulting in a 65bp contraction in the PAT margin to 14.7%.

The Board approved certain key appointments and designated them Senior Management Personnel

- Ravi Pant: Senior General Manager- HR and Administration
- Rajesh Kumar Pachori: General Manager, Head of Operations, Gwalior.

Q3 FY25 concall key takeaways

Healthy performance, Encouraging outlook

- **Revenue mix.** Automotive OEM exports: Rs390m, Automotive OEMs domestic: Rs400m, Automotive replacements: Rs400m, Footwear: Rs440m, Export general: Rs200m, Furnishing: Rs50m.
- **Total sales volumes.** 7.215m mtrs, 20% exports.
- Margins stable; favorable product mix driving profitability.

Segment-wise performance

Automotive

01. Exports OEMs

- **Q3 automotive export revenue:** Rs400m (down from Rs600m in Q2, impacted by US elections and the holiday season)
- Stellantis continues to be a key customer, potential amid global trade shifts
- **BMW South Africa.** Now sourcing 50,000 mtrs p.m, further offtake expected
- **PU business.** Sales grew 27% q/q, nearing PBT breakeven
- In Q3, the company exported ~0.15m mtrs p.m. to automotive OEMs in the US.
- Strong pipeline of new orders from the US and Europe; sales expected to rebound in Q4
- Expected monthly exports to the US. Feb: 200,000 mtrs, Mar 250,000
- Chinese competition persists but does not impact OEM exports.

02. Domestic OEMs, replacements

- Supplying to Hyundai and Nissan in India
- Domestic OEMs and replacement growing steadily. Strong traction expected in FY26.

Footwear

- Key customer base in Agra and Kanpur. Caters to Bata but has a smaller contribution.
- Q3 footwear revenue steady at Rs425m-450m; expecting Rs500m+ in Q4.

Utilisation, capex plans

- Utilisation: ~70% at the *PVC*-based artificial leather plant; 25-30% at the *PU*-based artificial leather plant
- Mexico capex on hold due to US tariff concerns; final decision expected in a month
- Investment in new marine segment gaining traction, with repeated customer orders.

Other key highlights

- Market leader in synthetic leather

- Sales growth expected with rise in footwear
- Margins rising due to better product mix and operational efficiencies
- BIS regulatory impact now fully absorbed; demand expected to improve
- Expansion in marine upholstery and furnishing showing early success
- New model supplies have commenced in the USA and South Africa, following last year's orders
- Management optimistic about export-led growth, focusing on premium markets and long-term partnerships.

Acquisition of a subsidiary in the European market on 26th Sep'24

- Its wholly-owned subsidiary, Mayur Uniquoters Corp, acquired UAB Futura Textiles, Lithuania, Europe, for €4,000
- The main object of this is to trade in synthetic leather to meet the rising needs of customers in Europe and to scale up the company's business globally
- To commence business in Q1 FY26; expects a 10-15% revenue boost from European markets.

Industry scenario

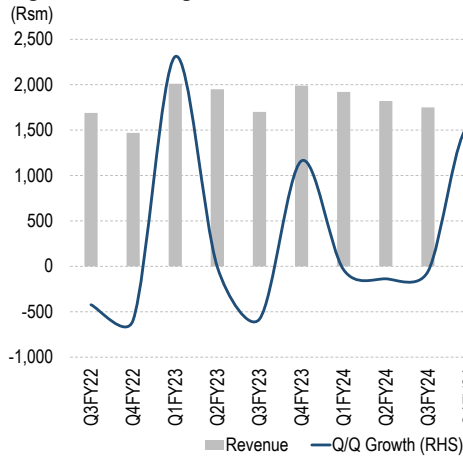
- The synthetic leather industry is stable, with growth in automotive and footwear.
- Export demand impacted by global factors like the US elections and tariff changes, but long-term outlook strong.
- Management expects 10-15% volume growth in FY26, supported by export orders and domestic recovery.

Growth outlook & guidance

- Aims to be a leading supplier to automotive OEMs in the US
- Europe and the US expected to drive long-term growth, despite near-term volatility
- **FY26 revenue guidance.** Double-digit growth expected on a base of ~Rs8bn-8.5bn revenue in FY25
- Export OEM business on track to double to Rs4bn in the next 2-3 years; expects to exceed Rs2bn in FY25
- Domestic OEM market expanding and should improve over this year. 15-20% annual growth in automotive exports, driven by new orders from global OEMs.

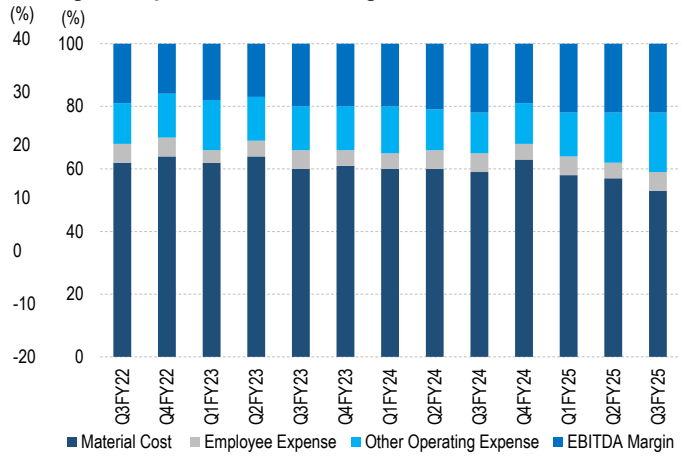
Story in charts

Fig 8 – Revenue growth



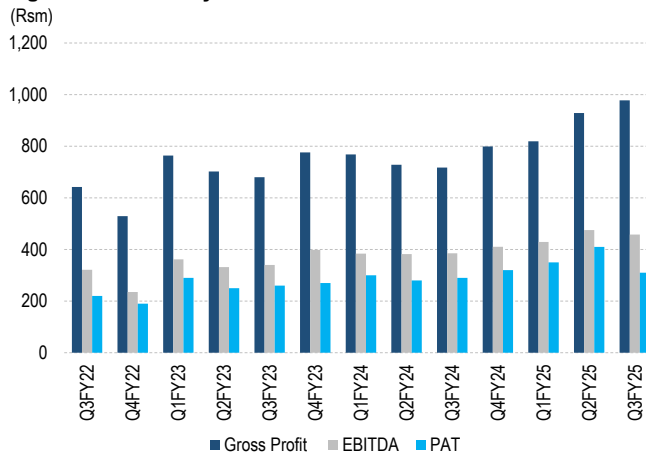
Source: Company, Anand Rathi Research

Fig 9 – Expenses mix and margin



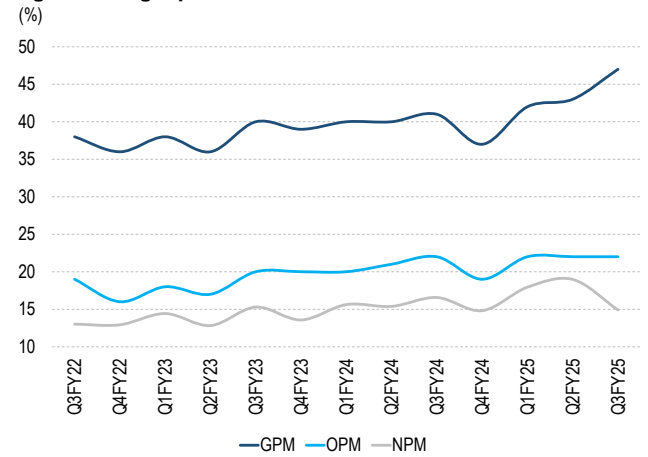
Source: Company, Anand Rathi Research

Fig 10 – Profitability



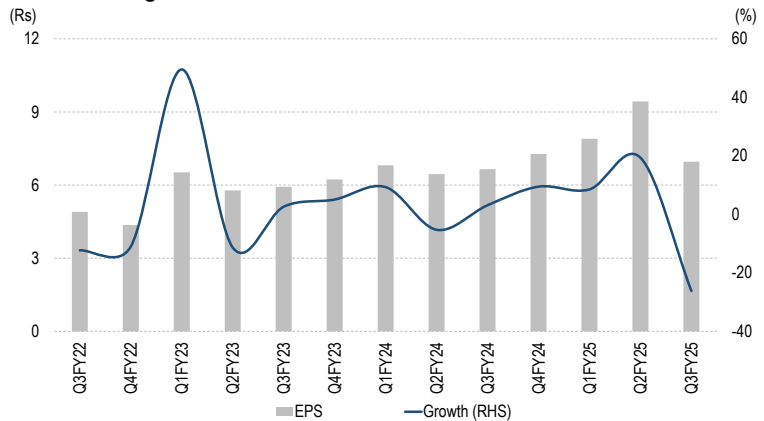
Source: Company, Anand Rathi Research

Fig 11 – Margin profile



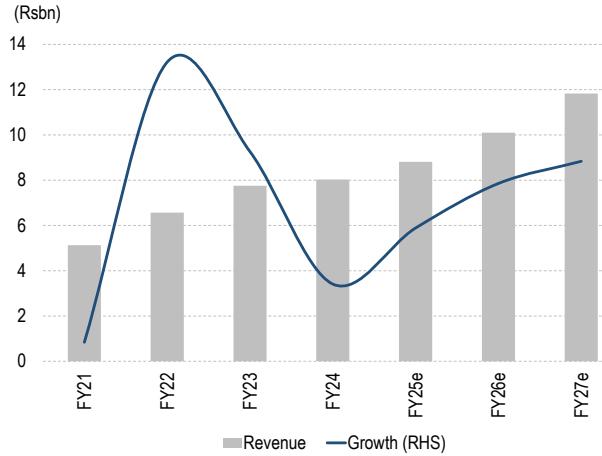
Source: Company, Anand Rathi Research

Fig 12 – EPS and growth



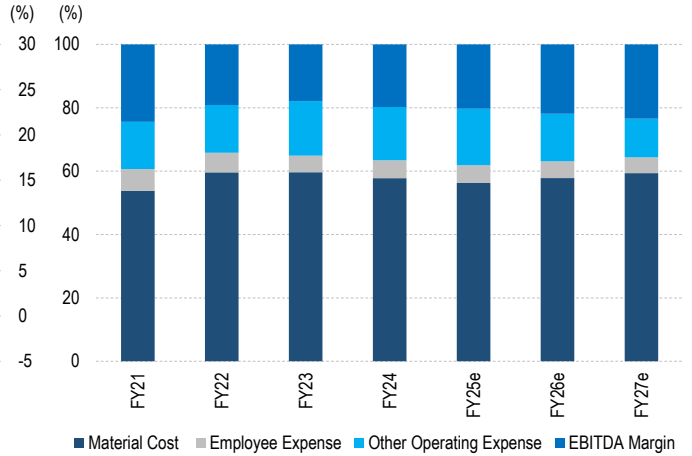
Source: Company, Anand Rathi Research

Fig 13 – Revenue growth



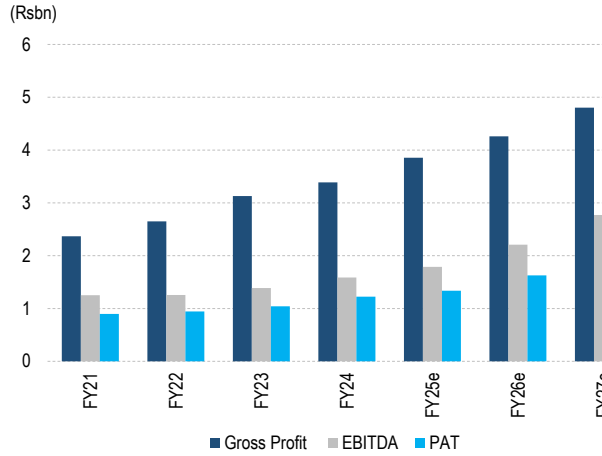
Source: Company, Anand Rathi Research

Fig 14 – Expenses mix and margin



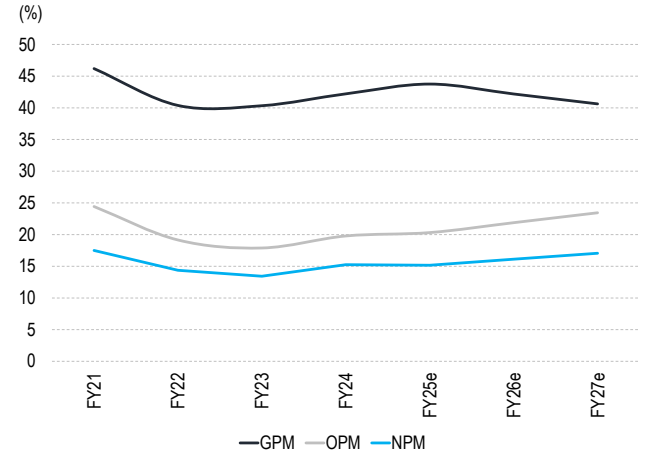
Source: Company, Anand Rathi Research

Fig 15 – Profitability



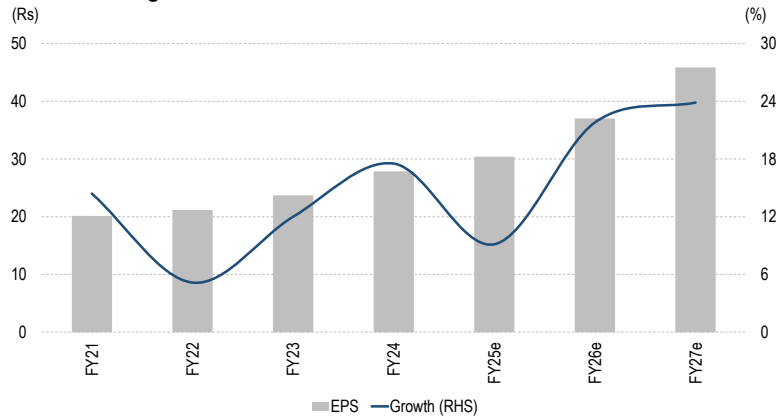
Source: Company, Anand Rathi Research

Fig 16 – Margin profile



Source: Company, Anand Rathi Research

Fig 17 – EPS and growth



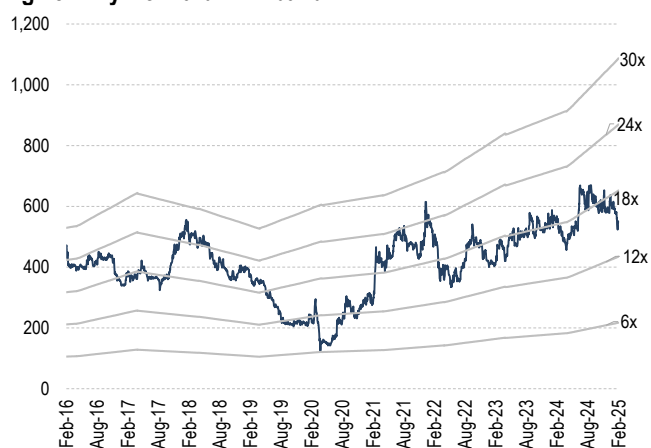
Source: Company, Anand Rathi Research

Outlook and Valuation

We like the company for its leading position in synthetic leather and inherent strength. Also, it has made a foray into the B2C segment by launching its Textures & Hues brand, which caters to customers in home furnishings. Management anticipates encouraging demand in automotives. An uptick in footwear is also expected.

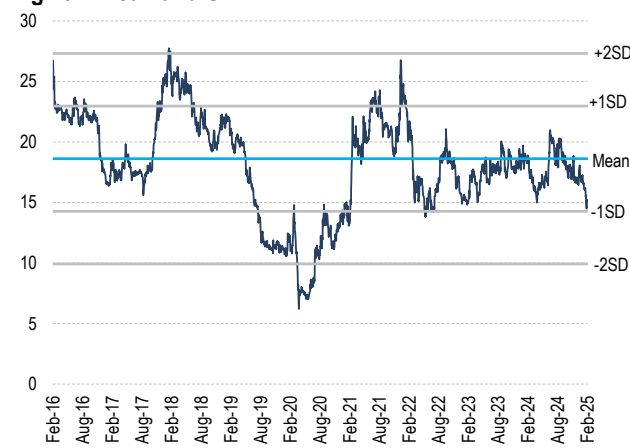
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Fig 18 – 1-yr forward PER band



Source: Company, Anand Rathi Research

Fig 19 – Mean and SD



Source: Company, Anand Rathi Research

Risks

- **Timely available raw material, pricing, key challenges.** Release paper, knitted fabric and chemicals (PU/PVC resin) are important raw materials. Their non-availability would hamper production schedules and profitability.

Adverse movements in prices of key raw materials are usually passed on partially/fully with a lag. Till then, margins may be squeezed.

- **Keener competition.** Heightened competition from Chinese products, especially in PU-coated fabric or in other products, might have a bearing on market share, cutting into offtake and margins.

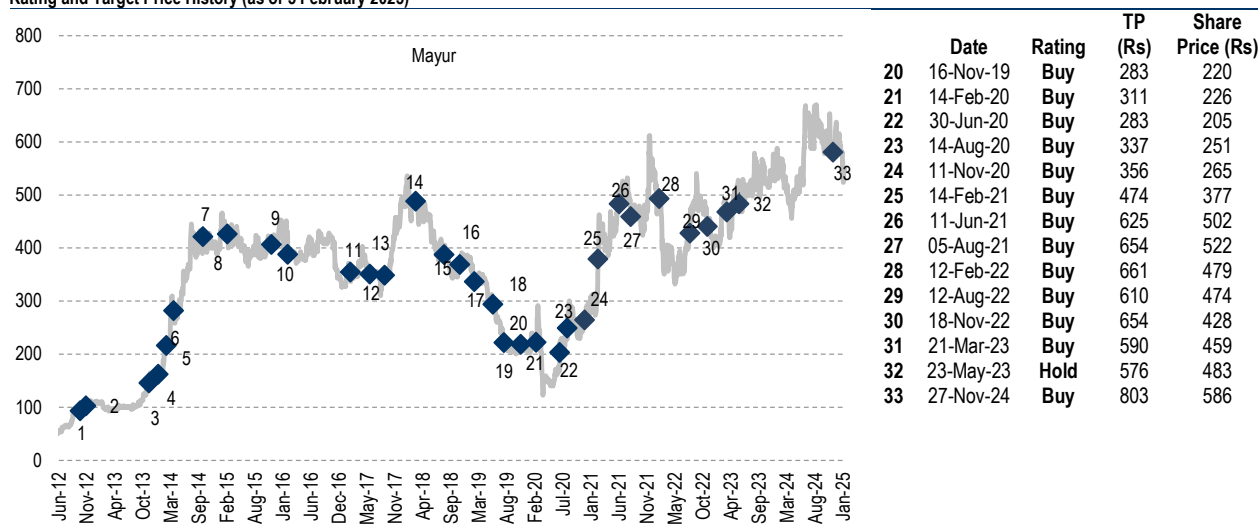
Appendix

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Rating and Target Price History (as of 5 February 2025)



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	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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