



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

22 May 2024

Mayur Uniquoters

Re-rating potential if meets robust guidance

Mayur Uniquoters (MUNI) inline PAT (up 38% YoY) in 4Q was driven by strong revenue (up 14% YoY at Rs 2.2bn, led by auto and exports) and soft EBITDA margin (18.7%, down 114bps QoQ vs. 20% estimate). Strong cash flow generation continued (FY23/24 CFO: Rs 1.21bn/1.13bn). For FY25, management has reiterated its strong growth guidance of 15-20% (export 20-25%, domestic 15-20%). OEM exports has potential to grow its revenue to 2.5x in 3 years by adding new models every quarter. Footwear segment will take 2 years to revive due to large inventory liquidation, post BIS implementation, is under process. Overall margins will improve with greater mix of exports. The current ~75% capacity utilization provides ample room for healthy growth over 2-3 years. MUNI has announced to invest Rs 300mn in its US subsidiary to buy land in Mexico to set up a warehouse. It can also consider setting up a manufacturing facility in Mexico in future to boost business. A similar set up is also under planning for Europe to expand business there. Slow ramp up in the PU (FY24 revenue Rs 250mn, Rs 1.25bn potential) plant is a concern though, impacted by continued illegal imports in India despite ADD imposition. After a decent 4Q, we maintain our earnings estimates. After a muted 6%/6% CAGR in revenue/PAT over FY19-24, we now expect a healthy 16%/20% CAGR over FY24-26E with 21%+ EBITDA margin and ~22% RoCE in FY26E. Our estimates are based on management guidance of healthy recovery in FY25 and a strong bounce in FY26 (driven by exports). Maintain BUY with a higher target price of Rs 720 (18x FY26E P/E, earlier Rs 619 at 16x). We see large potential for more re-rating if MUNI meets its guidance. ([concall KTAs](#))

4Q – a mix bag quarter: MUNI's strong revenue (up 14% YoY at Rs 2.2bn) and soft EBITDA margin (18.7%, down 114bps QoQ vs. 20% estimate) drove inline PAT (up 38% YoY). Healthy traction in auto and exports drove 4Q performance. Margin was little low due to certain provisions taken. Strong cash flow generation continued (FY23/24 CFO: Rs 1.21bn/ 1.13bn).

4Q revenue mix (Rs mn): Exports (666), Domestic (1475 incl Auto OEM 520, Replacement 420, Footwear 480), PU (65)

OEM exports revenue to rise 2.5x in 2-3 years: For FY25, management has reiterated its strong growth guidance of 15-20% (export 20-25%, domestic 15-20%). OEM exports has potential to grow its revenue to 2.5x in 3 years by adding new models every quarter. Footwear segment will take 2 years to revive due to large inventory liquidation, post BIS implementation, is under process. Overall margins will improve with greater mix of exports. The current ~75% capacity utilization provides ample room for healthy growth over 2-3 years. Supply to BMW Thailand has started; South Africa will be added soon and will boost revenue. Rise in freight cost rise is a temporary concern. Marine is a new emerging potential segment for future.

Expanding footprint in Mexico and Europe: MUNI has announced to invest Rs 300mn in its US subsidiary to buy land in Mexico to set up a warehouse. It can also consider set up a manufacturing facility in Mexico in future to boost business. A similar set up is also under planning for Europe to expand business there.

Slow ramp up in the PU plant is a concern: PU segment clocked Rs 250mn revenue in FY24 (Rs 1.25bn potential); ramp up is taking long due to continued illegal imports despite ADD imposition. Talks with leading footwear and bags manufactures are on.

RESULT UPDATE

Sector: Artificial Leather Rating: BUY

CMP: Rs 555 Target Price: Rs 720

Stock Info

Sensex/Nifty	74,221/22,598
Bloomberg	MUNI IN
Equity shares (mn)	44
52-wk High/Low	Rs 588/456
Face value	Rs .5
M-Cap	Rs 24bn/ USD 292mn
3-m avg turnover	USD 0.5mn

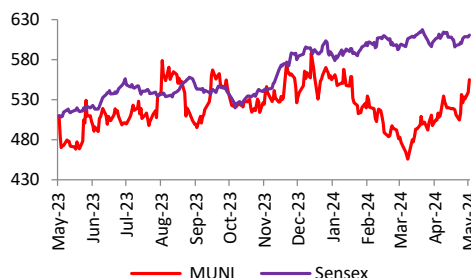
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	8,030	9,234	10,896
EBITDA	1,588	1,900	2,330
OPM (%)	19.8	20.6	21.4
PAT (adj.)	1,225	1,419	1,759
EPS (adj.) (Rs)	27.9	32.3	40.0
PE (x)	19.9	17.2	13.9
P/B (x)	2.8	2.5	2.1
EV/EBITDA (x)	13.8	10.9	8.5
RoE (%)	14.1	14.3	15.4
RoCE (%)	19.4	20.3	21.9
Net-D/E (x)	(0.3)	(0.4)	(0.4)

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	58.5	58.5	58.5
–Pledged			
FII	2.8	2.8	2.4
DII	6.4	8.7	9.7
Others	32.2	30.0	29.4

Stock Performance (1-year)



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Concall key takeaways (4QFY24)

4QFY24 – a mixed bag quarter; key highlights

- Strong revenue (up 14% YoY at Rs 2.2bn) and soft EBITDA margin (18.7%, down 114bps QoQ) drove inline PAT (up 38% YoY)
- Volume (mtrs): 7.7mn, PU 0.3mn
- Auto and exports doing good and drove 4Q performance
- Margin was little low due to certain provisions taken
- **Revenue mix (Rs mn):** Exports (666), Domestic (1475 including Auto OEM 520, Replacement 420, Footwear Rs 480mn), PU (65)

Business development & Outlook

- **FY25 growth guidance:** Export 20-25%, Domestic 15-20%, Footwear low growth
- **OEM exports has potential to be 2.5x in 3 years;** will add new models every quarter now onwards
- Margins will increase with strong recovery in exports
- Footwear segment will take 2 years to revive; inventory liquidation post BIS implementation will take time
- 75% CU so room for healthy growth over 2-3 years
- BMW – supplying currently only for Thailand; South Africa to start soon and will boost FY25 revenue
- Freight cost rise is a temporary concern
- PU (revenue: Rs 250mn in FY24, 1.25bn potential) is taking long to ramp up due to continued illegal imports in India despite ADD imposition
- Marine is a new emerging potential segment for future

Geography expansion

- To invest Rs 300mn in US subsidiary **to buy land in Mexico to set up a warehouse**
- Will consider to **start manufacturing in Mexico in future** to boost business
- Also planning a **similar set up in Europe** to expand business there

Exhibit 1: Quarterly financial statement (consolidated)

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	1,932	2,009	2,029	1,783	2,209	14	24	8,030	7,756	4
Raw material costs	1,132	1,161	1,149	1,002	1,329	17	33	4,640	4,628	0
Employee costs	102	109	114	110	120	18	10	453	405	12
Other expenses	345	345	338	318	347	0	9	1,348	1,337	1
EBITDA	352	394	427	354	413	17	17	1,588	1,387	15
Depreciation	68	71	73	75	74	9	(1)	293	223	31
Finance costs	10	7	7	6	7	(32)	17	26	25	5
Other income	18	81	79	91	67	265	(27)	318	177	79
PBT	293	397	427	365	399	36	10	1,588	1,317	21
Tax	59	92	103	92	77	30	(16)	364	275	32
PAT	234	305	324	273	322	38	18	1,225	1,042	18
EPS (Rs)	5.3	6.9	7.4	6.2	7.3	38	18	27.9	23.7	18
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	41.4	42.2	43.4	43.8	39.8	(156)	(397)	42.2	40.3	187
Employee costs	5.3	5.4	5.6	6.1	5.4	15	(71)	5.6	5.2	42
Other expenses	17.9	17.2	16.7	17.8	15.7	(217)	(212)	16.8	17.2	(44)
EBITDA margin	18.2	19.6	21.1	19.8	18.7	46	(114)	19.8	17.9	190
Depreciation	3.5	3.5	3.6	4.2	3.3	(16)	(85)	3.6	2.9	77
Finance costs	0.5	0.3	0.3	0.3	0.3	(21)	(2)	0.3	0.3	0
Other income	0.9	4.0	3.9	5.1	3.0	208	(210)	4.0	2.3	168
PBT	15.2	19.8	21.1	20.4	18.1	291	(237)	19.8	17.0	280
Effective tax rate	20.2	23.1	24.1	25.1	19.3	(88)	(579)	22.9	20.9	201
PAT	12.1	15.2	16.0	15.3	14.6	248	(73)	15.3	13.4	182

Exhibit 2: Gross margin (%) – quarterly trend

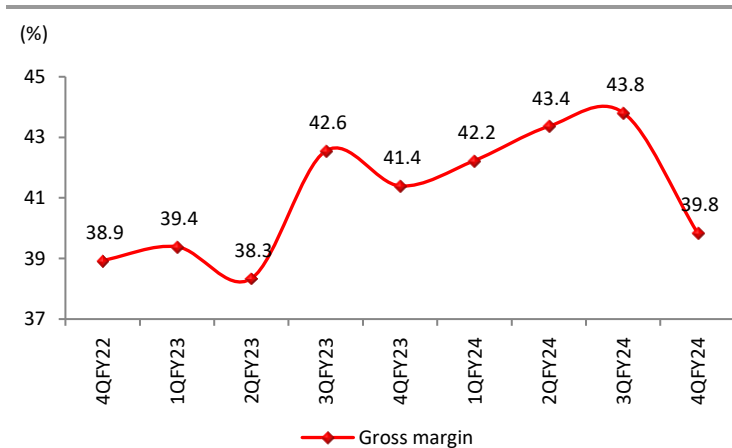
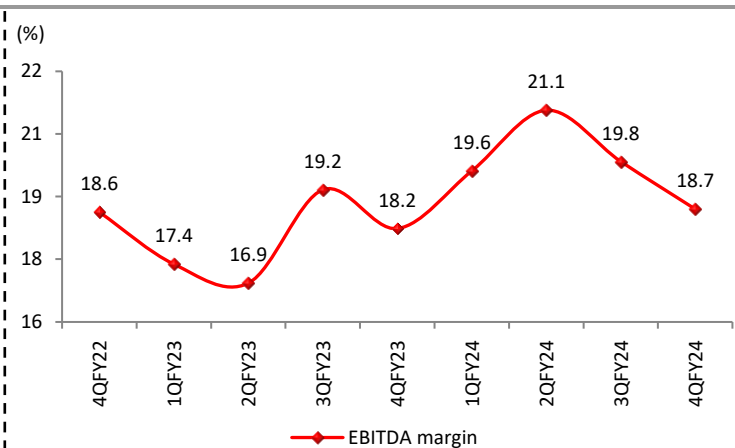


Exhibit 3: EBITDA margin (%) – quarterly trend



Source: Company, Systematix Institutional Research

Exhibit 4: Revenue growth – quarterly trend

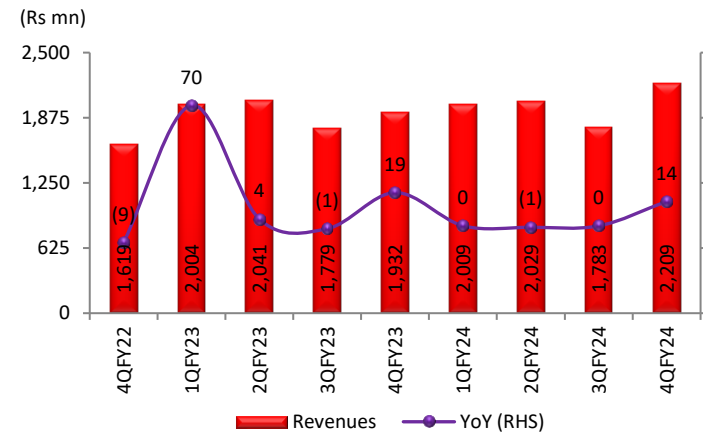


Exhibit 5: Expenses as a percentage of revenue – quarterly trend

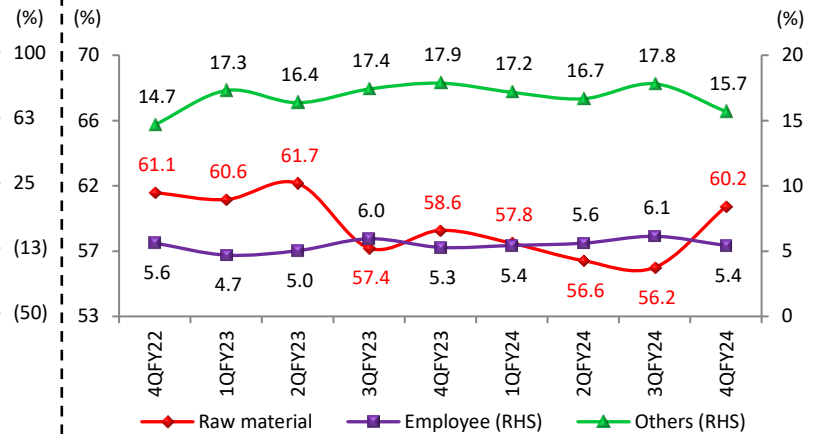


Exhibit 6: EBITDA, PAT and margin – quarterly trend

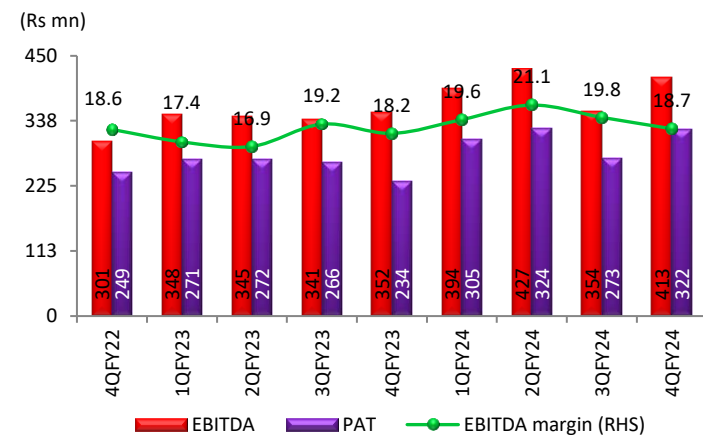


Exhibit 7: Earnings growth – quarterly trend

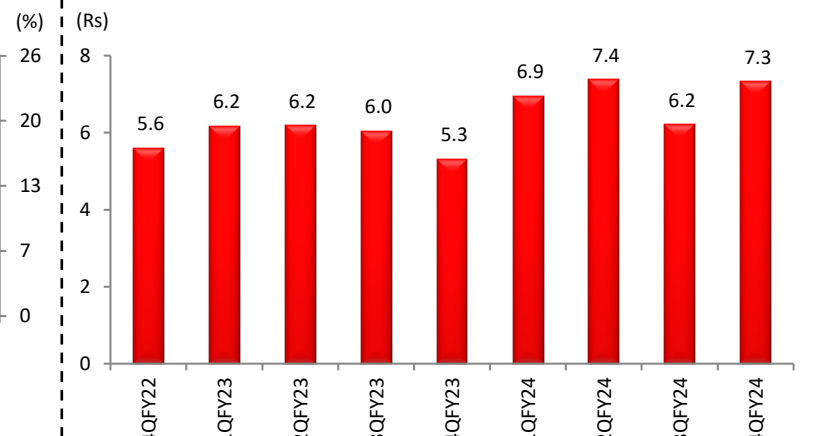


Exhibit 8: Revenue – Annual growth trend

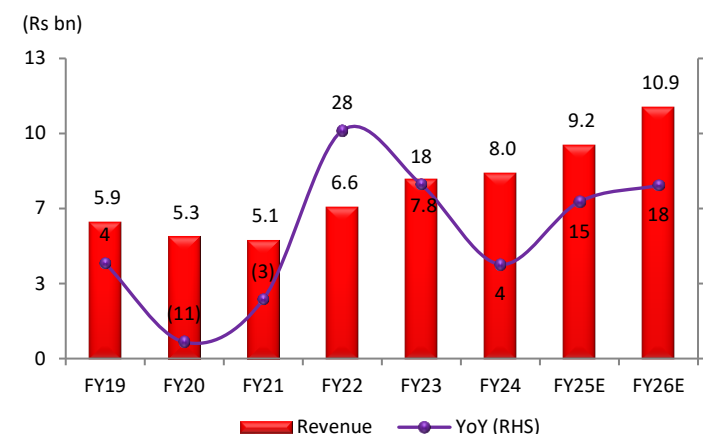
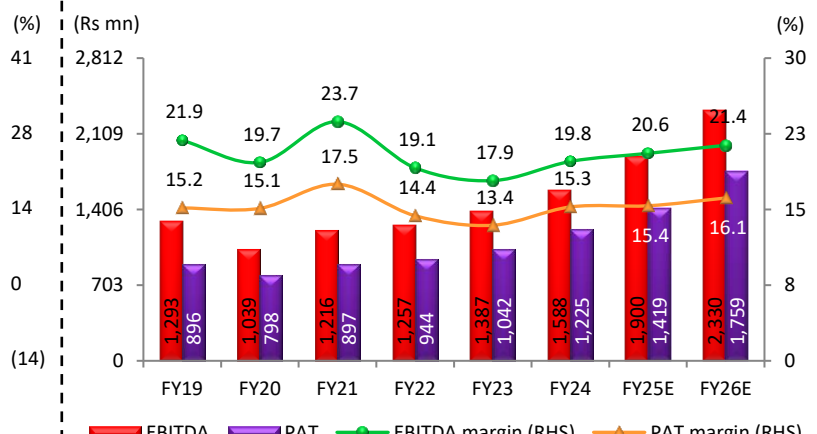


Exhibit 9: EBITDA, PAT – Annual growth, margin trend



Source: Company, Systematix Institutional Research

Outlook and Valuation

MUNI's leadership in synthetic leather, robust margin profile and FCF-generation ability, even during a downturn, make us optimistic on the company. Despite a slow start, we believe its foray into PU leather should help generate meaningful revenues and support growth in the coming years.

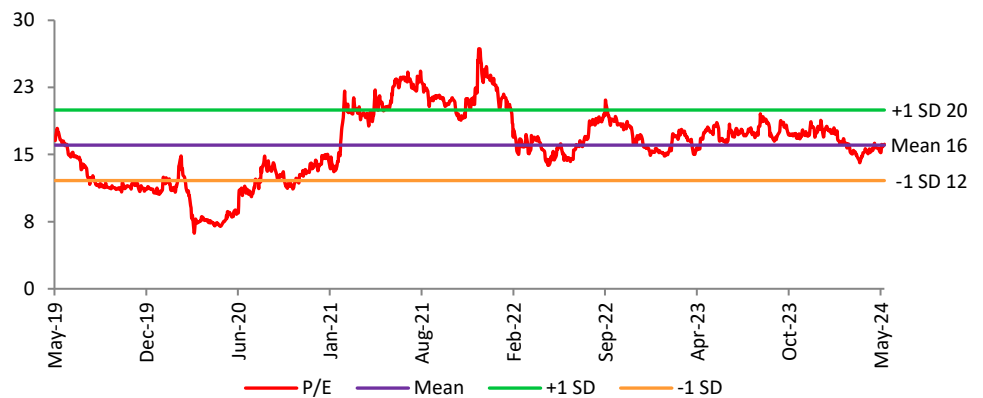
After a decent 4Q, we maintain our earnings estimates. After a muted 6%/6% CAGR in revenue/PAT over FY19-24, we now expect a healthy 16%/20% CAGR over FY24-26E with 21%+ EBITDA margin and ~22% RoCE in FY26E. Our estimates are based on management guidance of healthy recovery in FY25 and a strong bounce in FY26 (driven by exports). Maintain **BUY** with a higher target price of Rs 720 (18x FY26E P/E, earlier Rs 619 at 16x). We see large potential for more re-rating if MUNI meets its guidance.

Exhibit 10: Change in estimates

(Rs mn)	Old estimates		New estimates		% Var	
	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	9,027	10,833	9,234	10,896	2	1
EBITDA	1,895	2,361	1,900	2,330	0	(1)
EBITDA margin (%)	21.0	21.8	20.6	21.4		
PAT	1,412	1,782	1,419	1,759	0	(1)
EPS (Rs)	32.1	40.5	32.3	40.0	1	(1)

Source: Systematix Institutional Research

Exhibit 11: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Risks

- **Volatile RM prices:** Release paper, knitted fabric and chemicals (PU/PVC resin) are key RMs used by MUNI. Though higher RM prices are fully/partially passed on to customers, these could have a bearing on margins in the short term, due to the time lag.
- **Cut-throat competition:** MUNI faces intense competition from Chinese products, especially in PU-coated fabric, which could hamper its revenue and margins.

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	6,565	7,756	8,030	9,234	10,896
Growth (%)	28.0	18.2	3.5	15.0	18.0
Direct costs	3,978	4,628	4,640	5,290	6,188
Gross Margin (%)	39.4	40.3	42.2	42.7	43.2
SG&A	1,329	1,742	1,801	2,043	2,379
EBITDA	1,257	1,387	1,588	1,900	2,330
EBITDA margins (%)	19.1	17.9	19.8	20.6	21.4
- Depreciation	205	223	293	304	339
Other income	204	177	318	323	381
Interest Exp	24	25	26	28	27
PBT	1,232	1,317	1,588	1,892	2,345
Effective tax rate (%)	23.4	20.9	22.9	25.0	25.0
+ Associates/(Minorities)	-	-	-	-	-
Net Income	944	1,042	1,225	1,419	1,759
Adjusted income	944	1,042	1,225	1,419	1,759
WANS	45	44	44	44	44
FDEPS (Rs per share)	21.2	23.7	27.9	32.3	40.0
FDEPS growth (%)	5.1	12.0	17.5	15.9	23.9

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	223	220	220	220	220
Net worth	7,072	7,536	8,671	9,914	11,453
Total debt	306	251	152	152	152
Minority interest	-	-	-	-	-
DT Liability/(Asset)	-	0	1	4	7
Capital Employed	7,378	7,788	8,824	10,070	11,612
Net tangible assets	2,196	2,419	2,322	2,518	2,679
Net Intangible assets	2	2	3	3	3
Goodwill	-	-	-	-	-
CWIP	118	12	11	11	11
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	1,536	1,317	1,856	2,856	3,856
Current Assets	4,071	4,258	4,744	4,836	5,497
Cash	297	704	693	973	862
Current Liabilities	842	923	805	1,126	1,295
Working capital	3,229	3,335	3,939	3,711	4,202
Capital Deployed	7,378	7,788	8,824	10,070	11,611
Contingent Liabilities	83	73	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (before other income)	1,099	1,269	1,371	1,529	1,923
+ Non-cash items	205	223	293	304	339
OCF before WC	1,304	1,491	1,664	1,833	2,262
- Incr./ (decr.) in WC	859	(95)	165	(279)	441
Others including taxes	314	374	373	453	566
Operating cash-flow	131	1,212	1,126	1,660	1,255
- Capex	471	305	211	500	500
Free cash-flow	(340)	906	915	1,160	755
Acquisitions					
- Dividend	91	91	90	176	220
+ Equity raised	-	(501)	-	-	-
+ Debt raised	(102)	(55)	(99)	-	-
- Fin Investments	(569)	56	647	1,000	1,000
- Misc. Items (CFI + CFF)	(51)	(22)	(58)	(295)	(354)
Net cash-flow	88	225	136	279	(111)

Ratios @ Rs 555

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	26.2	23.4	19.9	17.2	13.9
EV/EBITDA (x)	18.2	16.3	13.8	10.9	8.5
EV/sales (x)	3.5	2.9	2.7	2.2	1.8
P/B (x)	3.4	3.2	2.8	2.5	2.1
RoE (%)	13.3	13.8	14.1	14.3	15.4
RoCE (%)	17.9	17.7	19.4	20.3	21.9
ROIC	21.7	22.1	25.5	28.9	34.2
DPS (Rs per share)	2.0	2.0	3.0	4.0	5.0
Dividend yield (%)	0.4	0.4	0.5	0.7	0.9
Dividend payout (%)	9.4	8.4	10.8	12.4	12.5
Net debt/equity (x)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Receivables (days)	68	63	72	70	68
Inventory (days)	123	109	93	75	75
Payables (days)	31	34	26	35	35
CFO:PAT (%)	14	116	92	117	71

Source: Company, Systematix Institutional Research

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DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Ashish Poddar, Mahek Shah**, hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

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