

**MAYUR UNIQUOTERS LIMITED**

Manufacturers of Artificial Leather/PVC Vinyl

Ref: MUL/SEC/2023-24/58**Date: August 14, 2023**

To,

BSE Limited
Phirozee Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001
(Maharashtra)
(Scrip Code: BSE- 522249)

National Stock Exchange of India Ltd
Exchange Plaza, 5thFloor, Plot No. C/1,
G-Block, Bandra-Kurla Complex,
Bandra (East), Mumbai-400 051
(Maharashtra)
(Trading Symbol: MAYURUNIQ)

Subject: Transcript of Earnings Conference call held on August 10, 2023.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 ("Listing Regulations") we submit herewith the transcript of Earnings Conference Call held on August 10, 2023 of the Un-Audited Financial Results of the Company for the quarter ended on June 30, 2023.

The above information is also available on the website of the Company at www.mayuruniquoters.com

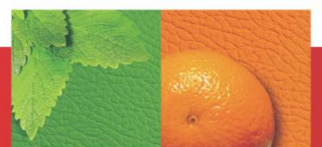
You are kindly requested to take the same on record.

Thanking you,

For Mayur Uniquoters Limited

Pawan Kumawat
Company Secretary and Compliance Officer
M. No. – ACS 25377

A Texture For Every Idea

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“Mayur Uniquoters Limited
Q1 FY '24 Earnings Conference Call”

August 10, 2023



MANAGEMENT: **MR. SURESH KUMAR PODDAR – CHAIRMAN AND
MANAGING DIRECTOR – MAYUR UNIQUOTERS
LIMITED**
**MR. VINOD SHARMA – CHIEF FINANCIAL OFFICER –
MAYUR UNIQUOTERS LIMITED**

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORK CAPITAL
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Mayur Uniquoters Limited Q1 FY '24 Earnings Conference Call hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I'd now hand the conference over to Mr. Rahul Dani from Monarch Network Capital. Thank you, and over to you, sir.

Rahul Dani: Yes, thank you, Seema. Good afternoon, everyone. On behalf of Monarch Network Capital, it's our pleasure to host the senior management of Mayur Uniquoters. We have with us, Mr. Suresh Kumar Poddar, Chairman and Managing Director of the company; and Mr. Vinod Sharma, the CFO of the company.

I would now request Mr. Vinod Sharma to start the call with his opening remarks, and then we'll move to Q&A. Thank you, and over to you, sir.

Vinod Sharma: Thank you, Rahul. Good afternoon, dear investors and analysts. Ladies and gentlemen, it is a great pleasure to be here to share with you the performance of Mayur. Thanks for giving your precious time to join Mayur Uniquoters Limited Q1 FY '24 Conference Call. Mayur Uniquoters Limited, being a market leader in the synthetic leather industry and an organized player has been able to leverage the emerging opportunities and delivered exemplary performance in past years, both in national as well as international business markets.

Now I would like to start with financial highlights for Q1 FY '24 under review and we will also reply your queries after our review on financial results for the quarter. The company has achieved revenue from operations on a standalone basis, amounting to INR192 crores; PBT, INR39 crores; and PAT, INR30 crores during the quarter.

The revenue from operation is slightly decreased by 3%. The PBT and PAT have increased by 14% and 9%, respectively, over the last quarter. Revenue from operations on consolidated basis is INR201 crores; PBT, INR40 crores; and PAT of INR30.53 crores. The revenue has increased by 4%, and the PBT and PAT both have increased by 36% and 31%, respectively. Our endeavor is to make the company a preferred supplier for the leading OEMs, especially in U.S. and European regions.

As we have been selected and received good and confirmed orders for the upcoming new models in export and domestic market and looking to current situation, our OEM export sell is expected to have a good increase in 3 years for this supply -- some of the new models have already started, and some models are expected to start in coming quarters of this and coming financial year. Henceforth, we are hoping a very good performance in these 3 financial years.

While pursuing our business interest, Mayur Uniquoters has also been endeavoring to fulfill our responsibilities toward the society. Under the Corporate Social Responsibility program, contribution towards regular plantation and plan to do it at larger scale in coming years.

The company has also adopted many happy schools for education of children. The company has worked on education for all and underprivileged children, various health care initiatives, especially child skill development, water for all, sanitation at the school area, distribution of books, bags, clothes, etcetera; and most importantly, family planning and family welfare schemes in the villages. The state government has also recognized these initiatives taken by company on various platforms.

I'm thankful to all the investors for their valuable time to those who became the part of this earnings call. With this positive note, I would like to conclude and request you all to open the forum for questions. But I also request that, due to time constraints, duration of this call is 45 minutes. We, therefore, request you to kindly avoid the repeated question. We won't discuss volume data. So please avoid volume-related queries.

- Moderator:** We take the first question from the line of Kaushik Mohan from Ashika Institutional Equities.
- Kaushik Mohan:** I just have only one question. You told not to ask about the volumes, but this is a simple question. Sir, what is the growth in the export market? Do we -- did we see any growth in this quarter? And what is the growth percentage? That's the only question.
- Vinod Sharma:** In last quarter, January to March, it was around 7.65 lakh meters, and this quarter, 5.7 lakh meters. Export market has a little bit down this quarter. But in coming quarters, we are expecting a very good increase.
- Kaushik Mohan:** And last and final question, sir. Any new client addition for the quarter in this time? New client addition.
- Vinod Sharma:** New clients additions are...
- Suresh Poddar:** We see -- let's talk about export. There are 2 kinds of export, one is general export where we supply different kind of materials to the different countries, to different customers. And there is a huge export to the automotive companies. And automotive export is going to go very high because we have got so many new orders of the new models. And we expect last year in export OEM and in automotive, the last year what was it for us?
- '22, '23 made -- in '22, '23, we have sold automotive exports, INR157 crores. And this year, we are expecting INR225 crores for that. And since we have got so many orders, and those orders are for different models, and different models start in different times, so as we have calculated from '22, '23 to '25, '26, our sales will go 2.5x in automotive exports, right? From INR157 crores, we expect around INR575 crores to INR600 crores in '25, '26. Here, I'm talking the orders which is in our hand and which will start time to time every year. To understand, one quarter maybe new model has started, maybe after 6 months another model will be starting. So like this, export will grow by 2x to 2.5x in 3 years, export OEM.

- Moderator:** The next question is from the line of Dhiral Shah from PhillipCapital.
- Dhiral Shah:** So on the export side, as you're targeting around INR575 crores to INR600 crores. So this year, you are giving a guidance of INR225 crores. So next year, it will be how much, sir, INR400 crores or INR450 crores, sir?
- Suresh Poddar:** Yes, of course. Next year, you see, it should be about close to INR400 crores. And then '25, '26, it should be close to INR575 crores.
- Dhiral Shah:** Okay. And sir, this will be lead by -- is it only BMW Mercedes? Or do you have orders from the other U.S. based OEM?
- Suresh Poddar:** Yes, we will be adding BMW and Mercedes already we are doing. We will have BMW same quantity what Mercedes we are supplying, about 35,000 yards. And the same thing will be given to BMW starting from next year. And then in Stellantis also, we have some new models, which orders we have got from our competitors, which is going to be start. Some orders by end of the -- or sorry, start of the next year. And then like that in every 3 months or 6 months, some new orders are coming. So like that quantity increases.
- Dhiral Shah:** So sir, BMW order will start from Q4 FY '24?
- Suresh Poddar:** It will start from March.
- Vinod Sharma:** Yes, in the...
- Suresh Poddar:** In '24 March Q4. Second quarter, you can say, next year.
- Dhiral Shah:** Okay. And sir, what is the outlook for the other divisions which you have, domestic auto, furnishing side, footwear side, sir?
- Suresh Poddar:** See, furnishing side, we have started recently. And today, we have already got 350 dealers. And we have an exhibition in Bombay for furnishing, and we have displayed our material there. We have got very good response and we have got response from more than 250 new dealers to whom we have started sending our catalog and samples.
- And hopefully, we are planning to have more than 1,000 dealers by the end of '23, '24. Of course, it is going slow because it takes time for people to know the product. Now where the advantage is that this is kind of a retail sell where we can get a good margin. But to know the company, it will take some time, but we are improving every month, more than 10% to 15% -- more than 15%, we are improving, 10% to 15% every month. So I think it will take some time, but the response is good and the margin will be very good. That's the main thing.
- And you see, once the company is established, then it becomes very easy because, first, we have to penetrate to all the dealers, then you have to start your advertisement, we are contracting from furniture manufacturers, we are contracting to this VR and all that. There also, we have started getting the orders. So of course, it is generally for 4, 5 years. But it will -- I mean, giving a good response.

And so far as our sales is concerned, export general sales is also increasing 10% to 12%. And footwear is a little bit down at the moment at the moment because of BIS standard Government of India has introduced. I mean, every footwear manufacturer has to supply the materials and BIS specification, for which they are not prepared. And they want to clear their existing stock to start BIS standard.

The government has given them time up to December. But by December, they have to clear all the stock and to start BIS. So for that, people are reducing their stock standard. But from next month -- I mean, from October, November, it will start moving faster. And further, we are contracting with the big brands in footwear and leather goods. Till now, we were supplying to Indian manufacturers. Now we are contracting with the big brands all over the world like Jana and some -- few more brands. They have visited our PU factory and they have liked us, and we have started sending them the samples and very hopefully by end of this year, we will add some orders and their margin is good, and the sales price is also very well.

And then the biggest advantage in this area is it is just like automotive industry. In the automotive industry, it is difficult to penetrate in the beginning, but once you connect it, you are there. It's not that you can be thrown out tomorrow which happens in this footwear and all that. Everything is price related.

But with this segment, you can get the whole world market. These brands are buying from the different parts of the world. And once you are stabilized, once you are approved, you can supply to everywhere. It's was little long procedure, but things have started and fortunately, people are liking our materials, and they have visited our plant also, few companies. And hopefully, by end of this year, we will start getting orders.

Dhiral Shah: Okay. So with all the initiatives that we are taking and also with the good export outlook which we have, so what kind of overall growth we can do, let's say, over the next 2 to 3 years? And what kind of margin improvement we see in our business?

Suresh Poddar: See, so far as growth is concern, in the next 3 years, I'm talking in next 3 years. Maybe this year our growth may be between 10% -- 12% to 15%. But in -- from '22 to -- '22, '23 to '25, '26, in 3 years, I think we must have 18% to 20% single year.

Dhiral Shah: Okay. And sir, in terms of margin improvement, because export I believe on auto part, that is a very high-margin business. So what kind of margin improvement we can see overall?

Suresh Poddar: Yes, definitely, there will be an improvement. But I cannot say right now, but there should be an improvement. Of course, there will be -- okay. This quarter, we have back got more than 15% this year, in percent. Whereas in last quarter, it was 13%. So margin will definitely improve business, this kind of business.

Dhiral Shah: And sir, your outlook on the PU side?

Suresh Poddar: Yes, PU side is better now. All these branded products they are looking for PU material only. They all use in footwear and leather goods, they are all using PU. So we are talking with them mostly PU, maybe 80% PU, 20% PVC. So PU now we got -- because as you know very well,

why we are not able to catch in the last 3 years because one for COVID and then so much manipulation in customs.

\$3 material has been made a value of \$0.50, \$0.60, we have tried our best to impose the import duty from 10% to 20%, and we are able to manage to make anti-dumping duty \$0.46 for meter. But in spite of that, you will not believe, people have started manipulating in quantity also. In a container if 40,000 meters are coming, they are showing 30,000 meters. In one container, we are making manipulation of more than INR50 lakhs. So that is the biggest problem.

We have gone to DRI also. We have in -- our textile side industry is also suffering with this. We are approaching continuously to the government and the textile industry has met Mr. Piyush Goyal also, they have told them. I also had an appointment with Piyush Goyal last week, but for some reason, it was cancelled. Very soon, we will be again meet him.

Until and unless the government has to look for -- one side, Mr. Modi is saying that we should go on manufacturing. At the other side, this kind of manipulation, how the manufacturer will come up. Otherwise, we would have done lot of things in PU. Now I'm a little bit hopeful with this new type of business. And because we make good quality, and because these companies here also, those who are making sports shoes and leather goods, they are exporting. So if there is a manipulation, cost will decrease. So that's why we are hopeful.

Dhiral Shah: Okay. So sir, just last one question. Just last year, we did a PU -- on the PU side, we did a revenue of INR25 crores for FY '23. So let's say over next 3 years, what kind of revenue, sir, we can achieve?

Suresh Poddar: This year?

Dhiral Shah: Yes, this year and maybe for the next 2 years?

Suresh Poddar: See, this year, it will not be much more. I tell you, frankly. Maybe 5%, 10% lower. But in '24, '25, it should minimum increase by 50%, very well. In '24, '25, I'm talking. We have time to open the new volume because here, what is happening, all the materials are coming from China with under-advancing, and all the traders in India are doing this thing and supplying to the market, those unorganized people. And you know in India what happens. Of course, we are trying our best. And one thing is there. Whatever products we make, it is acceptable compared to China or any imported item.

Because from a quality point of view, from product-making point of view, we are not behind. The only thing is we are -- because of these prices. But I think the thing -- the way government has been approached and things aren't moving on, something should come out. And I'm very hopeful because I'm not depending now on this manipulation and all that. That's why we have gone for a branded product. And with those branded products, once you are approved, we are approved for wherever these companies are buying material, you can supply to them. I mean, in all over the world, not only in India.

Moderator: We take the next question from the line of Nirali Gopani from Unique PMS.

- Nirali Gopani:** Sir, Poddar since last one year, you have been giving strong growth for FY '24 and '25. But we don't see that growth picking up in any of the quarters. So your comments will be helpful.
- Vinod Sharma:** Nirali mam, your voice is not very much clear. So we are not able to get you. What is the question?
- Moderator:** Sir, it looks like we have lost the connection from Ms. Nirali. We move on to the next question from the line of Viraj from SiMPL.
- Viraj Kacharia:** Just a couple of questions. Firstly, can you share mix of revenue shares from exports in the current quarter versus a similar number last year?
- Vinod Sharma:** In exports, we have done total INR66 crores, out of which INR20 crores is export general and 46% for export OEM.
- Viraj Kacharia:** And how does it compare to last year same quarter?
- Vinod Sharma:** Last year, it was around INR75 crores.
- Viraj Kacharia:** Okay. So in the...
- Vinod Sharma:** We have increased export OME a little bit on lower side. But in coming quarters, this will also increase.
- Viraj Kacharia:** But what is leading to lower degrowth? I mean, what is leading to degrowth in export? And the reason I'm asking you because if you look at other ancillaries or even the end market, the production seems to be quite handy. They are coming out of chip shortages also easing. So this is also...
- Suresh Poddar:** Automotive market is good in India also and in export also. As I have explained just now that how much increase we are going to have in the next 3 years with our existing orders. So I mean, next 3 years is going to be very good.
- Viraj Kacharia:** No, I understand, sir. The reason I'm asking is until 3 quarters back you were expecting a much more higher growth in FY '24 terms, both on export and other market. Now you're saying over 3-year period. So what I'm trying to understand is, is there any sort of delay in new order commissioning or the exports from existing customers that itself is lower or there are issues at our end? And when you say, when you're going from INR157 crores to, say, INR225 crores in FY '24 itself, that confidence is based on what factors, sir?
- Suresh Poddar:** No, no, there is no factor. Only in this quarter, you will find that it is little low. But from next quarter, you will see the big difference in export OEM. Because the automotive industries are very well planned. So whatever they plan for particular model, they do that. Now we have got orders for next 3 quarters, that is going to be much better than this quarter's volume.
- Viraj Kacharia:** Yes. And of auto re-export sales, if you look at the mix of the business, it's been a little lumpy in terms of the growth. So in this quarter, we would have probably grown at high single digits. But when I look at some of the end markets, like say, India auto OE or India replacement, these

have grown a healthy -- some of them -- the customer supply has grown in healthy double digit. So is there any other segment in, say, rest of the business, which has degrown? Any perspective you can give on how the growth trends are in each of the other segments?

Suresh Poddar: On the growth, we had told just on how we are going to increase our sales in export OEM, in export market because we have got the orders from different models.

Viraj Kacharia: My question was answered of auto.

Suresh Poddar: Regarding automotive, you have to be selected for a particular model. And when that model starts, you start getting the business. Now we have got few new models in different companies in our hand, and those models will start in particular times. And as I told you that we will be able to sell from '22, '23 to '25, '26 more than 2.5x.

Viraj Kacharia: No, no, sir, my question was outside of auto we export. How is the -- so the domestic business, say, in India auto or the India replacement business, or the petrol business in India, how is the change in...

Suresh Poddar: It's increasing.

Vinod Sharma: It is increased.

Viraj Kacharia: Because if we look at INR76 crores of export to INR66 crores, which means that the India business have just grown by 5%.

Suresh Poddar: It was 13.355 last quarter it was 11.96, so.

Management: Yes, quarter-to-quarter, it has increased 12.34%. I'm talking Auto OEM domestic.

Viraj Kacharia: Okay. Okay. And in terms of the margins, so I think exclude the auto OE export, which is the margin product for us. Now if we'll do the back -- we are going to back up working, margins in the rest of the business seems to be -- there's been some moderation in the margins in the India business.

Suresh Poddar: The margins set in this quarter is 15%. And last quarter, it was 13%, which is increasing now, 13% to 15%, how much? 15% -- more than 15%, 16%. It is impossible to come to this kind of a margin in artificial level. If we study other manufacturers also and their results, then you will come to know. And of course, the margin will be better because of export.

Viraj Kacharia: No, I understand that. What I was trying to say is, if I look at Q4 also, our export was INR60 crores to INR70 crores, which is also the same in Q1 this year. What I'm just trying to understand as supply this to back of the working, the margins on the India business seems to have moderated, it wasn't this quarter, but last 2, 3 quarters. There's been a moderation in margins compared to what we used to earn earlier in the India business, say, footwear or OEM. So I'm just trying to understand is it increase in competition intensity? Or is there more spending which is happening in the furnishing business? Or what is guiding this?

- Vinod Sharma:** Yes. The question was asked by our investor. And we wish to say that the margin should be analyzed and seen only in totality and on a yearly basis. And on quarterly, if you want to see, then you have to see total margin and it has increased over the last quarter.
- Moderator:** We take the next question from the line of Awanish Chandra from SMIFS Limited.
- Awanish Chandra:** Congratulations, sir, on a decent set of performance. Sir, a few booking questions. How much PU was there in this quarter?
- Suresh Poddar:** There was a sale of INR5.50 crores, Awanish. And total quantity 181.
- Awanish Chandra:** Okay, sir. And Mercedes business how much?
- Suresh Poddar:** Mercedes average 30,000 per month.
- Awanish Chandra:** Okay. And when BMW will start towards the end of the year, the run rate would be like Mercedes run rate?
- Suresh Poddar:** Sort of next year. Already we have started in Thailand about 2,000, 3,000 yards business. And now in South Africa, we have got approval, and that order, we will start getting from the month of January or February 2024.
- Awanish Chandra:** Okay. So quarter 4 FY '24, January, February months?
- Vinod Sharma:** In between that part.
- Awanish Chandra:** Okay. Okay. And sir, last time, if I remember correctly, you had -- first sir, this 12% to 15% guidance you are giving for FY '24, this is in volume terms or rupee terms?
- Vinod Sharma:** In both because rupee will increase only based on the increase in quantum.
- Awanish Chandra:** Okay. So this is in volume terms 12% to 15%, sir?
- Vinod Sharma:** Yes.
- Awanish Chandra:** Okay. Because last time, sir, you had guided somewhere around 17%, 18% for FY '24, I guess. Sir, last time, 17%, 18% was in rupee terms, right?
- Suresh Poddar:** You know, in Jaipur it is hot and humid and at times, it rains heavily, so business is also the same, very unpredictable. We work in accordance to an estimate. You just have a watch if there is regular growth.
- Awanish Chandra:** Yes, yes, sir. That is decent performance, INR200 crores, we are making each and every quarter, that's a good performance with 20% margin. The only thing is that when everybody wants to talk about growth and all, and then we have so many things in pipeline. So that thing, most of the investors are not finding in numbers, and that is what the worry point is. Other than that, things are okay.
- Vinod Sharma:** You are talking about the current year or FY '23?

- Awanish Chandra:** FY '24, sir, that you -- 12% to 15% you highlighted at the start of the call there?
- Vinod Sharma:** That we have given the estimate or guidance. Nearly 15% to 17%. And this year, because -- good increase will come in Q3 and Q4.
- Moderator:** We take the next question from the line of Shashank Kanodia from ICICI Securities.
- Shashank Kanodia:** Sir, few quarters back, you mentioned about professionalizing the senior management at Mayur Uniquoters. So any steps that you'd like to share with us? I mean -- and in the recent past, there were some top level recruits as well.
- Vinod Sharma:** Sorry. Sorry, we could not get your question. What is the question?
- Shashank Kanodia:** Sir, a couple of quarters, right, you highlighted that you would want to appoint a new CEO, COO, Chief Operating Officer and other professional people from you, right? And during your press releases in the last 2 days, there have been 2 senior level execs. So I would like to highlight in terms of senior management, how are you seeing the progress going forward?
- Suresh Poddar:** We are working seriously on that. We hired a HR consultant who was with top companies from the last 3, 4 months. And with his guidance, we are working on this that you are asking for. It is not easy to get immediate. First of all, we have to make the choice, we have to get the candidates, then you have to select, then you have to interview. Out of that interview, you select some. It is long-taking time, but we are working very seriously.
- As I told you that we have kept a consultant in HR who is coming every month twice or 4 days just to guide us on this line on how we can promotionalize our company in the coming days because it is important to do that the way business is increasing. So we are definitely working on this very seriously.
- Shashank Kanodia:** Right. And secondly, sir, at the promoter level, time and again, the promoter group is coming -- selling the shares in open market, maybe yourself, maybe your son-in-law or your daughter, and some people of that sort. So are there intentions for how do we see in terms of new...
- Suresh Poddar:** This time where we are showing...
- Shashank Kanodia:** So recently, in June month, you sold 2 lakh share in open market and maybe a couple of months before you listed the various...
- Suresh Poddar:** Time and again, if we are starting Gurukul in Vraj and we are going to make a big content there. And very good amount is going to be spent on that. So for that, we have collected some money and we will may be collecting some more money in the future.
- Shashank Kanodia:** Rather do it through dividend route, right? You already have surplus cash on books?
- Vinod Sharma:** Yes, please. What is your question, next?
- Shashank Kanodia:** Okay, sir. Are there also plans of bringing your son on the con-calls and tracking with investors and analysts, so...

- Vinod Sharma:** Your question is not clear.
- Shashank Kanodia:** Sir, there are also talks about Suresh ji's son coming on the con calls and tracking the analyst and investors, right? So how has been he trained in the business if you can highlight some points?
- Suresh Poddar:** We are in the process to professionalize the entire organization. So we'll take it later.
- Moderator:** We take the next question from the line of Darshan Shah from Multi-Act Equity.
- Rahul Picha:** This is Rahul Picha from Multi-Act. Sir, firstly, can you give the segment-wise revenue breakup for the quarter?
- Vinod Sharma:** Yes, please. The 19.5% is expo general, 46.35% is export OEM; 43.74% is auto and domestic. And replacement is INR26.53 crores, footwear 48.06%, and others are remaining balance amount.
- Rahul Picha:** Okay. And sir, in the last couple of quarters, of course, this quarter, exports sequentially has come down. But generally, we have seen exports going up in the last couple of quarters compared to the run rate it was there in the Q1 to Q3 period of last year. And incrementally, also, we expect exports to pick up.
- And from the past communications, our understanding is that the export business has materially higher margins. So do we expect margins to pick up from here? Or we expect similar margins to continue in the future as well?
- Vinod Sharma:** This plus or minus comes in between the year because of start of new models and start of new supplies to the new models. In coming quarters, as we already told, in coming quarters, it is going to increase.
- Rahul Picha:** So what kind of margins are we expecting?
- Vinod Sharma:** Margin better than today.
- Moderator:** Mr. Shah, may we request you to return to the question queue, sir, as we have several participants waiting for their turn. We take the next question from the line of Mr. Vivek Kumar from Bestpals Research & Advisory.
- Vivek Kumar:** Suresh sir, you told in the last con call about opening to open -- or putting up plants in North America or Mexico if you are very sure about INR300 crores revenue in export OEM. So if you can talk about that and also your outlook on domestic auto OEM and replacement market?
- Suresh Poddar:** So we are working on that seriously. And we have worked out that how that will happen and what is going to be the cost and all that from our company side, 2 people are going to visit Mexico after 2 weeks and to finalize the land first. First, we have to finalize the land, and they are going to study deeply government incentives and cost of power, fuel and all those things. So after 3 weeks, I'm sending my 2 people, CFO and our one Vice President Commercial. They are going to visit and try to decide for the lag, and then we'll start working on plant and machinery and construction. We are working on that line.

- Management:** Change is happening someday, like if not today, some day, but it's not like in the planned stage. This one has been taken.
- Vivek Kumar:** Yes. And domestic auto OEM outlook, sir?
- Vinod Sharma:** Suresh, domestic auto.
- Suresh Poddar:** This outlook, we are -- every quarter or 6 months, we are getting new orders. We have got some good orders from companies and there sales are also increasing. So auto OEM domestic is a good future. And you can see we are increasing. We've increased about 12% quarter-to-quarter. And this quarter also, it will be increased.
- Vinod Sharma:** More than 13%, we have increased volume-wise in this quarter.
- Suresh Poddar:** See, automotive is doing good all over the world comparatively.
- Vivek Kumar:** Got it. So we can export the growth in the next 2 to 3 years...
- Moderator:** May I ask you to join the question queue, sir. We take the next question from the line of Deepak Lalwani from Unifi Capital.
- Deepak Lalwani:** Sir, in this quarter, if you look at your segment-wise revenue, it is the domestic auto replacement and the footwear which has driven the performance. So can you elaborate on what is the real issue...
- Suresh Poddar:** Just now that, footwear we are a little bit down because BIS standard Government of India has imposed. For that, they have said that from January almost all the materials should be BIS standard. But there's a big thing that first you are selling material to wholesalers and also selling to retailer. And like that, it moves. So people are reducing the stocks of their existing products. That's why they are not keeping their stock as much they should have kept. And they are working hard to government requesting that they don't put BIS. I don't know whether they will implement it or not, but they have said that from January, you have to start. That's why there is little bit -- otherwise, these 2 months are the very good months used to be.
- But this year it is bad because of this. It's not that there is a lack of demand. It's because of this that nobody wants to keep the stock. You see that this year all these things are sold in -- when you have Diwali or Puja or some kind of a religious time, that time it happens. So if you want - - if you are selling in Diwali, we have to start making the shoes and footwear 4 to 5 months back because it's long area you have to cover. First, you have to wait, then you sell to wholesalers and wholesales to retail and then retailers sell to a real consumer. So this time because of this, this has a little bit program.
- Deepak Lalwani:** Replacement demand, what is the issue, sir?
- Suresh Poddar:** Auto replacement is same. You know what happened, there also, although we have done good business, but now what is happening, now government is like in the front seat because of accident and all that, there are lot of things, lot of -- yes, yes. Now airbag is compulsory in the front seat. Now they are making it compulsory in the back seat also. So because of that, it is little

difficult in replacement market to make that. Although they have started making, they are working out. Then maybe 2, 3 months, it will be here and there.

Deepak Lalwani: Okay. Sir, so for the full year in both the segments, should we expect a degrowth in mobile segments? Or what is your trend in the automobile that you have?

Vinod Sharma: Next year, full year, we are expecting increase in auto.

Suresh Poddar: Yes, yes, auto will be as I told you...

Vinod Sharma: Domestic autos.

Suresh Poddar: Domestic auto will be increased already quarter-to-quarter 12% increases there. Then we are talking to so many new customers in India also. And I think it will be -- you forget about auto OEM domestic. It will increase minimum 12% to 15% every year.

Deepak Lalwani: Sure. And then for footwear and replacement markets?

Suresh Poddar: Here, I told you that because of the BIS and all that, and further, as I spoken just now that we are working with all the big brands and we are to work with them like professionals, like automotives. But in footwear, generally, you are supplying somebody today good quantity. Suddenly tomorrow, comes out, with INR20 or INR10 or INR15 discount.

So we are working seriously with the big brand -- world's big brands, 2 to 3 brands have already visited our PU factory, and they have liked our material, we are making them so many samples. And I'm very hopeful that from next year, things will change in PU. And this is all for sports shoes only. And the cases are also high, sales is good competitively. It will improve.

My idea is to go to the places where I can make money. If I make only 1% or 2% money, what is the idea of spending time and production and then increase the capacity? So you have to find out the customer who can give you the good margin. You see, there are 3 kinds of customers: the lower grade customers; the medium grade customer; in medium, there is low medium, high medium; and the high grade.

So you will get money only in high medium and high grade. And that as you go up, the quantum becomes less, so you have to find out the customers. That's what we are doing. You see volume increasing is nothing because here I can increase volume every year, 30%, 40%. That is not difficult at all. But we'll have to make the margin also.

Deepak Lalwani: Yes, sir, I got your point. Just one last question on export OEM business. What are -- what is your outlook in Q3, Q4, which new models are going to come up? If you can just elaborate on that, in Q3, Q4 were talking over the higher growth. So what will support the high rate?

Suresh Poddar: Q3, Q4, it will be a good sale in quarter 3 and quarter 4 in...

Deepak Lalwani: Okay. Any specific..

Suresh Poddar: And for that export OEM, you see, '22, '23, it was about INR150 crores and this year, we are going to touch INR220 crores to INR225 crores. You forget about this quarter, I'm talking about the whole year. That is, already I'm talking with the orders which we have in our hand.

Moderator: The next question is from the line of Nirali Gopani from Unique PMS.

Nirali Gopani: So sir, again, just that coming on growth. So we have been very positive for FY '24 and '25 when it comes to revenue growth. But we don't see that growth picking up. We have been constantly downward revising our guidance for FY '24.

Now to achieve this 15% of revenue growth for FY '24, you need to do INR230 crores, INR235 crores of revenue for each of the remaining 3 quarters. And historically, you have found it difficult to cross this INR200 crores revenue. So are you confident that you will be achieving this kind of growth at least for FY '24?

Suresh Poddar: As I mentioned that in FY '23, '24, the gross will be between 12% to 15%. But after 2 years, '24, '25 and '25, '26 will be a very good growth. And I can tell you and I've spoken previously also that from '22, '23 to '25, '26, it will be a minimal CGAR of 18% to 20%. Maybe in some quarters it is less; some quarter it is more because of the season. Every product has got a season. Footwear has got a particular season and particular months where the sales are more. There are particular months where sales are very low. Like in automotive also it is like that. You will see the results at the end of the year.

Moderator: Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Suresh Poddar: And I thank all of you who have listened what I've said. And please don't worry, we are going to have very good next 3 years. And this, I'm talking with the business which I see in my hand. And as you know, the Indian market is also improving. As you know that we are going to touch very soon \$5 trillion economy. And now the best thing is that all the world brands, they are coming out of -- trying to come out of China. It is now the very big chance for India to cash it up.

Now it depends on how much we will cash. But we can say, the future is good. It all depends on government and we people also that how we can serve our customers for which we are doing our best. We are doing our best of R&D, we are putting our best of the plants, and we are doing our best. You see, in the hand of the mankind is to do your best, rest is you have to leave on time. And so I can say that we will leave no stone unturned to make it better and better. Thank you.

Moderator: Thank you. On behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.