

OUTLOOK BUSINESS

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30 Fastest

- ★ **KAVERI SEEDS:** The agri input company is nurturing a green revolution
- ★ **JUBILANT FOODWORKS:** Delivering sizzling growth, but will it last?
- ★ **MAYUR UNIQUOTERS:** The synthetic leather major that won't weather
- ★ **TECHNOFAB ENGINEERING:** The turnkey specialist with a difference
- ★ **MANJUSHREE TECHNOPACK:** The PET packaging player is on a roll

CHECK OUT OUR LISTING OF INDIA'S FASTEST GROWING COMPANIES

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MAYUR UNIQUOTERS

This Jaipur-based company has emerged as India's largest synthetic leather manufacturer. While footwear contributes 50% of revenues, Mayur earned its spurs in the auto market by catering to all major OEMs and to the replacement market. Though auto demand has been losing steam, export revenues have grown rapidly. Ford and Chrysler are its big clients globally, and Mayur is close to tying up with BMW and General Motors. Given that global OEMs buy synthetic leather in excess of ₹500 crore each year, the cash counters should keep ticking for this one.

9 MTH SALES:	275
9 MTH PAT:	31
ANNUALISED SALES:	367
ANNUALISED PAT:	41
SALES 5-YR CAGR:	32
PAT 5-YR CAGR:	52
ROCE 5-YR AVG:	51
DIVIDEND 5-YR AVG:	68
CASH:	21
DEBT:	4
D/E:	0.03
ASSETS:	109
M-CAP:	442
CMP:	408
TTM PE:	11
FY13 RETURN:	81
YTD RETURN:	-14



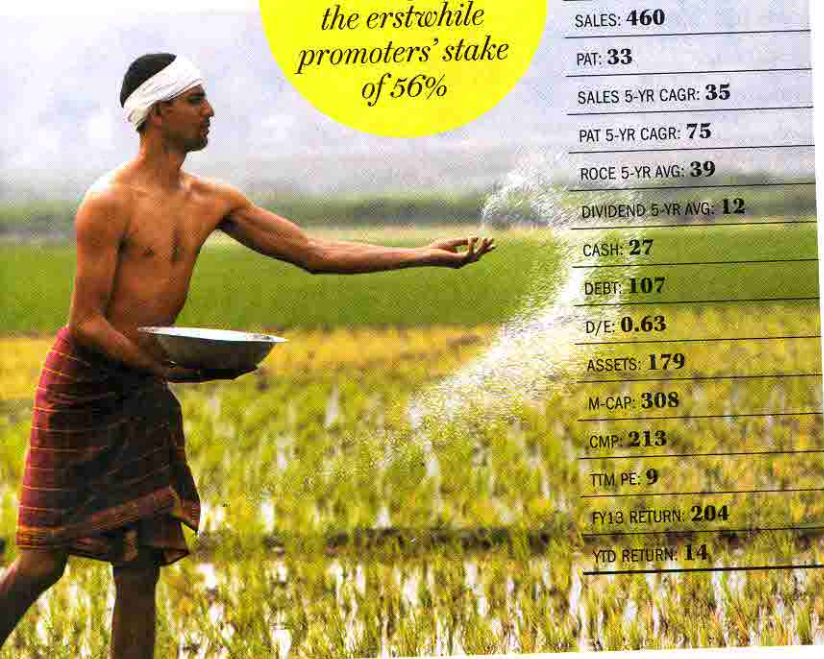
Coromandel International has bought out the erstwhile promoters' stake of 56%

SALES:	460
PAT:	33
SALES 5-YR CAGR:	35
PAT 5-YR CAGR:	75
ROCE 5-YR AVG:	39
DIVIDEND 5-YR AVG:	12
CASH:	27
DEBT:	107
D/E:	0.63
ASSETS:	179
M-CAP:	308
CMP:	213
TTM PE:	9
FY13 RETURN:	204
YTD RETURN:	14

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LIBERTY PHOSPHATE

This fertiliser company was recently in the news when Coromandel International picked up a 56.28% stake at ₹241 per share. Coromandel has made an open offer to acquire an additional 26%, as well. With an installed capacity of 960,000 MT per annum, it is looking to set up a greenfield facility of 132,000 MT in Rae Bareilly, Uttar Pradesh. However, delayed monsoons leading to poor demand and consumption of phosphatic fertilisers have impacted performance in the nine months ended December 2012. It remains to be seen how the change in ownership will help Liberty in the near term.



JAIPUR LEATHER FEST

MAYUR UNIQUOTERS HAS
CREATED A COMPETITIVE NICHE
WITH MARQUEE FOOTWEAR
AND AUTO CLIENTS

Himanshu Kakkar

36

What are these guys staring at? Why has work stopped?" Suresh Kumar Poddar asks as a bunch of curious workers gather to watch him gingerly position himself amidst some 30-odd, five foot-high rolls of synthetic leather for a photo shoot. The shopfloor supervisor assures him that the machines have not gone silent. The few remaining onlookers promptly return to work. Only then does Poddar get his smile back and submit to the requests from our lensman.

It's apparent that the 65-year-old chairman of Mayur Uniquoters — India's largest manufacturer of synthetic leather — is a man in a hurry. At least, that's how he has grown his business. Operating in a largely unorganised industry, his business is poised to grow from ₹90 crore in revenues in FY08 to ₹375 crore in FY13, of which it had already clocked ₹275 crore in the first nine months. That's twice the rate at which India's synthetic leather industry has managed to grow in the same period.

Synthetic leather, also known as artificial leather, is made by coating polyvinyl chloride (PVC) on fabric and is four-five times cheaper than natural leather. It's used





MAYUR UNIQUOTERS

SALES GROWTH (5-YEAR CAGR, %) **32**

NET PROFIT GROWTH (5-YEAR CAGR, %) **52**

5-YEAR AVERAGE ROCE (%) **51**

37

“OEM exports can help reduce our dependence on the footwear business”

—SURESH KUMAR PODDAR
Chairman, Mayur Uniquoters

to make footwear, accessories such as bags and purses, furnishings and car upholstery. Starting with the first production unit in Jaitpura near Jaipur in 1992, Mayur now has four operational lines with a total capacity of 1.9 million linear metres every month. Today, 90% of its revenues come from organised players. Importantly, it has all marquee clients in the two segments that it operates in — Maruti, Hero Motocorp, Tata, Mahindra & Mahindra, Nissan and Hyundai in auto, and Bata, Paragon, Relaxo and Liberty

in footwear. But the big kicker to revenues has come from exports. More so, after it bagged clients in the US — Ford Motors and Chrysler — in the face of Chinese dominance in artificial leather.



VISHAL KOUL

SMALL STEPS

Poddar entered the leather trade and distribution business in 1968, when he was 22 years old. "I started as a commission agent for a company then. By 1976, we got distributorship for eastern India. We used to supply to Bata and Hindustan Motors then," he recalls. In the early 1980s he began toying with the idea of manufacturing. Maruti-Suzuki was importing car door pads from Japan, and Poddar began making them in India for the carmaker. In 1987, he started another business, making industrial shoes — worn by shopfloor workers — for a German company. Both these ventures were later transferred to relatives in the family. At the time, Poddar travelled extensively to Italy and Germany, to pick up new trends and developments in synthetic leather. "I realised that synthetic leather is widely used in footwear, ladies' bags and car upholstery. But more importantly, the difference in product quality between India and Europe was huge," he says.

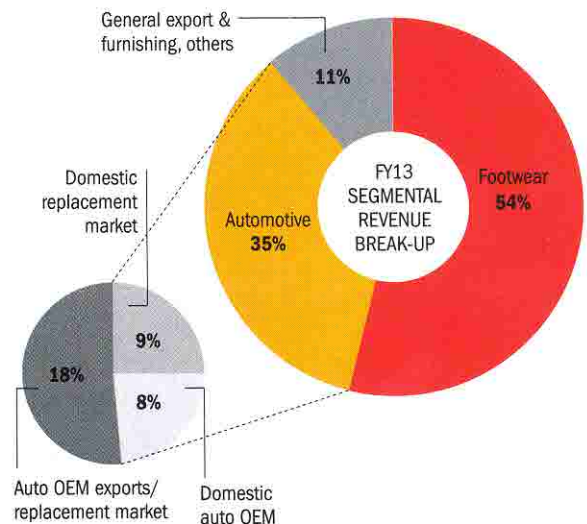
Harbouring ambitions of becoming a big player in this business, Poddar made the right moves. He hired a technician with 20 years of experience, who had worked with C-Blakes, a UK-based leather products company. And he decided that Mayur Uniquoters would be a public limited company from day one. "We raised ₹5 crore

by issuing 5 million shares and ₹1 crore as loan from RIICO [Rajasthan State Industrial Development and Investment Corporation] in 1992," recalls Poddar, adding that all machines for Mayur Uniquoters were imported from Italy.

The first five years were tough. By 1998, things began to look up as Indians were exposed to global quality footwear, and manufacturers here began to adopt better materials and practices. The big spurt in demand for synthetic leather in the country, however, came af-

CHANGING GEARS

Mayur is looking at a higher share from the auto segment



ter 2008 as the organised footwear industry grew at a CAGR of 18% between FY08 and FY12. Today, footwear contributes 54% of revenues largely on the back of the big clients. "High sales in the footwear industry was cashed by constant capacity creation by Mayur," points out Deepak Agrawal, head of equity research at Impetus Advisors.

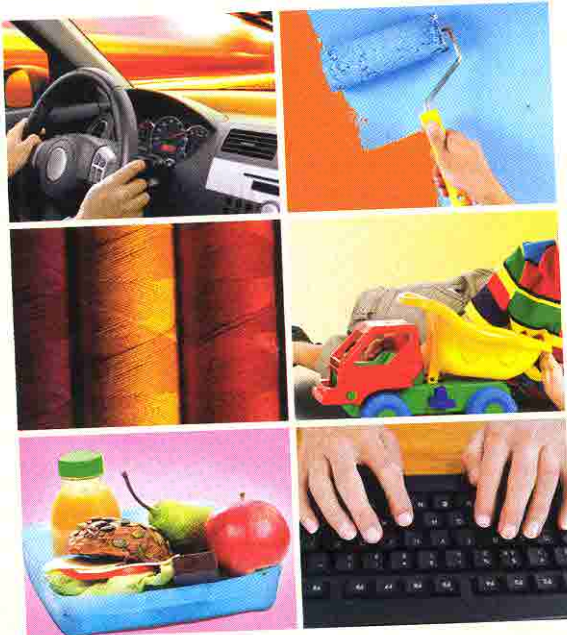
Around this time, many footwear manufacturers grew in stature, especially in the south. "The entire southern market was dominated by companies from the north. But after the late 1990s, many companies emerged here and ended northern domination," says Manoj P Bastian, director of the Calicut, Kerala-based VKC Sandals and Shoes (India), which was among those companies. Capitalising on this opportunity has helped Mayur Uniquoters grow its business with southern customers such as VKC and the Kottayam, Kerala-based Paragon to 550,000 metres a month now.

ON OVERDRIVE

Diversifying into the automotive segment was an important move. Riding on buoyant car sales at that time, Mayur Uniquoters signed up some of India's leading OEMs as customers for its synthetic leather to be used

in seat covers. The automotive business now brings in 35% of revenues but Poddar says he's cutting down dependence on domestic OEMs, mainly due to squeezed margins. The contribution of business from domestic carmakers is down to just 8% of automotive sector revenues, down from 21% in FY08. "Five years ago we used to supply 150,000 metre a month to Maruti; it's down to only 35,000-40,000 metre per month now," points out Poddar. Agrawal of Impetus Advisors agrees with him, "Big OEMs squeeze their suppliers, and margins are really low. So, the company has been de-focusing on Indian OEMs since the past three-four years and chasing OEM exports instead."

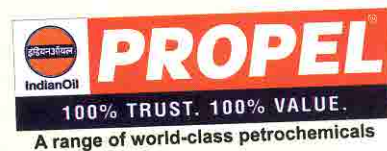
Fortunately, there's a much bigger and profitable chunk waiting outside, and the company has managed to acquire customers such as Ford and Chrysler Corporation of the US in the past three years. This gives it a valuable foothold in the global market estimated at \$40 billion. The big five-six OEMs buy synthetic leather in excess of ₹500 crore every year, translating into an addressable market of ₹4,000 crore. "It can help reduce our dependence on footwear as well," says Poddar. Developed markets such as the US and Europe are hard to crack but more rewarding eventually — against average



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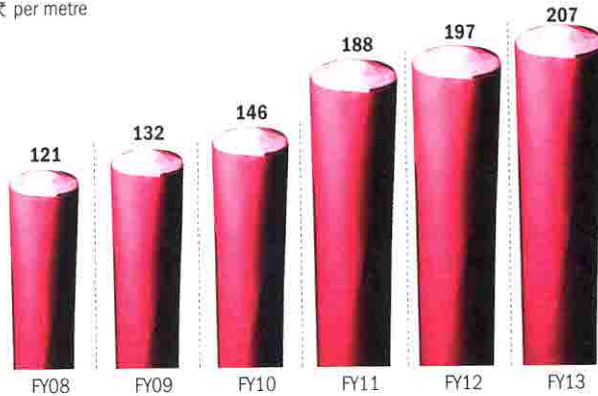
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ON A ROLL

High margin products and exports have helped improve overall realisations for the company

₹ per metre



Note: Average margin for nine months ended December 2012

Source: Centrum Broking

margins of ₹207 per metre in India currently, export margins could be as high as ₹350 per metre. Currently, 18% of Mayur Uniquoters' revenues come from OEM exports (see: *On a roll*).

The company has also insulated itself from recent recessionary pressures by spreading itself across segments. The recent lacklustre demand for cars, for instance, could have been serious cause for worry. "But there is a positive side to it. If a buyer is not going for a new car, he is likely to replace his car seat covers in his existing car. This adds to our replacement business," says Poddar, who feels there is greater opportunity in the replacement market now than in supplying to OEMs. Rajan Gandhi, director, RP Autostyles, a Noida-manufacturer of covers for car seats, gear knobs and steering wheels for OEMs and the replacement market, has been sourcing synthetic leather from Mayur Uniquoters since 1998. "Starting with 500 metre per month, we now buy 150,000 metre per month from them. They can reproduce material of European standards in India," says Gandhi, who feels that aftermarket is very competitive and affected by the slowdown in demand. "Seat covers are mostly bought with new cars. Also, once a car becomes old and is sold, it mostly goes to a buyer whose purchasing power is lower."

DONNING A NEW LOOK

Inside the factory, Manav Poddar, Suresh Poddar's son and executive director in the company, shows us around the facilities. He points to the two distinct layers of knitted fabric and PVC being fused in a machine. "Knitted fabric is the base on which PVC sits," he says. It's also the foundation on which the firm plans to take its business to the next level — through backward linkages. First

up is an investment of ₹25 crore in a unit for producing knitted fabric. Impetus' Agrawal suggests this could help bring down raw material costs by 5-10%. "It will also lead to significantly lower rejections by clients [on account of fabric quality]," he adds. Poddar says there's another major benefit to controlling fabric production — product development can be brought down drastically, from two-three months to three-four weeks.

Manav Poddar, 34, has been leading transformation and modernisation at the company since he joined the business over a decade ago. "When I came in, there were few professional systems and processes in place. Buyers such as Maruti and Honda would take us to task after their audits," he recalls. In 2002, with the help of an external consultant the Poddars came up with a three-year roadmap for process improvement and structural changes. "We actually copied the culture and process-

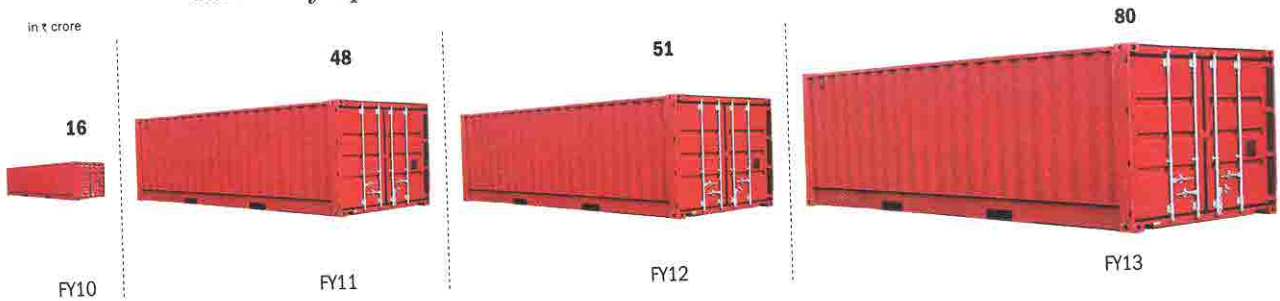
MAYUR UNIQUOTERS IS INVESTING ₹25 CRORE TO PRODUCE ITS OWN KNITTED FABRIC TO SPEED UP PRODUCT DEVELOPMENT

es of Japanese auto majors," reveals Manav. The effects are visible — from the blue uniforms that workers wear to the safety and productivity slogans displayed across the plant. "Our speed of execution and professionalism has improved in a big way. This transformation is also a major factor behind the high growth rate we have achieved," he says.

The Indian market is still minuscule compared with others — the Chinese market, for instance, is 15 times bigger. Analysts feel Mayur Uniquoters is well placed to capture more business through exports over the next three-four years, as synthetic leather is a more cost-effective alternative to natural leather (see: *Overseas calling*). "Global automakers are effecting cost control measures in a big way," concurs Agrawal. Analysts expect the company's share of high-margin exports to increase from the current 20% of sales to 28% by FY15. Poddar says he's already in discussions with Mercedes, BMW, and General Motors globally for supplies from India. Another lucrative opportunity is selling to dealers in the aftermarket segment in the US. Poddar isn't willing to reveal numbers here but a report by Centrum Broking states that overseas aftermarket sales clubbed under 'general exports', contribute almost 4% to the company's revenues.

OVERSEAS CALLING

The share of exports in overall revenues has been growing amid slowdown concerns



Warding off Chinese dominance in the export market continues to be a challenge but Poddar says with labour and input costs going up in China, this should be less of a threat going forward. Agrawal cautions, though, “Some Chinese players have products that are superior to what Mayur makes. If market shifts towards premium quality, they will be affected.”

There are other global trends that augur well for the company. Production of natural leather has been stagnant for some years and this is linked to changing attitudes towards meat consumption, says Gandhi of RP Autostyles. “Meat eating is declining overseas. And leather is a byproduct of meat there. So synthetic leather has a good future.” And while inferior technology was holding back acceptance of synthetic leather, that’s changing quickly, says Ajay Shethiya, analyst at Centrum Broking, “With technological advancements and better raw material mix, the synthetic leather produced now is much smoother and is similar to [natural] leather in look and feel. The fabric is versatile and is fast replacing natural leather in a number of industries.”

But, then, there are some who believe that natural leather will always be a preferred choice of material by end users. “Synthetic leather can match natural leather in looks but never in properties. So, it can never fully replace natural leather,” says Sudip Dutta, senior purchase manager at Bata India. Bata continues to use more natural leather than the synthetic variety in its footwear. Besides, rising input costs is also a challenge, says Poddar. The chemicals used in synthetic leather account for 60-65% of raw material cost for the company. And though any increase in input costs is passed on to

end consumers, this benefit comes with a lag of two-three months.

WELL-TANNED

For now, Mayur Uniquoters is priming itself for the next wave of growth. Capacity is being ramped up to keep pace with rising demand. A fifth coating line with a capacity of 600,000 metre per month is likely to become operational from September 2013. Post this addition, the total capacity will go up to 2.5 million metre per month. “We want to make at least ₹200 crore in revenues from exports [OEMs and replacement] in four years, and this capacity will come handy,” Poddar explains. The expansion has been funded largely through

internal accruals, making the company virtually debt free. “More importantly, along with capacity addition, the company has consciously chosen to concentrate on segments that need value addition, thus ensuring better margins,” says Shethiya of Centrum. The company is looking to shore up non-automotive exports and is exploring

THE COMPANY’S CAPACITY WILL GO UP TO 2.5 MILLION METRE PER MONTH AFTER ITS FIFTH COATING LINE BECOMES OPERATIONAL

global opportunities in segments such as furnishings and marine upholstery.

Back home, an important focus area now is furnishings and accessories such as ladies bags and purses, which currently contribute 9% of the company’s revenues. Its first exclusive showroom for furnishings is coming up at Kirti Nagar in West Delhi, the capital’s home furniture and furnishings hub. If Poddar is brimming with confidence, he’s got plenty of reason to. “Who thought that an Indian synthetic leather maker will sell in the US? But we tried and succeeded,” he says. He’s right. And if Poddar’s export ambition is anything to go by, expect plenty of action from this company. ☞