

CARE/ARO/RL/2018-19/2774

Mr. Suresh Kumar Poddar

Chairman, Managing Director and Chief Executive Officer

Mayur Uniquoters Limited

Village - Jaitpura, Jaitpura – Sikar Road,

Jaipur – 303 704

Rajasthan

February 21, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of Mayur Uniquoters Limited for audited FY18 (refers to the period from April 1 to March 31) and published unaudited result for 9MFY19 (refers to the period from April 1 to December 31), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities – Term Loan	45.32 (reduced from Rs.1.32 crore)	CARE AA; Stable [Double A; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	20.00	CARE A1+ [A One Plus]	Reaffirmed
Long-term/ Short-term Bank Facilities	70.00 (reduced from Rs.50 crore)	CARE AA; Stable / CARE A1+ [Double A; Outlook: Stable / A One Plus]	Reaffirmed
Total Facilities	135.32 (Rupees One Hundred Thirty Five Crore and Thirty Two lakh only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and

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¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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Annexure 1
Details of Rated Facilities

1. Long-term Bank Facilities

1.A. Rupee Term Loan

(Rs. Crore)

Sr. No.	Name of Bank	Amount	Debt Repayment Terms
1.	ICICI Bank	1.32*	Repayable in 22 equal quarterly installments commencing after moratorium period of 5 quarters.
2.	ICICI Bank	1.00	Repayable in 20 equal quarterly installments commencing after moratorium period of 4 quarters – Capex LC is sub limit to term loan
3.	ICICI Bank	18.00	Repayable in 20 equal quarterly installments commencing after moratorium period of 4 quarters – Capex LC is sub limit to term loan
4.	ICICI Bank	25.00	Repayable in 20 equal quarterly installments commencing after moratorium period of 4 quarters – Capex LC is sub limit to term loan
	Total	45.32	

*Outstanding as on November 30, 2018

Total long-term facilities (1.A.): Rs.45.32 crore

2. Short-term Bank Facilities

2.A. Non-fund Based Limits

(Rs. Crore)

Sr. No.	Name of Bank	Type of Facility	Amount	Tenure
1.	IDBI Bank	LC/Bank Guarantee/Buyer's Credit	20.00	Up to 12 months
	Total		20.00	

Total short-term facilities (2.A.): Rs.20.00 crore

3. Long-term /Short-term Bank Facilities

3.A. Fund-based/ Non-fund Based Limits

(Rs. Crore)

Sr. No.	Name of Bank	Type of facility	Amount	Remarks
1	ICICI Bank	FBP	25.00	Includes FBD/FUBD/PCFC/BD as sub-limit
2	ICICI Bank	LC	20.00	Includes Inland/Foreign LC Usance/Sight
3	Yes Bank	LC	20.00	Includes CC/PCFC/LUT/LC as sub-limit
	Total		65.00	

FBP: Foreign Bill Purchase; FBD: Foreign Bill Discounting; FUBD: Foreign Usance Bill Discounting; PCFC: Packing Credit in Foreign Currency; LC: Letter of Credit; CC: Cash Credit; PSFC: Post-Shipment Credit in Foreign Currency; LUT: Letter of Under Taking; BD: Bill Discounting

3.B. Fund-based Working Capital Limits

(Rs. Crore)

Sr. No.	Name of Bank	CC	Remarks
1.	IDBI Bank	5.00	Includes EPC/ PCFC/ EBD/ FBP/ FBD as sub-limit

EPC: Export Packing Credit; PCFC: Packing Credit in Foreign Currency; EBD: Export Bill Discounting; FBP: Foreign Bill Purchase; FBD: Foreign Bill Discounting;

Total long-term/short-term facilities (3.A.+3.B.): Rs.70.00 crore

Total facilities rated (1+2+3): Rs. 135.32 crore

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(Formerly known as Credit Analysis & Research Limited)

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Annexure 2
Press Release
Mayur Uniquoters Limited

Ratings

Facilities	Amount* (Rs. crore)	Ratings ²	Rating Action
Long-term Bank Facilities – Term Loan	45.32 (enhanced from Rs.1.32 crore)	CARE AA; Stable [Double A; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	20.00	CARE A1+ [A One Plus]	Reaffirmed
Long-term/ Short-term Bank Facilities	70.00 (enhanced from Rs.50 crore)	CARE AA; Stable / CARE A1+ [Double A; Outlook: Stable / A One Plus]	Reaffirmed
Total Facilities	135.32 (Rupees One Hundred Thirty Five Crore and Thirty Two lakh only)		

*Details of instruments/facilities in Annexure-I

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Mayur Uniquoters Limited (MUL) continue to derive strength from over four decades of experience of its promoter in the artificial leather industry, MUL's strong market position in the organized segment of the Polyvinyl Chloride (PVC) coated fabric segment, wide product portfolio with diverse applications, product approvals from leading domestic & global automobile Original Equipment Manufacturers (OEMs) and its established clientele in the footwear segment. The ratings also factor revenue diversification with increasing proportion of income being contributed from automotive, replacement market and furnishing segments and company's focus on high margin products in both the domestic and export markets supported by its product development capabilities and backward integration enabling the company to consistently report healthy profit margins. The ratings further continue to factor the healthy liquidity, comfortable leverage and strong debt coverage indicators of MUL on account of very low net debt levels and healthy cash flow generation. The ratings further take cognizance of MUL's decision of setting aside brown field project at Mysore for manufacturing of PVC coated fabric.



¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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The above rating strengths are, however, tempered by its exposure to raw material price volatility (majority of them being derivatives of crude oil) and foreign currency fluctuation risk, working capital intensive operations and its presence in a highly fragmented and competitive artificial leather industry especially in the lower value added segment of the market. The ratings also take cognizance of the planned capex by MUL to foray in to Polyurethane (PU) coated fabric at Gwalior and expansion by way of setting up new coating line for manufacturing of PVC at existing Dhodsar plant.

The ability of MUL to successfully implement its planned capex for manufacturing PU-coated fabric and expansion at its existing Dhodsar plant within envisaged cost parameters and generate envisaged returns thereof, significantly grow its scale of operations by tapping newer markets and further diversify its revenue stream while maintaining its healthy profitability and efficiently managing working capital requirements would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths:

Leader in artificial/synthetic leather industry along with strong and reputed client base: MUL owns the largest installed capacity for manufacturing of synthetic leather in domestic organized segment with capacity of 366 lakh linear meters per annum (LLMPA) and is in the process to expand its capacities by adding seventh coating line at Dhodsar with which the total capacities will increase from 366 LLMPA to 426 LLMPA. MUL manufactures more than 400 variants of artificial leather from PVC polymer which finds application in footwear (shoes/sandals insole and uppers), automotive (seat upholstery and inner linings), furniture & fashion items (apparel). MUL has a strong and diversified client base across industries like Bata, Relaxo, VKC, Paragon, Maruti Suzuki, Mahindra & Mahindra, Baggit, etc. and shares long standing relationship with most of its clientele. Owing to consistency in its product quality, stringent quality control measures and adherence to delivery schedule, MUL is also one of the very few approved vendors in Asia by global automotive OEMs [such as Ford (USA) and Chrysler (USA)].

In-house product development, adequate backward integration and focus on high margin products has enabled MUL to consistently report healthy operating profit margins: Over the years, MUL has consistently generated healthy operating profit margins in an otherwise fragmented and unorganized synthetic leather industry on account of its focus on in-house product development / innovation, adequate backward integration and focus on high margin products (both in domestic and export market). During last four years ended FY18, the management has made conscious efforts to increase its focus on high margin products catering to Automotive, Replacement Market and Lifestyle products (Furniture & Apparel) as against

relatively low margin products like Footwear. Contribution of footwear segment in total sales gradually reduced from 46% during FY16 to 38% during FY18 and H1FY19.

Healthy PBILDT margin on the back of growth in total operating income and strong debt coverage indicators: Total operating income (TOI) registered growth of 16% during FY18 as compared to FY17 driven by 40% growth in the automobile sector followed by 34% growth in the replacement market and 15% growth in the footwear segment. However, PBILDT margins of the company continued to remain stable at 28% during FY18. Further, MUL witnessed marginal growth of 7% in TOI during 9MFY19 as compared to 9MFY18 on account of impact of IND AS on revenue recognition on exports to its subsidiary. PBILDT margins though declined to 25% during 9MFY19 as compared to 27% during 9MFY18 mainly on account of increase in raw material prices being derivative of crude, it continued to remain healthy and superior as compared to its domestic competitors. Low debt levels coupled with healthy profitability continued to result in strong debt coverage indicators during FY18.

Vast experience of the promoters in artificial/synthetic leather industry with emphasis on R&D activities for product development: Mr. Suresh Kumar Poddar, Chairman, Managing Director and Chief Executive Officer (CEO) of MUL, has more than four decades of experience in the trading and manufacturing of artificial leather. He looks after overall operations of the company including production, marketing & strategy and has been directly associated with the successful implementation of inventory management and other cost reduction techniques like Total Quality Management (TQM), Total Productive Maintenance (TPM) and R&D initiatives in the company. Also, Mr. Arun Kumar Bhagaria, Executive Director, has similar experience of around a decade and is actively involved in managing the business.

Favorable outlook for artificial leather driven by growing demand from its key end-user industries; albeit competition exists in the lower value-added segment: Artificial leather mainly finds application across segments like footwear, automotive interiors, furnishing, auto-replacement market and fashion accessories. There is growing awareness and acceptability for artificial leather products across these industries as compared to genuine leather, being a cheaper alternative with good aesthetic quality. MUL faces competition from cheap import substitutes and from smaller organized players especially in footwear and replacement market. However, MUL has edge over its competitors by virtue of being the largest player in the domestic market, having backward integration facility and being approved vendor of leading automobile OEMs.

Cancellation of previously envisaged brown-field project for setting up of PVC leather manufacturing plant at Mysore: MUL had earlier planned to set up a PVC leather manufacturing plant with capacity of 0.10 million linear meters at Mysore (Karnataka) to save on lead time and logistic costs, South India being a prominent location of MUL's footwear

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customers. However, MUL has now set aside the said project at Mysore due to non-feasibility of the project at project location on account of slopy terrain.

Liquidity analysis; strong liquidity despite working capital intensive operations: MUL's working capital intensity has increased over last four years as reflected from elongation in operating cycle from 52 days during FY15 to 91 days during FY18. It was on account of increase in collection period due to increase in export sales to USA and increase in credit period in footwear segment. However, working capital requirements are met mostly through healthy internal cash generation resulting in almost nil utilization of fund-based working capital limits for the trailing 12 months ending November 2018. Further, cash flow from operations continued to remain healthy during FY18. MUL also had unencumbered liquid investments of Rs.148.86 crore and Rs.195.24 crore as on March 31, 2018 and December 31, 2018 respectively exceeding total debt of the company resulting in a zero net debt position for the company.

Key rating weaknesses:

Exposure to volatility in raw material prices and foreign exchange rate fluctuations: Almost 80% of MUL's raw materials are derivatives of crude oil; hence the prices of its raw materials vary with the fluctuation in international crude oil prices. MUL enters in to medium term contracts with its suppliers to mitigate any large volatility in raw material prices. MUL is also exposed to foreign exchange rate fluctuations on the back of its large imports which was 43% of its total raw material requirement during FY18. However, forex risk is partly mitigated through natural hedge available by way of exports.

Ongoing and planned capex: MUL had planned to foray into manufacturing of PU coated fabric by setting-up a green-field manufacturing capacity at Gwalior with an estimated cost of Rs.85 crore which is envisaged to be largely funded through available liquid investments and internal accruals and is expected to achieve commercial operations date (COD) by June, 2019. MUL shall also commence second phase of the project after stabilization of first phase.

MUL is also in the process of setting up seventh coating line at its existing unit for manufacturing of PVC leather with estimated cost of Rs.25 crore. Installed capacity of MUL for production of PVC coated fabric will be increased by 60 LLMPA, once this coating line becomes operational which is expected by end of June, 2019. MUL is setting up this new coating line mainly to meet supplies for Mercedes Benz.

Analytical Approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology - Manufacturing Companies

Financial Ratios - Non financial sector

About the company

Incorporated in 1992 with commencement of operations in 1994 at Jaipur, Rajasthan, MUL (CIN: L18101RJ1992PLC006952) is in the business of manufacturing PVC coated fabric; commonly known as artificial/ synthetic leather. MUL is promoted by Mr. Suresh Kumar Poddar, Chairman, Managing Director and CEO, who has more than four decades of experience in trading and manufacturing of artificial leather.

MUL has two manufacturing facilities located near Jaipur (one facility each at Jaitpura and Dhodsar) having aggregate of six coating lines (four at Jaitpura and two at Dhodsar) to manufacture artificial leather along with backward integration for manufacturing of knitted fabric. Further, during FY16, MUL had setup a wholly owned subsidiary, Mayur Uniquoters Corp., in Texas, USA as a marketing/trading arm to facilitate exports to its growing customer base from the automotive industry in USA. MUL, over the years, has also registered itself as ISO 9001:2000 organization and has been awarded with various excellence awards.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	486.77	565.57
PBILDT	137.60	157.71
PAT	82.08	94.10
Overall gearing (times)	0.06	0.08
Interest coverage (times)	VL	VL

A: Audited; VL: Very Large

Based on published unaudited results for 9MFY19, MUL reported TOI of Rs.467 crore (9MFY18: Rs.438 crore) with profit after tax (PAT) of Rs.67 crore (9MFY18: Rs.70 crore).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-II

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over nearly two decades; it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporate to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 2025	45.32	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A1+
Fund-based - LT/ ST-Cash Credit	-	-	-	5.00	CARE AA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	65.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	45.32	CARE AA; Stable	1)CARE AA; Stable (07-Jan-19)	1)CARE AA; Stable (03-Jan-18)	1)CARE AA (30-Sep-16)	1)CARE AA (15-Sep-15) 2)CARE AA (29-Apr-15)
2.	Fund-based - LT-Bank Overdraft	LT	-	-	1)Withdrawn (07-Jan-19)	1)CARE AA; Stable (03-Jan-18)	1)CARE AA (30-Sep-16)	1)CARE AA (15-Sep-15) 2)CARE AA (29-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A1+	1)CARE A1+ (07-Jan-19)	1)CARE A1+ (03-Jan-18)	1)CARE A1+ (30-Sep-16)	1)CARE A1+ (15-Sep-15) 2)CARE A1+ (29-Apr-15)
4.	Fund-based - LT/ ST-Cash Credit	LT/ST	5.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (07-Jan-19)	1)CARE AA; Stable / CARE A1+ (03-Jan-18)	1)CARE AA / CARE A1+ (30-Sep-16)	1)CARE AA / CARE A1+ (15-Sep-15) 2)CARE AA / CARE A1+ (29-Apr-15)
5.	Fund-based/Non-fund-based-Long Term	LT	-	-	1)Withdrawn (07-Jan-19)	1)CARE AA; Stable (03-Jan-18)	1)CARE AA (30-Sep-16)	1)CARE AA (15-Sep-15) 2)CARE AA (29-Apr-15)
6.	Fund-based/Non-fund-based-LT/ST	LT/ST	65.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (07-Jan-19)	1)CARE AA; Stable / CARE A1+ (03-Jan-18)	1)CARE AA / CARE A1+ (30-Sep-16)	1)CARE AA / CARE A1+ (15-Sep-15) 2)CARE AA / CARE A1+ (29-Apr-15)

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