



Mayur Uniquoters Q1 FY20 Earnings Conference Call

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MR. RAHUL JOSHI – COMPANY SECRETARY

MODERATOR: **MR. AWANISH CHANDRA – MONARCH NETWORK CAPITAL**

Moderator: Ladies and Gentlemen, Good Day and welcome to the MayurUniquotersQ1 FY20Earnings Conference Call. 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, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Awanish Chandra from Monarch Network Capital. Thank you and over to you, sir.

Awanish Chandra: Good afternoon everyone. On behalf of Monarch Network Capital I welcome you all to Quarter 1 FY20 Conference Call of MayurUniquoters. We are pleased to host the senior management of the company today. We have with us Mr. Suresh Kumar Poddar – Chairman and Managing Director of the company Mr. Arun Kumar Bagaria -- Executive Director, Mr. Vinod Kumar Sharma – Chief Financial Officer and Mr. Rahul Joshi – Company Secretary. We will start the call with initial comments on results and future outlook and then we will open the floor for question and answers. So, without any delay I hand over this call to Mr. Arun Kumar Bagaria. Over to you, sir.

Arun Kumar Bagaria: Thank you everyone. Good afternoon. Dear investors and analyst, Ladies and Gentlemen it is a great pleasure to be here to share with you the performance of Mayur. Thanks for giving a precious time to join MayurUniquoters Limited Q1 FY20 Conference Call. MayurUniquoters Limited being a 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 and international business market. The current market scenario has affected our Quarter 1 performance and our sales revenue decrease by 9.16% as compared to previous year quarter majorly because of big slowdown on automotive sales. Sales has dipped in auto industry by 20% which is the worst fall in India's current market in last 8 years. The slowdown has affected every segment of the automotive industry adding to overall gloom in the economy and posing a fresh challenge to the Indian government. The reason for big decline in auto sales are mainly the drop in purchasing power of people caused by sustained rural distress and the auto industry is currently facing a big technological challenge.

As from April 2020 the automobile industry will have to be compliant with Bharat Stage 6 norms to bring India on par with advanced countries such as Europe and US. The cost of meeting the new regulation including BS VI and other safety norms such as airbags will be going to be higher now. As a company has a very good track record of being an investor friendly company and is committed to drive value creation for all the shareholders. Now I am glad to tell you that the board of directors of your company has declared interim dividend of Rs. 50 that is 10% for Quarter 1 of the financial year 1920.

Now I would like to start with financial highlights for the Quarter 1 FY19-20 under review. We will reply to your queries after my financial on the financial results. The company has achieved revenue from operations on standalone basis amounting to Rs. 120.20 Cr which is

3.62% growth on last quarter and net profit after tax amounting to Rs. 15.86 crores also the revenues from operations on consolidated basis is Rs. 127.35 crores which is declined by 0.44% as compared to last quarter and PAT amounting to Rs. 9.74 crores. Further the endeavor of Mayur is to be the preferred supplier for the leading OEMs especially in the US and European market and we are glad to update. Your company has been approved by Mercedes-Benz also and product supplies expected to start for their new models from Q3 of our financial year 2021.

Moreover, a product approval with BMW is also under process along with three other vendors and expecting the approval of a product within the next three months with good quality to be supplied by Mayur. Now I update you on a CAPEX plan, PU projects. Major construction work of PU plants is completed at the project side and main machinery both imported and domestic has also received at the site and most of them are already installed. Our target is to commence the production in the first week of October 2019. While pursuing our business interest Mayur Uniquoters has also been endeavoring to fulfill our responsibility towards the society. Under a corporate social responsibility program, the company has adopted many Happy Schools for education for children. The company has worked on education especially for the girls and under privileged child education. Various healthcare initiatives especially child skill development, water for all, sanitation in school area distribution of books, bags, clothes and blankets and most importantly family planning and family welfare schemes.

The government of Rajasthan has recognized this initiative on various platform. I am thankful to all the investor for their valuable time to those who have become a part of this conference call. With this positive note I would like to conclude and request you to open the forum for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

Viraj Kacharia: First is if I look at our quarterly results in this quarter and if we compare the standalone numbers with a consolidated numbers there is a loss of around 7 crores in the difference, now if I look at page 7 of the results in the auditors remarks we have talked about that overseas subsidy is doing something like 27 crores of sales and 1 lakh in terms of profitability, so what does this loss actually pertain and how should we look this going forward?

Arun Kumar Bagaria: It is not a loss in fact that is a profit elimination from the subsidiaries company and Q1 we have big accumulation of the inventory at our subsidiaries so therefore to consolidate it we have to eliminate the profits and it is only elimination of the profits there is no inventory loss booked.

Viraj Kacharia: Sir because if I look at the 7-crores breakup around 3.5 crores it pertains to the inventory adjustment which you said. There is another 3 to 4 crores which is in other expenses are difference, hence just trying to understand incrementally when we look at the consolidated numbers first how should we look at this number going forward?

- Arun Kumar Bagaria:** Increase in other expenses is on account of staff cost and commission on salary which you are paying yourself and other one Futurastock is also clubbed that earlier it was not there, but in this quarter Futura stock is also there and you see the increase in inventory is around 4.3 crores our last quarter.
- Viraj Kacharia:** Sir this inventory figure which you said that is more than one-time adjustment right we should not see that going forward?
- Arun Kumar Bagaria:** Sorry.
- Viraj Kacharia:** The inventory which you said it is more of a onetime adjustment?
- Arun Kumar Bagaria:** Yes it is a onetime adjustment and in fact whenever we have the inventory unsold inventory or unrealized profits is reduced from the inventory part and valuation is done net of profit margins included in that.
- Suresh Kumar Poddar:** What happens like every year during the first quarter of the financial year we sell some extra stock to our subsidiary company because of some technical reasons we do not want to produce this material during the monsoons. So, always the stocks are little higher on the first quarter and it gets proportionately adjusted during the next two quarters. So, that is why there is an unrealized profit in the books which we have to reduce from the stock which we have sold to a subsidiary company basically.
- Viraj Kacharia:** So, this is more like a onetime adjustment and we will see reverse on that?
- Arun Kumar Bagaria:** And it will come under the books once it is realized.
- Suresh Kumar Poddar:** No sales has been reduced from the sale of a warehouse like if you were selling x value in the particular month that sale is same as before.
- Viraj Kacharia:** The second question was on the growth especially in exports now if I divide that in two parts one is we will supply to for our cash flow for quite a long period of time and typically when we supply to any new model or new program typically takes somewhere between 3 to 5 years for one to start supplying to the new model once it is launched. So, since we are kind of a vendor to these OE in US for quite some time where are we in that cycle?
- Arun Kumar Bagaria:** Two more new programs are under discussion and like we have submitted the samples to the customers, color matching are going on, but they have not decided whether they will buy it from Mayur or some other vendors. So, it is an ongoing discussion for the program coming in the next financial year.
- Viraj Kacharia:** Sir, but given our overall value proposition as offering a very high quality material at a very affordable price one would think that you know us over a medium term you would kind of keep on gaining share, but if I look at a number annual numbers for last couple of years in

exports we have not really kind of able to build up on that and gain more shares considering the overall opportunity we are quite miniscule in terms of wallet share, so where has been the challenge I mean why the places has not incrementally more and more coming towards and going to other?

Suresh Kumar Poddar: See so far USA is concerned already our three new products are on line the product has been submitted, the rates has been quoted and there are three different suppliers and we do not know whether they will give 100% or 50% or 30%, but the requirement is very good more than 150,000 yards every month. So, what is the result we will get it know by August end there are fair chances.

Viraj Kacharia: And on second part of exports you talked about Mercedes we are expecting somewhere now around Q3 of FY21 am I correct?

Suresh Kumar Poddar: Yes.

Viraj Kacharia: Earlier I was thinking was that we should see that commercializing somewhere Q4 or Q1 of FY21 now that has also kind of pushed?

Suresh Kumar Poddar: You are correct for Mercedes production supply will start on the third quarter of 2020.

Viraj Kacharia: What has led to a delay?

Suresh Kumar Poddar: No, it is delayed because this is a new model which they are going to buy. Now their model will start from that period only. In automotive at least 2.5 years it will take minimum.

Arun Kumar Bagaria: In the last call also and the call before that we have told you that business will only start in the third quarter of next financial year.

Moderator: Thank you. The next question is from the line of Chintan Seth from Samiksha Capital. Please go ahead.

Chintan Seth: Sir on clarification you said third quarter of 21 for Mercedes right not third quarter of 20?

Arun Kumar Bagaria: Third quarter for FY21.

Chintan Seth: And what kind of numbers in terms of PU we have not started test production also or the test production has started in commercial will be from October onwards?

Arun Kumar Bagaria: You are talking about Mercedes.

Chinatan Seth: No PU.

- Arun Kumar Bagaria:** PU production trial will start from October and the whole production may be start from December.
- Chintan Seth:** So, why such delay sir we got the machinery now we got the plant construction already completed?
- Arun Kumar Bagaria:** So, this is you know lots of things are there so buy the machines then your plant and building everything in India what happens.
- Suresh Kumar Poddar:** Some machines are already erected and some machines are under installment so we expect everything to be over by 20th September or 25th September then machine synchronization also we have to set in that also it takes 10 days then only we will start the trial production after that.
- Chintan Seth:** Sir on broader questions now we faced last year very challenging Q1 also we are facing the same issues on the demand side and market side, so segment side you tell me your outlook footwear auto export are already next year some growth will come because of Mercedes and US market is also a growth for headroom for three new model you talked about, so provide some more color how the growth in footwear and domestic auto will play out from now onwards?
- Suresh Kumar Poddar:** From now automotive you know everybody knows in India or everywhere in the world. We do not know when it will start improving because number one BS-VI and then electric car. So, this is disturbing to everybody all automotive people are disturbed that is why we are focusing on exports. So, we are doing our best to get more and more of USA as I told that there are three articles which we have submitted and we will try to take as much as possible. So, for automotive it is very uncertain we cannot say anything. Even if you go and ask these Maruti or Mahindra or Tata chairman they will not be able to say that what is going to happen, but customer are with us, we are adding more new customers, we have added, but plus the market is bad that is why we are not seeing good growth. The time could have been usual auto OEM growth could have been at least 25% to 30% because we have added many new customers and they have started already buying from us, but since their market is so bad that it is portable to act in our production. So, this is you know one year nobody can say what will happen we are trying our best to do as much as possible because overnight you cannot add the customers, but we are saved we are not 30% down in automotive as it is happening. We are hardly how much automotive is we are down by 10% whereas market is down by 20% to 30% and the biggest effect is in replacement market you know what is happening. You know in India more than 60% is Maruti car is sold. We are supplying aftermarket and that is also bought by Maruti itself and they are distributing to get dealers and all that and that market is very big market or that market is bigger than auto OEM market. Auto OEM has not affected that much, but this replacement market has had we are more than 25% up that is why this total effect of 10% is coming.

- Chintan Seth:** So, how many programs in domestic market we are catering to how many we are catering to currently and what are the pipeline in terms of discussion with an OEM client?
- Suresh Kumar Poddar:** How many customers or how many models are we selling in Indian market. Sorry we just got diverted with your question can you repeat a question actually we just looking at a footwear figure when you are asking the question.
- Chintan Seth:** So, basically, I am asking that how many models we are currently supplying to numbers of models or number of program we are supplying to India OEM market and what are the new discussions going in Indian OEMs side. Replacement we understand that it is larger customer is Maruti, so if Maruti does well we will tend to follow the trend, but on OEM side if we grow our customer base in number of models programs we are catering to that will be incrementally add volumes going forward?
- Suresh Kumar Poddar:** See it is very difficult to tell you how many models we are supplying that we can tell you maybe tomorrow I can send you, but it is not possible to know in how many models we are using synthetic leather because in car seats genuine leather is used, fabric is used and artificial leather is also used. So, it depends manufacture to manufacture that how much they do it, but I can say in short that we are supplying to most of the premium articles of the car, we are not supplying very cheap articles and that is it.
- Chintan Seth:** And sir footwear how did it do this quarter and what is outlook there you mentioned somewhere last quarter that from Diwali and Q4 we will see some improvement coming in, so how does footwear did and what is your outlook now?
- Suresh Kumar Poddar:** You know everybody what your view about the Indian industry is, about the Indian market at present scenario. I am asking you because you have better knowledge than all of us. We read in the newspaper or you can say I know about automobile or footwear industry or furnishing industry, but I see that over all there is a big sentimental hit nobody wants to spent. Now what we are doing here from last 15 days we are working that I want to reduce my cost by 20% because you are not sure about your business, but the cost you can reduce. We are trying to do that else we are not leaving any stone unturned; we are trying our best our general export inspite of all these things is increasing. Our other like other than footwear or automotive sale is also increasing, but what happens. Suppose there is a 100 pieces market if you have captured 50 then your growth chances are less. The market where it is 100 and you are doing only 10 their growth chances are more. So, like that other than footwear and automotive we are having very good growth, but the quantity amount is less. So, far as automotive everybody knows so for footwear because of Mr. Modi demonetization because there are maximum unorganized sector and that is why that is affecting, and we are supplying to only organized sector.
- Chintan Seth:** Sometime back you mentioned VCK and the Southern players are expanding capacity, does they have put on hold to expansion plans footwear players?

Suresh Kumar Poddar: Why we have started PU you see the biggest problem in PVC that there is a very big competition there are many manufactures, and they are increasing every year. So, therefore that is why we are going to PU so that we can catch hold of the extra market of footwear because in PVC you know because I have a certain condition, I want to make certain profit without that I am not going to work. So, therefore what is the way like why I went to USA and then to Europe for auto OEM because here I was not getting more opportunity to make more money that is why I went outside and USA we have done and now we are going for Mercedes. You know automotive industry is a very difficult industry I mean today you must know that other than Mayur in the whole world only American, Canadian or European companies are supplying to automotive OEMs even Chinese are not supplying directly to these countries except their country and whatever they are doing they are doing with their joint venture with all this big people. So, it is not easy to get into, but we are trying out best and this is thing of once it gets momentum it will start because I have very much confidence in next three, four, five years' time our sale will increase drastically because now I have hardly any percentage of automotive OEM in Europe we have zero, America we have started and today we also is not more than 5% what we are doing. So, the scope is very big and we know that we can do it, but in automotive industry they do not change their supplier, they will only ask us for the new model. Whatever model we are supplying from last three, four years nobody else has come. Our main target is how we can grab these three models so that our sales are increased.

Chintan Seth: Sir, you mentioned about the cost reduction drive you are trying to implement?

Arun Kumar Bagaria: Cost reduction is only expenses how you can reduce manpower expenses; how can you introduce overheads. So, all this we are working very seriously, we have made our target 20% but even 10% I am able to do with good enough.

Chintan Seth: And how is the raw material trend is having they soften, or do we see some pressures?

Arun Kumar Bagaria: PVC resin has increased in last six months more than 20% because of the oil prices.

Chintan Seth: But now oil prices are coming down?

Arun Kumar Bagaria: Where it is coming down if from 57, 56 if it is coming to 55 it does not matter, but it was about \$35 to \$40 has gone up to \$60 and then the biggest problem in PVC resin two companies has been closed in Korea because of environment problem suddenly they have been ordered to close it down and unfortunate for Indian companies that there was no extra duty on Korea. So, there is anti-dumping duty also from other countries. So, whoever is dealing in leather cloth they have been affected. The thing is that it is about this year, two years, but Indian future is very good it is not going to go down may be this temporary affect. It is the best time to buy the shares. I am only talking about Mayur, I am talking about general.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

- Deepan Shankar:** Sir, what is the kind of total volumes sold during the quarter and year-on-year and also the segmental volumes we can break down?
- Vinod Kumar Sharma:** For Q1 export general 10.32 crores and export OEM 27.28 crores, total export 36.61, auto OEM domestic 14.47 and the auto replacement 19.20, footwear 46.09, furnishing 1.54 and others 7.79.
- Deepan Shankar:** Sir, the overall the drop in gross margin is more or less due to our raw material effect itself or even the product mix shift is impacting us?
- Arun Kumar Bagaria:** So, there was an increase in the raw material prices the falls in sales has also impacted the obviously profits because like the overheads are fixed and if your sales go down the percentage of overheads goes up also and we had some extra overheads cost around 3%. Total 9% increase in the cost.
- Moderator:** Thank you. The next question is from the line of Nilesh Shah from Envision Capital. Please go ahead.
- Nilesh Shah:** Sir, just a clarification on what you said earlier in terms of the difference between the standalone numbers and the consolidated, so I just want to basically just simplify that in this quarter you have done roughly 16 crores of profit after tax on standalone basis and roughly 10 crores on consolidated. Now you said this is one quarter phenomena, so going forward say in the next three quarters if the first quarter performance is reported and if you have a standalone profit of 16 crores does that mean that on the consolidated basis also that profit will be 16 crores?
- Arun Kumar Bagaria:** It will be better than that.
- Nilesh Shah:** So, that is one, two is Poddar ji you talked about good time to buy the shares and you have been doing buyback earlier you are sitting on liquidity, so what is your thought on that I mean are you planning to kind of have a buyback because the stock prices have fallen so much?
- Suresh Kumar Poddar:** So, that I do not know I cannot say. We have not decided yet.
- Nilesh Shah:** What is the overall cash position that we are sitting on?
- Vinod Kumar Sharma:** Around 184 crores.
- Nilesh Shah:** And what is now the balance CAPEX that we have to do for the year both PU as well as PVC?
- Vinod Kumar Sharma:** Around 45 crores.
- Moderator:** Thank you. The next question is from the line of Saumya Kumar from Systematix Group. Please go ahead.

- Saumya Kumar:** Sir last quarter we discussed about our Nissan and Kia progress order that we were expecting, so what is the progress on that front and BMW as well?
- Suresh Kumar Poddar:** MG Motor we have started and Kia they just started the production and at the moment they are importing we have submitted the samples. Now the Koreans are very much particular about buying from the Korea. So, we are talking to some new Korean companies to have some kind of a tie-up let us see what happens, MG Motor we have started already.
- Saumya Kumar:** Capital work in progress what is the current status right now CWIP value?
- Vinod Kumar Sharma:** Yes it is around 60 crores.
- Saumya Kumar:** Sir if you could change the volume numbers for the quarter in across the segments?
- Arun Kumar Bagaria:** We told you someone asked us before.
- Saumya Kumar:** That was revenue?
- Arun Kumar Bagaria:** We have the revenue numbers right now, volume number if you want, we can just sent you an approximate percentage later on.
- Vinod Kumar Sharma:** The total quantity Yes 5951587 total quantity.
- Saumya Kumar:** It is just a total and breakup across the segment?
- Vinod Kumar Sharma:** Yes please note down the percentage export general 8.16% and 21.55% is export OEM total around 30% is the export and 70% is domestic.
- Saumya Kumar:** And among them was domestic, auto and footwear.
- Arun Kumar Bagaria:** Footwear 37% approximately 12% is auto OEM, 16% to 17% is auto replacement, 2% approximately is furnishing and remaining is others.
- Moderator:** Thank you. The next question is from the line of Manish Jain who is an Individual Investor. Please go ahead.
- Manish Jain:** My question was regarding automotive segment now there is reduction in volume, are you seeing any pricing pressure from the automotive to these prices?
- Arun Kumar Bagaria:** No.
- Manish Jain:** They are not asking for any price reduction like that?
- Arun Kumar Bagaria:** No.

- Manish Jain:** And another question when we supply to automotive, do we supply to sheet suppliers or we directly supply OEMs?
- Arun Kumar Bagaria:** No, we are like Tier-3 suppliers so we either supply to Tier-1 or sometime we supply to Tier-2, but all the prices and all the products are finalized by the OEM directly.
- Manish Jain:** So, OEM decides prices and supplies to their suppliers basically?
- Arun Kumar Bagaria:** Yes, and they will also decide the volume of business also.
- Manish Jain:** Another thing if you want to let us say in OEMs who is our next biggest competitor the synthetic leather?
- Suresh Kumar Poddar:** The competitor is for Ploynova Industries, Fenoplast, Marvel Vinyls these three are.
- Manish Jain:** So, it is not that we are single sourced there are other companies who are having the different kind of market share?
- Arun Kumar Bagaria:** Yes, for sure.
- Suresh Kumar Poddar:** See you do one thing you go and compare the balance sheet of these are my competitors who are in public limited company you will find the difference and you will understand.
- Arun Kumar Bagaria:** See automotive has two requirements – one is the premium segment and one is very low-price items, we are not trying to touch these low priced items over there and the demand for premium items is limited compared to the low-price items.
- Manish Jain:** The reason I was asking about the prices was that because whenever slowdown starts the first strategy of OEM to reduce the material cost?
- Suresh Kumar Poddar:** As I told you that PVC Resin price has increased, but they have not given any increase.
- Manish Jain:** No, they are not giving us the price increase, but they are not pushing us for price reduction.
- Arun Kumar Bagaria:** No, they are not doing that.
- Moderator:** Thank you. The next question is from the line of Niraj Kamthekar from Prospero Tree. Please go ahead.
- Niraj Kamthekar:** My first question is related to will you be able to achieve the PAT of 60 to 70 crores this year or even that is doubtful if the current rate is continued?
- Suresh Kumar Poddar:** In today's time there is nobody in this world who can predict what is going to happen tomorrow. In the short-term I can tell you we are not leaving any stone unturned, we are

always after finding new customers, we are trying our best to reduce the cost, reduce the raw material cost we are trying that is what is in our hands.

Moderator: Thank you. The next question is from the line of Vivek Kumar who is an Individual Investor. Please go ahead.

Vivek Kumar: I am just asking short I am just asking how much can be draw down or the decrease in sales for the whole year considering that we will start PU or excluding PU other segments how much of the sale degrowth do we see or it is difficult to tell I am talking about the profit, but sales.

Arun Kumar Bagaria: Sales for the entire year across all the segment.

Vivek Kumar: Entire year you will have some indications of what sales you can achieve that is what I am trying to ask?

Arun Kumar Bagaria: So, why we think it may fall down it may increase also we never know. So, it is very difficult to predict anything right now.

Vivek Kumar: What I was trying to ask is it would be drastic decrease like we are going to go back in a big way or it is going to be marginal of 10%, 15% is what I was trying to understand, I was not trying to ask the exact numbers if you can give?

Arun Kumar Bagaria: We are just thinking about it. No, it will not increase beyond 10%, 25%.

Suresh Kumar Poddar: Pray god for the increase.

Moderator: Thank you. The next question is from the line of Manjeet Buaria from Solidarity Investment. Please go ahead.

Manjeet Buaria: Sir I had one question if you could throw some light into the acquisition of Futura I forget if you had mentioned anything about it in the Q4 call?

Suresh Kumar Poddar: This was because of strategy. Mayur has got a good name in USA market because of automotive, OEM industry and all that. So, in our opinion if Futura has a Mayur brand name it will definitely help.

Manjeet Buaria: So, sir Futura has customer relationships which we want to leverage? The main aim is to get customer connect?

Suresh Kumar Poddar: Yes of course we are already selling not to auto OEM it is selling to the replacement market and furnishing market, marine market all this already doing it. So, if added with Mayur's name and Mayur people we hope that we will substantially increase the sales and Futura sales this year definitely is going to increase.

- Manjeet Buaria:** Sir on the finance side of Futura what are the total fixed expenses which you have taken with Futura acquisition on our P&L?
- Arun Kumar Bagaria:** We have not taken anything in our P&L right now.
- Manjeet Buaria:** Sorry the current quarter's profit numbers do not account for Futura expenses.
- Vinod Kumar Sharma:** Futura expenses we acquired this Futura on 25th March, 2019 we have paid acquired at par value and that we have some goodwill value which will be seen on yearly basis and if any impairment is required, we will do that. Nothing has come to our books only the consolidation part because this Futura was acquired by MUC, our subsidiary, for all P&L and expenses are merged with MUC and later it comes for consolidation with MUL.
- Manjeet Buaria:** I get that so I wanted to understand on a console basis it will first go to your overseas wholly-owned subsidiary, but I just wanted to understand what is the total expenses which have increased because of this acquisition between employee expenses and other expenses is what I am trying to understand?
- Vinod Kumar Sharma:** Nothing only the commission part and little bit amount of manpower.
- Arun Kumar Bagaria:** It is a very negligible amount like we will not have the figures on hand, but it is a very negligible amount I think so.
- Manjeet Buaria:** And my second question was on the gross margin again in the beginning you are trying to explain the drop I missed that part, so was this dropped because of some mix change or was it some other reason and how much of that can be regrouped in the coming quarter?
- Suresh Kumar Poddar:** Drop in revenue or drop in.
- Manjeet Buaria:** The gross contribution margin.
- Suresh Kumar Poddar:** Not basically the drop it is an unrealized profit adjusted in the profit PBT of MUL.
- Manjeet Buaria:** So, my question was in you know we were doing roughly 41% kind of gross margins which has come down to 35%, 36%, so sir you had explained something in the beginning of the call related to inventory which may have caused that I missed that part, so if you could just repeat that once more please?
- Arun Kumar Bagaria:** Sir, there are two things one the raw material prices have gone up. Secondly, our overhead costs have increased, but what Mr. Vinod was trying to explain was the inventory part that we have the unsold inventory in our subsidiary company MayurUniquoters Corporation. So, the profit that we have from MayurUniquoters to Uniquoters Corporation has to be reduced when we consolidate the balance sheet together. This is what are you talking about.

- Manjeet Buaria:** Sir I will do one thing I will take this offline with you probably there are other people in the queue. I will just get the explanation later.
- Moderator:** Thank you. Due to time constraints we will be able to take one last question. The last question is from the line of Dipesh Kashyap from Equirus Securities. Please go ahead.
- Dipesh Kashyap:** Sir, the exports have declined by only 3% in this particular quarter, but you mentioned that the programs that you were working on with some US OEMs have gotten over, so like how much decline do we expect in exports going forward in this year?
- Arun Kumar Bagaria:** No, we are not expecting any slowdown in the exports in the coming quarters.
- Dipesh Kashyap:** So, you expect the new programs to start immediately or how is that?
- Arun Kumar Bagaria:** We have not said that the program will start immediately. What Mr. Poddar said that we are talking about two, three new programs that is we are discussing right now, but we do not know whether the business will be allotted to Mayur or if it is allotted, in what percentage will it be allotted to Mayur, so the discussions are going on. We will be in a position to know very soon and the supply might start may be from the third quarter of this financial year or the fourth quarter, nothing is very clear right now.
- Dipesh Kashyap:** Okay, but the programs that got over that impact sir will be like starting coming from like next quarter or how is that?
- Suresh Kumar Poddar:** It will start from fourth quarter and we will get some benefit this year.
- Dipesh Kashyap:** No sir benefit will start on fourth quarter I understand but the program that have already gotten over that impact when it is coming sir?
- Suresh Kumar Poddar:** From fourth quarters onwards, our supply will start it takes around 2 months, 2.5 months for the product to reach there after that the product get picked up from there. So, if from third quarter onwards we start the supply from here then from fourth quarter we will get the benefit of that. If the supply start from fourth quarter then we will get next year.
- Arun Kumar Bagaria:** In the short time there is no reduction in a running program.
- Dipesh Kashyap:** Sir PVC Resin prices have kind of stabilized now so and you are also talking about the Korean companies closing down, so do you expect the resin prices to go upward like more price were coming in the next few quarters?
- Arun Kumar Bagaria:** See if you see the current situation may be no, but it is very difficult market have become very volatile nowadays, a very small incidence if I say something today, but maybe a very small incident tomorrow can change the situation tomorrow.

- Suresh Kumar Poddar:** See any raw material depends on two things. One if we are talking about PVC Resin, they are basic material is oil so that price has increased, that has played the role. Further, the biggest thing is demand and supply if the demand is high then the price goes up, if the demand is less, then the price goes down even then the raw material price increase because everybody has to run the factory on both the situation.
- Dipesh Kashyap:** Sir one last question you said that auto industry is down by 20%, 25% and your sales decline by around 10%, so do you expect the more decline to come in second quarter?
- Suresh Kumar Poddar:** I do not think so.
- Arun Kumar Bagaria:** Definitely there is a festive season also coming.
- Dipesh Kashyap:** But sir quarter that is going on it will be worse from the Q1 or do you think it is going on better than the Q1?
- Arun Kumar Bagaria:** We cannot comment like that, but it should not be.
- Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Awanish Chandra for closing comments.
- Awanish Chandra:** Thank you very much Poddar sir, Arun sir and whole management team for spending your valuable time.
- Suresh Kumar Poddar:** Thank all of you please do not worry have a patience the good time will come very soon.
- Suresh Kumar Poddar:** Thank you Awanish. Thank you everyone.
- Moderator:** Thank you very much sir. On behalf of Monarch Network Capital Limited that concludes the conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.