



**“Mayur Uniquoters Limited Q2 FY20 Earnings
Conference Call”**

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**MANAGEMENT: MR. SURESH KUMAR PODDAR – CHAIRMAN AND
MANAGING DIRECTOR, MAYUR UNIQUOTERS
MR. VINOD KUMAR SHARMA – CFO, MAYUR
UNIQUOTERS LIMITED**

MODERATOR: MR. AWANISH CHANDRA – EAST INDIA SECURITIES

Moderator: Good day, Ladies and Gentlemen and welcome to the Q2 FY20 Earnings Conference Call of Mayur Uniquoters Limited hosted by East India Securities Limited. 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 ‘*’ 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 East India Securities. Thank you and over to you, sir.

Awanish Chandra: Thank you Margaret. Good afternoon everyone on behalf of East India Securities I welcome you all to Quarter 2 FY20 Conference Call of Mayur Uniquoters. 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 and Mr. Vinod Kumar Sharma – CFO of the company. We will start the call with initial commentary on result and future outlook and then we will open the floor for Q&A. So now I hand over the call to Mr. Vinod Sharma – CFO, over to you Vinod sir.

Vinod Kumar Sharma: Thank you. 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 getting your precious time to join Mayur Uniquoters Limited Q2 FY20 Conference Call.

Mayur Uniquoters 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 year both in national and international business market. With current market scenario has affected our Q2 performance also and our sales revenue decreased by 16% as compared to previous year quarter majorly because of the big slowdown in automotive. Sales dip in auto sales approximately by 24% which is the worst call in India car market in the last 8 to 10 years. This slowdown has affected every segment of the automotive industries adding to overall gloom in the economy and causing a fresh challenge to the Indian government. The reasons of big decline in auto sales are mainly the drop in purchasing power of people caused by sustained rural distress and auto industry mainly currently taking a big technological changes as from April 2020 the industry will have to compliance with BS-VI to bring in India on power with advanced such as caused in Euros and US. The cost of meeting the new regulations including BS-VI and other ADAS going to be high now. As your company has been a very good track record of being an investor company as it is committed drive value creation for all the shareholders. Now I am glad to tell you that board of director of your company has declared dividend of Rs. 1 that is 20% of Q2 of financial year 19-20.

Now I will like to start with financial highlights for Q2 FY20 under review. As a company has been a very good track record of being an investor friendly company as it is committed to drive value creation for all the shareholders. Now we are glad to tell you that the board of directors of your company have declared interim dividend of Rs. 1 that is 20% for Q2 of financial year 19-20. Now will I would like to start with financial highlights for Q2 FY20 under review. We will reply your queries after our review on the financial results. Your company has achieved revenue from operations on standalone basis amount to Rs. 124.21 crores which is decline by 3.12% as

compared to last quarter and net profit after tax PAT amounting to Rs. 20.01 crore that is increased by 26.17% over last quarter. Also the revenue from operations from consolidated is 130.92 crore is under 2.8% increase as compared to last quarter and at amounting to Rs. 2.191 crores that is increase by 125% over the last quarter.

However, the endeavor of Mayur is to be the prepared supplier for the leading OEM especially in US and European countries and we are obliged to update your company has now been approved by Mercedes Benz and product supplies expect to start for their new model and from Q3 of financial year 2021. Moreover, our product approval from BMW is also under process and expected within couple of months and this good quality which is supplied by Mayur.

Now will I update you on our CAPEX plan few projects basic construction PU plant is completed at the project site and machineries, imported and domestic also received and installed. Also check the dry run of the plant in first week November and our target to start trial run with last week of November and commercial production is expected to start within one month.

While pursuing our business interest Mayur Uniquoters has also been endeavor into fulfill our response is towards the society. Now our corporate social responsibilities program we have education of children we have worked on education and under privilege child education, healthcare, child skill development, waterfall, sanitation in few areas **(Inaudible) 06:31** family planning and family welfare. While pursuing our business interest Mayur Uniquoters has also been endeavoring to fulfill our responses towards the society. Under our corporate social responsive program the company has adequate many happy schools for education of children. Your company has worked on education especially for the girls and under privilege child education. Various healthcare initiatives especially child skill development water for all sanitation at a school area distribution of both bag, cloth, blankets and most importantly family planning and family welfare scheme.

The government of Rajasthan has recognized that these initiatives on various platform and we are thankful to all the investors for their valuable time to both who became the part of this conference call with this positive note I will like to conclude and request all to open the forum for questions and before that I will like to inform all investors analyst that due to time constraint we need to end this call by 3:45 pm sharp. We therefore request you to kindly avoid the repeat questions during the call and also here onwards the company will be doing post result conference call every six months at the end of Q2 and Q4 and however you can connect at any time for any clarification means we will be doing half yearly conference call in place of quarterly and considering competition we will not discuss volume data, keep avoid volume related query. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Sir, can you expand a little bit more in terms of the PU plant I think you said that everything is ready by November there will be trial runs and by January we should start commercial production, so what kind of revenues can we expect in the next year that is FY21 from PU?

Vinod Kumar Sharma: Next year you are talking about first quarter?

Dhruvesh Sanghvi: No, entire full year 2020-2021.

Suresh Kumar Poddar: The way things are going now it is very difficult to say what is going to be we are trying our best, we are trying to go to more new customers and trying to increase as much as possible the numbers of customers so that we do not fall around. As you know what has happened in the automotive industry as well as in the retail industry is also going very down because of the many principle. So it is a very precarious situation we are trying our best we increase as much as possible for the export sales and I hope that I cannot say about third quarter, but most quarter I am definitely very hopeful it must be much better than this quarters the way we are seeing or I do not know the way we are reading at the newspaper and hearing these kind of things this quarter is going to be less than 5% I do not know much pertaining to 5% or 10%, but wherever I go in the market everybody is taking very difficult to fit in. We are trying our best I am trying my best to introduce new customers we are introducing new customers also. Although, automotive market is 25% down, but we are still more than 10% down because of the introduction of opening new customers and I am sure when the market improves we do not like anything. We have introduced two new or four new automotive customers. They have started buying since the market is down they are not seeing the effect, but I am sure things will improve everybody has to keep his finger cross. If I say anything with anybody or anyone says anything in today date it is very difficult to say anything.

Dhruvesh Sanghvi: Sir, one more question in connection to that we understand that we cannot predict the revenues because the time at the market is very bad with footwear as well in auto, but can you give us a sense of what will be the fixed cost now that the plant is setup that what will be the approximate expenses for the full year?

Suresh Kumar Poddar: That will start next month and the reason of starting **(Inaudible) 13:26** there is no one only one or two very small people which are working in team. So we are going in a big way and maybe six month it may take some time because you know you have to introduce new product and everything the people will take time little bit time not big time we understand and buy the material. They will try to see what kind of material, but we are 200% confident about our product, about our quality because we already have five, six Chinese experts in our factory they are already there and we are talking good companies for some technical tie-up if possible, but we have decided that how to do it. So in this new business also we are not going to go for just the Rs100-Rs.25 material. We are definitely going to Rs. 100 to Rs. 400 to Rs. 500 because I do want to go on the cheap products. So we can say bad luck or whatever is happening in India due to certain reasons, but ultimately the economy has to move it will move maybe quarter or what quarter I do not know, but I am very hopeful and India is also very hopeful and so far as

Mayur is concerned we are trying to spread our wings every part of the world so that we are not only depended on Indians because I want to make this profit also. Therefore anywhere where the premium products are there we are trying to take the business and automotive sector also because I used to tell all of you previously that Rs 120, Rs. 115 now we are surprised to know this time our average percent price in automotive is Rs. 110. It is very surprising when we are selling Rs. 250, Rs. 500 I am very hopeful because India is also working on a good quality material since Mayur is there currently I am very hopeful.

Moderator: Thank you. The next question is from the line of Abhishek Goenka from PPFAS Mutual Fund. Please go ahead.

Abhishek Goenka: Sir my question is on EBITDA margins so for Q2 FY20 our EBITDA margin stood at 18%, may I know what are the breakup of margins for individual segments like footwear, luxury and auto segments?

Suresh Kumar Poddar: See it is not possible to tell you segment wise what is the profit or loss

Abhishek Goenka: Sir if not the margin may I know the segmental reposition?

Suresh Kumar Poddar: I do not have at the moment segment wise foot wear is down, automotive is down, but automotive have come down from footwear.

Abhishek Goenka: One more question in connection to that sir in the recent past sir we have seen very high EBITDA margin as high as 26% in FY17 and 18 however when I look at the domestic peer company in the synthetic leather business so none of them have even achieved half of the margin levels what Mayur have achieved so maximum what they have achieved is 11% to 12% of EBITDA margins, so just wanted to know what are the factors that you think are contributing for such high EBITDA margin for Mayur Uniquoters apart from the high quality that you manufacture?

Suresh Kumar Poddar: number one. There must be something.

Abhishek Goenka: Yes sir definitely.

Suresh Kumar Poddar: That means as I told you and I have been telling all the time that I want a good margin the world is very big, we have to penetrate here to find out like I said Dubai 1.4, 1.5 US dollars per meter product is sold and what is sold from me that is of minimum of \$3 why because I am very much concentrated on high margin products and high value product which are technical, but today are doing marine business in USA and Europe also start. So if you have a high price material actually we will have better margin of course there is a problem there is so many R&D work is required to be done for that we are spending lot of money because we are having a R&D department but we have 10% to 15% cost if today I do this much expenses and hire people and will do then I have to do something so we have to make extraordinary where we make something extraordinary for good margin also. We can see what is happening even if you go through the world of top 10 companies if you see their margins they are also not having very big margin, their EBITDA

maybe 12%. we have to use our brain where we have to hold at what time. Now the things is that the EBITDA margin has been less because their market is down, and everybody is having extra capacity, everybody is selling in throwaway price so what do you do so we have to do everything. Now in footwear we have reduced 3.5% because the condition is getting worse so at least some business should be there. So it is a temporary stage I feel up and down it cannot be always up it cannot be always down, but there is a good future and things is going to improve especially for artificial leather nowadays worldwide people are trying to get away from genuine leather. Now the first difference between genuine leather and synthetic leather is huge the quality and the look are coming closer to genuine leather that is why genuine leather is also day by day converted.

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

Chintan Sheth: Sir, there is one clarification on the other expenses can you please provide by the other expenses are higher this quarter are there any one off?

Vinod Kumar Sharma: Chintan other expenses are normal as it was in last quarter. Only this quarter we have booked some provisions also that is around 4 crores, 2 crores is receivables account and at 2 crores sale crore of all treasury investments.

Chintan Sheth: Second on our strategy as Suresh ji was mentioning that we will be aiming for a high quality market for PU as well and footwear in our PVC segment in footwear side we are facing low and quality products are getting more traction than high end products which we supply to the footwear market, how do you see or what kind of risk we can face foresee in footwear given that we have invested heavily or we are investing in PU now mostly aiming

Suresh Kumar Poddar: I have already told people start from Rs 200 to Rs. 500.

Chintan Sheth: But from this we cannot understand that your PVC because of the footwear our volumes is going very less and lower end market demand is higher in PVC, so how different PU will be in how confident you are that in high end market also we can do better in the coming time

Suresh Kumar Poddar: You know already material is coming from China and now the material is lower quality as well as higher quality both.

Chintan Sheth: We have started showing or discussing or getting samples from our customers so that we will be ready?

Suresh Kumar Poddar: Yes already this is going on from last six months. We have already have a dry run this month end we will start trial production and hopefully within third week of next month we should start supply the machine.

Chintan Sheth: Approximately monthly expenditure fixed cost of PU plant?

- Suresh Kumar Poddar:** It is very difficult to predict now. Let it start then I will tell you.
- Vinod Kumar Sharma:** It would be around 1.25 cr.
- Chintan Sheth:** And lastly sir on our new addition you mentioned we added three, four OEMs in Indian domestic OEM markets, can you provide names for those OEMs if you can?
- Suresh Kumar Poddar:** We have added MG Motors they are buying 100% from us now and they are having very good market share then we have added TVS the one more like Mahindra some new models we have added. So like that is there are hundreds of models. We are trying to increase our numbers, number of models because the more model will be increased then the sales will be increased also. Now in spite of down there is not much down, but after market there is some down. In OEM there is hardly around 7%, 8% down not more than that. And if market get increased the way we are increasing then in automotive minimum 15% growth will be there.
- Chintan Sheth:** Right now the models which we are discussing with OEMs number of models?
- Suresh Kumar Poddar:** I do not have that much number, but there are many model very difficult to tell you how many models. There are lot of models and every time we are trying to add the new models.
- Chintan Sheth:** And how is the raw material PVC, raw material situation now?
- Suresh Kumar Poddar:** This is increasing because of the crude and one of the Korean very big company LG Chemicals has close down because of pollution so PVC resin price are increasing, but plasticizer is stable and going little down, but on the whole if you tell me the price is increased raw material. PVC Resin has increase like hell.
- Chintan Sheth:** But if we were able to get higher price from the average price from the OEMs?
- Suresh Kumar Poddar:** You are talking of high price and if at same price only if we get the order then it would be a very good thing. There is no higher price today nobody will talk to you if you go and say that I want more cash even automotive people are asking for a discounts even after increasing the prices, but because we are in premium items that is why we are able to sustain.
- Chintan Sheth:** You have said 210 in auto OEM?
- Vinod Kumr Sharma:** But that is a different thing auto OEM is selling premium products no price is increasing. For example I am selling material of Rs. 150 and if I have increased Rs. 5 you forgot about that they will talk of reducing it. Whatever is increasing because of premium products.
- Moderator:** Thank you. The next question is from the line of Prateek Giri from Bellwether Advisors. Please go ahead.

- Prateek Giri:** Vinod ji last concall we heard of some measures which can control our cost I mean cost control measures by 20% I guess if I remember correctly, so I just like to get a sense on that and although you mentioned that the 21 crore other expenses should have been 17 crore because of incremental 4 crore you just mentioned, so even 17 crore is somewhere in line with other expenses in previous quarters, so just wanted to get some sense on that sir?
- Vinod Kumar Sharma:** In last quarter if we do not consider the other expenses the provisions which we considered in other expenses then you have to consider the total 4 crores not 2 crores.
- Prateek Giri:** Then other expenses comes out at 17 crores, 21 minus 4 17.
- Vinod Kumar Sharma:** In Q2 the other expenses is 18.13 and it includes 2 crores provisions for receivable shutdown and 2 crores on sale valuation diminishes.
- Prateek Giri:** So that will be around 14 crore then?
- Vinod Kumar Sharma:** It is a reduced other expenses in Q2.
- Moderator:** Thank you. The next question is from the line of Ankit.
- Ankit:** Sir, can I have revenue breakup not the volume breakup and the revenue breakup will help?
- Vinod Kumar Sharma:** We already told revenue breakup will not be discussed simply if anybody want they can send us mail we will provide you.
- Ankit:** And secondly with regard to footwear sir where what we see that VKC which is biggest customers of ours is losing market share in South India and is it really the fact then is it impacting us or it is just a general market scenario impacting us Poddar?
- Suresh Kumar Poddar:** Market scenario is very bad because the biggest problem in footwear industry that people are not paying money. So that is why everybody has got a control that okay this much amount I will give you correct we cannot change more than that. So one of the reason the market is going down because of the cash constraint other than market both the things are working together especially in footwear because automotive at least you are good the company is so okay money wise there is no problem, but still there also there is a problem. One of my customer my CFO has told me just now that we have debited 2 crores on receivable there is one very big automotive company they are having a problem. So this is the situation that there is a risk of selling the product whose money will come whose money will not come nobody can say anything. You are seeing NBFC and the bank situation now everybody is spending. Now is the situation that we should keep it in FD or not you tell me you know much about it what is happening in the market.
- Ankit:** On an export side everything is running good export how do we see trend?

- Suresh Kumar Poddar:** General export is okay. OEM is little bit down from December onwards it will start improving it has been down by little. In automotive also it is not a very good scenario all over the world. Now the biggest problem if you talk about Europe, America and if you talk of South East Asia everywhere the market is down by little nowhere there is up and people do not know and now with USA and China trade war you know what is happening and Mr. Trump he want that nobody should come from outside no industry should come in, no product should come from outside. He want that everybody manufacture in USA. So now those scenario world war is very typical you do not know which move it will move.
- Ankit:** And lastly on PU side in PU whatever our customers will be there major customers who are from PVC, VKC, Paragon, Lunar these will be there the main or we are trying for Relaxo, Liberty and other things also we are trying?
- Suresh Kumar Poddar:** Whatever is there is there, but in Agra there are lot of geniuses sitting there.
- Moderator:** Thank you. The next question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.
- Depesh Kashyap:** Sir can you please remind us what is the PU plant capacity to begin within January?
- Suresh Kumar Poddar:** Capacity is around 4 lakh to 5 lakh per month of one machine. So it takes time gradually it will increase. We are trying our best to increase we want that it should be from next month, but it depends we will see in the market and understand the product.
- Depesh Kashyap:** Sir, how many capital expenditure you have already done and how many more machines you will install?
- Suresh Kumar Poddar:** Machine all has come and more or less it has been installed also and only civil work is remaining which is getting completed and dry runs has started.
- Depesh Kashyap:** So you are saying all the machines are ready, but you start only one machine to begin with, is that correct?
- Suresh Kumar Poddar:** No, there is only one main machine, but you have all the related machines also with that one basic machine we are talking. Suppose from front there is a wet line and along with that there is a dry line, printing is there, mossaing is there, everything is there, so everything has come.
- Depesh Kashyap:** Then this capacity is 5 lakh meter per month?
- Suresh Kumar Poddar:** 4,50,000 to 5,00,000.
- Depesh Kashyap:** Sir, is there any plan for increasing capacity for next year?
- Suresh Kumar Poddar:** We can increase up to four line in this business.

- Depesh Kashyap:** And sir what is the capacity in the PVC right now in Jaipur you are talking about additional points hike 5 million meter per month capacity in Jaipur has that come?
- Suresh Kumar Poddar:** Now what is the position of market machine is ready, but we have stopped it for the time being. Let the things be normal then only I will wait, but machine is lying ready.
- Depesh Kashyap:** And sir another PVC line in Andhra Pradesh that you are talking about that is also right now nothing is happening?
- Suresh Kumar Poddar:** No, we have not done anything.
- Depesh Kashyap:** What is the tax rate going forward or it should be 25%?
- Vinod Kumar Sharma:** We are already of obtained and dispatched also and already submitted to the volume and all. So it is just a 25% and as far as the PAT is improved our last quarter.
- Moderator:** Thank you. The next question is from the line of Anubhav Rawat from Monarch Network Capital. Please go ahead.
- Anubhav Rawat:** Sir, I just wanted a ballpark figure between your non-Indian footwear revenue and South Indian footwear revenue?
- Suresh Kumar Poddar:** In North Indian is always is very bad, bad means there is a good quantity, good volume but the prices are not good what I feel. So of course we are doing it, but very small quantity.
- Anubhav Rawat:** Sir, in percentage terms if you could quantity it like is it 50%, 55%?
- Suresh Kumar Poddar:** 85 and 15. 85% South and 15% North Indian whereas market is reversed.
- Anubhav Rawat:** Sir, just one last question so in Q1 call you had said that you know you are doing cost reduction to the tune of 20% or so, so I mean is that in line is it going well for you?
- Suresh Kumar Poddar:** 20% cost reduction. That has already begun already more than 120 people have set, expenses we are reducing, trying to reduce as much as much as possible but how much he has to do he will do, 7%, 8% has happened it takes time. What is the problem in that cost reduction we are doing when market are dull then man has to do a lot of running then in fact the cost increases. Manpower cost I have reduced.
- Anubhav Rawat:** And impact is also reflected in the numbers we can say that.
- Moderator:** Thank you. The next question is from the line of Govind Saboo from IndiaNivesh Portfolio Management Services. Please go ahead.

- Govind Saboo:** I have a question on PU leather plant given the current prices in China at what volumes we expect to be breakeven?
- Suresh Kumar Poddar:** Breakeven one line has to run through fully. Not one line you understand it should be within 12, 14 hours.
- Govind Saboo:** Now the prices are lucrative that we should make profit from those unit?
- Suresh Kumar Poddar:** You tell me one thing whenever a person do anything in person and in market they do the inquiry it is lucrative then only they have done this thing, but industry is that thing that if you start the work it takes around two years to three years minimum. It is not that you can get result tomorrow. Let me tell you one thing, but it should not be saying this, but industry equivalent there is no other risk if it is less once it is done then only we know. People do everything for good only. Like you study and sees the market around 40 years I am in this industry I am seeing everything I know each and every person every country, every person. So problems comes, but then also work goes on it is a question of time one year before and one year later that is all. If you have a market then work should be done it depends on you how much determination and how much using the brain you do the work.
- Govind Saboo:** Your intention is that you believe in mostly in high margin business, high value and businesses, so I was just curious to know that whether this philosophy will stand to in PU also because it is a new business for you new line of business for you?
- Suresh Kumar Poddar:** I am trying very sincerely even PU in the automotive industry that nobody could think about that and we are working for that. We are searching for people, we are searching technology everything we are doing we are not doing any general thing we can make them sit they can do it but what is the use of that.
- Govind Saboo:** Sir, you always believe in value oriented rather than volume and mass production or anything like that?
- Suresh Kumar Poddar:** Of course what is benefit you tell me, you give credit of the whole world, installing machinery and increase man power and you are getting nothing.
- Moderator:** Thank you. Due to time constraints we will take one last question from the line of Arun Baid from BOB Capital Markets. Please go ahead.
- Arun Baid:** Poddar can you share me what is the total volume in this quarter?
- Suresh Kumar Poddar:** Okay I will tell you total you total volume 6183411.
- Arun Baid:** And sir last year same quarter how much was there in Q2?
- Suresh Kumar Poddar:** It was 77,42,381.

- Arun Baid:** So sir volume will be down significantly meaning our volume?
- Suresh Kumar Poddar:** Yes because of this market condition.
- Arun Baid:** Volume more or less has fallen down by 20% right?
- Suresh Kumar Poddar:** Yes.
- Arun Baid:** And the main degrowth is of auto what you said?
- Suresh Kumar Poddar:** Mainly if you talk of degrowth then auto replacement and footwear.
- Arun Baid:** Sir, how much has happened in replacment?
- Suresh Kumar Poddar:** Around in replacement 42%.
- Arun Baid:** And from footwear?
- Suresh Kumar Poddar:** 37.
- Moderator:** Thank you. Ladies and Gentlemen due to time constraints that was the last question I now hand the conference over to Mr. Awanish Chandra for closing comments.
- Awanish Chandra:** Thank you very much Poddar sir and Vinod sir for spending your valuable time. Now we can close this Margaret.
- Vinod Kumar Sharma:** Thank you and tell everybody not to worry.
- Suresh Kumar Poddar:** Last comment of our CMD you need not to be worry everything will be good we are trying our best and time will come again, good time will come again.
- Moderator:** Thank you sir. On behalf of East India Securities Limited that concludes this conference. Thank you for joining us and you may disconnect your lines.