

Mayur Uniquoters: Q1FY19 Result Update

Better product mix and volume driven performance despite rise in costs

CMP INR: 417

Rating: BUY

Target Price INR: 653

Upside: 57%

Mayur Uniquoters (MUL) showed sequential improvement in both realisations and margins despite flat y-o-y revenue growth. Improvement in product mix aided in maintaining gross margins despite higher raw material costs (13% increase over the last two quarters). Further, the company continued to focus on improving operating efficiencies and reducing wastages. Overall, bottom-line performance remained in-line with our expectations with the company all-set to venture into PU leather manufacturing and add new European clients in the medium term. We remain positive on the stock from a medium term perspective and reiterate our 'BUY' recommendation with a target price of INR 653/share.

Strong volume traction in auto segment; footwear slow is recovering

MUL is operating at more than 85% utilisation levels (~75% in FY18) in the current quarter led by increasing exposure to automotive segment, both domestic and exports. The company has added new premium models in its domestic OEM sales as a replacement to the earlier imported material. Further, in the replacement market, there is increasing traction of branded seat materials. MUL, being one of the vendors to the leading passenger vehicle companies, has benefitted tremendously from this change in preference. On account of these developments, MUL has marked 35% volumes growth from the domestic auto industry.

Footwear, on the other hand, has been slow in recovering post GST.

Investment in PU leather manufacturing unit and additional PVC line to keep up growth

MUL's INR 90 cr investment in PU leather manufacturing unit in Gwalior is expected to start contributing from Q1FY20 with the company having already placed orders for the machinery for its 1st line in the 4-line capacity unit. Established industry presence and lack of domestic competition will enable MUL to quickly ramp-up the unit. The project is expected to break-even with full utilisation of the 1st line and commencement of the 2nd line by FY21. Further, with its 6 lines of PVC being 85% utilised, the company has already placed the order for the 7th line to be installed within FY19.

Mercedes inspection due in Q3FY19, BMW to follow

MUL has updated on the follow-up 3rd round of inspection from Mercedes to be due early Q3FY19. They expect order inflows to begin from FY20. Further, BMW is also expected to conduct 1st round of VDA inspection during H2FY19. We expect these new relationships to fructify for the company in a steady manner FY20 onwards.

Outlook and valuations

In our view, MUL is all set to benefit from improved utilization levels across its existing capacities with incremental investments in PU leather unit and additional PVC line to help fuel growth in the medium term. MUL's strategy of PU expansion and client diversification backed by a strong balance sheet will mark its future growth trajectory. We value the company at 20x FY20E EPS of INR33 and maintain our 'BUY' recommendation with a target price of INR 653/share.

Year to March	Q1FY19	Q1FY18	%change Q4FY18	%change FY18	FY18	FY19E	FY20E	
Net sales (INR cr)	141	141	0	136	4	570	660	838
Growth (%)					20.4	15.8	27.0	
EBITDA (INR cr)	38	41	-7	34	10	150	177	247
Adj PAT (INR cr)	26	26	-0	24	6	97	108	147
Growth (%)					18.9	11.4	36.4	
Dil. EPS (INR)					21.3	23.8	32.5	
Diluted P/E (x)					19.6	17.5	12.8	
EV/EBITDA (x)					12.5	10.3	7.5	
ROAE (%)					23.2	21.6	23.8	

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Bloomberg:

MUNI:IN

52-week range (INR): 569.95 / 335.30

Share in issue (cr): 4.53

M cap (INR cr): 1,820

Avg. Daily Vol. BSE/NSE :('000): 14

Promoter Holding (%) 61.26

Date: 21st August, 2018

Q1FY19 Result Highlights

Particulars	Q1FY19	Q1FY18	% change	Q4FY18	% change	FY18	FY19E	FY20E
Income from operations	141	141	0	136	4	570	660	838
Cost of goods sold	81	79	2	79	3	343	382	472
Employee expenses	8	7	14	7	7	28	35	40
Other expenses	15	14	2	16	-7	49	66	80
Total operating expenses	103	100	3	101	2	420	483	591
EBITDA	38	41	-7	34	10	150	177	247
Depreciation and amortization	4	4	6	4	3	17	25	34
EBIT	33	36	-9	30	11	133	152	213
Interest expenses	0	0	106	0	68	1	1	1
Other income	7	2	-	5	-	13	10	8
PBT	40	38	3	34	15	145	162	220
Provision for tax	14	13	9	10	35	48	54	73
Core profit	26	26	-0	24	6	97	108	147
Extraordinary items	0	0	-	0	-	0	0	0
Adjusted net profit	26	26	-0	24	6	97	108	147
No. of shares (Cr)						5	5	5
Diluted EPS (INR)						21	24	33

Financials

Income statement					
(INR crs)					
Year to March	FY16	FY17	FY18	FY19E	FY20E
Income from operations	496	474	570	660	838
Total operating expenses	365	347	420	483	591
EBITDA	131	126	150	177	247
Depreciation and amortisation	16	17	17	25	34
EBIT	114	110	133	152	213
Interest expenses	3	1	1	1	1
Profit before tax	117	120	145	162	220
Provision for tax	40	38	48	54	73
Core profit	77	82	97	108	147
Extraordinary items	0	-1	0	0	0
Profit after tax	77	81	97	108	147
Adjusted net profit	77	81	97	108	147
Equity shares outstanding (mn)	5	5	5	5	5
EPS (INR) basic	17	18	21	24	33
Diluted shares (Cr)	5	5	5	5	5
EPS (INR) fully diluted	17	18	21	24	33
Dividend per share	4	1	1	2	2
Dividend payout (%)	21	5	7	7	7

Common size metrics- as % of net revenues

Year to March	FY16	FY17	FY18	FY19E	FY20E
Operating expenses	73.6	73.3	73.7	73.2	70.5
Depreciation	3.3	3.5	3.0	3.8	4.1
Interest expenditure	0.7	0.3	0.2	0.1	0.1
EBITDA margins	26.4	26.7	26.3	26.8	29.5
Net profit margins	15.6	17.0	16.9	16.4	17.6

Growth metrics (%)

Year to March	FY16	FY17	FY18	FY19E	FY20E
Revenues	(2.1)	(4.5)	20.4	15.8	27.0
EBITDA	28.3	(3.3)	18.8	18.2	39.5
PBT	25.3	2.4	21.2	11.5	36.4
Net profit	17.1	5.6	18.9	11.4	36.4
EPS	10.2	5.4	20.9	11.9	36.4

Ratios

Year to March	FY16	FY17	FY18	FY19E	FY20E
ROAE (%)	25.0	22.6	23.2	21.6	23.8
ROACE (%)	32.8	28.4	30.7	29.8	33.8
Core RoCE (%)	54.4	49.7	56.2	54.1	56.4
Debtors (days)	73	73	66	75	75
Current ratio	2.8	3.0	3.3	3.7	3.2
Debt/Equity	0.1	0.0	0.0	0.0	0.0
Inventory (days)	48	64	62	65	65
Payable (days)	42	52	44	50	50
Cash conversion cycle (days)	78	86	84	90	90
Debt/EBITDA	0.2	0.1	0.0	0.0	0.0
Adjusted debt/Equity	0.0	0.0	-0.1	-0.1	-0.1

Valuation parameters

Year to March	FY16	FY17	FY18	FY19E	FY20E
Diluted EPS (INR)	16.7	17.6	21.3	23.8	32.5
Y-o-Y growth (%)	10.2	5.4	20.9	11.9	36.4
CEPS (INR)	20	21	25	29	40
Diluted P/E (x)	24.9	23.7	19.6	17.5	12.8
Price/BV(x)	5.8	4.9	4.2	3.4	2.7
EV/Sales (x)	3.9	4.0	3.3	2.8	2.2
EV/EBITDA (x)	14.8	15.0	12.5	10.3	7.5
Diluted shares O/S	4.6	4.6	4.5	4.5	4.5
Basic EPS	16.7	17.6	21.3	23.8	32.5
Basic PE (x)	24.9	23.7	19.6	17.5	12.8
Dividend yield (%)	0.8	0.2	0.3	0.4	0.5

Balance sheet					
(INR crs)					
As on 31st March	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	23	23	23	23	23
Preference Share Capital	0	0	0	0	0
Reserves & surplus	312	364	427	528	666
Shareholders funds	336	387	450	551	688
Secured loans	24	11	5	5	5
Unsecured loans	2	1	0	0	0
Borrowings	26	12	6	6	6
Minority interest	0	0	0	0	0
Sources of funds	362	399	455	556	694
Gross block	194	204	225	325	430
Depreciation	59	76	93	118	152
Net block	135	128	132	207	278
Capital work in progress	8	4	2	0	0
Total fixed assets	142	132	134	207	278
Unrealised profit	0	0	0	0	0
Investments	97	124	156	106	156
Inventories	65	83	96	118	149
Sundry debtors	99	95	103	136	172
Cash and equivalents	19	22	28	76	46
Loans and advances	12	11	10	12	15
Other current assets	0	0	0	0	0
Total current assets	195	212	238	341	383
Sundry creditors and others	58	68	69	90	115
Provisions	11	2	3	3	3
Total CL & provisions	69	70	72	93	118
Net current assets	126	142	166	248	265
Net Deferred tax	-5	-5	-5	-5	-5
Misc expenditure	1	6	4	0	0
Uses of funds	362	399	455	556	694
Book value per share (INR)	73	84	99	121	152

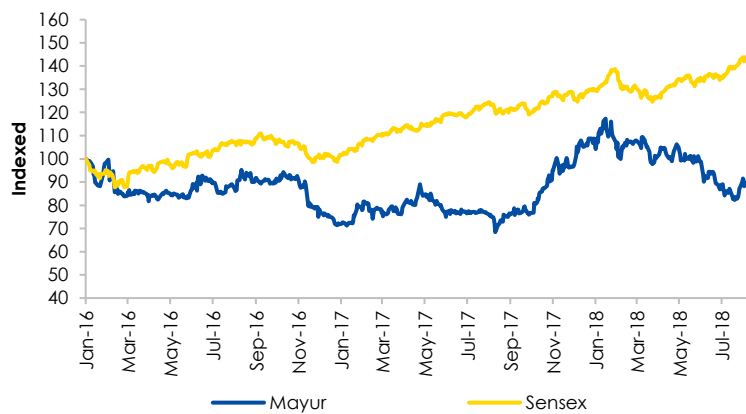
Cash flow statement					
(INR crs)					
Year to March	FY16	FY17	FY18	FY19E	FY20E
Net profit	77	82	97	108	147
Add: Depreciation	16	17	17	25	34
Add: Misc expenses written off	0	-5	2	4	0
Add: Deferred tax	0	-0	0	0	0
Gross cash flow	93	94	117	137	181
Less: Changes in W. C.	21	13	18	34	47
Operating cash flow	73	81	98	103	134
Less: Capex	16	6	19	98	105
Free cash flow	57	75	79	5	29

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Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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