



**HIDDEN GEMS**

**UNEXPLORED MULTIBAGGER SMALL CAP STOCKS**

**EQUITY RESEARCH REPORT**

<b>MAYUR UNIQUOTERS</b>	BSE CODE: 522249
Industry: Textiles	CMP: Rs. 447.75 (31/03/2012)
Market Cap: 2423.8 (Millions)	Target Price: Rs. 850
Date: March 31, 2012	Time Period: 18 – 24 months



**Saral Gyan Capital Services**  
[www.saralgyan.in](http://www.saralgyan.in)  
**An Independent Equity Research Firm**

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## 1. Company Background



Mayur Uniquoter was established and started operations in the year 1994 with an installed capacity of 400,000 Linear Meters per month. The guiding principle of the organization has always been fulfilment of customer requirement and progressive thinking. With constant human and technological development, the company today has an installed capacity of 2.1 Million Linear Meters per month which is fully utilized.

The Company is one of the largest manufacturers of synthetic leather industry in India and specialized in the automotive OEM Segment. Mayur Uniquoters Limited with 30 years experience has established its presence in the leading automotive OEMs across different continents. MUL is supplying to US auto major's i.e. Ford and Chrysler. The Company is in the process of developing the products for GM, Toyota, and BMW & Mercedes Benz. Supplies to these auto majors are high quality products. Besides auto OEMs, general exports would continue to grow to different region and countries like Middle East, UK, Russia, Sri Lanka, Bangladesh, Nepal, China, Mexico, and Kuwait.

Mayur Uniquoter operates with a full range of machinery to fulfill Printing, Embossing, Lacquering, Sueding and Laminating needs. The company possesses fully equipped Physical, Chemical and Product Development Laboratories capable of testing nearly all the properties of Artificial Leather for different segments and applications.

Enterprise Resource Planning (ERP) / IT is now a part and parcel of all functions in our company and with constant persistence, the organization has understood and also finds it a better way to stay organized, improve productivity, communicate faster within the organization and ensure product and process traceability from start to end. We have been certified with ISO 9001:2008 (Quality Management System) which is demonstrative of our commitment towards continual improvement.

During the quarter ended, the Net profit of the company increased to Rs. 86.52 millions and registering a growth of 18.16%. Net Sales and PAT of the company are expected to grow at a CAGR of 29% and 29% over 2010 to 2013E respectively. The Company had declared Third Interim Dividend of Rs. 5.00/- per Equity Share of Rs. 10/- each.

## Technical Specialty

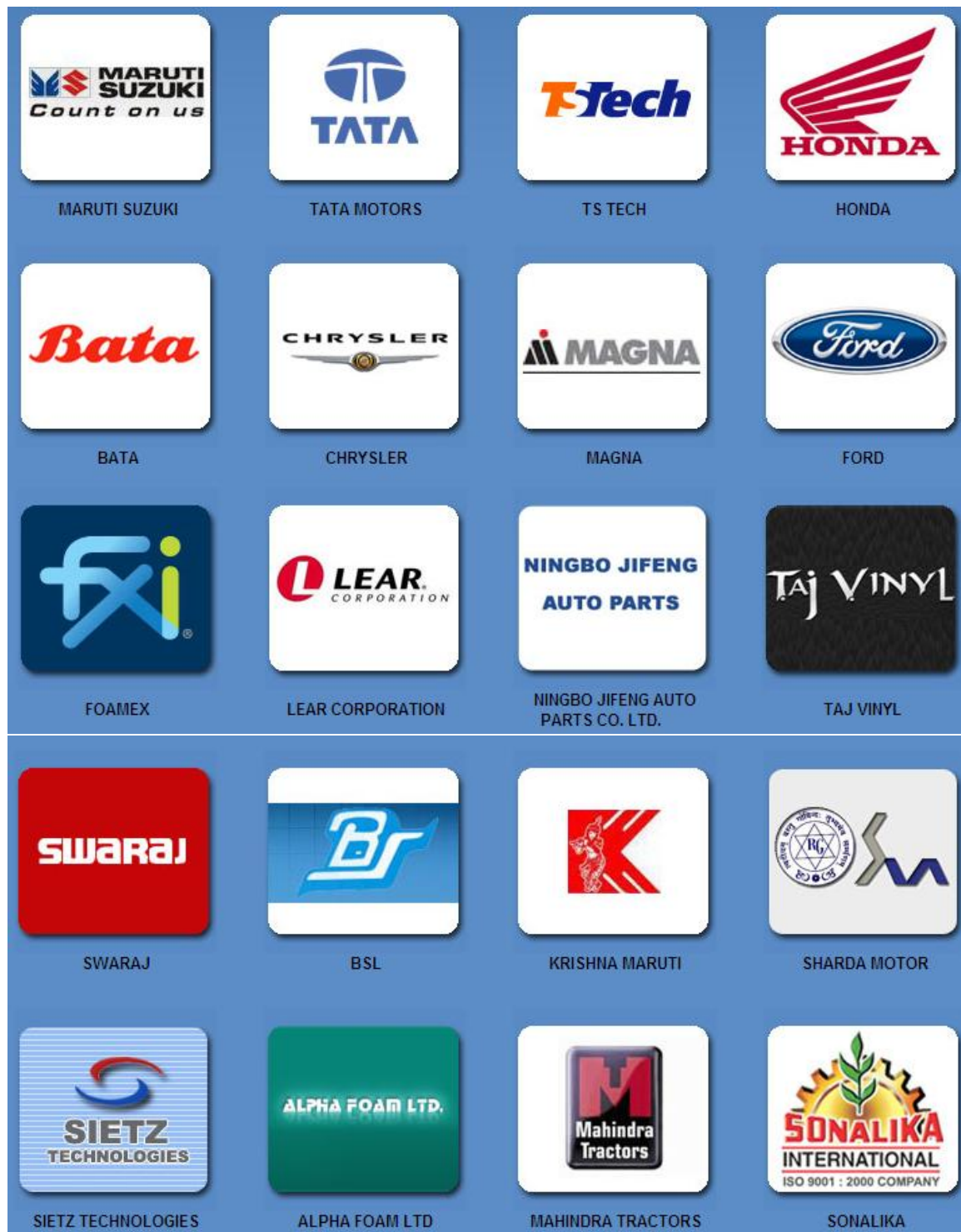
### 1. Laboratories

- Online Testing Lab
- Physical Testing Lab
- Raw Material Testing Lab
- Colour Testing Lab
- Product Development Lab

### 2. Equipments

- Coasting line
- Printing Machine
- Embossing Machine
- Laminating Machine
- Sueding Machine
- Tumbling Machine
- Pigment Preparation Area
- Visual Monitoring & Analysis

National & International Clients



National & International Clients



## 2. Recent Developments

- Mayur Uniquoter is looking aggressive to increase its capacity, a 4000-5000 Cr annual market size is the scale of the opportunity for Mayur Uniquoter. Given its Profitability, strong Balance Sheet, Free Cash Flows and dominant competitive position, Mayur Uniquoters is in a strong position to scale up and address the opportunities before it. Mayur Uniquoters has developed nearly 400 different varieties of synthetic leather to offer for diverse requirements, while the nearest competitor can offer only about 50 varieties.
- Many leading Automotive OEMs like GM, BMW, Daimler, now have Mayur Uniquoters on their approved vendor list. Orders received from Ford & Chrysler along with other clients will further scale up the company revenue significantly.

### 3. Financial Performance

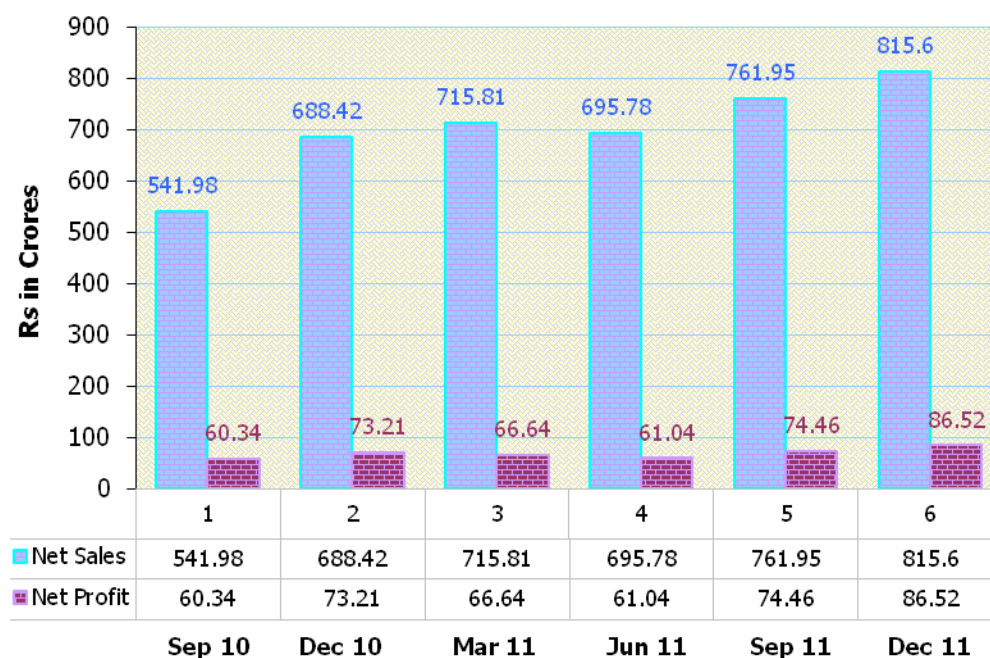
#### Mayur Uniquoters net profit rises 18.2% in the December 2011 quarter

Net profit of Mayur Uniquoters rose 18.2% to Rs. 86.5 million in the quarter ended December 2011 as against Rs. 73.2 million during the previous quarter ended December 2010. Sales rose 18.4% to Rs. 815.6 million in the quarter ended December 2011 as against Rs. 688.4 million during the previous quarter ended December 2010

#### Mayur Uniquoters net profit rises 23.6% in the September 2011 quarter

Net profit of Mayur Uniquoters rose 23.6% to Rs 74.5 million in the quarter ended September 2011 as against Rs 60.3 million during the previous quarter ended September 2010. Sales rose 40.57% to Rs 761.9 million in the quarter ended September 2011 as against Rs 542 million during the previous quarter ended September 2010

#### Last 6 Quarters Net Sales & Profit





## Current &amp; Expected Earnings:

## Quarterly Ended Profit &amp; Loss Account

Particulars (Rs in Millions)	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012 E	Jun 2012 E
Audited / UnAudited	UA	UA	UA	UA	UA	UA
<b>Net Sales</b>	<b>715.81</b>	<b>695.78</b>	<b>761.95</b>	<b>815.6</b>	<b>863.79</b>	<b>892.55</b>
Total Expenditure	619.97	599.94	642.62	683.83	732.65	751.23
PBIDT (Excl OI)	95.84	95.84	119.33	131.77	131.14	141.32
Other Income	6.18	4.73	2.38	4.15	3.45	4.90
Operating Profit	102.02	100.57	121.71	135.92	134.59	146.22
Interest	1.05	0.95	1.57	2.42	2.92	3.48
Exceptional Items	0	0	0	1.74	0	0
PBDT	100.97	99.62	120.14	135.24	131.67	142.74
Depreciation	7.25	7.61	9.13	10.66	11.72	11.90
Profit Before Tax	93.72	92.01	111.01	124.58	119.95	131.84
Tax	27.08	30.97	36.55	38.06	37.64	39.43
Provisions & contingencies	0	0	0	0	0	0
Profit After Tax	66.64	61.04	74.46	86.52	82.31	92.49
Extraordinary Items	0	0	0	0	0	0
Prior Period Expenses	0	0	0	0	0	0
Other Adjustments	0	0	0	0	0	0
<b>Net Profit</b>	<b>66.64</b>	<b>61.04</b>	<b>74.46</b>	<b>86.52</b>	<b>82.31</b>	<b>92.49</b>
Equity Capital	54.13	54.13	54.13	54.13	54.13	54.13
Face Value (IN RS)	10	10	10	10	10	10
Reserves						
<b>Calculated EPS</b>	<b>12.31</b>	<b>11.28</b>	<b>13.76</b>	<b>15.98</b>	<b>15.21</b>	<b>17.09</b>
Calculated EPS (Annualised)	49.24	45.11	55.02	63.93	60.82	68.35
No of Public Share Holdings	1355462	1355462	1355462	1355462	1355462	1355462
% of Public Share Holding	25.04	25.04	25.04	25.04	25.04	25.04

Expected Earnings for 4<sup>th</sup> Qtr FY 2011-12:

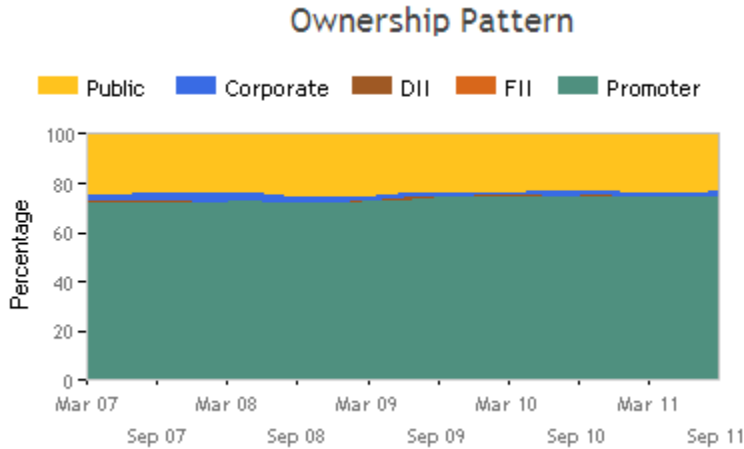
We expect Mayur Uniquoter Ltd will post good growth in coming quarters with rising demand of its products in domestic as well as international market. Company margins are expected to improve further considering addition of new clients like BMW and Mercedes Benz.

Company is increasing its focus on research and development to offer high end products to its global clients.

## 4. Charts & Graphs

### i) Share holding Pattern:

Promoters share holding in Mayur Uniquoter Ltd is 74.96%, FII & DII exposure is negligible at 0.13% and 0.2% respectively.



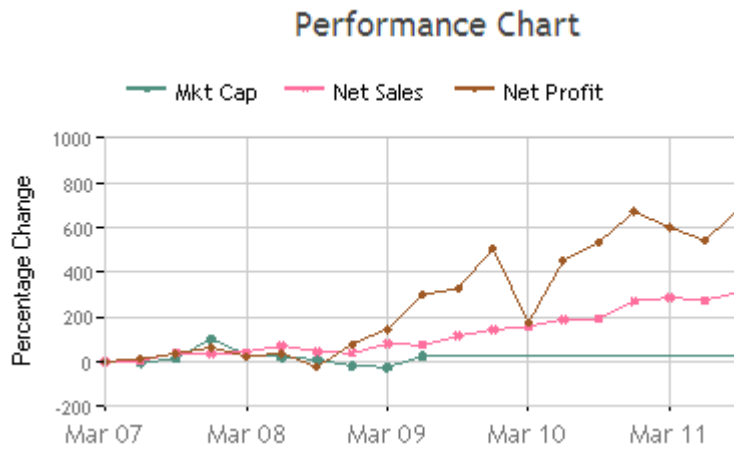
### ii) Share Price Moving Average:

Mayur Uniquoter is currently trading above its 50 day and 200 day price moving average. Stock has support at 320 Rs levels.

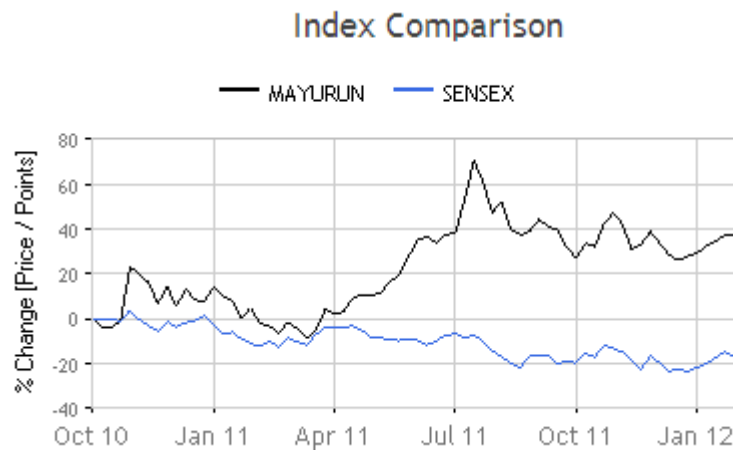


iii) Performance Chart:

Company has shown consistent growth in terms of sales and profits year after year.



iv) Comparative Graph:



## 5. Peer Group Comparison

PEER GROUP	Mayur Uniquoter	Richa Industries	Super Spinning	Anjani Synthetic
CMP	447.75	13.95	6.06	11.70
52 W H/L	467/251.65	33.50/13.30	14.80/5.40	19.80/4.20
Market Cap	2430.53	242.88	333.30	126.37
<b>Results (in Million)</b>	<b>Dec-11</b>	<b>Dec-11</b>	<b>Dec-11</b>	<b>Dec-11</b>
Sales	815.60	832.12	811.10	573.35
PAT	86.52	9.06	-116.90	5.14
Equity	54.13	169.26	55.00	108.01
EPS	53.33	3.45	-8.98	4.87
P/E	8.42	4.17	0.0	2.40

## 6. Key Concerns / Risks

- i) Increase in raw material cost can reduce operating and profit margins significantly
- ii) Slowdown in automobile industry can impact revenue and operating margins of the Company.
- iii) Competition from other countries like China can also impact exports.

## 7. Industry Overview

The Indian textile industry is one of the major sectors of Indian economy largely contributing towards the growth of the country's industrial sector. Textiles sector contributes to 14 per cent of industrial production, 4 per cent of National GDP and 10.63 per cent of country's export earnings. The opening up of the sector through liberalisation policies set up by the Indian Government have given the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world. Textile sector in India provides direct employment to over 35 million people and holds the second position after the agriculture sector in providing employment to the masses.

Growing at a rapid pace, the Indian Market is being flocked by foreign investors exploring investment purposes and with an increasing trend in the demand for the textile products in the country, a number of new companies and joint ventures are being set up in the country to capture new opportunities in the market.

### Growth Trends

The Indian textile industry can be divided into a number of segments such as cotton, silk, woolen, readymade, jute and handicraft. The total cloth production registered during September 2010 was 10.2 per cent higher than that registered for September 2009. The total production of cloth during April – September 2010 increased by 2.1 percent as compared to the period April – September 2009. The highest growth was observed in the power loom sector (13.2 per cent), followed by hosiery sector (9.1 percent).

The total textile exports during April-July 2010 (provisional) were valued at US\$ 7.58 billion as against US\$ 7.21 billion during the corresponding period of the previous year. The share of textile exports in total exports was 11.04 per cent during April-July 2010. Cotton textiles has registered a growth of 8.2 per cent during April-September 2010 -11, while wool, silk and man-made fibre textiles have registered a growth of 2.2 per cent while textile products including apparel have registered a growth of 3 per cent. Textiles and apparel industry exports, valued at US\$ 20.02 billion, contributed about 11.5 per cent to the country's total exports in 2008–09. The total textiles imports into India in 2008–09 were valued at US\$ 3.33 billion.

The total foreign exchange earnings from the textile exports during the current financial year (April-July 2011) was registered at US\$ 10.32 billion against US\$ 7.75 billion during the corresponding period of financial year 2010-11.

India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by the end of the year 2020.

The Textile sector grew at 3-4 per cent during the last 6 decades. As per the 11th Five Year Plan (FYP), it was projected to fast-track to a growth rate of 16 percent in value and is further expected to reach US\$ 115 billion (exports US\$ 55 billion and domestic market US\$ 60 billion) by 2012. Exports are likely to reach US\$ 32 billion in 2011-12 and domestic market US\$ 55 billion.

### Government Initiatives

The Government of India has promoted a number of export promotion policies for the Textile sector in the Union Budget 2011-12 and the Foreign Trade Policy 2009-14.

This also includes the various incentives under Focus Market Scheme and Focus Product Scheme; broad basing the coverage of Market Linked Focus Product Scheme for textile products and extension of Market Linked Focus Product Scheme etc. to increase the Indian shares in the global trade of textiles and clothing. The various schemes and promotions by the Government of India are as follows -

**Welfare Schemes:** The Government has offered health insurance coverage and life insurance coverage to 161.10 million weavers and ancillary workers under the Handloom Weavers' Comprehensive Welfare Scheme, while 733,000 artisans were provided health coverage under the Rajiv Gandhi Shilpi Swasthya Bima Yojna.

**E-Marketing:** The Central Cottage Industries Corporation of India (CCIC), and the Handicrafts and Handlooms Export Corporation of India (HHEC) have developed a number of e-marketing platforms to simplify marketing issues. Also, a number of marketing initiatives have been taken up to promote niche handloom and handicraft products with the help of 600 events all over the country.

**Skill Development:** As per the 12th FYP, the Integrated Skill Development Scheme aims to train over 2,675,000 people within the next 5 years (this would cover over 270,000 people during the first two years and the rest during the remaining three years). This scheme would cover all sub sectors of the textile sector such as Textiles and Apparel; Handicrafts; Handlooms; Jute; and Sericulture.

**Credit Linkages:** As per the Credit Guarantee program, over 25,000 Artisan Credit Cards have been supplied to artisans, and 16.50 million additional applications for issuing up credit cards have been forwarded to banks for further consideration with regards to the Credit Linkage scheme.

**Financial package for waiver of overdues:** The Government of India has announced a package of US\$ 604.56 million to waive of overdue loans in the handloom sector. This also includes the waiver of overdue loans and interest till 31st March, 2010, for loans disbursed to handloom sector. This is expected to benefit at least 300,000 handloom weavers of the industry and 15,000 cooperative societies.

Textiles Parks: The Indian Government has given approval to 21 new Textiles Parks to be set up and this would be executed over a period of 36 months. The new Textiles Parks would leverage employment to 400,000 textiles workers. The product mix in these parks would include apparels and garments parks, hosiery parks, silk parks, processing parks, technical textiles including medical textiles, carpet and power loom parks.

With the increase in investments in the Indian textile sector, the subsequent increase in the industrial production, and the positivity observed by the Textile sector has resulted in progress and development of the sector. Integrating the sectoral needs and continued investments with technical advancements will completely modernize the industry chains across the country, and further assist in reaping benefits for the Indian Textile sector.

## 8. Saral Gyan Recommendation

- ✚ Mayur Uniquoters has developed nearly 400 different varieties of synthetic leather to offer for diverse requirements, while the nearest competitor can offer only about 50 varieties. Many leading Automotive OEMs like GM, BMW, Daimler now have Mayur Uniquoters on their approved vendor list which is a great achievement for such a small company.
- ✚ As per our estimates, Mayur Uniquoters can deliver bottom line of 350 million for full financial year 2012 – 13, annualized EPS of Rs. 65 with forward P/E ratio of 6.8 X for FY 2012-13, which makes stock of the company an attractive bet for long term.
- ✚ Company has paid regular interim dividends to share holders and dividend yield at CMP is at 2.2%.
- ✚ Net sales and PAT of the company are expected to grow at a CAGR of 29% during next 2 years. On the basis of EV/EBITDA, the stock trades at PE multiple of 4.5 and 4 for FY12 and FY13 respectively. Price to Book Value of the stock is expected to be at 2.45 and 1.77 respectively for FY12 and FY13.
- ✚ On equity of Rs. 54.13 million the estimated annualized EPS works out to Rs. 56 and the Book Value per share is Rs. 112.71. At a CMP of Rs. 447.75, stock price to book value is 3.97.
- ✚ Considering increase in demand of artificial leather, ongoing expansion plans of the company and addition of new clients in the list, FY 2012-13 & 2013-14 looks promising for the company and makes it an attractive buy.

**Saral Gyan Team recommends “BUY” for [Mayur Uniquoter Ltd.](#) for a target of Rs. 850 over a period of 18-24 months.**

### Buying Strategy:

- 30% at current market price of 447.75
- 70% at price range of 310-325 (If stock price falls during market correction)



## 9. Disclaimer

**Important Notice:** Saral Gyan Capital Services is an Independent Equity Research Company.

**Disclosure:** The author of this article does not hold shares in the recommended company.

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