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MAYUR UNIQUOTERS LIMITED

Manufacturers of Artificial Leather/PVC Vinyl

Ref: MUL/SEC/2023-24/30 **Date: May 25, 2023**

To,

BSE Limited
Phirozee Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001
(Maharashtra)
(Scrip Code: BSE- 522249)

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No. C/1,
G-Block, Bandra-Kurla Complex,
Bandra (East), Mumbai-400 051
(Maharashtra)
(Trading Symbol: MAYURUNIQ)

Subject: Transcript of Earnings Conference call held on May 23, 2023.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 ("Listing Regulations") we submit herewith the transcript of Earnings Conference Call held on May 23, 2023 of the Audited Financial Results of the Company for the quarter and financial year ended on March 31, 2023.

The above information is also available on the website of the Company at www.mayuruniquoters.com

You are kindly requested to take the same on record.

Thanking you,

For Mayur Uniquoters Limited

PAWAN KUMAR KUMAWAT
Digitally signed by PAWAN KUMAR KUMAWAT
Date: 2023.05.25 16:22:20 +05'30'

Pawan Kumawat
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A Texture For Every Idea

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"Mayur Uniquoters Limited
Q4 FY '23 Earnings Conference Call"
May 23, 2023

MANAGEMENT: **MR. SURESH PODDAR – CHAIRMAN AND MANAGING DIRECTOR – MAYUR UNIQUOTERS LIMITED**
MR. VINOD SHARMA – CHIEF FINANCIAL OFFICER – MAYUR UNIQUOTERS LIMITED

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q4 and FY '23 Earnings Conference Call of Mayur Uniquoters Limited hosted by Monarch Networth Capital. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital. Thank you, and over to you.

Rahul Dani: Yes, thank you, Hi. Good afternoon, everyone. On behalf of Monarch Networth Capital, it's our pleasure to host the senior management of Mayur Uniquoters. We have with us Mr. Suresh Kumar Poddar, Chairman and Managing Director of the company, and Mr. Vinod Sharma, the CFO of the company.

I would now request the CFO sir to start with the opening remarks and then we'll move to Q&A. Thank you, and over to you, sir.

Vinod Sharma: Thank you, Rahul. Good afternoon dear investors and analysts. Ladies and gentlemen, it's a great pleasure to be here to share with you the performance of Mayur. Thanks for giving your precious time to join Mayur Uniquoters Limited for FY '23 conference call. Mayur Uniquoters Limited being a market 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 markets.

Now, I would like to start with the financial highlights for Q4 FY '23 under review and we will also reply your queries after our review on financial results for the quarter. The company has achieved revenue from operations on a stand-alone basis, amounting to INR199 crores, PBT INR34.22 crores and PAT INR27.38 crores during the quarter. The revenue from operation has increased by 17% and PBT and PAT both have increased 5% over the last quarter. The revenue from operations on consolidated basis is INR193.24 crores, PBT INR29.3 crores and PAT INR23.38 crores and the revenue has increased by 9%, however, the PBT and PAT both have decreased 12% during the quarter.

Our endeavour is to make the company a preferred supplier for the leading OEM, especially in US and European regions. In OEM sector, our export is going to be increased in current and next financial year. As we have been selected and also received a good and confirmed orders for some upcoming new models in export and domestic markets. For which supply for some of the new models have already started and some models is expected to start from second quarter of current financial year. So we are hoping a very good performance, especially in these two years in exports market.

While pursuing our business interest, Mayur Uniquoters has also been endeavouring to fulfil our responsibilities to our society. Under the Corporate Social Responsibility program, contribution towards regular plantations and plan to do at large-scale in coming years. The company has also adopted many happy schools for educations of children, and the company has worked on education for all and underprivileged children, various health care initiatives, especially child skill development, water for all, sanitation at school area, distribution of books, bags, cloths, and most importantly, family planning and family welfare schemes in the villages. The state government has recognized these initiatives taken by Mayur on various platform.

I'm thankful to all the investors for their valuable time to those who became the part of this earning call. With this positive note, I would like to conclude the requests -- and request you all to open the forum for questions. But we also request that, due to time constraint, duration of this call will be around 55 minutes. We, therefore, request to kindly avoid repeat questions and we will not discuss volume data. So please avoid volume-related queries. Over to you, Rahul.

Moderator: Thank you very much. We have a first question from the line of Dhiral Shah from PhillipCapital. Please go ahead.

Dhiral Shah: Yes, good afternoon, sir. Thanks for the opportunity. So what kind of volume growth we have seen in Q4 and for the full-year FY '23? And also, particularly for the export OEM side, what was the growth, sir, in FY '23?

Vinod Sharma: The volume growth in Q4 is around 17% and the full-year is 14.36%.

Dhiral Shah: And sir, what was the growth in the export OEM side in FY '23, sir?

Vinod Sharma: In the year, export side is 18.38%.

Dhiral Shah: Sir, this is for the Q4 or FY '23?

Vinod Sharma: It is FY '23 is 18.38%. And Q4 is 45%.

Dhiral Shah: Sir, 85%?

Vinod Sharma: 45% in Q4.

Dhiral Shah: Okay. And, sir, for the full-year, what was the contribution of PUs?

Vinod Sharma: It was around -- for the full-year?

Dhiral Shah: Yes, sir. For the full-year and even for the Q4.

Vinod Sharma: Full-year, PU division contributed around 8 lakh meters. And during the quarter, it is around 2 lakh meters.

Moderator: Thank you. We have our next question from the line of Nirali Gopani from Unique PMS. Please go ahead.

Nirali Gopani: Yes. Thanks for the opportunity. Sir, if you can just talk about the demand scenario, like overall what you are seeing in footwear domestic and exports?

Vinod Sharma: Demand scenario in the current year, we are expecting around 5% in put here nearly. And export around 45%.

Nirali Gopani: Okay. And domestic?

Vinod Sharma: Domestic, overall, we are expecting around 6% to 8%. And overall, we are expecting around the 17%, 18% growth in this year.

Nirali Gopani: In the revenue terms you are talking about, right?

Vinod Sharma: Yes.

Nirali Gopani: But if I'm not wrong in the last call in the -- Suresh sir had mentioned that he is looking at a revenue of about INR1,000 crores for FY '24. That comes to a growth of about 30% in revenue.

Vinod Sharma: 30% in revenue?

Nirali Gopani: Yes, he said INR1,000 crores in FY '24, and INR1,200 crores in FY '25.

Vinod Sharma: We have revisited our projections and fine-tuned as per the data given to you. So you can revise the data.

Suresh Poddar: You see, these all expectations were given on the basis of expectation given to us by auto OEM. But auto OEM change quarterly. I mean, suppose they have given us the order for a particular model and that model was supposed to start in a particular month. But it has delayed for three months or six months. If something like that happened, so we gave you the overall projection according to the projection of automotive industry. Whatever less find that will increase in this year, '23-'24.

Nirali Gopani: Because I thought that you had solid orders for FY '24 and…

Moderator: I'm sorry, you're sound muffled, Nirali.

Nirali Gopani: Okay. So then, sir, what you're trying to say is that whatever orders are delays will go to FY '25?

Vinod Sharma: FY '25, we are expecting another 25% to 30%. 25% nearly and very good -- actually, as I have already told you that we are expecting very good sales performance in export, especially in OEM. And in next two years, we are expecting around 60% and 70%. This year, we are expecting 60%, next year 70% sales growth in export OEM.

Nirali Gopani: So this correction, which we have done in the guidance that is basically on the domestic side or that is also on the export side only? And after the correction you are seeing this kind of growth?

Vinod Sharma: Based on the numbers or the requirement, given by the OEM customers. So we will still inform you revised -- the actual expectations, which are going to be happen.

Nirali Gopani: No, I understand that. What I was trying to understand is that the order which has been delayed, that is also on the export side only, right?

Vinod Sharma: Yes.

Nirali Gopani: Okay. And what kind of margin do you see sustainable?

Vinod Sharma: The margin, which we are currently. I mean, it's not be lesser than that. So it's not be lesser than that.

Nirali Gopani: So either this margin or better than that, that is what you're trying to say?

Vinod Sharma: Yes.

Nirali Gopani: Okay. And this other expense has grown substantially. So earlier that the reason was because of the transportation cost. But still it's a significant growth. So can you just elaborate like what are the reasons for the certain increase in other expense?

Vinod Sharma: As you know, in last two, three years because of COVID, tour programs by the marketing department were not happened. But in last year, we allowed them to go outside even in India as well as outside India. So, traveling expenses increased, and some CSR expenses, we have increased and other consultants and we have -- because in last -- after GST implementation, we got some GST audits and consultants service and all. So, all these type of services have increased and capacity utilization also increased because of supply requirement to exports. So consumables, etcetera., repair and maintenance requirement also increased, because of that this other expenses have increased this year.

Nirali Gopani: Okay. And what kind of outlook do we have for the PU for this year, is it demand picking up? Is the pricing difference with the Chinese import, is it narrowing down? If you can throw some light there also?

Suresh Poddar: You see, we are fighting with the Government of India. And there is lot of manipulation going on as we have discussed previously also. And I'm fed up. And we have met the government Commerce Department. Well, again, we have persuaded them to put up anti-dumping duty. Anti-dumping duty the benefit is that you cannot manipulate any invoices. That is certain duty. But given in that these guys have started manipulating by showing half the quantity.

So this is going on like hell. So I met just one week back to the Commerce Department and we said that this is happening and you people are not supporting. We are four PU manufacturer and we are in a very bad shape. And further thing that, even in China, whatever export is done in footwear to other countries, that is 80% is made out of PU leather.

In India, we are not making PU leather sufficient quantity. We are making only PVC and those who wants to improve that Indian footwear industry should use PU, but because of these things, we are not able. So finally, government is using the big export business. So they wanted us to give a letter, we have given a letter, we say that we are going to discuss in maybe next 10 days, 15 days again, we will go there and talk to them.

In the meantime, what we have seen that these kind of things very difficult to get it over. I don't know what kind of action government is going to take. But now, we have find out one solution that all the big brands, like in automotive, so the big International brands, they are buying footwear from outside and putting up their brand and selling a good quantity, but their quality control is very high. And they informed their suppliers to use particular kind of raw material from particular supplier. So we have been in touch with two, three big brands. They have visited our factory also. But this is also little time taking like automotive industry. First year to show them the factory, tell them about you and then they will consider. It is like that.

So we have already started consulting with these guys. And they are very happy. And one good thing what we feel at the moment that they are fed up China and they want to shift to India. So they are taking good interest. If that thing happens, it will take a little time. And then we'll get the margin also and the business also, because they need is specific quality, which you don't get with the Chinese suppliers. Or those who are importing, they are giving that quality, giving in cheaper prices. So that is the one we are working very seriously on it.

Then, we are working very strongly on sports shoes. Sports shoes are expensive. I'm talking this for sports shoes also the quality export shoe, the branded export shoes. In that they need a good material and they pay a good price also, but again that's the same thing that we have started discussing. We have started submitting samples and they are working on it. I think in the third or fourth quarter of this year, we should get some results. And this is like this, if one or two big brands starts making, buying the material then others will follow.

And other thing, the leather goods, all these big brands it will go to the showrooms. You will find gents, ladies purses, belts, bags, all those things. So there also they buy PU material. So once these big brands are approved, then there is the big scope in leather goods, where we are not selling almost like nothing. So that area can also be opened. So I'm very hopeful, of course, it will take some time, but it will happen.

Moderator: Thank you. We'll take our next question from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: So out of the consolidated revenues what will be the share of our OEM exports in the business?

Vinod Sharma: OEM exports business is around -- do you want to know the export side in consolidation or the export we have done from India?

Deepak Lalwani: Yes. So, on the consolidation side, yes, the OEM exports in total.

Vinod Sharma: We can give you right now the export side's value is around INR142.30 crores. This is the export OEM and you can take the subsidiary wise consolidated exports -- this is the export, but you want export consolidated exports. We can give you separately, you can send me the mail. I'll check and give you the detail.

Deepak Lalwani: Sure. Sir, so you mentioned in your earlier comment that this INR140 crores, INR150 crores, these will grow at a higher rate of 60%, 70%. So if you can explain -- probably elaborate on what are the drivers that will take this number -- the growth number to 60%, 70%. If you can tell us what the ramp-up of the Mercedes order will be for '24-'25? And also...

Vinod Sharma: Mr. Lalwani, your voice is very low.

Suresh Poddar: Okay. I understood your question. Listen, as I told time-to-time that automotive industry takes time. Suppose today they approve a particular model. And that model is supposed to start maybe after six months or nine months. But they give the approval at least one year to 1.5 year in advance to the suppliers that okay for this model, we will supply this material and we will be giving -- we will start making this model from so and so date.

So accordingly we calculate that when the supply will start. So many times it happens that it get delayed. It never cancel. What we are saying you today that this will be export on the basis of the order already we have got. And then they have already selected us for particular models, which according to them are going to start in particular quarters. Accordingly, we are telling you.

So whatever we are telling you right now, since, you can say indirectly the order is in our hand. It can be delayed. I don't know, maybe three months delayed or six months delayed, some quantity. It cannot be -- that suppose if I have got approval of four different items and all will be delayed. Maybe one item, may be delayed like that only.

Deepak Lalwani: Sir, so is it fair to assume that it's largely the Mercedes order which will ramp-up and also the BMW, which should start and...

Suresh Poddar: No. But BMW it will start by the end of '24, not now. We have started with Thailand little bit quantity, that is hardly 2,000, 3,000 meters per month. And another model which we got approval, that will start by the end of '24 or the beginning of '25. That also requirement is about 30,000 to 35,000 meters per month.

Deepak Lalwani: Okay. And what will be the value of the Mercedes order for '24-'25?

Suresh Poddar: This year, we have done about INR40 crores to INR45 crores. INR5,344 crores, this year, '22-'23. And it will be same next year also. I mean, this year also.

Deepak Lalwani: Sir, are there any other OEMs, which we have added which gives you the confidence of this 60% sort of growth? I just wanted more clarity on that.

Suresh Poddar: See, we have added in USA, the Ford Motor, we have added. Ford Motor, we have added. And with Stellantis more and more models we have been introduced. And then we've got a business from our competitors.

Deepak Lalwani: Understood. All right, sir. And on the domestic side, if you can give some -- your comments on the footwear segment, how the recovery is shaping up? And also the furnishing side, any progress you have made on that segment?

Suresh Poddar: See, so far, as footwear is concerned, it was down in April also, and it was down in March. March, April, May was down. Whereas it is a very strong period, but unfortunately, this year, we don't know what happened, the market is not that strong. People say from June it should improve. And little bit improvement we have seen in last seven days. And I think it should improve, but it is very difficult to say, you don't like -- I'm talking about automotive. I can't tell you about footwear.

Footwear only when I get this sports shoe business, then I can say that business will increase. And here also should increase because from last year, this year business is less in total footwear industry. And further, because we are supplying high price material, so that is more of affected. But even though we have done, how much increase we have done in footwear?

Vinod Sharma: Last year?

Suresh Poddar: This in '23 -- '22-'23.

Vinod Sharma: We have done around 10%.

Suresh Poddar: Even in spite of this, we have increased our sales to 10% in '22-'23. And '23-'24, we expect this almost same, 6%, 7%. According to today's condition, if the things improve, which may increase. And it will increase.

Deepak Lalwani: Okay.

Suresh Poddar: You see, the market is very difficult to say nowadays what happen suddenly we never thought that footwear markets will go down so much. But it has gone down. So that...

Deepak Lalwani: And on the furnishing side, sir, what are...

Suresh Poddar: We already appointed 350 dealers. And we have program in this year to add another 300 minimum. And sales is increasing, but this is B2C sales. And in retail, we are supplying to a particular -- those shops who are keeping different types of furnishing material. Now, they keep our -- we were talking about furnishing sales, is it, where is that gentlemen who were talking?

Deepak Lalwani: Yes, sir. I am listening here.

Suresh Poddar: Yes. So you were talking about furnishing sales. So this year we have increased 60% sales. Although sales is not very big, but compared to last year, it has increased 60% and next year, '23-'24, about 30%. Next two years you can say 30% and 40%. You see, this retail business takes time. But the margin is good there. But I think it will take at least two years minimum to establish the name and all that. Because first of all, we have to distribute and meet the dealers all over India. Now, we have appointed four salesmen for North, South, East, West. And then we are appointing distributors also. We have increased from two distributors to three distributors. So it will take time, but we are getting good response.

Every month the retail sale is increasing. Nowadays, we are moving to this cinema halls, PVR and all that, because they have good quality. So that kind of a business also a little bit we have started getting. Now, we are approaching to the furniture manufacture also. And they are also giving us good response. So all these things takes time, but we are confident that it will keep on increasing. And in furnishing, 30%, 40% improvement will be there. These I'm talking minimum every year, because the quantum is less.

Moderator: Thank you, sir. Mr. Lalwani, I request you to come back in the queue for follow-up questions. We have our next question from the line of Awanish Chandra from SMIFS. Please go ahead.

Awanish Chandra: Congratulations Poddar, sir and Sharma, sir, on a good set of number. Sir, you have highlighted very good growth for next two years 17%, 18% and then 25%, 30%. So what would be the corresponding capex plan for next two years in FY '24 and '25?

Suresh Poddar: Next two years, you see, at the current position, we don't need, but we are thinking very seriously to start the plant in Mexico. So if that happens, then there will be a capex. But we are not sure, until unless this -- what they are saying for the next two years, we will increase this business. If we see really it is happening, then, of course, we will go for it.

Awanish Chandra: Okay. So to reach INR1,100 crores, INR1,200 crores, we don't require any capex.

Suresh Poddar: No, no.

Vinod Sharma: Yes, yes. We don't require.

Awanish Chandra: Okay. So as such there is no capex plan as of today?

Vinod Sharma: Major capital plan is not here, but small capex plan is continued -- will continued.

Suresh Poddar: So INR5 crores, INR10 crores of maintenance capex sort of thing.

Vinod Sharma: Actually, we have sufficient capacity right now and up to '25 we don't need any further major capex.

Awanish Chandra: Okay, sir. And sir, second question on the PU side, you have already highlighted all the issue, and you have done 8 lakh meters in FY '23. So any guidance on PU side, what can we achieve in FY '24 and FY '25?

Suresh Poddar: I've explained just now that we are working with all the big brands for PU. I've just explained.

Awanish Chandra: Any number, sir, like 8 lakh meters we have done, can we do like 10 lakh meters?

Vinod Sharma: This year we have done 8 lakhs meter.

Suresh Poddar: So this year how much we have done?

Vinod Sharma: 8 lakhs meter.

Suresh Poddar: 8 lakhs meter. This year, minimum 25% increase in production.

Moderator: Thank you. We have our next question from the line of Viraj Kacharia from SIMPL. Mr. Viraj Kacharia, please go ahead with your question. Since there is no response. We move to the next question from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Sir, if we look at our console minus stand-alone, in overseas business there is negative sales of INR6 crores and EBITDA loss of INR5 crores. So usually what we see is that Q1 has some losses at overseas -- in overseas operation and then in subsequent quarters, it gets reversed. So this time, how is it different? I mean, can you help us...

Vinod Sharma: Kacharia, your voice is not coming clear. You speak slow so that we can get a clear voice.

Devansh Nigotia: Okay. So in overseas operations, if I look at console minus stand-alone, there is negative sales of INR6 crores, and there is EBITDA loss of INR5 crores. And historically, what we see is that, whenever there is some difference between console and stand-alone, it will gets reversed in subsequent quarters through sales in -- by sales in our export subsidiary. So this time, how is it different? Are there any write-off of inventory or receivables…

Vinod Sharma: I'll tell you. This will happen in this quarter. Actually, in March quarter, our inventory has increased to the double. That's why the profit utilization in stand-alone is reflecting, but not in consol. But in this quarter, this will be reflected.

Devansh Nigotia: So basically, there will be some step up in sales in Q1 because there is some inventories that are holding in our subsidiary?

Vinod Sharma: Yes, we are trying to reduce their inventory. And as far as the reduction in inventory will take place, it will be reflected in the consolidated results also.

Devansh Nigotia: Sir, in our export, we mentioned that Mercedes, we are guiding for, I think, flatter sales. For Ford old is also there and furnishing is the third part where growth is dry. So if you look at -- if you can break up this 30%, 40% guidance that we are giving in terms of which are the key segments? And if you can break up that growth in different segments over the next one, two years? How do we see this business growing in different export segment?

Vinod Sharma: And we have only two segments in exports, export OEM and export general.

Suresh Poddar: Export general, all over the world, we are total different kind of products. Maybe automotive, maybe footwear...

Vinod Sharma: It may be furnishing.

Suresh Poddar: This all included.

Vinod Sharma: So it is mixed actually in general. And OEM mix, we have contact with OEM -- automotive as well, customers.

Devansh Nigotia: And how export OEM is distributed in terms of number of models, number of customers? And what is the mix indicatively in terms of life cycle of the bulk of the portfolio?

Suresh Poddar: See, generally, life cycle of a particular model is seven to eight years. It depends if it is good, it may be more, if it is not selling then it will close in between. But generally six, seven years, six, seven years.

Devansh Nigotia: Okay. And in terms of number of models?

Suresh Poddar: I cannot tell you right now what are the number of models. There are many models. There will be times some models, old models are closing, new models are coming. Now, how we are getting the business because new orders are coming more. Then we are...

Devansh Nigotia: So now new model mix in current sales is a significant part of our mix?

Vinod Sharma: In current sales in last year, FY '23?

Devansh Nigotia: Yes.

Vinod Sharma: Yes. It is -- some part of supplies there to new models and major part will take place in this year and next year to the new models, supply.

Devansh Nigotia: Sir, any risk to our assumption that, if at all, you see any risk this...

Vinod Sharma: No. We are telling you the expected growth based on the confirmed and good orders.

Devansh Nigotia: Okay. And any -- in existing sales, any product, which is at the end of life cycle?

Vinod Sharma: Existing life cycle which is going to be...

Suresh Poddar: There are so many models. Some models, they start four years back, some six years. It is very difficult to say that how many models are getting away and how many new models are coming. But when the sale is increasing that means new models are coming. The models which are coming is more than the models which are existing.

Vinod Sharma: You got the point?

Devansh Nigotia: Yes. Sir, basically, the question was that if you look at our journey in exports in the last five, six years, we've been trying to get new customers, trying to get new models. But even the last time we were expecting new business to kick in but it got delayed and a lot of existing models, space and end of life cycle kind of a point. So when we're expecting this 60%, 70% growth in exports, what is the risk you see in terms of execution on this of the existing business?

Vinod Sharma: Two models have already closed. The supply is already closed for the two models. And they have now given us the supply orders for new models. And also, if you see, the overall sales is growing, means the new models are coming more.

Moderator: Thank you. We have our next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Yes. Sir, I believe this auto OEM exports is the highest margin business for us, right?

Vinod Sharma: Yes.

Shashank Kanodia: Sir, what is the approximate margin range in terms of, let's say, if a base business is earning 15% EBITDA margins. So is it safe to assume that this business might be earning 25% kind of EBITDA margins?

Suresh Poddar: No. I can't tell you that how much is that, but it has increased. It is better than other area for the year.

Shashank Kanodia: Right. So, sir, in your initial comments, sir, mentioned that in Q4 the total volume growth was 17%, whereas it was 45% for auto OEM exports. So, sir, in all likelihood, this quarter our margin should have increased, right? Gross margins and EBITDA margins both but both have declined sequentially.

Suresh Poddar: But it depends on other areas also, like I told you, footwear. Footwear price one time in the beginning when this COVID was happening, the prices were increasing. Now it is decreasing. From the last six, nine months, the price is decreasing. So it depends. There are so many areas, somewhere it is increasing, somewhere it is decreasing. It depends on market.

Shashank Kanodia: Okay. And sir, now given the fact that crude is down. So are we still having some RM benefits in terms of...

Suresh Poddar: You see, it is -- what I have understood that the prices all depends on demand and supply. If the demand is more supply is less, the price increase. And these crude prices, of course, it makes effect, but ultimately demands and supply. Now, the demand is not very good worldwide. So the prices are now stabilized, not increasing for the raw material prices. It may decrease, we don't know. But the market is not very good because you know what is the Europe situation. America's situation is also not very good. So export business is down.

China is also not doing very well. Only India is doing little better. So it is very difficult to say whether the price will increase or decrease. Sometimes we see when the price increases, the crude price increases our raw material price decreases. When crude decreases our raw material prices increases, why? Because -- only because of demand and supply. And these things are -- all chemicals are just like a stock market. You see, we have to be very careful.

Now the prices when started going down, you don't know whether -- at what time you should buy and you should not buy. So it is very difficult to say. Of course, actually when the crude price is down, it makes a little difference, but what I'm trying to say overall, demand and supply if a particular chemical what is the demand and what is the supply. So at the moment, demand is not very good all over the world. So I don't expect any increase, maybe little bit down, but we don't know how much.

Shashank Kanodia: Right, sir. So, sir, given the fact that our auto OEM exports are expected to grow 60%, 70% and the raw material prices stabilized. So returning to 20% trajectory is pretty much on the cards for us, right, margin trajectory next year?

Vinod Sharma: We can take this. But as already told by Mr. Poddar, it depends on other segments also. How much they are contributing?

Shashank Kanodia: Right. So sir, but we are quite confident of achieving INR900 crores of still this year, and INR1,100 crores area of, right? So that is base case growth prospect for us, right?

Moderator: Thank you. We request you to come back in the queue for follow-up questions. We have our next question from the line of Muskan Sagtani from Bastion Research. Please go ahead.

Muskan Sagtani: Okay. My question is, if you look at the long term, inventory days and inventory generally have gone up substantially. What can be the potential for the same?

Suresh Poddar: Yes, it will definitely...

Vinod Sharma: Definitely, it will decrease.

Suresh Poddar: See what happens, it takes 2.5 months' time the material to reach to USA. And then 1.5 months we have to keep the stock. And because of this COVID and all these situations, this Ukraine and Russian situation, the orders varied too much. Since we have to keep the four months strong, I cannot go empty. If I am not able to supply in time, then I have to send it by air, and that costs more than the cost of the material. So that's why we have to keep more material. Now the situation is improving. And I think in this year, the stock will reduce considerably.

Moderator: Thank you. We have our next question from the line of Rahul Picha from Multi-Act India. Please go ahead.

Rahul Picha: My question is on the other expenses. This year, we have seen a 40% growth in other expenses compared to last year. You have highlighted some of the reasons which might have contributed to that. But going forward, do we see that -- this new base as a reasonable base? Or we think it can keep -- the other expenses can further increase from here onwards as well?

Vinod Sharma: You are asking for the other expenses, whether it will increase or decrease?

Rahul Picha: Yes, sir. This year, average -- on an average basis, quarterly, we have been incurring other expenses of around INR34 crores, INR35 crores as compared to around INR25 crores for FY '22 per quarter. So we have seen a very sharp increase. So just wanted to understand if this INR35 crores is higher because of certain one-off reasons? Or this is the new base that we should work with?

Suresh Poddar: See, listen, when you increase the business, like we have started six months back, this furnishing business. As we told you that we have started appointing new dealers, distributors, so it all needs the expenses. In this year, we have appointed four marketing people in all over India, North, South, East, West. And when we are appointing new dealers, it cost, you have to send a sample book, you have to send everything.

And further, as I told you that we are working on the big brands. So big brands don't come just like that. You have to do a lot of things. And like in furnishing, we have to make a lot of -- spend some money in advertisement also. So these other expenses, you cannot expect to reduce, but we have to increase the sales. Compared to sales, it will not increase. But because of this furnishing business, this is the new business and you know B2C business, you need to spend a lot of money. We are not spending that kind of money, which I should have expense because I'm going very cautiously. As you are aware that in the retail business, there is lot of advertisement have to do by day and night. That I'm not doing blindly.

I'm going slowly. If they could have been other company, we could have spent at least INR30 crores, INR40 crores just on advertisement, but I'm going very slow. So some expenses have increased because of this. Whenever you want to enter in the new line, you are bound to increase the expenses. That is the expenses for that kind, but the result is for the longer time. So these things has to be done in the business.

Moderator: Thank you. We have our next question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Sorry I missed, how much meters we did sold, in terms of volume?

Vinod Sharma: Around 28.36 -- 24 lakh meters – 28.4 lakhs meters.

Dhruvesh Sanghvi: I'm asking about full year not for the quarter?

Vinod Sharma: This is for full year only.

Dhruvesh Sanghvi: I'm sorry. Yes. Okay. And 24 lakh meters, right?

Vinod Sharma: 28 lakh meter.

Dhruvesh Sanghvi: 28 lakh meter. Okay.

Moderator: Sir, we've lost his connection. We'll move on to the next question from the line of Koushik Mohan from Ashika Stock Broking. Please go ahead.

Koushik Mohan: Congratulations for good set of numbers. Sir, basically only one question that I have and you have answered all of them in the previous question. So only one question that I have is on the margin front. So the whole year, we are closing operating margins around 18 percentage to 19 percentage and cash flow conversion is also very, very strong at this year. So can we expect this kind of strong cash flow conversions in the coming years? Or what exactly driven this cash flows to be so strong, cash from operations, which I'm talking about?

Suresh Poddar: See, you are talking about expectation. You see the business then always try to increase the margin. We try our best to increase the margin, but it all depends on the market also. This side market is moving. So far as concerned is declaring in advance what will be the percentage of the margin, it is very difficult to say to pinpoint. We are doing our best, and we will definitely try to increase and it should increase, but I can't tell you how much.

Moderator: Thank you. We have our next question -- sir, should we go to the next question? We have our next question from the line of Viraj Kacharia from SIMPL. Please go ahead. Mr. Kacharia, please unmute your line and ask your question. Since there is no response, we'll move on to the next question from the line of Vivek Kumar, an individual investor. Please go ahead.

Vivek Kumar: Thanks for the opportunity, Poddar ji. Can you throw more light on the domestic OEM? There is no discussion on the domestic auto OEM. Obviously, the business is going to shape up for the coming one year, two years. And Mexico plant, for which client or is it for general US market? And when can we expect the plant in Mexico? These two questions, Poddar ji. Thank you.

Vinod Sharma: See, domestic OEM also we are expecting...

Suresh Poddar: One minute. First of all, I would like to tell you that almost all the OEMs, which are doing business in India, we are supplying to them, number one. Number two, there are many models, low-cost models, high-cost model, middle-class cost model. Now, Mayur is supplying only to high, middle-class and higher-class models because of the prices. So, of course, even then the sales are increasing.

You please tell what are the sales expectation, how much increase this year and how much we are going to increase next year?

Vinod Sharma: Mr. Kacharia, in last year, we have increased in domestic automotive around 24%, okay, overall, over the past year.

Vivek Kumar: '24, any guidance?

Vinod Sharma: 24%?

Vivek Kumar: No. I'm an FY '24, any guidance?

Vinod Sharma: And FY '24, we are expecting around, in double-digit only. But how much it will be there? I can't tell you exact percentage, but we are expecting double-digit increase.

Moderator: Thank you. We have our next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Sir, just wanted to confirm. So this year, we should be doing INR900 crores of sales, right? And in FY '25 INR1,100-odd crores. So this is very much doable, right, or any risk to it?

Vinod Sharma: Yes. We are expecting that, INR900 crores and INR1,100 crores.

Moderator: Thank you. We have our next question from the line of Niraj Mansingka from White Pine. Please go ahead.

Niraj Mansingka: My question is, what was the revenue breakup for the quarter for domestic OEM, export OEM and auto replacement?

Vinod Sharma: In percentage terms?

Niraj Mansingka: In rupees, crores, okay.

Vinod Sharma: In rupees crores, okay, note down. In exports OEM INR60 crores and general INR17 crores. Auto OEM domestic, INR39 crores, replacement INR32 crores, footwear INR44 crores, furnishing INR3.25 crores, and you can take balance amount in others.

Niraj Mansingka: Okay. And this number for the export OEM was how much for last quarter, which is INR60 crores for the quarter?

Vinod Sharma: Last quarter, export numbers were -- it was very less. In fact, quantity was very less, 4 lakhs meters.

Niraj Mansingka: No, no. I'm talking about the rupees crores in December quarter?

Vinod Sharma: Rupees in crores, INR28 crores.

Niraj Mansingka: INR28 crores. Okay, sir. And sir, can you just repeat, I could not get that? On the BMW order, can you repeat on what is the expectation? How do you see the scale happening, BMW? Sir, I missed that. I could not note it down.

Suresh Poddar: No, it will start from -- I told the previous this thing that by the end of '23 or beginning of '24, Q1.

Niraj Mansingka: Okay. And you're talking about 30,000 meters per month run rate?

Suresh Poddar: Yes.

Vinod Sharma: Yes.

Niraj Mansingka: Sir, this -- I think two quarters back, this was supposed to happen in, I think, Q1 or Q2 of this year. So I'm guessing there is a delay from the customer side. Am I right?

Vinod Sharma: Yes, it is delayed from the customer side.

Niraj Mansingka: Okay. And sir, what are the other large orders which are coming up, apart from the BMW on the export?

Suresh Poddar: Ford Motor USA.

Niraj Mansingka: How much would that add to you, sir? What I'm asking is, apart from BMW, what are the large export OEM orders that are upcoming for you?

Suresh Poddar: Export order is -- more is from Stellantis, USA.

Niraj Mansingka: Okay. Sir, I'm talking about new orders, I'm talking about like the BMW 30,000 meters, other new orders, which means?

Suresh Poddar: I have to see and tell you. Right now, it is difficult to tell, but we have got orders from Ford also.

Moderator: Thank you. We have our next question from the line of Dhiral Shah from PhillipCapital. Please go ahead.

Dhiral Shah: Sir, for the full year, export OEM volume would be how much, sir, is it 18.5 lakh -- sir, for this full year FY '23, what was the export OEM volume?

Vinod Sharma: And the entire year?

Dhiral Shah: Yes.

Suresh Poddar: OEM, domestic OEM or...

Vinod Sharma: Export. Export OEM around 20 lakhs meters.

Dhiral Shah: So this will grow by 60% in FY '24 and 70% in FY '25 in terms of volume?

Vinod Sharma: Yes.

Dhiral Shah: Okay. So earlier guidance was like 100% growth in FY '24, but it comes down to 60%, but FY '25 will be much higher growth? Okay, sir, what was the PU sales in FY '23, you're talking about?

Vinod Sharma: We are telling you the growth in terms of amount.

Dhiral Shah: Okay. So this INR142 crores that you have talked about...

Vinod Sharma: In last year, we have done INR142 crores. It will increase by 60% in this year and next year, around 60% to 70%.

Dhiral Shah: Okay. So the volume will be again the same or maybe volume -- you mean, value will be higher?

Suresh Poddar: You see, you understand, there are so many types of leather cloths being supplied. Somewhere perforation are done, in some item perforation has not done. Now perforation cost is $4 to $5. So when we -- there is more order for perforation, then automatically the sales increase, but quantity remain same. So it depends in what type of materials we are supplying, whether it is perforated material and then also, it depends on which quality you are supplying because the prices are varying from $8 to $11 to $11.5. So it all depends on the mix of this. So accordingly, we are telling you for the amount.

Dhiral Shah: Okay. Got your point, sir. And sir, what was the PU sales revenue in FY '23?

Vinod Sharma: 8 lakh meters.

Dhiral Shah: Sir, this is volume, sir. Overall revenue, sir?

Vinod Sharma: Around INR25 crores.

Dhiral Shah: Okay. And sir, what was the total export revenue in FY '23?

Vinod Sharma: Total export revenue in FY '23 was INR210 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

Suresh Poddar: Now, I must thank all of you to give a patience hearing. And I'm very happy that all the people who are there, as they are excited to know about the company. In that sense, I can say that the future is good. We are trying our best, and it will be best because there is no doubt of -- nowadays one thing, that genuine leather is -- automotive industry has started replacing with artificial leather because nowadays, the good quality artificial leather and genuine leather, general public is not able to distinguish, and they get a good price benefit.

So, so far as artificial leather is concerned, the sales will keep on increasing, so far I thing. So nothing to worry. And you know the Indian market as it is going to increase as we see, and Indian economy is increasing. As you know, in next 15 years, what is going to happen. So I am very hopeful and I am very positive. Thank you once again for listening. Thank you.

Vinod Sharma: Thank you very much.

Moderator: Thank you, sir. On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.