

**MAYUR UNIQUOTERS LIMITED**

Manufacturers of Artificial Leather/PVC Vinyl

Ref: MUL/SEC/2022-23/140**Date: November 16, 2022**

To,

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

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

Subject: Transcript of Q2 FY-2022-23 Earnings call held on November 14, 2022.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, please find the attached transcript of Investor Conference Call organizing on November 14, 2022 post declaration of financial results of the Company for the quarter and half year ended on September 30, 2022.

The transcript of Q2 FY 2022-23 Earnings call have been uploaded on the company's website at www.mayuruniquoters.com

You are kindly requested to take the same on record.

Thanking you,

For Mayur Uniquoters Limited

Pawan Kumawat
Company Secretary and Compliance Officer
M. No. – ACS 25377

A Texture For Every Idea

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“Mayur Uniquoters Limited Q2 FY23 Earnings Conference Call”

November 14, 2022



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

MODERATOR: MR. RAHUL DANI – MONARCH NETWORK CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to Mayur Uniquoters Limited Q2 FY23 Earnings Conference Call hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen only mode. 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 * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Dani from Monarch Network Capital. Thank you and over to you, sir.

Rahul Dani: Thank you, Inba. Good afternoon, everyone. On behalf of Monarch Network Capital, it is our pleasure to host the senior management of Mayur Uniquoters. 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. I would now request the management to provide some initial comments of the results. Thank you and over to you, sir.

Management: Thank you Rahul. Good afternoon dear investors and analyst. Ladies and gentlemen, it is a great pleasure to be here to share with you the performance of Mayur. Thanks for giving your precious time to join Mayur Uniquoters Limited Q2 FY23 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 delivering exemplary performance in past years both in national and international business markets.

Now we would like to start the financial highlights for quarter 2 FY23 under review. We will also reply your queries after our review on financial results for the quarter. The company has achieved revenue from operations on standalone basis amounting to Rs. 194.5 crores, PBT is Rs. 32.47 crores and PAT Rs. 25.39 crores during the quarter which is slightly decreased by 3%, 10% and 11% respectively on Q-on-Q basis. The revenue from operations on consolidated basis is Rs. 204.51 crores, PBT to Rs. 35.09 crores and PAT Rs. 27.17 crores which is increased by 2%, 4% and is the same PAT respectively on Q-on-Q basis. Our endeavor is to make the company a preferred supplier for the leading OEMs especially in US and European markets. We are also pleased to share that your company is already approved by Mercedes Benz, BMW and Volkswagen India and supply also started from us to Mercedes and the Volkswagen for their modules. The product supply to the BMW is expected from February 24, but the small quantity we are currently also supplying through their Thailand vendor, monthly quantity is around 4,000 meters at the 10 Euro per meter which is coming around Rs. 33 lakhs per month and regular supply will start nearly 40,000 meters per month from February 24.

Our company has also entered into the cell agreement with Datsun India for our product supplies to Hyundai Motors plants within and outside India and supply also started in India in June quarter. We have also put up a forward integration line of flame lamination which was also earlier getting dull from our third supplier or vendors. The company has also decided to put up 3.56 plant for which necessary project are expected to start soon.

In the automotive sector, we have been selected for many incoming new models in export and domestic auto OEM for which supply will start in the year 23-24 and 24-25. So we are expecting a very good performance in coming next 2 years. This year also we are expecting better performance than last year. While pursuing our business interest, Mayur Uniquoter has also been endeavoring to fulfill our responsibilities towards society.

Under the CSR programs, we are contributing towards foods, oxygen plants, safety kits and the company has also adopted many happy schools for education of children. The company has worked on education for all and under-privilege children. Various health care initiatives, especially child skill development, water for all, sanitization at school area, distribution of books, bags, cloths and most importantly family planning and family welfare schemes. The state government has recognized these initiatives taken by Mayur on various platforms and I am thankful to all the investors for their valuable time to those who became the part of this earning calls. With this positive note, I would like to conclude and request you all to open the forum for questions and we also request that due to time constraints, we need to end this call within 45 to 50 minutes, so therefore I request to kindly avoid repeated questions during the call and volume data will not be discussed during the call. Therefore, please avoid volume related queries. Thank you.

- Moderator:** Thank you very much, sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Mohit Khanna from Banyan Capital Advisors. Please go ahead.
- Mohit Khanna:** Good afternoon sir. My question is regarding your initial comments, I think I have not got it correctly. So supply for BMW will start from February 2023?
- Management:** No, 2024. From February 2024.
- Mohit Khanna:** February 24, and then the forward integration which is that you just mentioned could you just elaborate little bit more on that?
- Management:** This flame lamination when you make flame that time it shows that you have to laminate foam, PU foam, you understand. So that is done by the separate laminator, but now we have started our own, so that to customer we can laminate and give it directly. Otherwise, they to take our materials and they have to give somebody nearby and then get it again, so we have put up our own plant. So, it is more than....
- Mohit Khanna:** Will this result in realization improvement and any margin improvement for us?
- Management:** Yes.
- Mohit Khanna:** And what is the number here and ballpark?

Management: We are adding value to our product. This is you can say a kind of a forward integration. There also you may clutter that money.

Mohit Khanna: And what would be the price differential in realization and margins as concerned to that?

Management: That depends, it is very critical. It is very difficult to say because somebody asked 2 mm thickness, 3 mm, somebody 5 mm and then the density is different, 60 density, 80 density. In that sale we can say that by doing this we are getting extra profit out of lamination.

Mohit Khanna: How much CAPEX did we do for this lamination?

Management: About 3 crores.

Mohit Khanna: Anything else that is under the plan for this year and next year in terms of powered integration or any CAPEX plans?

Management: See, so far we are doing perforation also that is already we are doing from last 2 years and that perforation, we are increasing. Now, we are ordering another machine, perforation machine from Europe which will come may be in next 6-months' time because the demand is increasing. So at the moment we in forward integration, we are in 2 areas OEM lamination and perforation at the moment. Then we have forward integration after that next is only making the trim which trim manufacturers are buying from us.

Moderator: Thank you. Our next question is from the lines of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Just 3 specific questions. First is if I look at our overall growth rate, growth for this particular quarter and if I compare both year-on-year and sequential year so it seems to be below what the industry growth has went across segments. So can you just provide some perspective in terms of which segment you are seeing as a growth or de-growth probably and how will the growth trends being across different segments?

Management: You can note down the total volume length over the past quarter, in last quarter we sold Rs. 70 lakhs meters and this quarter we have sold Rs. 75 lakhs meters. So 7 ½ % growth is there in volume.

Viraj Kacharia: So has the price corrected and hence we are seeing a muted phase growth? I mean can you give segment wise growth, how it has performed?

Management: Segment-wise growth, we can say export general we have grown 4.5% and with auto section, we have grown around 30% in domestic. And in export it is down 21% is down in the volume term and remaining is little bit less reduced or the decreased in the quarter.

Viraj Kacharia: Okay. So, if we look at exports generally, this is quarter-on-quarter or year-on-year?

Management: Quantity is 24%, in last quarter, it was 4.5 last quarter and in this quarter it is 3.5, export OEM.

Viraj Kacharia: So this is quarter-on-quarter or this is year-on-year, sir?

Management: It is a quarter-on-quarter.

Viraj Kacharia: So any particular reasons why there is a weakness in say export footwear and other segments?

Management: The problem is the chips problem is still going on and all the car manufactures they are using those chips on the models where they make more money. Net profit items they are reducing when they have a shortage, so that is why it is happening and I think in the next quarter, 1 or 2 quarter it should come inline and further more we are getting more business for new models and for our existing models where we are not in major way that results will start coming within 3 months I means within 3 months to one-year time, we will have more than 150,000 business per month which will be about if I multiply by 8 years.

Viraj Kacharia: So sir for BMW also I think the volume communication was you were expecting around Q1 of 2023 in FY23, so Q4 FY23 and now what we are seeing is in 2024 or so any particular reason why this is being pushed?

Management: It is difficult to say any reason for automotive business and when they keep on changing sometime suppose they told for after 1 year but starts early itself, whatever information we are getting accordingly we are trading. This is now confirmed 100% we have got the order also, but by 2024 first quarter we have to start supplying. 2023-2024 last quarter.

Viraj Kacharia: And in terms of margins if I look at this particular quarter we did something like around 38% gross margin and 17% of EBITDA margin, so is now the bulk of the high cost inventory in terms of PU, leather price and other, is that largely behind and how should we understand overall margin for us over next few quarters? So if I look at the major commodities we have seen a major moderation. So for us when we look at our overall margins, we are at the lower end of the historical range, so how should one understand this over next few quarters?

Management: Can you summarize your point?

Viraj Kacharia: So my point is, if I look at this particular quarters as well sequentially and both year-on-year we have seen margins being at the lower end of price historical level so how should one understand margin moving for us over next few quarters? So is there any one off impact in this particular quarter either in terms of high cost inventory or any one off occurrence?

Management: Currently our PAT is 14% and that was also in last the quarter and was in the last year also same and it is going on same 18%.

Mangement: In regards to this margin effect, so on the year 23-24 and 24-25 because the business will start improving in export area from next year 23-24 and 24-25 for which we have already got the

business and the production will start. First it will start from the second quarter of 23-24 and then it will keep on increasing quarter-to-quarter for next one year after that. So when we go for that, then margin will automatically increase because auto OEM the problem is that the less is margin, one of the reason is supply has reduced in export OEM because of these problems, but to solve these problems because this problem will continue, so the only way is to increase your models reserves. So we are trying to get reserves for the models which we are not having on the new models. So for that we have already started getting the business so that because even if, we use to supply 150,000 yards per month which has come down to 110,000, 115,000 210,000 because of these chips problem, but now that will increase. We hope that in by 24-25, we should be able to, now today we are selling 110,000 to 115,000 but my estimation is that in 2024-2025, we should be able to sell minimum 300,000 yards other than what we are doing today in export. Especially for USA not for BMW and Mercedes because we are as industry doing only with US, right.

Viraj Kacharia: So sir are these primarily Ford, Chrysler? Or these are from new OEs we have got new orders and we expecting them to materialize in next year and the year?

Management: The order is for Chrysler and Ford. Ford is also very active now, they have given us 3 RFQ for which we are quoting the prices and that if comes in that is also above volume but that will take at least one year time, but now they have started asking themselves and this increase what I am telling you is for Chrysler, but from different tier-1. The purchase is made by the OEM from different tier-1 manufacture. So previously we had 2 tier-1 manufacture now we are adding 2 more tier-1 manufacture, so that is why our sale will increase.

Moderator: Thank you. The next question is from the lines of Kunal Shah from Carnelian Capital. Please go ahead.

Kunal Shah: I actually could not understand the volume part, so I have 2 questions, sir as the question was put by one gentlemen before as well. We see across passenger vehicles at least for the domestic markets then the volumes have been very good, but when we observe our revenue in comparison to quarter-on-quarter or year-on-year, there seems to be decline, so part decline could be because of the raw material pricing which is due to crude going down. So just wanted to understand 2 things volume data, how should one look at that? Second is you mentioned that there was 10%, Rs. 70 lakhs volume increasing to Rs. 75 lakhs, so still the revenue and margins were impacted, so if you can help understand these two particular aspects?

Management: You raise one by one question, your first question then after getting that right from us, second question.

Kunal Shah: Sir, 2 question I had, first question a) that our revenue from first quarter to second quarter, right, increased from Rs. 70 lakhs to Rs. 75 lakhs, correct me if I am wrong?

Management: Correct.

Kunal Shah: But, still when I see our revenue on a quarterly basis, it has come down from Rs. 201 crores to Rs. 195 crores, so I understand that would be because of the raw material pricing also linked to crude?

Management: Price reduction. It is because of price reduction, but here price is going down.

Kunal Shah: But, what about the margins, sir because if volume has increased our EBITDA per meter should not have a kind of reduce then right with increased volumes, so wanted to understand what has happened to our EBITDA because volume has increased but EBITDA has not increased, so is there a lag in the pricing or what is the case or we have the product mix changed then therefore no increase in profitability?

Management: The volumes has increased but the prices have gone down and product mix has also changed in the segment, and product mix is also changed like export OEM has reduced little bit, so the margin also reduced to see there is good margin in general export and OEM exports and these auto OEMs are very competitive it is because there are so many players so you cannot have that kind of margin.

Kunal Shah: So when do you see this exports volumes also picking up now sir, which will have an impact on our profitability on the upper side?

Management: Yes, as I told you in 23-24 and 24-25, the volumes will increase to minimum to double, more than double and actually if that happens then margin will also increase.

Kunal Shah: So what is the bottleneck right now for exports, sir? Is it approvals are taking a little longer or there is demand issues what is the bottleneck present here?

Management: They are also good demand, but as I told you because of the chip shortage still going now they are making those articles where those cars where they are getting more profit. Some cars are like in Mahindra, today some of this heavy car XUV and all that the price are some year waiting period. So now as I told you in the beginning that we are increasing the number of customers, we are trying to increase the number of items, number of items means models and this has already been awarded and as I told you from 23-24 and 24-25 the export business will be at least 2.5 times then what it is in next 2 years. So profit will also increase.

Kunal Shah: And sir, what is the client that we have added in the current quarter, you mentioned some Hyundai, I could not hear, pardon me for my excuse so you mentioned that BMW basically will be from FY24, but you did mention something about Hyundai as well right, so am I missing out something?

Management: No, I have said that BMW we are already doing about Rs. 30 lakhs business per month which is very small quantity going to pilot but from 23-24 of last quarter, we will have the business of at least Rs. 4 crores per month at least 10x from BMW.

Moderator: Thank you. Our next question is from the lines of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Sir, on the margins again, I just want to understand that the PVC resin prices have corrected Rs. 30, Rs. 35 per kg since the last quarter, but when I look at your RM cost rate per meter that has just corrected by Rs. 14. So do you think your margins are going to improve when your lower cost inventory comes through in the next quarter?

Management: See, it is very difficult to say at this junction for the local market. As I told just now that the export has got a better margin and it will improve. Now the problem in Indian market is where so many Indian manufactures who supply to this OEMs and then whenever the price is down they immediately reduce the prices to get more and more business but this does not happens, get the business once. Currently the problem is that when your prices are increasing that time you get benefit because you have already have that stock and when your prices are going down, then you are losing because you have a high price raw material in your stock, so that is why this is taking place. This is may be for one or two quarter more after that it should be stabilized what we think because there is very down sales in the in the world also. It is not affecting us as I told you because even if the market goes down, going down already but our sale will increase in export 2.5 times.

Depesh Kashyap: Great. Rupee depreciation will also help you. Margins should improve going forward. sir, secondly on the PU sale, if you can give us what was the sales in this quarter and how are you looking at now the PU material?

Management: There are 2 kind of PU we are making. One is that PU which the plant id in Gwalior, there as I told you there is a lot of problem was by failures in under invoicing, now they've started showing less quantity. Now they have started showing PU you instead of PU/PVC and clearing the PU material in the name of PVC because we have to put antidumping duty of 46 per meter, just 2 months back. But things are little bit improving, but it will take some time. So far as there are 2 kinds of PU, one is high solid PU which is used only by automotive industry. So we got one item sanctioned from **28.20** Motor and their Malaysia part they have already started buying. And that is about \$22, \$23 material and which we immediately start supply. Then you can say from January, we can sell that 25,000 meters per month from Malaysia and then we are talking to the American factory also and if that goes off, it is going on trial and which will go on and then may be in that 6, 9 months another same quantity will be started from then. So that is why I said that I do better future in 23-24 and 24-25 because if this business happen like I have 60,000-70,000 yards per month within next 6 months or 1 year time, then you multiply by \$20, how much it comes, 60,000 x \$20 x 80, so it will be about Rs. 9 crores business per month. So there is a very good chances for the automotive industry and then now we have started this polishing business also. We are going to have 1,000 dealers and there has been good margin already 220 dealers and hopeful that within 2 years' time we should start to import in this front also where our sale has not much, maybe 15,000 meter per month only.

- Depesh Kashyap:** Vinod sir, if you can help me with the sales in this quarter please, PU sales?
- Vinod Kumar Sharma:** PU sales for last quarter is Rs. 2,15,000 each.
- Depesh Kashyap:** But this is including the Rs. 7.5 lakh meter that you told or this separate?
- Vinod Kumar Sharma:** 7.5 what?
- Depesh Kashyap:** 7.5 that the number you gave up of PVC that was only PVC right?
- Vinod Kumar Sharma:** No, pardon, it is inclusive of PU.
- Moderator:** Thank you. Our next question is from the line of Awanish Chandra from SMIFS Limited. Please go ahead.
- Awanish Chandra:** Sir, you talked about domestic auto market but can you give some color on domestic footwear market, how things are stepping up? Are we debtor quarter-on-quarter in terms of volume? Just one indication on the business?
- Management:** Automotive and domestic?
- Awanish Chandra:** Footwear domestic, sir.
- Management:** Footwear domestic, it is going same to the same. Little change at the lower side, but it is going. 22 lakh meters we have sold in last quarters and against the 23.80 lakh meters in Q1.
- Awanish Chandra:** So, any hope of traction in coming quarters in footwear business?
- Management:** See, footwear will be better, but November will be little bit down because you know after Diwali and all that worker goes to their native places so there is a shortage and then people keep much more stock during this festive season because their sale is mainly for 15 days, so in that time they have to keep the stock like automotive industry also sold very good in October months, but they are also little bit down in this month. From December, it will start picking, from third week of November you can say because the workers will also come and then January will be much better because in January your 23 model will come, so people postpone for 1 month, 1 ½ month also little bit you go and say that okay I have 23 model instead of 22 model. So November will be little bit down and then it will pick up from December.
- Awanish Chandra:** Sir, one last question you highlighted that after PVC resin prices stabilize at some level when we can grow back to stabilize margin. So what would be a stabilized number for you currently by doing 17-18 in 4 quarters?
- Management:** It is very difficult to tell about margins in advance. We can tell you that it will increase little bit, but very drastic change will not come. Suppose the PVC is 17.5, now if it may be increased by

1%, 1.5%, 2% it all depends on the situation, but it will increase and the actual increase will be with the export OEM as I told you. We are looking for the customer where we can get more realization, but it takes time there is too much competition. Now in auto OEM, or footwear a lot of factories are there and they just want to sell the material new comers are coming. They are reducing the prices just to get entry, but still, we are getting much better profit, you just go and study all levels of industries in India. Top 5 industries you go and see the balance sheet, there PBT is not even 5% to 6% because Mayur is getting advantage because we are all top range products that is why we get margins. That is why we get the quality product and choose specific buyer those who are interested in quality products, new things and taking little bit time with footwear industry. Nowadays, the price is not dependent totally on raw material. The prices are dependent on demand and supply, how is your demand? If the demand is good, you better get better price, if demand is less, then you won't get a better price like now why prices are falling PVC, resin, plastic fiber because the demand is reducing that is why they are reducing the price. One year back the demand was okay, so we were increasing the price. So 50% is the raw material cost and 50% is demand and supply for any raw material to increase and to decrease. So it is very difficult to project the margin, but I can tell you it will be better only from next year I'm talking 23-24, 24-25.

Moderator: Thank you. The next question is from the line of Nirmal Shah from Seraphic Management. Please go ahead.

Nirmal Shah: Sir, my question was with respect to the outlook for exports in coming 2 quarters like as we speak, we are already in the middle of third quarter and at least on a semiconductor chip side, the volumes are improving on a quarter-on-quarter basis for all the OEMs. So do you see some sort of improvement even in the coming 2 quarters? Notwithstanding your comments on FY23 and FY24, but respect to second half of current financial year?

Management: Pardon what you said please?

Management: Next 2 quarter.

Management: Last 2 quarter?

Management: No, next 2 quarter.

Nirmal Shah: The coming second half of current financial year, sir?

Management: So I think it should be same like what it is or little bit more.

Nirmal Shah: But, the chips availability has started improving since last month or 2, so should not it also impact you as well?

Management: It is improving that is why I am saying that there is little chance, if we see auto OEM domestic the volume was 14.69 in Q2 quarter, July to September which was 12 earlier. Now see it is

volume or domestic it is increased by 18% and value increased by 19% quarter-to-quarter between last quarter and this quarter. So auto OEM sale is increasing, again volume wise also it was infused 22% which is not a matter of joke.

Management: And auto replacement has also increased by 30% in quantity.

Nirmal Shah: Sir, my question was for exports, but.

Management: Yes, then exports I am telling you, there is a problem little bit in exports and even then exports,

Nirmal Shah: Which are the chips issue would remain the same either for domestic or export, the chips issue is in general for the entire sectors, so that is why I said.

Management: No, it is not general. Just it is that anywhere people in USA are producing those items with the chips which where they get more profit. Now, some of the items which we were manufacturing previously that model that is zero because they are not making profit, so that is why I told you in the beginning that we are going for another model, so many other models so that even if the chip shortage is there that our business will grow up. I am talking about those models which are already doing good there we are going to get a business in 23-24 and 24-25.

Nirmal Shah: Sir, so in summary you are saying the models for which you got the orders you don't see any probably a robust outlook for those models and it looks like it will continue for a while. It doesn't look like a short-term issue. The models from which you already have a contracts right, it doesn't seem to encouraging you for waiting on those models at least because whatever you are talking about are looking for the new models and the new contract?

Management: Yes, of course so I could understand now that you cannot put all in one basket, so to get a regular business and get improvement, you have to get business for more and more models, so even if the business is down you are not down that way. The number of models that we are doing now if it was there earlier then the business would have increased earlier. In automotive they test the supplier and secondly what happens is that suppose that we are giving it to player there are 4, 5, 6 different interior manufactures, some have high profiles, some are buying from different people, but gradually we are making a good relation with them and then they are happy with our supplies also and currently many problems are happening outside.

Moderator: Thank you. We will take the next question from the line of Hitesh Sharma from White Sky Please go ahead.

Hitesh Sharma: I just want to check up what is the import component of the raw material? And what is the market share in the footwear and auto? And I see lots of competitions putting up the plant from Europe and the Far East, so how you see your market share going up or down?

Management: Market shares will be done, in this competition your market share will increase or decrease, we cannot say, because competition is more.

- Management:** I told you 23-24, 24-25 it will increase. If it increase gradually, market share will increase. It is not that those models I am getting is for me only. It is from the existing supplier also, I am taking out the results.
- Hitesh Sharma:** Yes, European and the Far East people are setting up their plants over here in India?
- Management:** Yes, even if the people are putting up a plant here in India, fine because they want to get out of China as much as possible and the cost is also increasing as we rightly said in Europe and America, so naturally the business will come to Asian countries no doubt. Today our auto OEM, from the last 3, 4 years, every year it has been increasing 15% to 20%.
- Hitesh Sharma:** How much is the import component of your raw material, sir?
- Management:** Raw material means fabric is our local, we are manufacturing ourselves, 70% of our requirement, 30% we are buying from outside and other raw material chemicals only PVC resin up to certain quantity may be 20% or 25% from Indian Chemplast manufacturing company they are supplying 75% of my resin in also coming in from them. Plasticizer 50%, imported, 50% local.
- Hitesh Sharma:** So that means if the dollar price goes up we have a lot pressure on raw material?
- Management:** If the dollar price is increasing but we are getting in export price also. There is no problem in export, if your raw material prices are increasing then our sales prices are also increasing.
- Management:** Import or export, we have both.
- Hitesh Sharma:** If that be the case any plan to double your capacities? If the other people are coming why Indians are not expanding their capacities?
- Management:** So the Indians are expanding capacity like anything. In every quarter or in 2 quarter every year at least 2, 3 leather cloth companies are coming.
- Moderator:** Thank you. We will take our next question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.
- Dhruvesh Sanghvi:** Sir, as you told like next 2 years will be very good, but if we see regarding margin then 2015, 2016, 2017, 2018, 2019, 2020 this 5 or 6 years it has also happened that we have earned 6% to 7% more margin than that of today's margin. Does the sustainability competition has increased so much that we will not be able to do that kind of margin ever in the next 4, 5 years? It will be helpful if you can tell something on this?
- Management:** See, it is like this is a very typical question. I have told that I am trying to export more and more, so that I get a better margin and when export will increase, then margins will be better so overall will also be increased because OEM export is very important for us and we are behind that only. General export is also increasing nicely, and now what I told you all that we are starting this

reselling of furnishing material of course that will take 3, 4 years, but it will keep on moving and it will bring a good margin. As we are talking about furnishing material, in that 30% to 40% margin is there, but takes time. So it cannot happen overnight. Overall, will be better we always try to pick those articles from which we receive more and more profit. So due to this competition will increase only will not decrease.

Dhruvesh Sanghvi: And the second part like you told that we have reached a quarterly run rate of almost 75 lakhs meter. The manner in which you are telling that in the next 4 quarter means from second quarter of the next years, export sales will start to increase then can it be said that in FY24 next year in 23-24 will this 75-lakh meter will reach up to 1 crores meter approximately?

Management: See, in the next 2 years we will grow at the rate of 15% so in that manner to reach at 1 crores it will take till FY24-25.

Moderator: Thank you. We will take the next question from the line of Manoj Dua from Geometric Securities and Advisory. Please go ahead.

Manoj Dua: Poddar ji, in auto export we are signing new models and what do we think from that in 3, 4 years, can we double our auto export with signing new model?

Management: See, it is your duty to try. Just now told that from Rs. 1 lakhs to Rs. 1.10 lakhs is happening. In the next 2 years it will become Rs. 3 lakhs from Rs. 1, 10,000 we have 90% hope, already orders have started to come. And the addition is also very high. You see our average is nearly 240 per m in average, but export on an average if we take say \$9 that is approximately Rs. 650 that is nearly. So today due to that our topline will also increase and bottomline will also increase that is why we are behind it. Here growth is happening automatically domestic OEM automotive is increasing 15% to 20% every year, but in it margin is very low. And in that we get better margins because in import only selected items are only supplied. If they sell Rs. 150 material **50.34** you will not get the quantity but our approach is that we get the best margin **50.52** and in 24-25 it should become Rs. 3 lakhs. The position in which we are today is due to the RFQ we received and SOP we received.

Moderator: We have time for one last question that is from the line of Aman Shah from Jeetay Investments. Please go ahead.

Aman Shah: Sir, how much is our export auto as a percentage of total sales in this Q2 quarter?

Management: In value it is around 13%, export auto.

Aman Shah: And in Q2 our average was like Rs. 1,10,000 meters per month?

Management: Yes, it was near Rs. 1,15,000 meter.

Aman Shah: And that we expect by next year should inch up to Rs. 3 lakh meter per month over a period of FY25?

Management: In 2 years it will happen.

Aman Shah: And in this realization rate will be same, sir or it will be better there also?

Management: It will be better.

Aman Shah: And the second was in India Volkswagen India was to be started, is that has started?

Management: Already going on.

Management: We are alone supplier to Volkswagen.

Aman Shah: And last, how much is our export general as a percentage of sales?

Management: It is a 10%, around 10% exports.

Aman Shah: And 45% of same as last?

Management: It is 22%, 23% right now.

Aman Shah: Footwear?

Management: Footwear in the last quarter was 25%.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Management: I thank all the investor for their time to listen to us and I can simply say that the company is trying its best to get maximum margin to do the maximum results, as the competition is increasing, so to compete in the market as now a days is very difficult thing but still we are managing. As I told you please go ahead and see the margins of all the leather cloth companies in the world, what kind of a margin they are having. Now we are having more margins because of our continuous focus on the business and on the products and to work working all over the world wherever we can get the best price for best product. So please be optimistic and we will definitely give the good results in the next 2 years and will continue to do the best. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen on behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us and you may now disconnect you lines.