

CMP: INR 388

Rating: HOLD

Target Price: INR 426

Stock Info

BSE	506685
NSE	ULTRAMARINE
Bloomberg	UMP IN
Reuters	ULTR.BO
Sector	Specialty Chemicals
Face Value (INR)	2
Equity Capital (INR Mn)	58
Mkt Cap (INR Mn)	11,541
52w H/L (INR)	518 / 217
Avg. Yearly Volume (in 000')	63

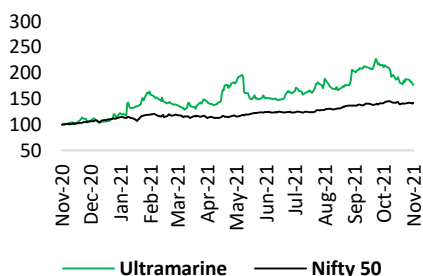
Shareholding Pattern %

(As on September, 2021)

Promoters	44.56
FII	0.64
DII	0.14
Public & Others	54.66

Stock Performance (%)	3m	6m	12m
Ultramarine	-6%	-3%	77%
Nifty 50	11%	23%	43%

Ultramarine Vs Nifty



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Ultramarine & Pigments Limited is an India-based company, which is engaged in offering surfactants, pigments and information technology-enabled services (ITES). The Company operates through three segments: Laundry and allied products, IT enabled services & BPO activities, and Wind Turbine Generator. The Company's operations relate to manufacture of laundry and allied products and its intermediaries, and providing ITES and business process outsourcing (BPO) activities. The Company is also engaged in generation of power from wind turbine. The Company caters to the needs of the domestic market. The Company's products include pigments, detergents and sulfonation. The Company's manufacturing plants are located at Ambattur, Ranipet and T V K Industrial Estate in Tamil Nadu.

Q2FY22 Result Highlights:

- Revenues exceeded expectations and came in at INR 1,181 Mn against estimates of INR 913 Mn. It increased by 33.7% QoQ/up 54.0% YoY.
- However, Gross Profit margin declined 1,121 bps QoQ/ down 1,487 bps YoY due to raw material cost pressure.
- EBITDA declined 5.6% QoQ/down 11.3% YoY and stood at INR 195 Mn and missed expectation of INR 204 Mn.
- EBITDA margin contracted by 688 bps QoQ/ down 1,218 bps YoY to 16.5%, mainly driven by compression in gross profit margin.
- Other income increased by 265% QoQ/up 61% YoY to INR 54 Mn.
- Effective tax rate declined by 495 bps QoQ/ 474 bps YoY to 20.8%.
- PAT exceeded expectations driven by increase in Other Income and lower effective tax rate. It stood at INR 168 Mn against estimates of INR 140 Mn and increased by 21.1% QoQ/ down 2.7% YoY.
- PAT margin declined by 148 bps QoQ/ down 827 bps YoY to 14.2%.

Outlook & Valuations: At CMP of INR 388, Ultramarine & Pigments is trading at PE of 17x to its FY23E EPS of INR 23.0. With the economy picking up pace, we are seeing demand pick up of the company's products, primarily in surfactants and pigments segment. Ultramarine Pigments Ltd is one of the largest Pigment and Surfactant manufacturing company of Indian origin. The chemical industry remains attractive and is likely to get big benefits under Production-Linked Incentive (PLI) scheme from the government.

We value the stock at a P/E multiple of 18.5x its FY23E EPS of INR 23.0 and maintain HOLD rating on the stock with a target price of INR 426 per share.

Financial Highlights

INR in Mn	FY19	FY20	FY21	FY22E	FY23E
Revenue	3,069	3,062	3,082	3,399	3,699
EBITDA	702	758	752	836	906
EBITDA margin(%)	22.9%	24.8%	24.4%	24.6%	24.5%
PAT	565	620	558	620	673
PATM (%)	18.4%	20.3%	18.1%	18.3%	18.2%
EPS (in INR)	19.3	21.2	19.1	21.2	23.0
PE (x)	20.4	18.6	20.7	18.6	17.2

Source: Company, Arihant Research

Quarterly Result

INR Mn (Consolidated)	Q2FY22	Q1FY22	Q2FY21	Q-o-Q	Y-o-Y
Net Revenue	1,181	884	767	33.7%	54.0%
Material Cost	697	422	339	65.0%	105.8%
Employee cost	126	110	100	15.1%	26.7%
Other Expenses	162	145	109	12.3%	49.7%
EBITDA	195	207	220	-5.6%	-11.3%
<i>EBITDA margin %</i>	<i>16.5%</i>	<i>23.4%</i>	<i>28.7%</i>	<i>-688bps</i>	<i>-1218bps</i>
Other Income	54	15	34	265.5%	61.0%
Depreciation	30	28	21	5.7%	44.9%
EBIT	220	194	233	13.5%	-5.8%
Finance cost	8	7	2	13.0%	358.8%
Exceptional Item	-	-	-		
PBT	212	187	232	13.5%	-8.5%
Tax Expense	44	48	59	-8.3%	-25.5%
Effective tax rate %	-20.8%	-25.8%	-25.6%	495bps	474bps
PAT	168	139	172	21.1%	-2.7%
<i>PAT margin %</i>	<i>14.2%</i>	<i>15.7%</i>	<i>22.5%</i>	<i>-148bps</i>	<i>-827bps</i>
EPS (INR)	5.8	4.8	5.9	21.1%	-2.7%

Source: Company, Arianth Research

Key Financials

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Revenues	3,069	3,062	3,082	3,399	3,699
Change (%)	10.6%	-0.2%	0.6%	10.3%	8.9%
Cost of Goods Sold	1,408	1,331	1,447	1,546	1,624
Employee costs	438	482	421	480	547
Other expenses	520	491	462	536	622
Total operating Expense	2,366	2,304	2,330	2,562	2,793
EBITDA	702	758	752	836	906
Other Income	102	115	96	97	98
Depreciation	58	86	88	90	91
Interest	1	11	11	10	10
PBT	745	776	749	833	903
Extra-ordinary	59	0	0	0	0
PBT after ext-ord.	804	776	749	833	903
Tax	-239	-156	-192	-212	-230
Rate (%)	-29.7%	-20.1%	-25.6%	-25.5%	-25.5%
PAT	565	620	558	620	673
Change (%)	29.4%	9.8%	-10.1%	11.3%	8.4%

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Share Capital	58	58	58	58	58
Reserves & Surplus	3,790	2,966	4,552	5,027	5,553
Net Worth	3,849	3,025	4,611	5,085	5,612
Borrowings					
	-	203	348	348	348
Lease liabilities					
	-	62	11	11	11
Provisions					
	11	10	12	11	10
Deferred Tax Liabilities (net)					
	110	72	82	97	90
Total Non-Current Liabilities	124	350	456	469	462
Total Current Liabilities	335	440	546	613	644
Total Liabilities	4,308	3,814	5,613	6,168	6,718
Total Non-Current Assets	2,831	2,170	3,443	3,714	3,915
Inventories	272	338	369	395	415
Investments	470	289	151	167	182
Trade Receivables	330	392	438	483	526
Cash and cash equivalents	272	197	688	977	1,241
Loans	72	343	307	307	307
Others	13	36	33	33	33
Current Tax Assets (Net)	5	0	0	0	0
Other current assets	36	42	78	86	93
Assets held for sale	-	-	92.20	-	-
Total Current Assets	1,477	1,645	2,170	2,454	2,803
Total Assets	4,308	3,814	5,613	6,168	6,718

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
PBT	804	776	749	833	903
Net Cash From Operating Activities	302	475	566	1,121	1,183
Net Cash (used in)/from Investing Activities	-22	-387	-206	-479	-453
Net Cash (used in)/from Financing Activities	-151	-163	130	-354	-466
Net (decrease)/increase In Cash & Equivalents	129	-75	491	289	264
Opening balance of cash	143	272	197	688	977
Closing balance of cash	272	197	688	977	1,241

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Per share (Rs)					
EPS	19.3	21.2	19.1	21.2	23.0
CEPS	10.3	16.3	19.4	38.4	40.5
BVPS	33.0	25.9	39.5	43.5	48.0
Valuation (x)					
P/E	20.4	18.6	20.7	18.6	17.2
P/CEPS	38.2	24.3	20.4	10.3	9.7
P/BV	12.0	15.3	10.0	9.1	8.2
EV/EBITDA	16.0	15.2	14.9	13.0	11.7
Return Ratios (%)					
Gross Margin	54.1%	56.5%	53.1%	54.5%	56.1%
EBIDTA Margin	22.9%	24.8%	24.4%	24.6%	24.5%
PAT Margin	18.4%	20.3%	18.1%	18.3%	18.2%
ROE	14.7%	20.5%	12.1%	12.2%	12.0%
ROCE	16.7%	20.8%	13.4%	13.7%	13.7%
Leverage Ratio (%)					
Total D/E	0.0	0.1	0.1	0.1	0.1
Turnover Ratios					
Asset Turnover (x)	0.7	0.8	0.5	0.6	0.6
Inventory Days	70	93	93	93	93
Receivable Days	39	47	52	52	52
Payable days	26	35	43	41	40

Source: Company, Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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