

**CMP: INR 422**

**Rating: Hold**

**Target Price: 461**

**Stock Info**

BSE	506685
NSE	ULTRMARINE
Bloomberg	UMP IN
Reuters	ULTR.BO
Sector	Chemicals
Face Value (INR)	2
Equity Capital (INR Mn)	58
Mkt Cap (INR Mn)	12,015
52w H/L (INR)	448/ 217
Avg Yearly Vol (in 000')	42

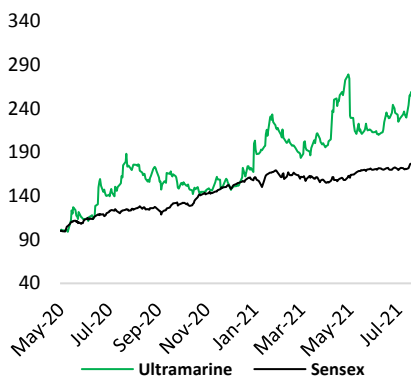
**Shareholding Pattern %**

(As on June, 2021)

Promoters	47.23
FII	0.78
DII	0.14
Public & Others	51.85

Stock Performance (%)	3m	6m	12m
Ultramarine	7.8	58	131
Sensex	12.5	6.3	42.8

**Ultramarine Vs Sensex**



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**Ultramarine & Pigments Limited (UPL) has reported a good set of numbers in Q1FY22. While good performance in the Net revenue & EBITDA. Profit grew by 38.6% YoY/26.5% QoQ to INR 139 Mn against our estimate of INR 243 Mn. Sales of the company increased by 45.6% YoY/1.7%QoQ to INR 884 Mn against our estimate of INR 798 Mn. Gross margin of the company increased by 370 bps YoY at 52.2%, which is led to increased in EBITDA. EBITDA for the quarter grew by 26.5%/ 57.9% YoY to INR 207Mn against our estimate of INR 193 Mn. EBITDA margin for the quarter expanded by 459bps/182bps YoY to 23.4% against our estimate of 24.2%. EPS stood at INR 4.8 in Q1FY22 and INR 3.8 in Q4FY21 (INR 3.4 in Q1FY21).**

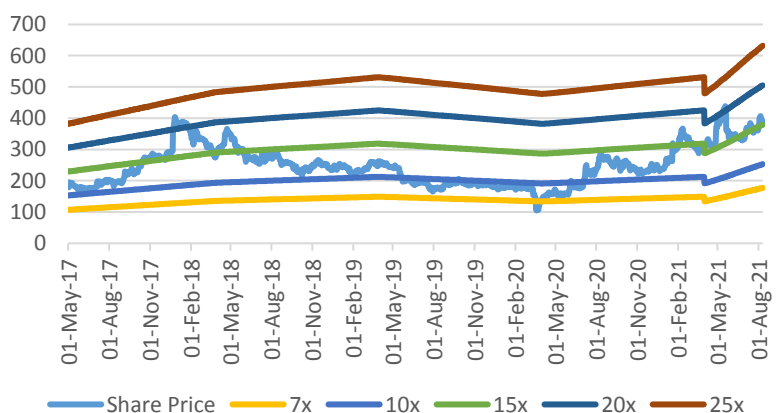
**Segment Highlights in Q1 FY22:**

- Among its segment verticals, the Laundry & Allied Products segment has reported revenue growth of 1.8% QoQ /53.9% YoY to INR 809 Mn.
- IT Enabled Services segment saw continue weak performance with a de-growth of 8.2% YoY/ 0.8% QoQ to INR 74 Mn.
- Windmill revenue saw robust growth by 370.6% QoQ / 25% YoY to INR 8 Mn.

**Valuation and View:** At CMP of INR 422, Ultramarine & Pigments is trading at PE of 18.3x to its FY23E EPS of INR 23. The company's Q1FY22 results which were above our estimates led by lower usage of raw material prices. Q2FY22 Volume is expected to improve going forward. While Entire plant is being operated with ZLD, which helps in the utilization of the entire water that is being used for cleaning and recycled back to the process for dilution, which led to a considerable amount of reduction in energy utilization by 12% over the past 4 years.

**We maintain our Hold rating on the stock with a target price of INR 461, to its historical mean P/E of 20x to FY23 EPS estimate of INR 23.**

**Forward P/E (x)**



Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

## Q1 FY22 Financial Performance (Standalone)

INR Mn (Standalone)	Q1FY22	Q4FY21	Q1FY21	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>884</b>	<b>869</b>	<b>607</b>	<b>1.7%</b>	<b>45.6%</b>
Material Cost	422	433	313	-2.5%	35.1%
Employee cost	110	118	92	-7.4%	18.6%
Other Expenses	145	154	71	-5.9%	105.1%
<b>EBITDA</b>	<b>207</b>	<b>164</b>	<b>131</b>	<b>26.5%</b>	<b>57.9%</b>
<i>EBITDA margin %</i>	<i>52.2%</i>	<i>50.1%</i>	<i>48.5%</i>	<i>210bps</i>	<i>370bps</i>
Other Income	15	16	26	-9.2%	-42.6%
Depreciation	28	27	21	6.0%	37.1%
<b>EBIT</b>	<b>194</b>	<b>153</b>	<b>136</b>	<b>26.3%</b>	<b>42.0%</b>
Finance cost	7	6	2	15.0%	228.6%
Exceptional Item	-	-	-		
<b>PBT</b>	<b>187</b>	<b>147</b>	<b>134</b>	<b>26.7%</b>	<b>39.1%</b>
Tax Expense	-48	-38	-34	27.5%	40.5%
Effective tax rate %	-25.8%	-25.6%	-25.5%	NA	NA
<b>PAT</b>	<b>139</b>	<b>110</b>	<b>100</b>	<b>26.5%</b>	<b>38.6%</b>
MI & Associates	-	-	-		
<b>Consolidated PAT</b>	<b>138.6</b>	<b>110</b>	<b>100</b>	<b>26.5%</b>	<b>38.6%</b>
<i>PAT margin %</i>	<i>15.7%</i>	<i>12.6%</i>	<i>16.5%</i>	<i>307bps</i>	<i>-80bps</i>
<b>EPS (INR)</b>	<b>4.8</b>	<b>3.8</b>	<b>3.4</b>	<b>26.7%</b>	<b>38.5%</b>

Particulars INR Mn	Q1FY22	Q4FY21	Q1FY21	Q-o-Q	Y-o-Y
<b>SEGMENT REVENUE</b>					
Laundry & Allied Products	809	795	526	1.8%	53.9%
IT Enabled Services	74	73.4	81	0.8%	-8.2%
windmill	8	1.7	6	370.6%	25.0%
Total	891	870	613	2.4%	45.4%
Less: Inter Segment Revenue	-8	-2	-6	400.0%	25.0%
<b>Sales/Income from Operations</b>	<b>884</b>	<b>869</b>	<b>607</b>	<b>1.7%</b>	<b>45.6%</b>
<b>SEGMENT RESULTS</b>					
Laundry & Allied Products	162	141	102	14.8%	58.0%
IT Enabled Services	26	16	23	67.3%	11.5%
windmill	4.4	-2.5	3	-276.0%	46.7%
<b>Total</b>	<b>192</b>	<b>154</b>	<b>129</b>	<b>24.8%</b>	<b>49.3%</b>
Less: Interest Finance Charges	-6.9	-6	-2.1	15.0%	228.6%
Less: Unallocated Expenditure/Income (Net-off)	1.6	-0.5	7.7	-420.0%	-79.2%
Less: Exceptional Items	-	-	-	-	-
<b>Total Profit before Tax</b>	<b>187</b>	<b>147</b>	<b>134</b>	<b>26.7%</b>	<b>39.1%</b>
<b>Segment Assets</b>					
Laundry & Allied Products	3007	2473	1920	21.6%	56.6%
IT Enabled Services	114	111	165	2.9%	-30.9%
windmill	132	86	99	53.4%	34.0%
Unallocated / Corporate	3868	2931	1993	32.0%	94.1%
<b>Total Segment Assets</b>	<b>7,122</b>	<b>5,601</b>	<b>4,177</b>	<b>27.2%</b>	<b>70.5%</b>
<b>Segment Liabilities</b>					
Laundry & Allied Products	1033	833	550	24.0%	87.9%
IT Enabled Services	40	47	111	-14.7%	-63.8%
windmill	9	0	0	-	-
Unallocated / Corporate	140	110	116	27.3%	20.8%
<b>Total segment Liabilities</b>	<b>1,221</b>	<b>990</b>	<b>777</b>	<b>23%</b>	<b>57%</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
<b>Revenues</b>	<b>3,069</b>	<b>3,062</b>	<b>3,082</b>	<b>3,399</b>	<b>3,699</b>
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
<b>Other expenses</b>	<b>520</b>	<b>491</b>	<b>462</b>	<b>536</b>	<b>622</b>
Total operating Expense	<b>2,366</b>	<b>2,304</b>	<b>2,330</b>	<b>2,562</b>	<b>2,793</b>
<b>EBITDA</b>	<b>702</b>	<b>758</b>	<b>752</b>	<b>836</b>	<b>906</b>
Other Income	102	115	96	97	98
Depreciation	58	86	88	90	91
Interest	1	11	11	10	10
<b>PBT</b>	<b>745</b>	<b>776</b>	<b>749</b>	<b>833</b>	<b>903</b>
Extra-ordinary	59	0	0	0	0
<b>PBT after ext-ord.</b>	<b>804</b>	<b>776</b>	<b>749</b>	<b>833</b>	<b>903</b>
Tax	-239	-156	-192	-212	-230
Rate (%)	-29.7%	-20.1%	-25.6%	-25.5%	-25.5%
<b>PAT</b>	<b>565</b>	<b>620</b>	<b>941</b>	<b>1,045</b>	<b>1,133</b>
Change (%)	29.4%	9.8%	51.7%	11.0%	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
<b>Net Worth</b>	<b>3,849</b>	<b>3,025</b>	<b>4,611</b>	<b>5,085</b>	<b>5,612</b>
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
<b>Total Non-Current Liabilities</b>	<b>124</b>	<b>350</b>	<b>456</b>	<b>469</b>	<b>462</b>
<b>Total Current Liabilities</b>	<b>335</b>	<b>440</b>	<b>546</b>	<b>613</b>	<b>644</b>
<b>Total Liabilities</b>	<b>4,308</b>	<b>3,814</b>	<b>5,613</b>	<b>6,168</b>	<b>6,718</b>
<b>Total Non-Current Assets</b>	<b>2,831</b>	<b>2,170</b>	<b>3,443</b>	<b>3,714</b>	<b>3,915</b>
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	694	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	-	-
<b>Total Current Assets</b>	<b>1,477</b>	<b>1,645</b>	<b>2,170</b>	<b>2,454</b>	<b>2,803</b>
<b>Total Assets</b>	<b>4,308</b>	<b>3,814</b>	<b>5,613</b>	<b>6,168</b>	<b>6,718</b>

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

## 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
<b>Per share (Rs)</b>					
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
<b>Valuation (x)</b>					
P/E	17.6	19.9	22.1	19.9	18.3
P/CEPS	21.7	13.8	11.6	5.8	5.5
P/BV	10.3	16.3	10.7	9.7	8.8
EV/EBITDA	8.9	8.6	8.2	7.1	6.2
<b>Return Ratios (%)</b>					
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%
<b>Leverage Ratio (%)</b>					
Total D/E	0.0	0.1	0.1	0.1	0.1
<b>Turnover Ratios</b>					
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: Aриhant Research, Company Filings, Ace Equity, Bloomberg

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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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