

CMP: INR 341

Rating: HOLD

Target Price: 371

Stock Info

BSE	506685
NSE	ULTRMARINE
Bloomberg	UMP IN
Reuters	ULTR.BO
Sector	Chemicals
Face Value (INR)	2
Equity Capital (INR Mn)	9986
Mkt Cap (INR Mn)	6614
52w H/L (INR)	380/ 103
Avg Yearly Vol (in 000')	35

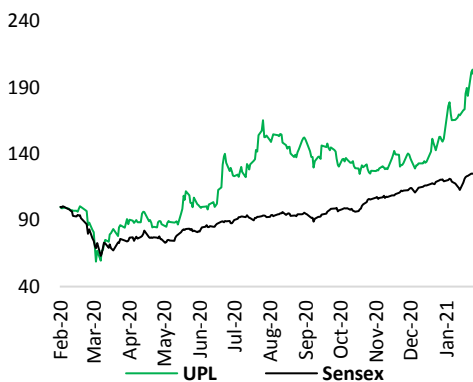
Shareholding Pattern %

(As on Dec, 2020)

Promoters	49.86
FII	0.77
DII	0.45
Public & Others	48.92

Stock Performance (%)	3m	6m	12m
Ultramarine	51.3	23.8	94.8
Sensex	19.0	37.1	25.9

Ultramarine Vs Sensex



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Ultramarine & Pigments Limited (UPL) has reported revenue growth and margin contraction during Q3FY21. Profit grew by 9.6% YoY/1.9% QoQ to INR 176 mn against INR 160 Mn in Q3FY20. Sales of the company increased by 1.5% YoY/9.5% to INR 840 mn. EBITDA for the quarter grew by 7.6%/ -3.4% YoY to INR 237 mn. EBITDA margin for the quarter decreased by 51bps/ -144bps YoY to 28.2%. Higher other income at 30% YoY/-39.9% QoQ at INR 20 mn. EPS stood at 6.0 in Q3FY21 and 5.4 in Q3FY20 (5.9 in Q2FY21)

Segment Highlights in Q2FY21:

- Among its segment verticals, the Laundry & Allied Products segment has reported revenue growth of 10% QoQ /-1.6% YoY to INR 762 mn.
- IT Enabled Services segment saw weak performance with a growth of 4.6% QoQ / -31% YoY to INR 77 mn.
- Windmill revenue saw de-growth of -57.1% QoQ / -44.5% YoY to INR 7 mn.

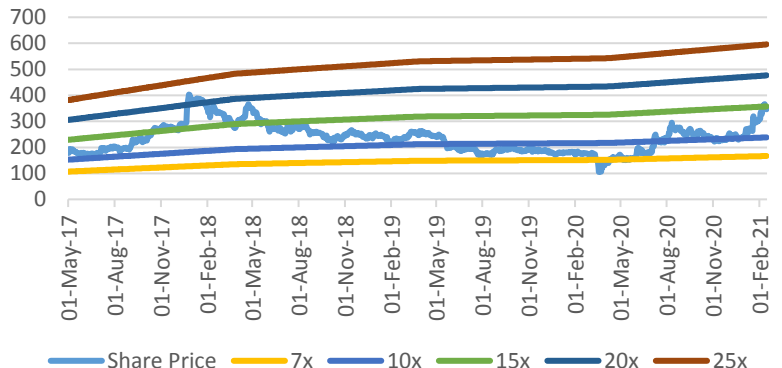
Valuation and View: At CMP of INR 341, Ultramarine & Pigments is trading at PE of 13x to its FY23E EPS of INR 26.2. With the revival of the economy, we are seeing demand pick up of the company's products, primarily in surfactants and pigments segment. Ultramarine Pigments Ltd is one of the largest Pigment 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 in near future.

We assign our HOLD rating from Buy earlier on the stock with a target price of INR 371, based on 20% premium to its historical mean P/E of 11.8x (i.e. 14x) to its FY23E.

Financial Summary

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3,069	3,062	3,155	3,472	3,911
EBITDA	702	758	787	867	981
EBITDA Margin (%)	22.9	24.8	24.9	25.0	25.1
PAT	565	620	631	684	766
ROE (%)	14.7	20.5	18.0	16.9	16.6
EPS (INR.)	19.3	21.2	21.6	23.4	26.2
P/E(x)	17.6	16.1	15.8	14.6	13.0

Forward P/E (x)



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

Q3FY21 Financial Performance (Standalone)

INR Mn (Standalone)	Q3FY21	Q2FY21	Q3FY20	Q-o-Q	Y-o-Y
Net Revenue	840	767	827	9.5%	1.5%
Material Cost	363	339	343	7.1%	5.7%
Employee cost	111	100	112	11.0%	-0.9%
Other Expenses	130	109	127	19.5%	1.9%
EBITDA	237	220	245	7.6%	-3.4%
<i>EBITDA margin %</i>	<i>28.2%</i>	<i>28.7%</i>	<i>29.7%</i>	<i>-51bps</i>	<i>-144bps</i>
Other Income	20	34	16	-39.9%	30.3%
Depreciation	20	21	14	-2.0%	43.6%
EBIT	237	233	247	1.6%	-3.9%
Finance cost	1	2	0	-41.2%	233.3%
PBT	236	232	247	1.9%	-4.2%
Tax Expense	-60	-59	-86	1.9%	-29.9%
Effective tax rate %	-25.6%	-25.6%	-35.0%	NA	NA
PAT	176	172	160	1.9%	9.6%
Consolidated PAT	176	172	160	1.9%	9.6%
<i>PAT margin %</i>	<i>20.9%</i>	<i>22.5%</i>	<i>19.4%</i>	<i>-156bps</i>	<i>154bps</i>
EPS (INR)	6.0	5.9	5.4	2.2%	11.9%

Particulars INR Mn	Q3FY21	Q2FY21	Q3FY20	Q-o-Q	Y-o-Y
SEGMENT REVENUE					
Laundry & Allied Products	762	691	774	10.3%	-1.6%
IT Enabled Services	77	73	111	4.6%	-30.9%
windmill	7	15	12	-57.1%	-44.5%
Total	846	780	897	8.4%	-5.8%
Less: Inter Segment Revenue	-57	-12.9	-10.4	341.9%	448.1%
Sales/Income from Operations	789	767	887	2.8%	-11.1%
SEGMENT RESULTS					
Laundry & Allied Products	208	184	207	13.1%	0.9%
IT Enabled Services	21	33	33	-36.5%	-36.7%
windmill	7.2	11.6	5.5	-37.9%	30.9%
Total	237	229	245	3.4%	-3.5%
Less: Interstand Finance Charges	-9	-1.7	-0.3	NA	NA
Less: Unallocated Expenditure/Income (Net-off)	7	4.5	2	55.6%	288.9%
Less: Exceptional Items	-	-	-		
Total Profit before Tax	235	232	247	1.3%	-4.9%
Segment Assets					
Laundry & Allied Products	2247	2052	1381	9.5%	62.7%
IT Enabled Services	134	143	127	-6.4%	5.4%
windmill	89	100	105	-11.4%	-15.5%
Unallocated / Corporate	3213	2625	3082	22.4%	4.2%
Total Segment Assets	5,682	4,919	4,695	15.5%	21.0%
Segment Liabilities					
Laundry & Allied Products	697	602	268	15.7%	159.8%
IT Enabled Services	68	73	20	-6.6%	233.3%
windmill	0	1	0		
Unallocated / Corporate	115	109	169	5.2%	-32.1%
Total segment Liabilities	879.8	785	458	12.05%	92.14%

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

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenues	3,069	3,062	3,155	3,472	3,911
Change (%)	10.6%	-0.2%	3.0%	10.0%	12.6%
Cost of Goods Sold	1,408	1,331	1,264	1,368	1,525
Employee costs	438	482	555	622	696
Other expenses	520	491	550	616	708
Total operating Expense	2,366	2,304	2,368	2,605	2,930
EBITDA	702	758	787	867	981
Other Income	102	115	120	124	129
Depreciation	58	86	88	102	116
Interest	1	11	9	12	12
PBT	745	776	809	876	983
Extra-ordinary	59	0	0	0	0
PBT after ext-ord.	804	776	809	876	983
Tax	-239	-156	178	193	216
Rate (%)	-29.7%	-20.1%	22.0%	22.0%	22.0%
PAT	565	620	631	684	766
Change (%)	29.4%	9.8%	1.8%	8.3%	12.1%

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Sources of Funds					
Share Capital	58	58	58	58	58
Reserves & Surplus	3,790	2,966	3,452	3,989	4,551
Net Worth	3,849	3,025	3,510	4,048	4,610
Borrowings					
	-	203	310	310	310
Lease liabilities					
	-	62	62	62	62
Provisions	11	10	9	9	8
Deferred Tax Liabilities (net)	110	72	105	102	97
Total Non-Current Liabilities	124	350	958	784	536
Trade payables					
	219	293	278	301	336
Lease liabilities					
	-	21	21	21	21
Other financial Liabilities	79	86	79	87	98
Other current Liabilities	34	37	35	32	29
Provisions	3	2	2	2	2
Total Current Liabilities	335	440	416	444	485
Total Liabilities	4,308	3,814	4,884	5,275	5,631
Property, Plant and Equipment					
	784	845	1,017	1,175	1,320
Right of use assets					
	-	67	67	67	67
Capital work in progress	25	354	437	520	604
Other Intangible assets	2	2	2	2	2
Investments	1,850	764	1,404	1,406	1,406
loans	31	0	0	0	0
Others	0	10	10	10	10
other non-current assets	139	129	133	146	165
Total Non-Current Assets	2,831	2,170	3,069	3,326	3,573
Inventories	272	338	277	300	334
Investments	470	289	298	327	369
Trade Receivables	330	392	346	380	429
Cash and cash equivalents	272	197	465	508	487
Loans	72	343	343	343	343
Others	13	36	36	36	36
Current Tax Assets (Net)	5	0	0	0	0
Other current assets	36	42	44	48	54
Assets held for sale					
	-	-	-	-	-
Total Current Assets	1,477	1,645	1,814	1,949	2,058
Total Assets	4,308	3,814	4,884	5,275	5,631

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

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT	804	776	809	876	983
Net Cash From Operating Activities	302	475	837	782	860
Net Cash (used in)/from Investing Activities	-22	-387	-481	-540	-624
Net Cash (used in)/from Financing Activities	-151	-163	-89	-199	-258
Net (decrease)/increase In Cash & Equivalents	129	-75	268	42	-21
Opening balance of cash	143	272	197	465	508
Closing balance of cash	272	197	465	508	487

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Per share (INR)					
EPS	19.3	21.2	21.6	23.4	26.2
CEPS	10.3	16.3	28.7	26.8	29.5
BVPS	33.0	25.9	30.1	34.7	39.5
Valuation (x)					
P/E	17.6	16.1	15.8	14.6	13.0
P/CEPS	21.7	13.8	7.8	8.4	7.6
P/BV	10.3	13.2	11.3	9.8	8.6
EV/EBITDA	8.9	8.6	8.1	7.3	6.5
Return Ratios (%)					
Gross Margin	54.1%	56.5%	60.0%	60.6%	61.0%
EBIDTA Margin	22.9%	24.8%	24.9%	25.0%	25.1%
PAT Margin	18.4%	20.3%	20.0%	19.7%	19.6%
ROE	14.7%	20.5%	18.0%	16.9%	16.6%
ROCE	16.7%	20.8%	18.3%	17.5%	17.6%
Leverage Ratio (%)					
Total D/E	0.0	0.1	0.1	0.1	0.1
Turnover Ratios					
Asset Turnover (x)	0.7	0.8	0.6	0.7	0.7
Inventory Days	70	93	80	80	80
Receivable Days	39	47	40	40	40
Payable days	26	35	32	32	31

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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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