

CMP: Rs 199

Rating: Not Rated

Outlook: Positive

Stock Info

BSE	506685
NSE	ULTRMARINE
Bloomberg	UMP IN
Reuters	ULTR.BO
Sector	Chemicals
Face Value (Rs)	2
Equity Capital (Rs cr)	5.84
Mkt Cap (Rs cr)	582
52w H/L (Rs)	212/ 103
Avg Yearly Vol (in 000')	1732

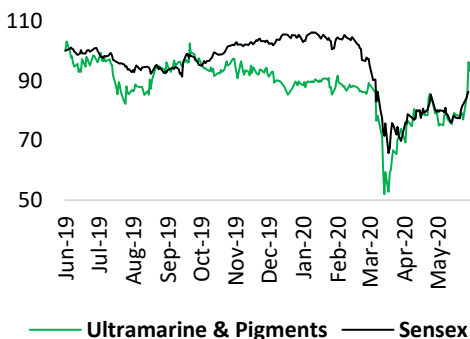
Shareholding Pattern %

(As on Mar, 2020)

Promoters	52.85
FII	0.98
DII	0.39
Public & Others	45.78

Stock Performance (%)	3m	6m	12m
Ultramarine	13.6	6.5	-0.92
Sensex	-11.5	-16.8	-15.2

Ultramarine Vs Sensex



Ultramarine & Pigments reported good performance during Q4FY20 with a strong profit growth of 75% YoY to Rs 130 mn. However, on a sequential basis profit fell by 18%. The company has reported marginal revenue growth of 1% YoY to Rs 735 mn. On a sequential basis, revenue fell by 10% due to disruptions caused by covid-19 in late March. Consequently, profit fell by 18% QoQ. EBITDA for the quarter stood at Rs174 mn, thereby registering 56% growth on a YoY basis. EBITDA margin during the quarter expanded sharply by 837 bps YoY due to sharp fall in other expenses and material cost. Company Has Posted decent numbers along with good FCF generation. Company is doing capex of 55 cr in surfactants and almost 40 crore is spent.

The interim dividend of (5.00/- per share of the nominal value of (2/-each for the financial year ended March 31, 2020 declared on 16th March, 2020 and paid to all the eligible shareholders on 30th March, 2020. Thus the interim dividend paid is considered as final dividend for the financial year ended 31st March, 2020

COVID-19 Pandemic Situation- Update on Operations

- Both plants at Ambattur & Ranipet were shut down from 17th March, 2020 as a precautionary measure on account of COVID - 19 pandemic. Operations were hit substantially till the 1st week of May 2020, when lockdown was gradually lifted.
- The Company is well positioned to fulfil its obligations and does not foresee any significant impact on the business due to non-fulfilment of the obligations by any party.
- The Company has adequate banking limits and liquid investments to meet working capital requirement. The strong balance sheet of the Company will help in raising adequate resources to meet both long term & short term needs.
- Company wide initiative to bring down costs is well supported by employees and benefits will accrue as a result of these initiatives. Due to limited operations in the last 2 months, company conserved resources to meet contingencies arising out of prolonged disruption.
- The COVID-19 crisis is expected to adversely affect the profitability during the first half of this year.
- The Company has taken adequate measures to avoid incremental risk to recoverability of assets (Inventories, investments, receivables, etc.) There is no impact on internal financial controls due to this situation.
- Due to lock down, contractors and workmen have left the site. Execution will gather momentum after they reassemble. Company anticipate 6 to 9 months delay in completion of ultramarine Sulphonation project at Naidupet.

Valuation and View: At CMP of Rs 199, Ultramarine & Pigments is trading at PE of 10.7x to its FY20 EPS of Rs 21. Company was marginally impacted during the COVID - 19 pandemic but overall has posted good set of result. Ultramarine Pigments Ltd is one of the largest Pigment and Surfactant manufacturing company of Indian origin It endeavors to serve the customers with range of inorganic pigments, detergents and cosmetic grade surfactants. The chemical industry remains an attractive hub of opportunity even in an environment of global uncertainties.

Hence, we are bullish on the company's near term outlook.

Q4FY20 Financial Performance

Rs Mn (consolidated)	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
Net Revenue	735	827	730	-11.12%	0.71%
Material Cost	316	343	343	-7.88%	-8.01%
Employee cost	118	112	120	5.29%	-2.25%
Other Expenses	128	127	155	0.71%	-17.34%
EBITDA	174	245	111	-29.27%	56.03%
<i>EBITDA margin %</i>	<i>23.6%</i>	<i>29.7%</i>	<i>15.2%</i>	<i>-606bps</i>	<i>837bps</i>
Other Income	22	16	18	43.23%	26.14%
Depreciation	21	14	15	50.71%	37.01%
EBIT	175	247	113	-29.25%	53.97%
Finance cost	1	0	0.1	233.33%	900%
Exceptional Item	-	-	-	-	-
PBT	174	247	113	-29.57%	53.22%
Tax Expense	-44	-86	39	-	-
Effective tax rate %	-25.2%	-35.0%	34.3%	-	-
PAT	130	160	74	-18.96%	74.60%
MI & Associates	-	-	-	-	-
Consolidated PAT	130	160	74	-18.96%	74.60%
<i>PAT margin %</i>	<i>17.7%</i>	<i>19.4%</i>	<i>10.2%</i>	<i>-171bps</i>	<i>748bps</i>
EPS (Rs)	4.4	5.5	2.6	-	-

Particulars Rs Mn	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
SEGMENT REVENUE					
Laundry & Allied Products	628.6	774	628	-18.8%	0.1%
IT Enabled Services	106	111	101.5	-4.6%	4.5%
windmill	2	12	4	-84.9%	-48.6%
Total	737	897	733	-17.9%	0.5%
Less: Inter Segment Revenue	-1.5	-10.4	-3.1	-85.6%	-51.6%
Sales/Income from Operations	735	887	730	-17.1%	0.7%
SEGMENT RESULTS					
Laundry & Allied Products	147	207	94	-28.9%	55.5%
IT Enabled Services	29	33	11	-12.4%	175.2%
windmill	-2	5.5	-0.8	-136.4%	150.0%
Total	174	245	104	-29.1%	66.9%
Less: Interest and Finance Charges	-1	-0.3	-0.1	233.3%	900.0%
Less: Unallocated Expenditure/Income (Net-off)	0.9	2	9	-50.0%	-90.3%
Less: Exceptional Items	-	-	-	-	-
Total Profit before Tax	174	247	113	-29.6%	53.2%
Segment Assets					
Laundry & Allied Products	1908	1381	1,316	38.2%	45.0%
IT Enabled Services	208	127	114	64.1%	82.5%
windmill	100	105	102	-4.5%	-2.2%
Unallocated / Corporate	1597	3082	2776	-48.2%	-42.5%
Total Segment Assets	3,814	4,695	4,308	-18.8%	-11.5%
Segment Liabilities					
Laundry & Allied Products	595	268	287	121.7%	107.5%
IT Enabled Services	105	20	37	412.3%	184.0%
windmill	1	0	1	1000.0%	0.0%
Unallocated / Corporate	89	169	135	-47.2%	-33.8%
Total segment Liabilities	790	458	459	72.44%	71.88%

Source: Arihant 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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