

**CMP: Rs 161**

**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)	102
Mkt Cap (Rs cr)	503.70
52w H/L (Rs)	253/ 103
Avg Yearly Vol (in 000')	10.31

**Shareholding Pattern %**

(As on Mar, 2020)

Promoters	53.27
FII	0.94
DII	0.4
Public & Others	45.39

**Stock Performance (%)**

	3m	6m	12m
Ultramarine	-6.7	-10.0	-30.6
Sensex	-24.1	-20.7	-20.8

**Ultramarine Vs Sensex**



*India's chemical industry is a global outperformer in returns to shareholders and remains an attractive hub for chemical companies. This outperformance has resulted in high expectations for sustained, continuous growth of the industry's top line and bottom line. The macro perspective on India indicates that while the short-term outlook is challenging, the country's long-term growth story remains positive. Despite the Covid-19-induced shutdown, one sector that remains resilient in the stock market is chemicals. Shares of most companies from the sector have witnessed a turnaround in the last few days — after an initial blip due to the bearish sentiments in the global and domestic markets and expect a promising future.*

**Company Overview**

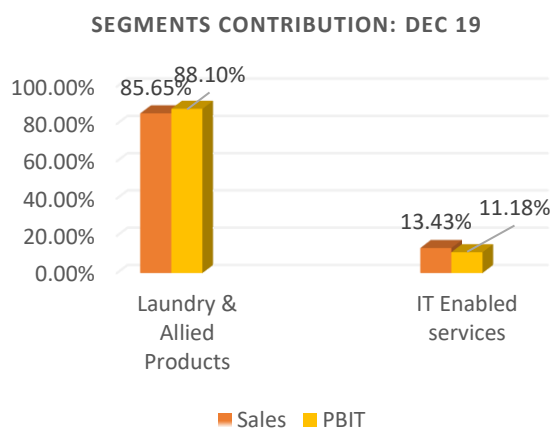
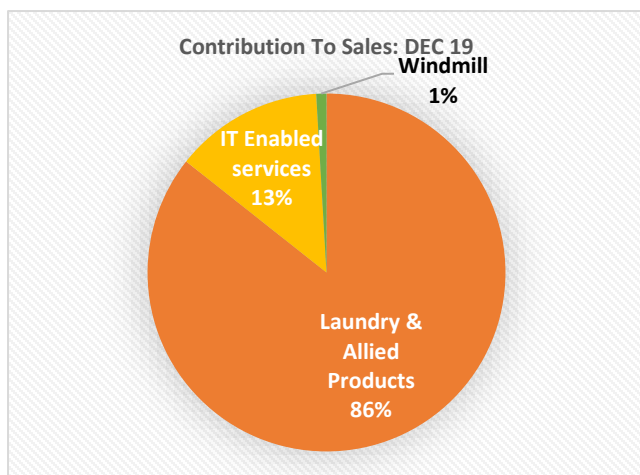
Ultramarine & Pigments Limited is an India-based company, which is engaged in offering surfactants, pigments and information technology-enabled services (ITES). The Company operates through three segments: Laundry and allied products, IT enabled services & BPO activities, and Wind Turbine Generator. 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.

Currently cater to the plastics, coating, inks, cosmetics, stationary, laundry, paints, mining and construction industries.

**Investment Rationale:**

1. Efforts to enter commercial production at the Naidupeta plant by the FY20-21.
2. High profitability and revenue.
3. Company has been maintaining a healthy dividend payout.
4. New Product are being introduced in both the surfactants and the Pigment division in a forward looking manner.

**Valuation and View:** 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. Company is virtually debt free with consistent profit growth of 28.31% over 5 years. 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.

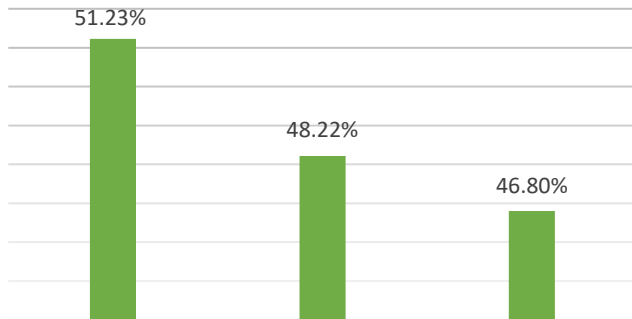


### Segmentwise Revenue, Results and Capital Employed for the year ended 31st March 2019

Sl. NO.	Particulars	FY19	FY18
1	SEGMENT REVENUE (Rs in Cr)		
a	Laundry & Allied Products	267.52	251.86
b	IT Enabled Services	38.85	30.24
c	Windmill	339	320
	Total	309.75	285.30
	Less: Inter Segment Revenue	-2.90	-2.77
	SALES/INCOME FROM OPERATIONS	306.85	282.53
2	SEGMENT RESULTS		
a	Laundry & Allied Products	60.33	51.40
b	IT Enabled Services	6.42	6.07
c	Windmill	1.86	2.07
	Total	68.61	59.54
	Less: Interest and Finance Charges	-0.11	-0.62
	Less: Unallocated Expenditure (Net-off)	5.95	4.49
	Un-allocable Income	5.91	0
	TOTAL PROFIT BEFORE TAX	80.36	63.41
3	SEGMENT ASSETS		
a	Laundry & Allied Products	131.59	116.36
b	IT Enabled Services	11.42	9.67
c	Windmill	10.23	10.53
d	Unallocated / Corporate	277.59	426.54
		430.83	563.10
4	Segment Liabilities		
a	Laundry & Allied Products	28.66	33.90
b	IT Enabled Services	3.68	1.96
c	Windmill	0.11	0.10
d	Unallocated / Corporate	13.49	16.06
		45.94	52.02
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	384.89	511.08

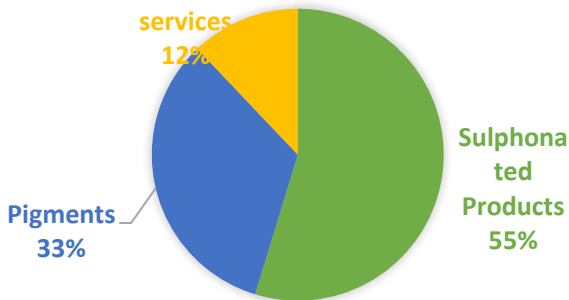
**Raw Material**

Raw Materials Cost (%of Gross Sales): Mar 2019



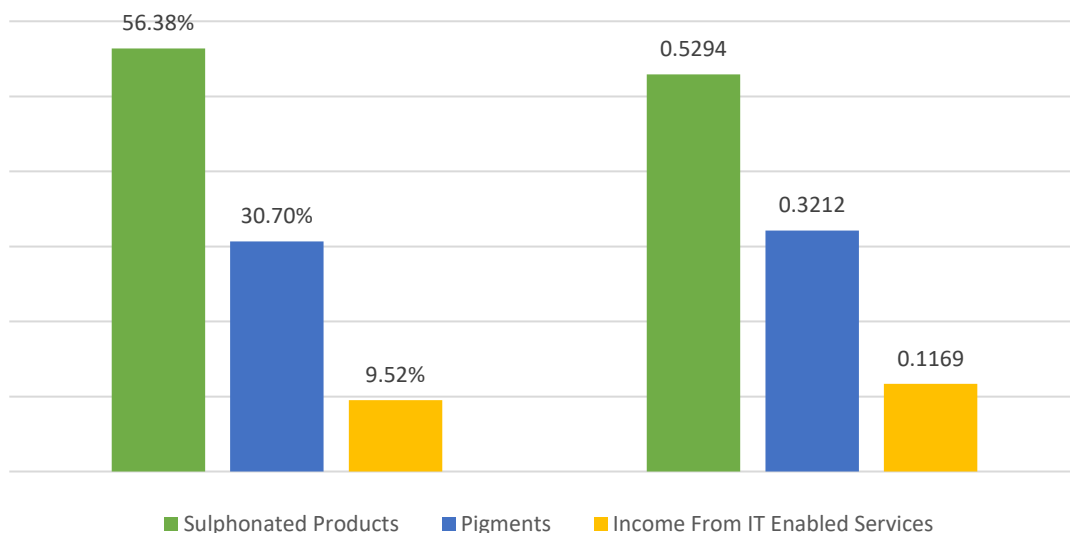
Raw Material (Mar 2019)	Amount (Rs Cr)	% of RM Cost
Active Matter	117.13	81.57%
Others	11.11	7.74%
Soda Ash	7.74	5.39%
Sulphur	3.86	2.69%
China Clay	3.75	2.61%
Total	143.60	100%

Income from IT Enabled services Finished Goods: Mar 2019



Finished Goods (Mar 2019)	Amount (Rs Cr)	% of sales
Sulphonated Products	162.44	52.94%
Pigments	98.55	32.12%
Income from IT Enabled services	35.46	11.69%

Top Finished Goods (% of sales to ): (Mar 2019)



**Pigment Division:**

Sales of Complex Inorganic Colour Pigments picked up speed in both the Domestic and Exports markets, showing returns from an increased investment in R&D. The Pigments division achieved a net revenue of Rs ~100 crores in this financial year as compared to Rs ~87.47 crores in the previous financial year.

**Surfactants Division:**

The Surfactants division has achieved 100% capacity utilization. With continual improvement processes, the division has seen an increase in productivity. This division has seen a 7% increase in profits and a 5% increase in revenues to Rs ~167 crores in FY 2018-19, as compared to Rs ~159 crores in FY 2017-18.

**Wind Mill Generation:**

Wind mills have generated 58.78 lakhs units as against 59.79 lakhs units. The marginal drop is due to seasonal wind variations. Captive consumption from the wind mills grew to 43.74 lakh units, an increase of 2 lakh units over the previous year.

**ITES Division:**

During the year under review, this division reported an income of Rs ~38.85 crores which was higher by 28% when compared to previous year figure of Rs ~30.25 crores. This is mainly due to additional revenue from Data conversion and health care.

**Exports:**

The company's total export sales reached Rs 94 Crores, a 24% improvement over FY 2017-18. Export earnings from Manufacturing divisions went up by 21%, primarily due to a growth in sales volumes of highly value added Pigments in Asia, Europe and North America. ITES exports grew by 33% over the previous year.

**Energy And Water:**

In the FY 2018-19, almost 70% of the power consumed by the manufacturing division came from renewable resources, with 43.74 lakh units from wind mills, and the rest from onsite solar plants. Additionally, due to focus on reduction and recycling of water, Company have reduced raw water consumption by 40% from FY 2017-18 levels in Ranipet facility.

**Risks And Concerns:**

**Competition:** The domestic market for pigments continued to pose challenge both in the form of competition from unorganized sector & shrinking demand for laundry and white washing applications.

**Volatility in crude prices:** Availability of Alpha Olefin, a key imported raw- material of Sulphonation division continues to be erratic & volatility in crude price may result in inventory loss; these are beyond control. Any increase in sales volume through traders impacts the collection cycle & debtors outstanding.

**Shrinking Demand:** Shrinking demand for laundry and white washing applications, and slowdown in manufacturing sector.

**Limited revenues:** Overheads for retail sales promotions and distributions remain prohibitively high, and are currently limiting revenues from retail sales.

Quarterly Results Figures in Rs. Crores	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sales	73	76	75	83	73	71	80	82
Expenses	58	61	56	58	62	52	62	60
Operating Profit	14	16	19	25	11	19	18	22
OPM %	20%	20%	25%	30%	15%	26%	22%	27%
Other Income	0	7	6	2	2	2	6	2
Interest	0	0	0	0	0	0	0	0
Depreciation	1	1	1	1	2	2	2	2
Profit before tax	13	21	23	25	11	18	21	21
Tax %	36%	22%	29%	35%	34%	19%	12%	26%
Net Profit	8	16	17	16	7	15	19	16
EPS	2.89	5.58	5.72	5.49	2.55	5.06	6.33	5.38

### Peers Comparison

Particulars	Ultramarine	Aarti Ind	Atul	Vinati Organics	Navin Fluorine
52Wk Low	103	662	3257	651	570
52Wk High	251	1192	5447	1256	1694
Market Capital (in Cr.)	767	13632	10597	8448	3517
Net Sales	307	4548	3916	1108	955
Growth(%)	11	23	26	52	9
EBITDA	81	921	768	455	253
EBITDA Margin	26	20	20	41	26
PAT	56	481	429	282	148
Price / Book Value(x)	1.99	5.32	4.00	8.04	3.33
P/E (x)	13.58	28.33	24.72	29.91	23.68
ROE (%)	12.61	23.62	17.69	30.57	14.67
ROCE(%)	18.07	18.15	27.05	45.79	22.37
EPS	19.34	27.77	144.52	27.48	30.03

**Key Financial**

Key Financials (in Cr.)	FY15	FY16	FY17	FY18	FY19
<b>Income Statement</b>					
Gross Sales	185.77	240.44	279.13	282.53	306.86
	14%	29%	16%	1%	9%
EBITDA	31.16	42.62	53.03	69.29	80.88
	11%	37%	24%	31%	17%
EBITDA M (%)	16.8	17.7	19.0	24.5	26.4
PAT	18.74	27.35	32.47	43.64	56.48
	30%	46%	19%	34%	29%
PAT M (%)	10.1	11.4	11.6	15.4	18.4
<b>Balance Sheet</b>					
Net Worth	44.99	45.95	68.78	71.03	114.21
Cash & Bank	16.40	11.94	15.48	14.90	27.89
Total Debt	0.00	0.00	0.00	0.00	0.00
Total Assets	145.96	152.92	391.58	593.64	480.20
<b>Cash Flow</b>					
Cash from Operations	23.26	27.51	30.42	54.94	30.20
Cash from Investing	-8.43	-9.13	-26.80	-40.93	-2.23
Cash from Finance	-11.03	-22.93	-0.20	-14.68	-15.07
Free Cash Flow	3.80	-4.55	3.42	-0.68	12.89
<b>Ratios</b>					
Sales Growth (%)	19.8	9.0	-0.5	27.5	10.1
Profit Growth (%)	41.8	62.0	-22.8	17.8	6.0
ROE (%)	19.55	25.56	15.17	10.58	12.61
ROCE (%)	28.92	36.82	22.83	15.63	18.07
D/E (x)	0.6	0.4	0.7	0.6	0.8
Current Ratio (%)	2.14	2.58	2.44	2.85	4.41
<b>Valuation</b>					
EPS	6.42	9.37	11.12	14.95	19.34
P/E	10.11	11.61	16.58	18.40	13.58
P/B	1.90	2.77	1.72	1.57	1.99
EV/EBITDA	5.56	7.17	9.86	11.37	9.14
Dividend Yield (%)	4.62	3.22	2.17	1.55	1.71
Close Price (Rs)	64.90	108.80	184.40	274.95	262.70
M Cap / Sales	1.10	1.44	2.11	2.89	2.50

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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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