

CMP: Rs 224

Rating: BUY

Target Price: 315

Stock Info

BSE	506685
NSE	ULTRMARINE
Bloomberg	UMP IN
Reuters	ULTR.BO
Sector	Chemicals
Face Value (Rs)	2
Equity Capital (Rs Mn)	58.4
Mkt Cap (Rs Mn)	6614
52w H/L (Rs)	299/ 103
Avg Yearly Vol (in 000')	21

Shareholding Pattern %

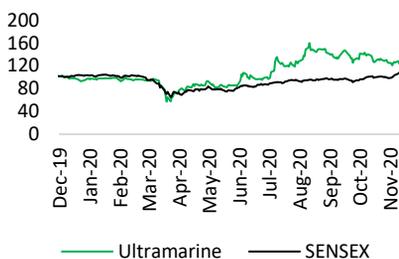
(As on September, 2020)

Promoters	51.8
FII	0.88
DII	0.48
Public & Others	46.84

Stock Performance (%)

	3m	6m	12m
Ultramarine	-16.8	41.8	21.1
Sensex	12.9	35.2	7.9

Ultramarine Vs Sensex



Ultramarine & Pigments Limited (UPL) has reported decent performance in Q2FY21. Revenue of the company de-grew by 4% YoY to Rs 767 mn while on QoQ basis it grew by 26%. EBITDA for the quarter grew by 23% YoY to Rs 220 mn. EBITDA margin for the quarter expanded sharply by 629bps YoY, mainly due to increase in gross margin and reduction in other operating expenses. Gross margin for the quarter stood at 56% vs. 52% YoY. Profit for the quarter stood at Rs 172 mn, +72% QoQ/-7% YoY.

Segment Highlights in Q2FY21:

- Among its segment verticals, Laundry & Allied Products segment has reported revenue growth of 1% YoY/32% QoQ to Rs 691 mn.
- IT Enabled Services segment saw weak performance with a fall of 37% YoY / 9% QoQ to Rs 73 mn.
- Windmill revenue saw uptick of 141% QoQ / 12% YoY to Rs 15 mn.

Key Highlights:

- Debt of the company increased from Rs 202 mn in Mar'20 to Rs 310 mn as of Sep'20.
- Receivables of the company decline to Rs 307 mn as of Sep'20 from Rs 392 mn in Mar'20.
- Cash balance of the company increased from Rs 197 mn in FY20 to Rs 441 mn as of H1FY21.
- Import hurdles in chemical industries due to Government restrictions on Chinese goods as well as export subsidies if any, is an added benefit for domestic chemical companies. UPL has a strong product portfolio of surfactants and pigment.

Valuation and View: At CMP of Rs 224, Ultramarine & Pigments is trading at PE of 10.5x to its FY22E EPS of Rs 21. With the revival of the economy, we are seeing demand pick up of 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 an attractive hub of opportunity even in an environment of current global uncertainties. UPL has been a consistent performance in terms of profitability and have a superior return ratios. We maintain our Buy rating on the stock with a target price of Rs 317, based on 20% premium to its historical mean P/E of 12.4x (i.e. 14.9x) to its FY22E.

Financial Summary

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Revenue	3,069	3,062	2,952	3,497
EBITDA	702	758	648	851
EBITDA Margin (%)	22.9	24.8	21.9	24.3
PAT	565	620	475	618
ROE (%)	14.7	20.5	14.2	16.2
EPS (Rs.)	19.3	21.2	16.3	21.2
P/E(x)	11.6	10.5	13.8	10.6

Q2FY21 Financial Performance (Standalone)

Rs Mn (Standalone)	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y
Net Revenue	767	607	800	26.4%	-4.1%
Material Cost	339	313	386	8.3%	-12.4%
Employee cost	100	92	123	7.8%	-18.9%
Other Expenses	109	71	111	53.9%	-2.5%
EBITDA	220	131	180	68.0%	22.7%
<i>EBITDA margin %</i>	<i>28.7%</i>	<i>21.6%</i>	<i>22.4%</i>	<i>711bps</i>	<i>629bps</i>
Other Income	34	26	57	30.2%	-41.3%
Depreciation	21	21	22	0.0%	-8.1%
EBIT	233	136	214	71.1%	8.9%
Finance cost	2	2	5	-19.0%	-66.0%
Exceptional Item	-	-	-		
PBT	232	134	209	72.5%	10.6%
Tax Expense	-59	-34	-24	72.9%	144.0%
Effective tax rate %	-25.6%	-25.5%	-11.6%	NA	NA
PAT	172	100	185	72.4%	-6.9%
MI & Associates	-	-	-		
Consolidated PAT	172	100	185	72.4%	-6.9%
<i>PAT margin %</i>	<i>22.5%</i>	<i>16.5%</i>	<i>23.1%</i>	<i>599bps</i>	<i>-66bps</i>
EPS (Rs)	5.9	3.4	6.3	71.7%	-7.0%

Source: Company, Arianth Research

Particulars Rs Mn	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y
SEGMENT REVENUE					
Laundry & Allied Products	691	526	682	31.5%	1.4%
IT Enabled Services	73	81	116	-8.9%	-36.7%
windmill	15	6	14	140.6%	11.6%
Total	780	613	811	27.3%	-3.9%
Less: Inter Segment Revenue	-12.9	-6	-11	115.0%	14.2%
Sales/Income from Operations	767	607	800	26.4%	-4.1%
SEGMENT RESULTS					
Laundry & Allied Products	184	102	128	80.1%	43.8%
IT Enabled Services	33	23	25	40.6%	32.1%
windmill	11.6	3	11.7	286.7%	-0.9%
Total	229	129	165	77.7%	38.9%
Less: Interstand Finance Charges	-1.7	-2.1	-5	-19.0%	-66.0%
Less: Unallocated Expenditure/Income (Net-off)	4.5	7.7	49.7	-41.6%	-90.9%
Less: Exceptional Items	-	-	-		
Total Profit before Tax	232	134	209	72.4%	10.6%
Segment Assets					
Laundry & Allied Products	2052	1920	1629	6.8%	26.0%
IT Enabled Services	143	165	214	-13.5%	-33.2%
windmill	100	99	104	1.2%	-4.2%
Unallocated / Corporate	2625	1993	2288	31.7%	14.7%
Total Segment Assets	4,919	4,177	4,235	17.8%	16.2%
Segment Liabilities					
Laundry & Allied Products	602	550	384	9.5%	57.0%
IT Enabled Services	73	111	129	-34.3%	-43.7%
windmill	1	0	0	300.0%	500.0%
Unallocated / Corporate	109	116	95	-5.5%	15.2%
Total segment Liabilities	785	777	608	1.12%	29.21%

Income Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Revenues	3,069	3,062	2,952	3,497
<i>Change (%)</i>	10.6%	-0.2%	-3.6%	18.5%
Cost of Goods Sold	1,408	1,331	1,283	1,573
Employee costs	438	482	506	531
Other expenses	520	491	515	541
Total operating Expense	2,366	2,304	2,304	2,646
EBITDA	702	758	648	851
Other Income	102	115	111	115
Depreciation	58	86	107	123
Interest	1	11	17	17
PBT	745	776	635	826
Extra-ordinary	59	0	0	0
PBT after ext-ord.	804	776	635	826
Tax	-239	-156	160	208
<i>Rate (%)</i>	-29.7%	-20.1%	25.2%	25.2%
PAT	565	620	475	618
<i>Change (%)</i>	29.4%	9.8%	-23.4%	30.0%

Source: Company, Arihant Research

Key Ratios

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	19.3	21.2	16.3	21.2
CEPS	10.3	16.3	25.2	24.2
BVPS	33.0	25.9	28.7	32.8
Valuation (x)				
P/E	11.6	10.5	13.8	10.6
P/CEPS	21.7	13.8	8.9	9.3
P/BV	6.8	8.6	7.8	6.8
EV/EBITDA	8.9	8.6	10.0	7.7
Return Ratios (%)				
Gross Margin	54.1%	56.5%	56.5%	55.0%
EBIDTA Margin	22.9%	24.8%	21.9%	24.3%
PAT Margin	18.4%	20.3%	16.1%	17.7%
ROE	14.7%	20.5%	14.2%	16.2%
ROCE	16.7%	20.8%	14.8%	17.6%
Leverage Ratio (%)				
Total D/E	0.0	0.1	0.1	0.1
Turnover Ratios				
Asset Turnover (x)	0.7	0.8	0.6	0.7
Inventory Days	70	93	80	80
Receivable Days	39	47	40	40
Payable days	26	35	35	36

Balance Sheet

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	58	58	58	58
Reserves & Surplus	3,790	2,966	3,296	3,768
Net Worth	3,849	3,025	3,354	3,826
Borrowings				
Borrowings	-	203	310	310
Lease liabilities	-	62	62	62
Provisions	11	10	10	8
Deferred Tax Liabilities (net)	110	72	105	102
Deferred Income	4	4	447	342
Total Non-Current Liabilities	124	350	934	825
Trade payables	219	293	282	346
Lease liabilities	-	21	21	21
Other financial Liabilities	79	86	74	87
Other current Liabilities	34	37	38	32
Provisions	3	2	2	2
Total Current Liabilities	335	440	418	489
Total Liabilities	4,308	3,814	4,707	5,140
Property, Plant and Equipment				
Property, Plant and Equipment	784	845	1,017	1,175
Right of use assets	-	67	67	67
Capital work in progress	25	354	437	520
Other Intangible assets	2	2	2	2
Investments	1,850	764	1,404	1,406
loans	31	0	0	0
Others	0	10	10	10
other non-current assets	139	129	124	147
Total Non-Current Assets	2,831	2,170	3,061	3,327
Inventories	272	338	281	345
Investments	470	289	278	330
Trade Receivables	330	392	323	383
Cash and cash equivalents	272	197	337	321
Bank balances other than cash and cash equivalents	7	7	6	6
Loans	72	343	343	343
Others	13	36	36	36
Current Tax Assets (Net)	5	0	0	0
Other current assets	36	42	41	48
Assets held for sale	-	-	-	-
Total Current Assets	1,477	1,645	1,646	1,813
Total Assets	4,308	3,814	4,707	5,140

Cash Flow Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
PBT	804	776	635	826
Net Cash From Operating Activities	302	475	737	706
Net Cash (used in)/from Investing Activities	-22	-387	-502	-519
Net Cash (used in)/from Financing Activities	-151	-163	-96	-204
Net (decrease)/increase In Cash & Equivalents	129	-75	139	-16
Opening balance of cash	143	272	197	337
Closing balance of cash	272	197	337	321

Source: Company, Arihant Research

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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