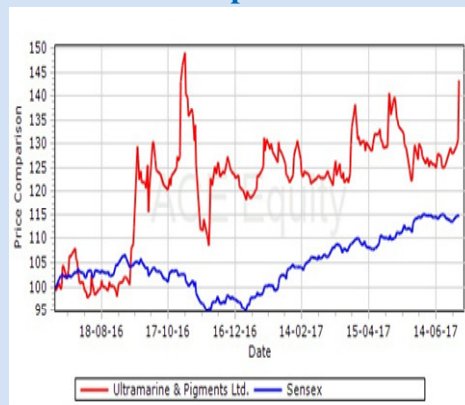


**Company Details**

CMP:	Rs.195.00
Face value:	Rs.2.00
Market cap:	Rs.569.40 Crs.
EPS	Rs.11.10
52 week high:	Rs.212.00
52 week low:	Rs.133.00
BSE Code:	506685
NSE Code:	ULTRMARINE
Sector	Chemical

**Financial Highlights (YoY)**

Rs. in crores			
	FY17	FY16	% Var
Net Sales	255.41	220.23	15.97
Total Expendit	205.29	182.87	12.26
PBDIT	50.12	37.36	34.15
Op.Profit	52.29	42.35	23.47
OPM (%)	20.47	19.23	6.46
PBT	47.90	39.04	22.69
PAT	32.40	27.35	18.46
EPS (Rs.)	11.10	9.37	18.46
Equity	5.84	5.84	-

**Share Price Graph****Research Analyst**

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**Company Background**

Ultramarine & Pigments Ltd., a Tamil Nadu-based company incorporated in 1960, is engaged in manufacture of specialty chemicals and also provides IT enabled services & BPO activities and has a wind turbine Generator. The Company's operations relate to manufacture of laundry and allied products and serves the customers with range of inorganic pigments, detergents and cosmetic grade surfactants. It also offers dry mix detergents. The Company also exports its products the US and Europe. This is the only company in India to receive the ISO 9002 certification for both laundry and industrial grades of ultramarine blue. The Company's manufacturing plants are located at Ambattur, Ranipet and TVK Industrial Estate in Tamil Nadu.

**Financial Performance**

The net sales and PAT of the Company at Rs.255.41 crores and Rs.32.40 crores during FY17 are up by 16% and 18.5%, respectively, compared to those for FY16. Its operating profit margin has improved from 19.2% during FY16 to 20.5% during FY17. The EPS, on face value of Rs.2, has increased from Rs.9.37 for FY16 to Rs.11.10 for FY17.

The board has recommended dividend of Rs.4 per share for FY17 as against Rs.3.50 for FY16.

**Investment Rationale**

- India is the sixth largest producer of chemicals globally and third largest producer in Asia in terms of output. The industry had a market size of \$144 billion in 2015 and is projected to reach \$403 billion by 2025.
- Specialty chemicals market has expanded at a CAGR of about 12% over FY07-11 and is expected to grow in double digit on growing Indian middle-class household and per capital income that is leading to a huge demand for specialty chemicals in automotives, water treatment & construction. The current usage of specialty chemicals in India is very low compared to developed markets but is expected to grow with an increased focus on improving products & usage intensity of specialty chemicals.
- The Net sales and PAT of the Company have grown at a CAGR of 16% and 28%, respectively, during FY13-17** and are further expected to see double digit growth in the coming years on the back of growing demand for its products.
- The manufacturing facilities of the Company have been continuously modernized in order to boost productivity and improve capacity utilization. With focus on improving overall realization, the company is committed to specialization and value addition in both Pigments and Surfactants.
- The Laundry & Allied products division has achieved a net revenue of Rs.222.09 crores during FY17 as compared to Rs.187.70 crores in FY16, showing 18% increase in value. In ITES division, it reported an income of Rs. 31.36 crores with marginal increase over last year but profitability has improved by 35% on account of improved margins from operations, change in pricing strategy and reduction in overhead costs. The total revenue of the windmills is Rs.2.64 crores, an increase of 67% as compared to the previous year. All the business segments have reported good numbers during FY17 and are expected to record better performance in FY18 & FY19.
- Its EBITDA and PAT margins are expected to improve further considering better margins from IT segment and focus on exports with increase in product offerings.
- The Company has zero debt in its books with low equity base of Rs.5.84 crores and reserves of Rs. 141.10 crores at the end of FY17.** The Company holds 20.45 lakh shares in Thirumalai Chemicals Ltd. valued at over Rs.200 crores and is expecting to receive during FY18 nearly Rs.4 crores by way of dividend on these shares for FY17.
- The Company has issued last bonus shares in the ratio of 3:5 in Oct. 2005 and is a potential bonus candidate.
- The Company has continuously paid dividend since 2003 and has recommended dividend of Rs.4 for FY17 that provides tax free dividend yield of 2.1%. The share will become ex-dividend from August 2, 2017.**
- The promoters hold 52.5% equity capital of the Company, followed by institutions and non-promoter corporates that hold 0.3% and 1% and the balance 46.2% shares are held by the public.

**Concerns**

Increase in input costs and competition from other players are some of the concerns.

### Valuation

The share of the Company is trading at a lower P/E of 17x against that of sector at 29x. Keeping in view the positive outlook for specialty chemicals, improved performance of the Company during FY17, zero debt, improved margins, share trading-cum- dividend, and reasonably lower PE ratio, we recommend a buy on the share of this Company with an expected price appreciation of about 40% over the next 12 months.

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