

Company Details

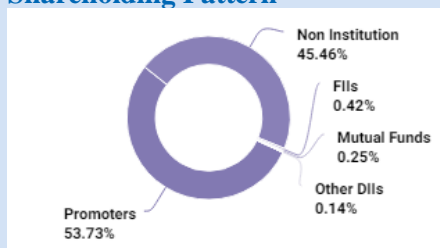
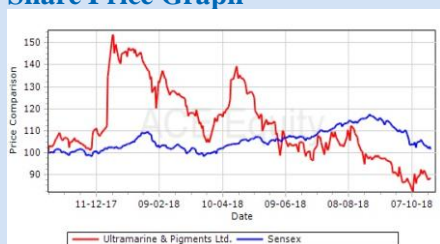
CMP:	Rs.243.5
Face value:	Rs.2.00
Market cap:	Rs.694.37 Crs.
TTM EPS	Rs.17.21
52 week high:	Rs.435
52 week low:	Rs.211
BSE Code:	506685
Sector	Specialty Chemicals

Financial Highlights (YoY)

Rs. in crores			
	FY18	FY17	% Var
Net Sales	282.53	255.41	10.62
Total Expendit	223.00	205.54	8.49
PBDIT	59.53	49.87	19.37
Op.Profit	68.86	52.59	30.94
OPM (%)	24.4%	20.6%	18.37
PBT	63.41	48.18	31.61
PAT	43.64	32.47	34.40
EPS (Rs.)	14.95	11.12	34.40
Equity	5.84	5.84	0.00

Quarterly Performance (YoY)

Rs. in crores			
	Q1FY19	Q1FY18	% Var
Net Sales	76.39	68.80	11.03
Total Expe	60.73	54.14	12.17
PBDIT	15.66	14.66	6.82
Op.Profit	17.06	15.83	7.77
OPM (%)	22.33	23.01	-2.94
PBT	20.89	14.55	43.57
PAT	16.30	9.69	68.21
EPS (Rs.)	5.58	3.32	68.21

Shareholding Pattern**Share Price Graph****Research Analyst**

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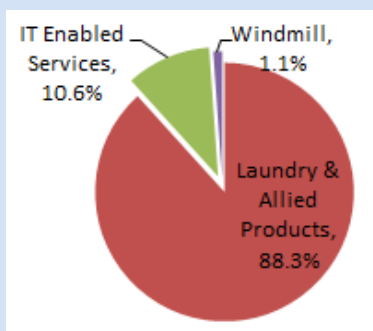
Satco Capital Markets Ltd.

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Company Background

Ultramarine & Pigments Ltd., a Mumbai based company incorporated in 1960, is engaged in manufacture of pigments and surfactants. The company specializes in the manufacture of inorganic pigments and organic surfactants with international quality standard. It also provides IT enabled and business process outsourcing services, and in addition generates power from wind turbines. It has got two manufacturing facilities at Ambattur and Ranipet in Tamil Naidu. **The company is setting up new Greenfield surfactants project with an annualized installed capacity of 30,000 tonnes in Naidupeta, Andhra Pradesh which is to start the commercial production by third quarter of FY19.**



In FY18, the company earned 88.3% of its revenue from Laundry & Allied Products, 10.6% from IT Enabled services and 1.1% from Windmill. **The revenue from export has increased by 41% in FY 18 against FY17.**

Financial Performance

The company has reported Net sales of Rs 282.5 crores and PAT of Rs. 43.6 crores for FY18 which were higher by 10.6% and 34.4%, respectively, over those for FY17.

For Q1 FY19, the Net sales of the company at Rs 76.4 crores, are higher by 11% than those for Q1 FY18. However, the

PAT has gone up significantly by 68.2% to Rs 16.3 crores over that in Q1 FY18. The company has reported operating and net profit margins of 22.3% and 21.3%, respectively in Q1 FY19.

Investment Rationale

- Over the past few years, the company has continued to focus on **product customization based on customer need, and expanding their global footprint** which has yield better volume in the exports.
- The company is expecting uplift in revenue and profitability on back of better demand in pigments. As per a report by India Ratings on FY19 Outlook "The Indian chemicals sector is a market worth about USD 160 billion, with specialty chemicals representing about 20 per cent of the value. We expect the specialty chemical sector to grow by about 10 per cent annually to almost double the market size by FY25,"
- The Company has paid a dividend of Rs. 4.25/- per share for FY18 which provides tax free dividend yield of ~2% against Rs. 4/- per share in FY17.
- The company is **virtually debt free** and has non-current investments of Rs. 371.8 crores at the end of FY18. This includes 20% holding in Thirumalai Chemicals (current market cap. Rs 1153.9 crores).
- As on Sep 30th, 2018, the promoters hold 53.7% equity of the company, whereas FIIs and DIIs own 0.42% and 0.39% respectively, and the balance 45.46% shares are held by the public.

Concerns

Competition from unorganized sector, availability of imported raw material and volatility in crude prices are the main concerns.

Valuation

The share of the Company which has declined from 52week high of Rs. 435 by about 40% is trading at reasonable **TTM P/E of only 14.1x**. Keeping in view of the positive outlook for specialty chemicals industry, high promoter holding, strong balance sheet, revenue visibility, dividend payout and expansion plans in core business, we expect the company to report **EPS of Rs.20 for FY19 and based on PE of 15x**, we estimate the price of the scrip to appreciate to Rs.300 over the next 6 months (price appreciation of about 23%).

EXTENDED WINGS

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NASHIK | NAGPUR | PUNE | WARANGAL | VISHAKHAPATNAM | RAJAMUNDHARY | KARIMNAGAR
HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

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