

Established in 1969, UPL Ltd (UPL) is a crop protection, chemicals and seeds company. The company offers a wide range of products while operating through its two segments, namely, agro activities and non-agro activities. UPL's product portfolio includes insecticides, fungicides, herbicides, fumigants, plant growth and regulators and rodenticides. Globally, UPL has presence in North America, Europe, Latin America and Rest of the World (RoW), apart from India.

Key Developments

Better operational performance triggered 22% growth in net profit in Q4FY15:

UPL reported 8.6% YoY growth in consolidated total revenue at ₹3,624.3 crore in Q4FY15 mainly led by 8.9% YoY increase in revenue from the agro business segment which accounts for ~97% of the company's top-line. UPL reported a 17% increase in EBITDA to ₹784.9 crore in Q4FY15 compared to ₹671.0 crore in Q4FY14 led by 160bps YoY decline in operating expenses (as a percentage of total revenue) to 78.3% in Q4FY15 from 79.9% in Q4FY14. In line with better operational performance, UPL recorded 22.1% YoY growth in net profit to ₹440.1 crore in Q4FY15 as against ₹360.3 crore in Q4FY14.

Higher revenue from Latin America and ROW markets drive revenue growth in Q4FY15:

The company witnessed ~29% growth in its revenue from Latin America in Q4FY15, while RoW recorded a revenue growth of ~13% in Q4FY15. Among others, UPL saw ~9% and ~5% growth in revenue from the US and Indian market, respectively. Besides, Europe registered de-growth by ~10% due to currency devaluation, export ban to Russia which impacted potato and fruits business and added to price pressure. Meanwhile, the company observed that volume growth remained the highest at 18% in Q4FY15, while price declined by 2%, during the quarter.

New product launches:

UPL has been constantly launching new products across different regions. With the help of such launches, UPL recorded a revenue growth of 11% in FY15. In North America, the company recently launched Lifeline and Satellite; while in India, its two products, Iris and Eros received positive response. Besides, in FY15, the company obtained registrations on 187 products, taking its total product registrations to 3,687 to date.

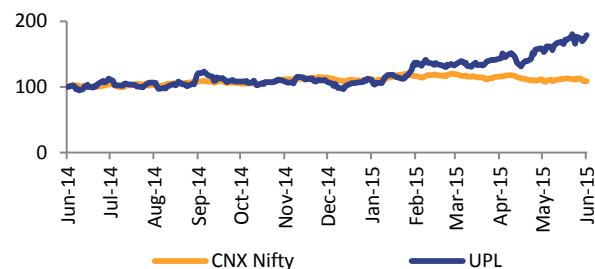
Market Data

CMP (₹)	559
Face Value	2.0
52 week H/L (₹)	570/297.2
Adj. all time High (₹)	570.0
Decline from 52WH (%)	1.9
Rise from 52WL (%)	88.1
Beta	1.0
Mkt. Cap (₹cr)	23,960.8
Enterprise Value (₹cr)	25,364.8

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (₹cr)	9,185.7	10,770.9	12,090.5
Adj. Net Profit (₹cr)	792.0	1,043.4	1,151.4
Share Capital (₹cr)	88.5	85.7	85.7
Adj. EPS (₹)	17.5	23.7	26.9
Adj. PE (x)	31.9	23.6	20.8
P/BV (x)	5.4	4.7	4.1
ROCE (%)	17.1	21.2	23.0

One year Price Chart



Shareholding	Mar15	Dec14	Diff.
Promoters	29.8	29.8	-
DII	46.3	46.5	(0.2)
FII	10.1	8.6	1.5
Others	13.8	15.1	(1.3)

The company offers a range of products that includes insecticides, fungicides, herbicides, fumigants, plant growth and regulators and rodenticides.

Business Overview

UPL Ltd (formerly United Phosphorus Ltd) is a global generic crop protection, chemicals and seeds company. While operating through two key segments, namely, agro activities and non-agro activities, the company offers a range of products that includes insecticides, fungicides, herbicides, fumigants, plant growth and regulators and rodenticides. The agro activity division of the company manufactures and markets agrochemical products, seeds and other agricultural-related products. The non-agro activity division, on the other hand, manufactures and markets industrial chemical and other non-agricultural-related products.

Internationally, UPL has its footprints in North America, Europe, Latin America and Rest of the World (RoW), apart from India. While the Indian market accounted for ~21% of the total revenue, North America, Europe, Latin America and Rest of the World constituted ~20%, ~19%, ~27% and ~14% of the total revenue (as in FY14).

Having subsidiaries across the world, UPL has customer base in 123 countries. The company has 24 manufacturing facilities with 10 in India, 4 in France, 2 in Spain, 3 in Argentina and 1 each in UK, Vietnam, Netherlands, Italy and China. Each of the manufacturing facility of the company has been certified under ISO 9001 for Quality Assurance, 14001 for Environment Pollution Control Norms and OHSAS 18001 for Health and the Society.

UPL's product profile

Agrochemicals		
Fungicides	Herbicides	Insecticides
Manzate Prostick	Super Wham	Starthene
Vandozeb	Tricor	Lancer Gold
Saaf	Devrinol	Phoskill
Cuprofix	Ultra Blazer	Ulala
Blue Bordo	Dost Super	Assail
Microthial	Fascinate	Trinca
Uthane	Surflan	Bifenture
Unizeb Gold	Saathi	Tengard
Elixir	Eros Gold	Bracket
Super Tin	Jhatka	Doom
Topsin	Lagaam	Umet
Penncozeb	Zartan	Viraat
Industrial and speciality chemicals		
White/Yellow Phosphorus (WP/YP)	Triphenyl Phosphate (TPPA)	Phosphorus Red (RP)
Meta Chloro Phenyl Isocyanate	Phosphorus Trichloride (PCL3)	TriphenylPhosphite (TPPI)
Phosphorus Oxychloride (POCL3)	TriethylPhosphite (TEPI)	Phosphorus Pentachloride (PCL5)
Phenyl Isocyanate (PI)	Phosphorus Pentoxide (P2O5)	Meta Chloro Phenyl Isocyanate (MCPI)
TrimethylPhosphite (TMP)		
Seeds		
Rice – PAC 835, 807, 801	Grain Sorghum – PAC 501	Cauliflower – Shigra
Field corn – PAC 740	Mustard/Canola – PAC 401, CORL 432	Cabbage – G Ball 65
Forages – Nutrifeed, Sugar graze, Makkhan grass	Peas – GS 10	Beet Root Lalima
Spinach – Shobha		

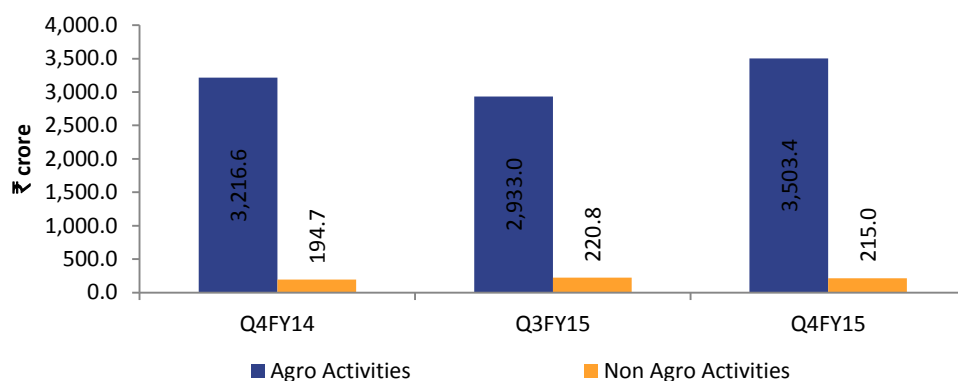
Reported 8.6% YoY growth in consolidated total revenue in Q4FY15 mainly led by 8.9% YoY increase in revenue from the agro business segment.

Posted ~22% YoY growth in net profit in Q4FY15 on better operational performance

UPL reported 8.6% YoY growth in consolidated total revenue at ₹3,624.3 crore in Q4FY15 as against ₹3,338.8 crore in the year-ago period. This was mainly on account of 8.9% YoY increase in revenue from the agro business segment which accounts for ~97% of the company's top-line. Revenue from the non-agro segment grew 10.4% YoY to ₹215.0 crore, during the quarter. Sequentially, the company reported 18.9% YoY surge in revenue. Geography-wise, growth in revenue was led by Latin America with ~29% growth, followed by ~13% growth in Rest of the world (RoW), ~9% in the US and ~5% in India.

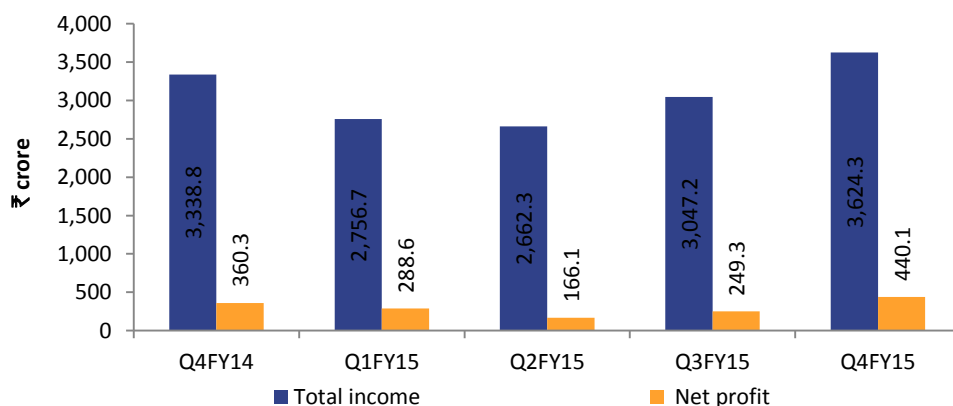
UPL reported a 17% increase in EBITDA to ₹784.9 crore in Q4FY15 compared to ₹671.0 crore in Q4FY14 led by 160bps YoY decline in operating expenses (as a percentage of total revenue) to 78.3% in Q4FY15 from 79.9% in Q4FY14. Consequently, EBITDA margin expanded 160bps YoY to 21.7%, during the quarter under review, as against 20.1% in the same period a year ago.

Segment-wise revenue break-up



UPL recorded 22.1% YoY growth in net profit to ₹440.1 crore in Q4FY15 as against ₹360.3 crore in Q4FY14. Financial expenses like interest and taxation charges grew 3.3% and 14.2% YoY to ₹122.6 crore and ₹49.7 crore, while depreciation charges declined by 13.4% YoY to ₹103.5 crore, during the above-mentioned quarter.

Quarterly performance trend



The company witnessed ~29% growth in its revenue from Latin America in Q4FY15, while RoW recorded a revenue growth of ~13% in Q4FY15.

Revenue from Latin America grew by ~29%, RoW recorded a revenue growth of ~13% in Q4FY15

Primarily driven by Latin America and RoW, UPL registered 8.6% YoY growth in its consolidated top-line. While revenue from Latin America grew by ~29%, RoW recorded a revenue growth of ~13% in Q4FY15. Among others, UPL saw ~9% and ~5% growth in revenue from the US and Indian market, respectively. Besides, Europe registered de-growth by ~10% due to currency devaluation, export ban to Russia which impacted potato and fruits business and added to price pressure. Volume growth remained the highest at 18% in Q4FY15, while price declined by 2%, during the quarter.

Comparative revenue by geography

₹ crore	Q4FY15	Q4FY14	YoY (%)	Q3FY15	QoQ (%)	FY15	FY14	YoY (%)
Domestic Business	401	380	5.5%	603	(33.5)%	2,622	2,245	16.8%
<i>as % of Total Revenue</i>	11%	11%		20%		22%	21%	
International Business	3,223	2,959	8.9%	2,458	31.1%	9,469	8,526	11.1%
<i>as % of Total Revenue</i>	89%	89%		80%		78%	79%	
US	861	789	9.1%	532	61.8%	2,259	2,122	6.5%
<i>as % of International</i>	27%	27%		22%		24%	25%	
Europe	805	892	(9.8)%	332	142.5%	2,033	2,016	0.8%
<i>as % of International</i>	25%	30%		14%		21%	24%	
Latin America	909	704	29.1%	1,129	(19.5)%	3,406	2,856	19.3%
<i>as % of International</i>	28%	24%		46%		36%	33%	
RoW	648	574	12.9%	465	39.4%	1,771	1,532	15.6%
<i>as % of International</i>	20%	19%		19%		19%	18%	
Total Revenue	3,624	3,339	8.5%	3,061	18.4%	12,091	10,771	12.3%

Registered 187 products in FY15

In FY15, the company obtained registrations on 187 products, taking its total product registrations to 3,687 to date. The company, over the years has transformed itself from a pure generics manufacturer to having an innovation-led brand portfolio, and has created various niche products. The company continues to invest in its research and development activities in order to create innovative products to address the specific needs of a variety of crops.

UPL has marked its presence across the entire life cycle of the farmer's engagement– from seed selection, pre-harvest care and post-harvest support.

UPL is having diversified geographical presence with 50 subsidiaries and associates and presence across 124 countries.

Farmer engagement – One stop shop for farmer

With dominant position in the Indian crop protection market (13% market share) along with strong global presence, the company has adopted newer marketing initiatives, by engaging farmers. It helped the company to customize the right solutions to farmer and create brand loyalty. Further, UPL enhanced its customer proximity through creation of a strong distribution channel across the geographies to address the widening customer base. UPL has marked its presence across the entire life cycle of the farmer's engagement– from seed selection, pre-harvest care and post-harvest support. The increasing customer centric approach by the company has enabled it to evolve as a one stop shop for the farmers.

New product launches

UPL has been constantly launching new products across different regions. With the help of such launches, UPL recorded a revenue growth of 11% in FY15. In North America, the company recently launched Lifeline and Satellite; while in India, its two products, Iris and Eros received positive response. With the rise in global population, agrochemicals play an important role in meeting the food requirement by boosting the productivity.

Diversified geographical presence

Over the years, UPL has expanded its business by diversifying across various regions and has presence in more than 100 countries across the world. UPL is having diversified geographical presence with 50 subsidiaries and associates and presence across 124 countries. UPL generates ~80% of revenue from international market and rest from domestic market. The company is having subsidiary offices in Argentina, Australia, Bangladesh, Brazil, China, Canada, Denmark, France, Germany, Hong Kong, Indonesia, Japan, Korea, Mauritius, Mexico, New Zealand, Russia, Italy, Turkey, Spain, South Africa, Taiwan, USA, UK, Vietnam, Zambia, Shanghai, Columbia and Netherland.

Balance Sheet (Consolidated)

₹cr	FY13A	FY14A	FY15A
Share Capital	88.5	85.7	85.7
Reserves & Surplus	4,556.7	5,161.7	5,774.6
Net Worth	4,645.2	5,247.4	5,860.3
Minority interest	234.2	172.1	44.4
Total debt	3,927.0	2,861.0	2,781.5
Deferred tax liability	117.0	180.7	182.3
Provisions	311.7	368.1	414.8
Other non-current liabilities	394.5	310.9	613.0
Other current liabilities	2,823.3	3,718.4	4,408.5
Total equity & liabilities	12,453.1	12,858.5	14,304.8
Fixed assets	3,866.8	4,048.7	3,164.6
Goodwill	-	-	1,449.3
Investments	1,025.2	737.3	763.6
Deferred tax assets	130.1	99.4	137.8
Loans & advances	1,048.4	1,159.8	995.6
Other non-current assets	8.1	11.9	7.9
Other current assets	6,374.5	6,801.4	7,786.0
Total assets	12,453.1	12,858.5	14,304.8

Cash Flow (Consolidated)

Y/E	FY13A	FY14A
Net CashFlow from Operating Activity	1,699.2	1,442.1
Net Cash used in Investing Activity	(814.7)	(418.1)
Net Cash used in Financing Activity	(72.0)	(1,681.3)
Net Inc/Dec In Cash And Equivalent	802.8	(669.8)
Cash And Equivalent Begin of Year	882.2	1,688.2
Cash And Equivalent End Of Year	1,685.0	1,018.4

FY15 financial performance snapshot

Driven by 13% YoY growth in revenue from agro segment at ₹11,659.5 crore, UPL witnessed a healthy ~12% YoY growth in its overall revenue in FY15 at ₹12,090.5 crore. Further, revenue from the non-agro segment during the year grew by ~7% YoY to ₹220.8 crore. In line with the revenue growth, the EBITDA of the company rose 17% YoY in FY15 to ₹2,362.62 crore. As a result, the EBITDA margin improved to 19.5% as compared to 19% in FY14. Finally, the net profit of the company increased by 20% YoY in FY15 supported by significant growth in EBITDA, partially offset by 4% increase in depreciation charges coupled with 6% and 10% rise in interest and taxation charges during the year.

Profit & Loss Account (Consolidated)

(₹cr)	FY13A	FY14A	FY15A
Total revenue	9,185.7	10,770.9	12,090.5
Operating Expenses	7,531.3	8,751.3	9,727.9
EBITDA	1,654.4	2,019.6	2,362.6
Other Income	107.4	131.4	(2.8)
Depreciation	353.7	406.9	424.5
EBIT	1,408.1	1,744.0	1,935.3
Interest	429.0	486.6	517.0
Prior period adjustments	23.9	15.6	4.9
Exceptional item	17.4	93.6	7.4
PBT	937.9	1,148.2	1,406.0
Tax	203.2	221.7	244.0
Minority Interest	(1.6)	7.2	43.3
Share in profit/loss of asso.	38.4	30.4	25.4
Net profit	774.6	949.8	1,144.0
Adj net profit	792.0	1,043.4	1,151.4

Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	18.0	18.8	19.5
EBIT Margin (%)	15.3	16.2	16.0
NPM (%)	8.4	8.8	9.5
Adj. NPM (%)	8.6	9.7	9.5
ROCE (%)	17.1	21.2	23.0
ROE (%)	17.0	19.9	19.6
EPS (₹)	17.1	21.6	26.7
Adj. EPS (₹)	17.5	23.7	26.9
P/E (x)	31.9	23.6	20.8
Adj. P/E (x)	29.8	22.0	19.4
BVPS(₹)	102.7	119.3	136.7
P/BVPS (x)	5.4	4.7	4.1
EV/Net Sales (x)	2.8	2.5	2.1
EV/EBITDA (x)	15.6	13.1	10.7



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