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United Phosphorus Limited (UPL) is a global generic crop protection, chemicals and seeds company, headquartered in India (Mumbai). Through backward and forward integrations, the company is leading global producer of crop protection products, intermediates, speciality chemicals and other industrial chemicals. Being the largest manufacturer of agrochemicals in India, the company offer a wide range of products that includes Insecticides, Fungicides, Herbicides, Fumigants, PGR and Rodenticides

Investor's Rationale

Massive acquisition led to 80.0% rise in net profit

UPL reported a robust growth in its net profit in Q4FY'12 which grew by 80.0% YoY after calculating taxes, minority interest and share of associates at ₹2.0 billion in Q4FY'12 from ₹1.12 billion a year ago, backed by the acquisition of DVA Brazil, RiceCo and Sipcam. However, QoQ performance fell by 7.2% due to long working capital cycle in Brazil up to 112 days from 82 days and led to deteriorate the funds. Finally, NPM grew by 360bps to 9.4% from 5.8% due to rise in interest cost at ₹0.69 billion.

Net sales grew by 13.2% on strong global sales

UPL's net sales went up by 13.2% YoY to ₹21.19 billion as against 18.72 billion, mainly on account of 21.0% YoY growth in the global business. However, Indian market was down by 23.0% due to a poor pick-up in Rabi season which will be revived by the management under its plan of introducing 3 new products in FY'13.

High material cost raised EBIDTA by 17.8%

EBIDTA of the company registered a growth of 17.8% YoY at ₹3.87 billion, due to higher raw material cost, employee expenses and other expenses which grew by 7.5%, 43.6% and 36.3% to ₹11.18 billion, ₹1.91 billion and ₹4.31 billion respectively. Consequently, the EBITDA margin expanded 100bps to 18.2% as against 17.2% YoY.

Competition Commission of India slapped ₹2.52 billion on UPL

Competition Commission of India has charged a penalty of ₹2.52 billion from UPL, as the company along with other manufacturers have been accused of cartelization and price manipulations while submitting bids for a tender for Aluminum Phosphide Tablets. However, the management has stated that the penalty is irrational as the total sales of Aluminium Phosphide in the last 3 years, is only ₹0.11 billion to Food Corporation of India.

Market Data

| | |
|----------------------------|-------------------------------------|
| CMP (₹) | 125.2 |
| Target Price | 145 |
| Stop Loss | 120 |
| Duration | Mid-term |
| 52-week High-Low (₹) | 171.7/104.1 |
| Rise from 52WL (%) | 20.5 |
| Correction from 52WH (%) | 26.9 |
| Beta | 0.45 |
| 1 year Average Volume (mn) | 1.3 |
| Stock Return (%) | 3M- (0.7) 6M- (0.7) 9M- (8.8) |
| Market Cap (₹bn) | 27.8 |
| Enterprise Value (₹bn) | 17.4 |

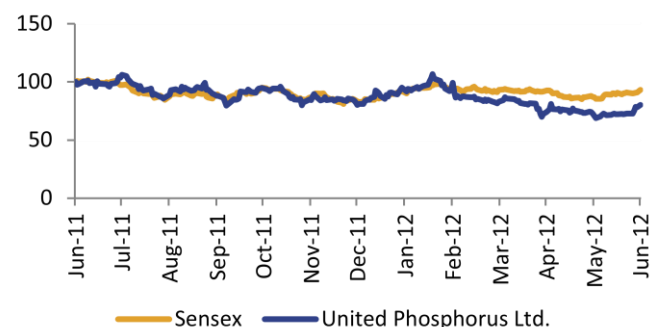
Shareholding Pattern

| | Mar'12 | Dec'11 | Chg |
|---------------------|--------|--------|--------|
| Promoters (%) | 27.67 | 27.34 | 0.33 |
| FII (%) | 34.02 | 35.46 | (1.44) |
| DII (%) | 16.6 | 15.62 | 0.98 |
| Public & Others (%) | 21.71 | 21.58 | 0.13 |

Quarterly Performance

| (₹ bn) | Q4 FY'12 | Q4 FY'11 | Q3 FY'12 | YoY Change(%) | QoQ Change(%) |
|------------|----------|----------|----------|---------------|---------------|
| Net sales | 21.19 | 18.72 | 18.05 | 13.2 | 17.4 |
| Op. exp | 17.40 | 15.80 | 14.87 | 10.2 | 17.0 |
| EBITDA | 3.87 | 3.28 | 3.48 | 17.8 | 11.2 |
| OPM (%) | 18.2 | 17.2 | 19.0 | 100bps | (80bps) |
| Net profit | 2.01 | 1.12 | 2.17 | 80.0 | (7.2) |
| NPM (%) | 9.4 | 5.8 | 11.6 | 360bps | (220bps) |
| EPS | 4.37 | 2.44 | 4.78 | 79.1 | (8.6) |

One Year Price Chart





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