

August 13, 2019

Annual Report Analysis

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	745		752	
Sales (Rs. m)	357,415	396,451	357,415	396,451
% Chng.	-	-	-	-
EBITDA (Rs. m)	77,916	89,598	77,916	89,598
% Chng.	-	-	-	-
EPS (Rs.)	38.4	48.1	38.6	48.2
% Chng.	(0.5)	(0.2)	-	-

Key Financials - Consolidated

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	173,780	218,370	357,415	396,451
EBITDA (Rs. m)	35,050	38,130	77,916	89,598
Margin (%)	20.2	17.5	21.8	22.6
PAT (Rs. m)	19,590	18,980	29,308	36,734
EPS (Rs.)	38.4	37.2	38.4	48.1
Gr. (%)	7.7	(3.1)	3.1	25.3
DPS (Rs.)	8.0	8.0	5.9	7.3
Yield (%)	1.5	1.5	1.1	1.4
RoE (%)	23.7	15.9	18.9	20.8
RoCE (%)	19.1	9.5	12.7	15.9
EV/Sales (x)	1.8	2.4	1.8	1.5
EV/EBITDA (x)	8.8	14.0	8.1	6.7
PE (x)	13.9	14.3	13.9	11.1
P/BV (x)	3.0	1.9	2.5	2.2

Key Data

UPLL.BO | UPLL IN

52-W High / Low	Rs.709 / Rs.388
Sensex / Nifty	37,582 / 11,110
Market Cap	Rs.407bn/ \$ 5,746m
Shares Outstanding	764m
3M Avg. Daily Value	Rs.5964.85m

Shareholding Pattern (%)

Promoter's	27.89
Foreign	43.07
Domestic Institution	9.58
Public & Others	19.46
Promoter Pledge (Rs bn)	1.97

Stock Performance (%)

	1M	6M	12M
Absolute	(16.9)	(1.7)	25.2
Relative	(14.3)	(4.4)	26.6

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Behemoth in the making

UPL's FY19 annual report highlighted a) potential opportunities in Arysta Lifescience, b) its initiatives towards manufacturing key molecules and achieving self-sufficiency, c) immense growth prospects for glufosinate and its swelling product portfolio backed by strong R&D. Acquisition of Arysta Lifescience helped UPL establish as a global leader in crop protection products. The strength of UPL lies in manufacturing, proprietary off-patent & specialty products, deep marketing reach and R&D capabilities. UPL is working on building competences for expanding digital services and processes by investing in artificial intelligence tools to analyse customer needs, using robotic sensors to access real-time on-field farmer data etc. Continued focus on resistance management, cost leadership along with proprietary/generic products, diversified presence across all crops & geographies helped UPL to outperform industry growth as well as mitigate the impact of volatility arising out of trade wars and natural calamities. Maintain Buy with revise target price of Rs745 based on 8.5x FY21E EV/EBITDA (Previous – Rs752).

Industry consolidation and drive for scale led to the acquisition of Arysta Lifescience: UPL acquired Arysta for US\$ 4.2 bn thereby making it the fifth largest Global agrochemical company. The global agrochemical industry had undergone significant consolidation after M&A between Bayer-Monsanto, Syngenta-Chem China and Dow-Dupont resulting in greater need for scale for other players to maintain competitiveness. This move would enhance economies of scale, ability to attract fresh talent and capability to launch differentiated products. Inorganic growth has been a mantra for UPL with 40+ acquisitions over last 25 years.

UPL continues to strengthen its manufacturing footprint: UPL continues to invest extensively in backward integration and adding capacities to maintain its cost leadership, strengthening resource security and reducing dependence on vendors. UPL capitalised more than Rs10bn worth of plant & equipment in FY19 while Capital WIP stood at Rs12bn.

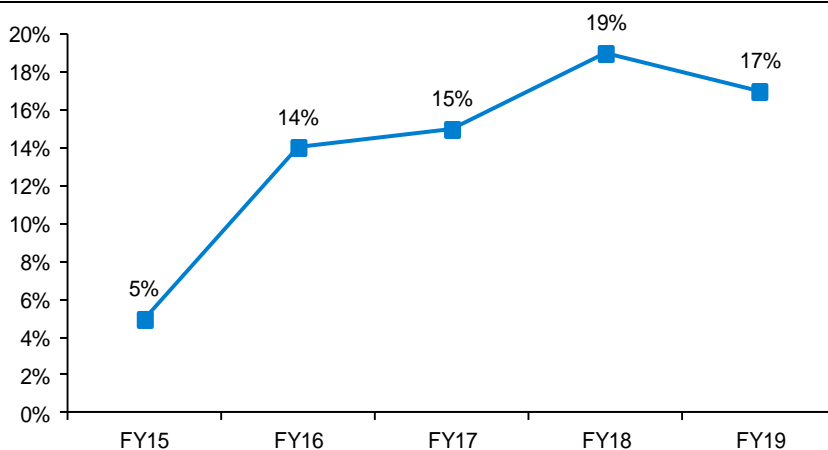
UPL commenced second plant for one of its key herbicide. Due to its manufacturing prowess, UPL has been able to make this plant cost effective by reducing the number of steps in manufacturing, rationalization of raw materials and operational cost. It also commenced production of an active ingredient for an herbicide and commercialization of a combination formulation for corn crop. UPL replaced procurement of a key intermediate (for an herbicide) with in-house manufacturing helping it to meet its desired yield and quality. UPL has also started commercial production of three specialty chemicals.

UPL chooses to set up significant portion of its active ingredient manufacturing plants in India because of locational and fundamental advantages. The Company's MR205 and glufosinate plants were commissioned in half of the time taken by peers, resulting in significant savings and faster revenue realization.

Glufosinate emerging as potential alternative to Glyphosate amidst concerns over the latter: Glufosinate is the potential alternative to Glyphosate (~US\$ 5 billion market globally) whose resistant weeds are increasing. Both are non-selective herbicides but Glyphosate is much widely used and is cheap vis-à-vis Glufosinate. Glufosinate can complement glyphosate in certain segments and has now become lot more competent since UPL launched it. Apart from growing glyphosate resistance, banning of Paraquat is another growth driver for Glufosinate Ammonium and it is a natural alternative to Paraquat. UPL has recently launched two brands of the herbicide Glufosinate for soybean and corn to plug these gaps. The Company positioned itself to address opportunities in the resistance management space with a portfolio of herbicides and fungicides.

Result oriented research and innovation catapulted UPL into one of the global majors: UPL launched 544 products in five years and revenues from these products accounted for a 24% share of the company's revenues in FY19. UPL's Innovation Rate in FY19 stood at 17%. The trajectory of launches would remain aggressive, as UPL has developed large number of formulations of various AIs at its R&D center for future introductions. In FY19, UPL had developed in-house manufacturing processes for at least three technical.

Exhibit 1: Innovation Rate continues to be above 15%



Source: Company, PL

Cash profit reduced and Working Cap cycle worsened in FY19: UPL's Cash profit reduced by 11% to Rs26.5bn in FY19 while the working capital cycle stretched from 84 days in 2018 to 95 days in FY19.

Arysta's acquisition is a perfect fit for UPL

Arysta LifeScience (formed in 2001) is present in the proprietary post-patent space. Arysta's asset-light model outsources most manufacturing operations (with formulation plants in 14 locations) and focuses largely on marketing. Following the acquisition, UPL will gain access to these proprietary molecules. Proprietary off patent space is growing faster than the mainstream sector. Acquisition would complement UPL's strong manufacturing base and Arysta's deep distribution capability. The acquisition would help UPL to integrate its 'building block' products with Arysta's outsourcing skill and contacts, widening the value chain.

Arysta would help UPL to deepen its presence in new segments and reinforce its status as a global post-patent leader: Arysta's portfolio of Bio-Solutions includes more than 700 bio-stimulants, innovative nutrition and bio-control products. Its portfolio of Bio- Solutions and seed treatment products is complementary to UPL. Arysta is ranked fifth globally when it comes to seed treatment products and is the fifth largest in biocontrol. In Bio-stimulants, it ranks second. Arysta possess significant R&D capabilities in biocontrol as it requires lower capex than agrochemical active ingredient discovery. It is also associated with a lower rate of discovery failure since most of the ingredients are naturally occurring. In the past, Arysta partnered with research-focused companies in Japan, entering into in-licensing arrangements for innovative molecules. It develops proprietary combinations using these molecules in addition to acquisitions, strengthening its product pipeline. Arysta's global leadership in Bio-stimulants and expertise in dealing in proprietary off-patented products will deepen UPL's presence in these segments. UPL's portfolio would strengthen with Arysta's strong presence in the BioSolutions segment. BioSolutions provide novel solutions through a range of biological stimulants, soil health and foliar nutrition products to help farmers access a better quality outputs. These unique technologies provide a bio-stimulation effect and improved nutrition, resulting in healthy plant growth, better yield, quality and tolerance to biotic and abiotic stresses.

UPL to have deeper presence in Europe and US courtesy Arysta: UPL entered Midwest in 2016 and since then it has been expanding its presence. Row crops like Corn and Soybean are predominant in the region. UPL's presence in North America footprint would expand by Arysta's strong presence in the same region. In both regions, Arysta has a large sales team than UPL. Supplementing Arysta's dominance in wheat, UPL is the go-to brand for rice farmers (through subsidiary RiceCo) as well as fruit and vegetables (predominantly potato), creating an effective complement.

Exhibit 2: UPL will now have wider presence in Mid-west region

North America	Legacy UPL	Legacy Arysta	New UPL
Distribution Strength	Horseshoe	Midwest	Entire North America
Crop strength	Rice, F&V	Corn, Wheat	Rice, F&V, Corn, Wheat

Source: Company, PL

Arysta would deepen UPL's presence in Europe as well which is a challenging market to enter due to strict regulatory frameworks (Europe) and consolidated distribution channels (US). This would widen UPL's geographic footprint globally leading to faster revenue growth.

Exhibit 3: With Arysta, UPL will have more crop coverage in Europe and extensive presence in Africa

Europe, Africa & CIS countries	Legacy UPL	Legacy Arysta	New UPL
Europe	Vines, Sugar beet and Potato	Cereals, Rapeseed Oil and few specialty fruit crops	Vines, Sugar beet, Potato, Cereals, Rapeseed Oil and few specialty fruit crops
Central Europe & African presence	Limited presence	South Africa, Ivory Coast, Burkina Faso, Mozambique, Central and Eastern Europe	South Africa, Ivory Coast, Burkina Faso, Mozambique, Central and Eastern Europe

Source: Company, PL

Extending into Africa and CIS countries: Arysta enjoys a strong presence in Eastern Europe, Africa and CIS. In Africa, Arysta is a market leader in South Africa, Ivory Coast, Burkina Faso and Mozambique, which is a competitive advantage for UPL. Arysta's strong presence in the Central and Eastern Europe (Poland and Hungary) allows UPL to venture into this untapped territory.

In the overlapping market of LatAM, both legacy UPL & Arysta had different crop focus: In overlapping markets like Latin America (contributing 30%+ of sales for both) too, both the entities are present in different product segments. The two entities focus on different crops (UPL on row crops and Arysta on specialty crops), leveraging different distribution channels (co-operatives / small dealers for Arysta and large growers / dealers for UPL).

Strengthening ties with Brazilian farmers: The three principal distribution channels in Brazil comprise of agricultural co-operatives, distributors of inputs (or dealers) and direct sale to large farm operations. Following consolidation in the mid-2000s, dealers represent ~60% of agricultural inputs sales while rest is sold through co-operatives and direct sale to large farmers. In addition to traditional channels, UPL strengthened its Brazil presence through direct sales to large growers. On the other hand, Arysta strengthened its presence through cooperatives.

Exhibit 4: In the overlapping market of LatAM, both have different crop focus

LatAM	Legacy UPL	Legacy Arysta	New UPL
Crop strength	Cotton, Soybean	Corn	Cotton, Soy, Corn
Horticulture	Citrus	Sugarcane	Citrus, Sugarcane

Source: Company, PL

Geographical performance and medium term outlook

LatAM will continue to command pole position in crop production: LatAM has significant unexploited agricultural land bank, implying that the region can play a pivotal role in global food production and exports. Latin America accounts for 60% of global soybean exports, 33% of corn exports, 45% of coffee exports, ~75% of bananas exports and a large proportion of fruits and vegetables. Total crop production in the region is estimated to grow at a CAGR of 1.8% in CY19-CY27. ~60% of this growth would come from yield improvements, which could rise across the region over the coming decade by 11% on average, with the major contribution coming from cereal and oilseeds sectors. The remainder of the expansion of crop production will be due to expansion in harvested area.

Total agricultural land use in the region could expand by ~11 million hectares. Soybean cultivation could account for the vast majority (~62%) led by domestic demand for protein meal in Brazil and rising global demand for soybeans. While ~46% of the region's soybean production will be exported, mostly to China, ~54% of total soybean output could be processed in the region into meal and oil.

Brazil is the largest exporter of coffee, soybeans, crop-based ethanol, cotton, corn, rice and sugarcane to the world and could continue to play a pivotal role as a key supplier of crops across the globe, with Russia, India, China, Western Europe and the United States.

Exhibit 5: LatMA will continue to be the growth driver for UPL

Revenue Mix FY16/FY19	FY16-32%/FY19- 36%
3 Yr Rev CAGR	19%
New launch count	226 (72 Herbicide, 75 Insecticide, 63 Fungicide, 6 Seed treatment, 10 Adjacent tech product)
Key brands	Insecticides- Lancer, Lancer Gold, Imida Gold Herbicides- Zartan, Danado, Clorim Fungicides- Unizeb Gold, Unizeb Glory, Unizeb, Vondozeb
Other Highlights	Access to sugarcane co-operative channel and new Ais which enhance the portfolio of key crops

Source: Company, PL

North America: The US has the most abundant, varied and productive agricultural system in the world today and is a key driver of economic growth, providing US\$ 2 trillion in annual revenues, employment to 19 million people and US\$ 130 billion in profit for more than 2.6 million businesses. Total US food and agricultural exports to Canada and Mexico more than quadrupled between 1993 and 2016, growing from US\$ 11 billion to US\$ 43 billion, accounting for 25% of all US agriculture exports.

Exhibit 6: UPL's North American revenues have grown at 12% CAGR

Revenue Mix FY16/FY19	FY16-19%/FY19- 18%
3 Yr Rev CAGR	12%
New launch count	50 (27 Herbicide, 8 Insecticide, 8 Fungicide, 6 Seed treatment, 1 Adjacent tech product)
Key Brands	Insecticides- Banter Herbicides- Interline, UltraBlazer, Satellite, Tricor and Surflan Fungicides- Cuprofix, Manzate, Microthial and SuperTin Others- Weevilcide

Source: Company, PL

Europe: Cereals, oilseeds and sugar cultivation areas in EU-28 are expected to decline during FY2020 to around 70.7 million hectares. On the basis of historical trend of yields, European cereals harvest could reach 308 million tonnes. Oilseeds area is expected to decline by 6% due to low rapeseed sowings during FY2020. Oilseed output is fairly stable vis-à-vis previous year output of ~33 million tonnes. Adverse weather conditions lowered sugar production by 17% y-o-y during 2018-19 (~17.6 million tonnes), resulting in a deficit of 5%.

Sugar beet production for 2019-20 is expected at 123 million tonnes (up 9% YoY) and sugar production could reach 18.3 million tonnes (up 4% YoY). Cereal production is expected to grow to 341 million tonnes by 2030, driven by feed offtake, brightened export prospects (particularly for wheat) and increasing demand for cereals. However, growth could be restricted due to the limited potential for farmland expansion and decelerating yield growth in the region.

Organic farming is gaining popularity, with Spain and Italy accounting for ~1.97 million hectares of organic agricultural land and more than 52,000 organic producers.

Exhibit 7: Declining yields and limited scope for farmland expansion will limit growth in Europe

Revenue Mix FY16/FY19	FY16-15%/FY19- 14%
3 Yr Rev CAGR	10%
New launch count	207 (89 Herbicide, 44 Insecticide, 68 Fungicide, 6 Adjacent tech product)
Key Brands	Herbicides- Devrinol, Metafol, BeetUP Fungicides- Cuprofix, Microthial and Penncozeb
Other Highlights	Growth could be restricted due to the limited potential for farmland expansion and decelerated yield growth in the region.

Source: Company, PL

Exhibit 8: India business revenue will continue to grow at nominal pace

Revenue Mix FY16/FY19	FY16-20%/FY19- 17%
3 Yr Rev CAGR	7%
New launch count	75 (22 Herbicide, 23 Insecticide, 17 Fungicide, 3 Seed treatment, 10 Adjacent tech product)
Key brands	Insecticides- Ulala, Phoskill, Lancer Gold, Atabron and Starthene Herbicides- Saathi, Iris, Patela and Lagam Fungicides- Saaf, Avancer Glow, Disect and Cuprofix Others - Wuxal
Other Highlights	16 Manufacturing plants in India

Source: Company, PL

Rest of World: The Australian agriculture market accounted for 58% of Australian land use (385 million hectares, excluding timber production) and 14% of goods and services exports in 2016-17. Australia is the 12th largest exporter of agriculture products in the world and is expected to increase its agricultural output to AUD100 billion by 2030.

China emerged as the largest consumer of soybean in the world while the overall production of grains remained relatively stable at 600 million tonnes per year. Nearly 112.2 million hectares were sown in 2017, down by 0.81 million hectares when compared with the previous year. Wheat, rice, corn and oil-bearing crops remained the primary agricultural commodities in China.

Turkey is among the top 10 agro economies in the world, with half the country comprising agricultural lands and ~25% of the population employed in agriculture. Turkey is a major producer of wheat, sugar beet, milk, poultry, cotton, tomatoes and other fruits and vegetables. It is also the top producer of apricots and hazelnuts in the world. Turkey imports oilseeds, including soybeans and meals, as well as grain products.

UPL has a strong presence in Australia, Turkey, Japan, Indonesia and China. UPL reported a strong performance in these countries, growing revenues on the back of a strong distribution network. The Company's products are used for a variety of crops across these geographies – rice (Indonesia, Bangladesh and Vietnam), cotton, wheat and sugar cane (Turkey and Pakistan) and pulses (Nigeria, Morocco and Egypt).

Exhibit 9: RoW has immense growth potential

Revenue Mix FY16/FY19	FY16-14%/FY19- 17%
3 Yr Rev CAGR	22%
New launch count	184 (72 Herbicide, 71 Insecticide, 34 Fungicide, 1 Seed treatment, 6 Adjacent tech product)
Key Brands	Insecticides- Kinalux
	Herbicides- Asulox
	Fungicides- Penncozeb
Other Highlights	Others- Quickphos
	Has strong presence in Australia, Turkey, Japan, Indonesia and China

Source: Company, PL

Global Agchem market is worth US\$ 58 bn

Global agchem market is expected to clock CAGR of 3.1% between 2018-2023 to reach US\$ 66.7 bn by 2023. The crop protection products industry has been transforming over the years, with changing crop mix trends and environmental regulations. The increasing use of herbicides is anticipated to drive the global crop protection products market because of the investments made for development of new varieties of herbicides, which are more effective and eco-friendly. The increased use of herbicides is a result of the shift in preference of consumers toward fruits and green vegetables owing to increasing awareness of health and fitness.

Exhibit 10: Global Agchem market by region and segments in 2018

In US\$ Mn	Herbicides	Insecticides	Fungicides	Others	Total
APAC	6375	5784	4685	645	17489
LatAM	5653	3574	4434	520	14181
Europe	5340	1710	4485	466	12001
NAFTA	6341	2566	2310	406	11623
MEA	899	915	405	48	2267
WORLD	24608	14549	16319	2085	57561

Source: Company, PL

Exhibit 11: UPL Corp Income Statement (US\$ mn)

Consolidated (USD 'Mn)	FY16	FY17	FY18	FY19
Net sales	1,518	1,793	2,140	2,603
<i>YoY%</i>		<i>18.1%</i>	<i>19.3%</i>	<i>21.6%</i>
COGS	867	1,037	1,195	1,523
<i>% of sales</i>	<i>57.1%</i>	<i>57.8%</i>	<i>55.8%</i>	<i>58.5%</i>
Employee expenses	124	145	186	216
Exchange (gain)/loss	-	-	-0	35
Admin & gen expenses	46	49	67	89
Other expenses	214	253	300	324
Total Expenses	1,251	1,483	1,747	2,187
EBITDA	267	310	393	415
<i>Margin %</i>	<i>17.6%</i>	<i>17.3%</i>	<i>18.4%</i>	<i>16.0%</i>
<i>YoY%</i>		<i>15.9%</i>	<i>26.9%</i>	<i>5.8%</i>
Depreciation & Amortisation	40	53	56	86
EBIT	227	257	337	329
Other Income	11	23	15	18
<i>YoY%</i>		<i>104.8%</i>	<i>-35.8%</i>	<i>26.8%</i>
Finance costs	62	76	94	142
PBT from operations	176	203	258	205
Provisions/(reversals) of diminution of investment	-3	4	2	-2
(loss)/gain on disposal of investment	-	-0	-	-
Arysta Acquisition/integration cost	-	-	-	-53
Restructuring cost	-3	-2	-5	-0
Share of loss from associates	-13	-3	-16	0
Share of loss from Joint ventures	0	0	1	2
Product contamination and counterfeiting	-2	-1	-2	-11
Inventory provision	-3	-	-	-
Fine on due amount of ICMS	-	-	-1	-
Others	-	-	-0	-
Customer compensation claim	-	-	-1	-
PBT	151	201	236	141
Tax on Continuing Operations	16	7	29	8
<i>Tax rate %</i>	<i>10.6%</i>	<i>3.4%</i>	<i>12.3%</i>	<i>5.5%</i>
Reported PAT	135	194	207	134
Minority interest	2	2	2	3
PAT after Min Int (for parent equity shareholders)	133	192	205	131
<i>YoY%</i>		<i>44.0%</i>	<i>7.0%</i>	<i>-36.4%</i>

Source: Company, PL

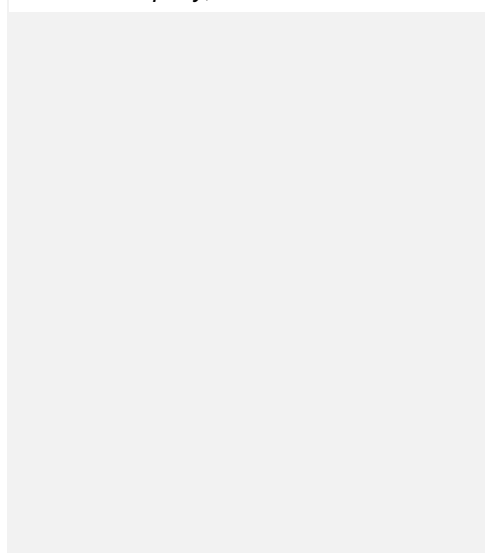


Exhibit 12: UPL Corp Balance Sheet (US\$ mn)

Consolidated (USD 'Mn)	FY16	FY17	FY18	FY19
Share Capital	14	14	14	18
Share Premium	-	-	-	1,315
Retained Earnings	472	618	744	854
Cash flow hedge reserve	-	-	-	-12
Investment fluctuation reserve	-	-	-	-7
Translation reserves	-122	-112	-112	-218
Equity attributable to equity holders of the parent	363	520	645	1,949
Non Controlling interest	6	71	98	83
Total Shareholders' Funds	370	591	743	2,033
Non Current Liabilities:				
Bonds	-	495	793	793
Long-term borrowings	349	347	132	2,956
Deferred tax liabilities (Net)	9	5	7	420
Other long-term liabilities	41	36	14	19
Long-term provisions	6	9	11	23
Total Non Curr Liabilities	405	891	957	4,211
Current Liabilities:				
Short-term borrowings	246	157	60	241
Trade and other payables	583	664	715	1,417
Short-term provisions	7	9	12	173
Total Curr Liabilities	836	830	786	1,831
TOTAL LIABILITIES	1,241	1,721	1,743	6,042
Total Equity and Liabilities	1,610	2,312	2,486	8,074
ASSETS				
Non Current Assets:				
Net Block	301	368	244	2,027
Net Block - tangible assets	70	102	129	308
Net Block - intangible assets	231	266	115	1,718
Capital work-in-progress	17	58	71	50
Goodwill	-	-	160	2,264
Intangible asset under development	23	21	29	79
Aircraft	17	7	6	5
Total Fixed Assets	357	455	510	4,425
Non-current investments in JV+ associates+Subsidiaries	21	24	55	56
Non-current investments	-	-	1	1
Investments stated at fair value through profit and loss	9	12	79	23
Long term loans & advances	16	33	23	62
Other assets (Convertible loan notes)	-	5	5	5
Non current assets held for sale	3	6	3	4
Deferred tax assets	63	85	72	103
Total non current assets	469	619	749	4,679
Current Assets:				
Inventories	299	441	461	1,058
Trade and other receivables	625	757	780	1,580
Cash and Bank Balances	147	424	417	380
Short-term loans and advances	70	72	80	377
Current Investments	-	0	-	0
Total Curr Assets	1,141	1,693	1,737	3,395
TOTAL ASSETS	1,610	2,312	2,486	8,074

Source: Company, PL

Exhibit 13: UPL Corp Cash Flow (US\$ mn)

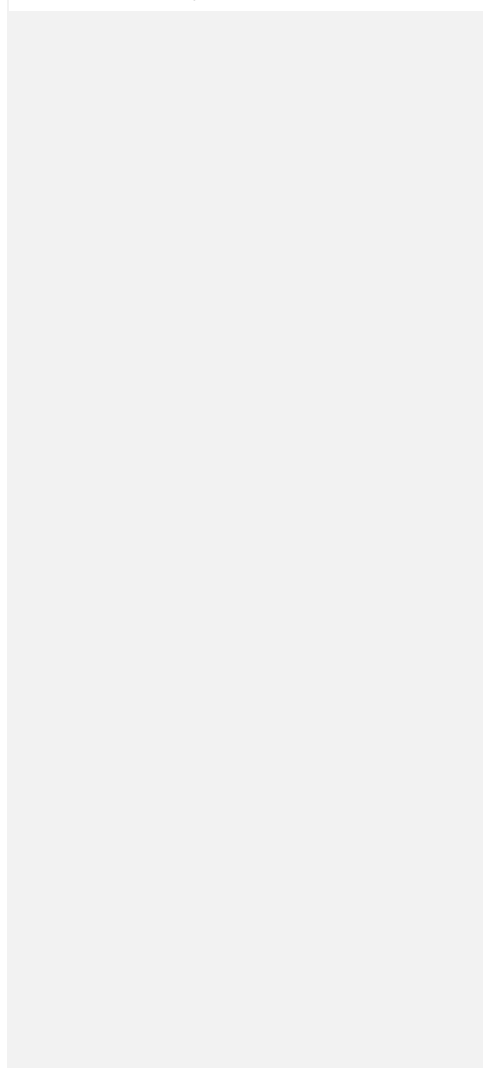
Consolidated (USD 'Mn)	FY16	FY17	FY18	FY19
PBT	151.2	200.7	235.9	141.2
Operating profit before W.C changes	275.0	310.6	385.8	343.6
(Increase)/decrease in inventories	-28.8	-85.0	-20.3	-12.4
Decrease/(increase) in trade & other receivables	-112.9	-19.1	-24.7	78.8
Decrease in Other Current assets	4.6	10.0	3.1	6.3
Decrease/(increase) in long term & short term loans and advances	-21.7	148.6	-0.7	22.2
(Decrease)/increase in trade & other payables	145.6	-9.6	48.5	84.8
(Decrease)/increase in long term & short term provisions	-0.3	-1.5	1.2	-1.4
Decrease in other liabilities	20.2	-14.5	-19.7	-59.0
Cash generated from/(absorbed by)operations	281.6	339.6	373.3	462.8
Tax paid	35.5	25.5	16.7	38.7
Net CFO	246.1	314.1	356.7	424.1
Cash flow from Investing Activities				
Acquisition of Property, Plant & equipment including WIP & Capital advances	-65.4	-116.3	-97.3	-69.1
Proceeds from sale of property, plant and equipment	0.2	4.2	1.5	1.0
Investment in associates	-	-	-45.0	-
Payment for acquisition of Arysta group	-	-	-	-4,358.0
Payment for acquisition of additional stake in subsidiaries	-	-46.0	-3.4	-
Proceeds from disposal of investment in subsidiary	-	1.0	-	64.9
Acquisition of subsidiaries, net of cash	-	31.3	-	-
payment for contingent consideration	-28.6	-	-	-
Investment in convertible loan notes	-	-	-	-
Purchase of investments	-37.4	-5.2	-65.9	-13.7
Loan to related parties	-	-	-	-
Sundry loan received (net)	-	18.4	2.3	-134.6
Income from current investment	1.9	2.2	-	-
Payment to current investment	-	-	-	-0.0
Interest received	8.9	19.3	14.3	15.1
Net CFI	-120.4	-91.1	-193.4	-4,494.4
Cash flow from Financing activities				
Borrowings (net)	64.3	146.6	-6.3	2,873.5
Interest paid and other financial charges	-61.4	-64.2	-100.8	-131.2
Dividend paid to minority shareholders by subsidiaries	-2.4	-1.8	-1.9	-2.5
Payment to non controlling interest share holder on redemption on preference shares	-	-	-	-37.0
Share capital by UPL (with premium)	-	-	-	144.0
Share capital by ADIA and TPG (with premium)	-	-	-	1,200.0
Issue of share expenses	-	-	-	-24.8
Payment on share buyback	-70.0	-	-	-
Dividends paid	-34.0	-32.0	-55.3	-60.0
Net CFF	-103.5	48.6	-164.3	3,961.9
Net decrease in cash and cash equivalents	22.2	271.6	-1.0	-108.4
Cash & cash equivalents at the beginning	134.6	147.3	423.9	416.6
Cash & cash equivalents on acquisitions of subsidiaries	-	-	-	147.5
Effect of cash flow hedge	-	-	-	-
Effect of amalgamation	-	-	-	-
Effect of exchange rate difference	-9.5	4.9	-6.3	-75.7
Cash and cash equivalents at the end of the year	147.3	423.9	416.6	380.0

Source: Company, PL

Exhibit 14: UPL - Income Statement (Standalone) (Rs mn)

Y/e March	FY15	FY16	FY17	FY18	FY19
Net sales	53,350	59,810	69,390	72,630	86,600
<i>YoY%</i>		<i>12.1%</i>	<i>16.0%</i>	<i>4.7%</i>	<i>19.2%</i>
Cost of goods sold	28,248	30,090	36,220	39,230	51,020
<i>YoY%</i>		<i>6.5%</i>	<i>20.4%</i>	<i>8.3%</i>	<i>30.1%</i>
<i>% of sales</i>	<i>52.9%</i>	<i>50.3%</i>	<i>52.2%</i>	<i>54.0%</i>	<i>58.9%</i>
Employee expenses	3,178	3,990	4,450	4,860	5,510
Other expenses	16,500	17,350	19,290	19,050	21,680
Total Expenses	47,925	51,430	59,960	63,140	78,210
EBITDA	5,425	8,380	9,430	9,490	8,390
<i>Margin %</i>	<i>10.2%</i>	<i>14.0%</i>	<i>13.6%</i>	<i>13.1%</i>	<i>9.7%</i>
<i>YoY%</i>		<i>54.5%</i>	<i>12.5%</i>	<i>0.6%</i>	<i>-11.6%</i>
Depreciation	1,868	6,190	6,550	6,660	7,240
EBIT	3,557	2,190	2,880	2,830	1,150
Other Income	2,603	4,810	3,250	4,350	5,600
Finance costs	353	1,920	1,490	1,350	1,850
PBT before exceptional Items	5,807	5,080	4,640	5,830	4,900
Exceptional Gains/(loss)	-	-	460	70	40
PBT after exceptional items	5,807	5,080	4,180	5,760	4,860
Taxes:	1,174	1,230	1,730	280	810
Reported PAT	4,633	3,850	2,450	5,480	4,050
APAT	4,633	3,850	2,910	5,550	4,090

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	173,780	218,370	357,415	396,451
YoY gr. (%)	6.5	25.7	63.7	10.9
Cost of Goods Sold	81,120	109,040	165,840	182,367
Gross Profit	92,660	109,330	191,574	214,084
Margin (%)	53.3	50.1	53.6	54.0
Employee Cost	17,130	20,950	33,240	37,266
Other Expenses	40,480	50,250	80,418	87,219
EBITDA	35,050	38,130	77,916	89,598
YoY gr. (%)	17.4	8.8	104.3	15.0
Margin (%)	20.2	17.5	21.8	22.6
Depreciation and Amortization	6,750	9,690	23,859	25,887
EBIT	28,300	28,440	54,057	63,711
Margin (%)	16.3	13.0	15.1	16.1
Net Interest	7,830	9,630	12,647	11,256
Other Income	4,140	2,400	2,520	2,646
Profit Before Tax	23,980	21,210	43,931	55,101
Margin (%)	13.8	9.7	12.3	13.9
Total Tax	2,750	1,650	7,908	9,918
Effective tax rate (%)	11.5	7.8	18.0	18.0
Profit after tax	21,230	19,560	36,023	45,183
Minority interest	80	720	6,816	8,549
Share Profit from Associate	(930)	140	100	100
Adjusted PAT	19,590	18,980	29,308	36,734
YoY gr. (%)	8.4	(3.1)	54.4	25.3
Margin (%)	11.3	8.7	8.2	9.3
Extra Ord. Income / (Exp)	(630)	-	-	-
Reported PAT	20,220	18,980	29,308	36,734
YoY gr. (%)	7.1	(6.1)	54.4	25.3
Margin (%)	11.6	8.7	8.2	9.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,220	18,980	29,308	36,734
Equity Shares O/s (m)	510	510	764	764
EPS (Rs)	38.4	37.2	38.4	48.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	107,880	298,700	325,360	345,360
Tangibles	56,850	90,110	98,153	104,186
Intangibles	51,030	208,590	227,207	241,174
Acc: Dep / Amortization	67,830	130,190	154,049	179,936
Tangibles	28,110	43,570	51,555	60,218
Intangibles	39,720	86,620	102,494	119,718
Net fixed assets	40,050	168,510	171,311	165,424
Tangibles	28,740	46,540	46,598	43,968
Intangibles	11,310	121,970	124,713	121,456
Capital Work In Progress	13,190	17,830	5,000	5,000
Goodwill	4,320	150,500	150,500	150,500
Non-Current Investments	12,200	10,290	11,706	12,214
Net Deferred tax assets	4,410	(22,110)	(22,110)	(22,110)
Other Non-Current Assets	5,130	6,080	9,109	10,907
Current Assets				
Investments	-	20	-	-
Inventories	45,380	92,700	97,922	105,358
Trade receivables	60,570	118,160	127,298	135,771
Cash & Bank Balance	28,940	28,510	21,829	5,236
Other Current Assets	12,020	26,700	25,734	28,544
Total Assets	230,430	630,480	633,342	632,471
Equity				
Equity Share Capital	1,020	1,020	1,528	1,528
Other Equity	90,670	145,430	162,556	187,320
Total Networkth	91,690	146,450	164,084	188,848
Non-Current Liabilities				
Long Term borrowings	58,730	263,830	223,830	173,830
Provisions	200	200	357	396
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,650	27,560	24,780	23,780
Trade payables	56,750	94,230	107,714	119,478
Other current liabilities	12,020	33,850	39,186	43,810
Total Equity & Liabilities	230,430	630,480	633,342	632,471

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	24,610	21,210	43,931	55,101
Add. Depreciation	6,750	9,690	23,859	25,887
Add. Interest	7,830	9,630	12,647	11,256
Less Financial Other Income	4,140	2,400	2,520	2,646
Add. Other	(5,250)	(7,380)	(306)	(2,256)
Op. profit before WC changes	33,940	33,150	80,131	89,988
Net Changes-WC	(3,230)	(5,640)	(3,211)	(5,277)
Direct tax	(2,490)	(3,540)	(11,861)	(14,877)
Net cash from Op. activities	28,220	23,970	65,058	69,835
Capital expenditures	(14,260)	(15,530)	(19,980)	(20,000)
Interest / Dividend Income	-	-	-	-
Others	(6,670)	5,740	60	186
Net Cash from Inv. activities	(20,930)	(9,790)	(19,920)	(19,814)
Issue of share cap. / premium	-	83,580	-	-
Debt changes	3,310	206,580	(42,780)	(51,000)
Dividend paid	(3,690)	(4,240)	(4,942)	(5,468)
Interest paid	(7,170)	(10,070)	(12,647)	(11,256)
Others	330	(3,620)	(1,930)	(9,370)
Net cash from Fin. activities	(7,220)	272,230	(62,298)	(77,094)
Net change in cash	70	286,410	(17,160)	(27,074)
Free Cash Flow	14,090	8,220	45,058	49,835

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net Revenue	42,570	49,210	85,250	79,060
YoY gr. (%)	12.9	17.3	49.8	91.2
Raw Material Expenses	18,760	22,230	49,660	42,750
Gross Profit	23,810	26,980	35,590	36,310
Margin (%)	55.9	54.8	41.7	45.9
EBITDA	8,390	10,160	14,100	12,460
YoY gr. (%)	16.7	22.6	15.8	47.1
Margin (%)	19.7	20.6	16.5	15.8
Depreciation / Depletion	1,810	1,820	4,310	5,770
EBIT	6,580	8,340	9,790	6,690
Margin (%)	15.5	16.9	11.5	8.5
Net Interest	2,020	1,980	3,780	4,100
Other Income	320	370	480	390
Profit before Tax	4,000	5,000	2,040	2,320
Margin (%)	9.4	10.2	2.4	2.9
Total Tax	1,160	280	(310)	120
Effective tax rate (%)	29.0	5.6	(15.2)	5.2
Profit after Tax	2,840	4,720	2,350	2,200
Minority interest	60	70	570	380
Share Profit from Associates	(80)	(40)	280	(40)
Adjusted PAT	3,580	6,340	6,510	2,440
YoY gr. (%)	7.8	-	(14.9)	(56.4)
Margin (%)	8.4	12.9	7.6	3.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,580	6,340	6,510	2,440
YoY gr. (%)	7.8	-	(14.9)	(56.4)
Margin (%)	8.4	12.9	7.6	3.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,580	6,340	6,510	2,440
Avg. Shares O/s (m)	764	764	764	764
EPS (Rs)	4.7	8.3	8.5	3.2

Source: Company Data, PL Research

Key Financial Metrics

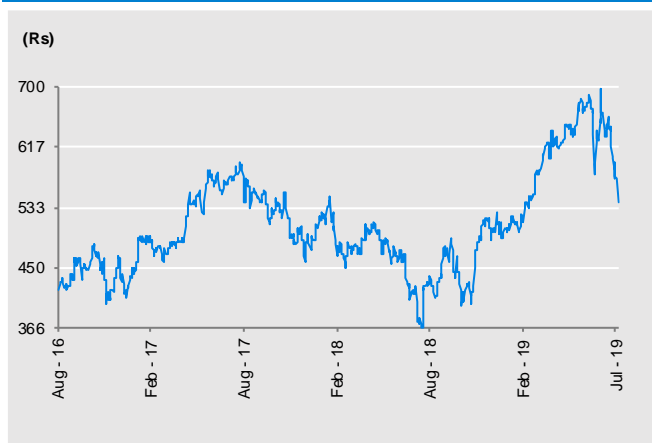
Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	38.4	37.2	38.4	48.1
CEPS	51.6	56.2	69.6	82.0
BVPS	179.8	287.2	214.8	247.2
FCF	27.6	16.1	59.0	65.2
DPS	8.0	8.0	5.9	7.3
Return Ratio(%)				
RoCE	19.1	9.5	12.7	15.9
ROIC	21.1	9.7	11.0	13.2
RoE	23.7	15.9	18.9	20.8
Balance Sheet				
Net Debt : Equity (x)	0.4	1.8	1.4	1.0
Net Working Capital (Days)	103	195	120	112
Valuation(x)				
PER	13.9	14.3	13.9	11.1
P/B	3.0	1.9	2.5	2.2
P/CEPS	10.3	9.5	7.6	6.5
EV/EBITDA	8.8	14.0	8.1	6.7
EV/Sales	1.8	2.4	1.8	1.5
Dividend Yield (%)	1.5	1.5	1.1	1.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Revenues				
India	31,890	33,020	35,992	39,231
LAtAM	56,920	71,120	76,810	84,491
Europe	23,050	26,850	29,804	32,188
Rest of World	31,090	32,910	35,872	38,742
North America	30,830	34,780	39,997	44,797

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	31-Jul-19	BUY	752	595
2	16-Jul-19	BUY	752	643
3	8-Jul-19	BUY	752	662
4	4-Jul-19	BUY	752	698
5	19-May-19	BUY	1,127	972
6	5-Apr-19	BUY	975	941
7	4-Feb-19	BUY	975	770
8	7-Jan-19	BUY	975	764

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Hold	3,590	3,280
2	Dhanuka Agritech	BUY	578	394
3	Insecticides India	BUY	887	620
4	P.I. Industries	BUY	1,278	1,095
5	Rallis India	Accumulate	180	155
6	Sharda Cropchem	Accumulate	379	290
7	UPL	BUY	752	595

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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