

Estimate change ↔
TP change ↔
Rating change ↔

CMP: INR741 TP: INR790 (+7%) Neutral

Higher WC keeps net debt elevated

- UPLL reported strong volume growth (15%), despite a disruptive supply chain. Revenue grew across geographies, led by Europe, Latin America, and North America. It reported an in line EBITDA, but adjusted PAT was 17% lower than our estimate, due to an increase in the tax rate and higher MI than estimated.
- Net debt increased by INR28.1b QoQ and INR4.4b YoY in 2QFY22 and stood at INR243b in Sep'21. Net working capital days increased by eight days YoY to 114 days in 1HFY22.
- Factoring in its 2Q performance, we have reduced our FY22E earnings estimate by 4%, but have maintained the same for FY23E. We maintain our **Neutral** rating.

PAT below our estimate due to higher tax and MI, EBITDA in line

- UPLL reported a revenue of INR105.7b (est. INR97.8b) in 2QFY22, up 18% YoY (volume growth: +15%, price: +3%). EBITDA stood at INR20.5b (est. INR20.4b), up 13% YoY. EBITDA margin contracted by 90bp YoY to 19.4%. Adjusted PAT stood at INR7.5b (est. INR8.9b), up 12% YoY.
- Revenue growth was seen across regions – LatAm: +20%, North America: +24%, Europe: 31%, Rest of World: +13%, and India: 5% – in 2QFY22.
- Sales in **Europe** grew 31% YoY on improved weather conditions, leading to accelerated sales, aided by a favorable price realization.
- Revenue from **North America** grew 24% YoY on the back of a robust increase in price realization, more than offsetting the increase in cost. Improved commodity prices, tight supply of key products, and favorable channel stock provides an overall positive outlook.
- Revenue was up 20% YoY in **LatAm** on the back of strong growth of 27% in Brazil and 11% in others areas in the region.
- India** revenue grew 5% YoY due to subdued demand on the back of an erratic rainfall.
- Revenue from the **RoW** grew 13% YoY, despite supply constraints.
- Revenue/EBITDA/adjusted PAT grew 14%/9%/31% in 1HFY22. UPLL generated negative CFO of INR24.2b in 1HFY22 v/s INR1.4b YoY. Lower CFO generation is due to higher trade receivables and inventory.

Highlights from the management commentary

- Debt:** Gross/net debt stood at INR271b/INR243b in Sep'21. Net debt increased by INR4.3b YoY.
- Capex is pegged at USD300-320m, of which 60% is towards product registrations and the balance towards physical assets.
- The management has **maintained its FY22 guidance**. It has guided at a revenue growth of 7-10%, with EBITDA growth at 12-15% and a net debt-to-EBITDA ratio of less than 2x.

Bloomberg	UPLL IN
Equity Shares (m)	765
M.Cap.(INRb)/(USDb)	565.9 / 7.6
52-Week Range (INR)	865 / 399
1, 6, 12 Rel. Per (%)	3/1/15
12M Avg Val (INR M)	4438

Financials & Valuations (INR b)

Y/E Mar	2022E	2023E	2024E
Sales	432.6	467.3	502.2
EBITDA	96.5	110.3	121.0
PAT	43.5	54.7	62.7
EBITDA (%)	22.3	23.6	24.1
EPS (INR)	56.9	71.5	82.0
EPS Gr. (%)	25.4	25.7	14.6
BV/Sh. (INR)	416	503	602

Ratios

Net D/E	1.0	0.6	0.4
RoE (%)	22.4	23.6	22.5
RoCE (%)	14.1	15.7	16.8
Payout (%)	20.0	20.0	20.0

Valuations

P/E (x)	13.0	10.4	9.0
EV/EBITDA (x)	8.0	6.6	5.7
Div Yield (%)	1.4	1.9	2.2
FCF Yield (%)	7.4	11.4	11.2

Shareholding pattern (%)

	Sep-21	Jun-21	Sep-20
Promoter	28.0	28.0	27.9
DII	18.0	16.2	16.2
FII	35.1	37.9	37.2
Others	19.0	18.0	18.7

Note: FII includes depository receipts

Valuation and view

- In FY21, UPLL reduced net debt by INR31.4b and achieved a net debt-to-EBITDA ratio of 2.2x v/s the management guidance of 2x in FY21. However, net debt-to-EBITDA ratio (including perpetual bonds) stood at 2.5x in FY21 v/s 3.4x in FY20. Net debt increased by INR28.1b QoQ and INR4.4b YoY in 2QFY22 and stood at INR273b in Sep'21 (including perpetual bonds).
- The stock has traded at an average P/E of 12.3x over the last three years on a one-year forward basis. We have ascribed 11x P/E (~15% discount to its three-year average).
- Factoring in its 2Q performance, we have reduced our FY22E earnings estimate by 4%, but have maintained the same for FY23E. We maintain our **Neutral** rating with a TP of INR790/share.

Cons.: Quarterly Earning Model (Incl-Arysta)

(INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Sales	78,330	89,390	91,260	1,27,960	85,150	1,05,670	1,02,045	1,39,703	3,86,940	4,32,568	97,844	8%
YoY Change (%)	-0.9	14.4	2.6	14.9	8.7	18.2	11.8	9.2	8.2	11.8	9.5	
Total Expenditure	60,540	71,310	69,180	99,570	66,520	85,220	76,829	1,07,514	3,00,600	3,36,084	77,402	
EBITDA	17,790	18,080	22,080	28,390	18,630	20,450	25,216	32,189	86,340	96,485	20,442	0%
Margins (%)	22.7	20.2	24.2	22.2	21.9	19.4	24.7	23.0	22.3	22.3	20.9	
Depreciation	5,220	5,330	5,420	5,760	5,510	5,660	5,750	6,100	21,730	23,020	5,600	
Interest	5,510	3,430	7,450	4,210	6,070	3,590	5,500	3,200	20,600	18,360	3,000	
Other Income	670	750	670	490	480	470	700	500	2,580	2,150	780	
Exch. difference on trade rec./payable	-1,280	1,410	60	1,880	890	1,140	0	0	2,070	2,030	0	
PBT before EO expense	9,010	8,660	9,820	17,030	6,640	10,530	14,666	23,389	44,520	55,225	12,622	
Extra-Ord expense	1,000	2,110	-780	800	630	400	0	0	3,130	1,030	0	
PBT	8,010	6,550	10,600	16,230	6,010	10,130	14,666	23,389	41,390	54,195	12,622	
Tax	1,430	1,120	1,090	3,220	-1,520	2,490	2,786	4,912	6,860	8,668	2,777	
Rate (%)	17.9	17.1	10.3	19.8	-25.3	24.6	19.0	21.0	16.6	16.0	22.0	
MI & P/L of Asso. Cos.	1,070	800	1,570	2,380	760	1,300	1,758	2,666	5,820	6,484	896	
Reported PAT	5,510	4,630	7,940	10,630	6,770	6,340	10,121	15,812	28,710	39,043	8,950	
Adj PAT	6,750	6,653	9,405	11,900	10,153	7,450	10,121	15,812	34,708	43,535	8,950	-17%
YoY Change (%)	14.8	50.1	13.3	46.9	50.4	12.0	7.6	32.9	29.9	25.4	34.5	
Margins (%)	8.6	7.4	10.3	9.3	11.9	7.1	9.9	11.3	9.0	10.1	9.1	

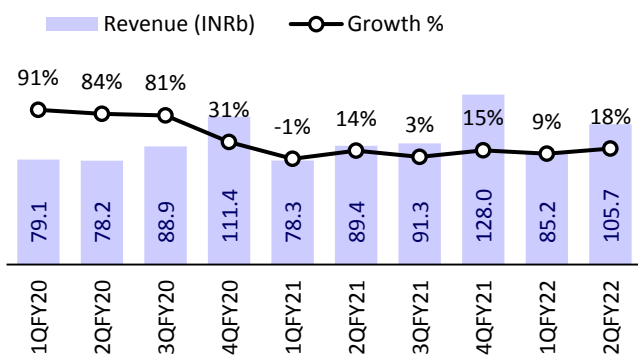
Note: Adjusted PAT = Reported PAT + forex adjustment + exceptional item

Key Performance Indicators

Y/E March	FY21				FY22				FY21	FY22
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Growth Split										
Volume (%)	0.0	19.0	7.0	18.0	6.0	15.0	0.0	0.0	11.0	10.5
Price (%)	-1.0	-1.0	1.0	1.0	2.0	3.0	0.0	0.0	0.0	1.3
Exchange Impact (%)	0.0	-4.0	-5.0	-4.0	1.0	0.0	0.0	0.0	-3.0	0.0
Cost Break-up										
RM Cost (% of sales)	45.3	50.4	45.1	54.1	43.5	49.4	45.5	53.3	49.4	48.6
Staff Cost (% of sales)	11.1	10.3	10.4	7.5	12.1	10.2	10.3	7.7	9.6	9.8
Other Cost (% of sales)	20.9	19.0	20.3	16.2	22.5	21.0	19.5	16.0	18.7	19.3
Gross Margins (%)	54.7	49.6	54.9	45.9	56.5	50.6	54.5	46.7	50.6	51.4
EBITDA Margins (%)	22.7	20.2	24.2	22.2	21.9	19.4	24.7	23.0	22.3	22.3
EBIT Margins (%)	16.0	14.3	18.3	17.7	15.4	14.0	19.1	18.7	16.7	17.0

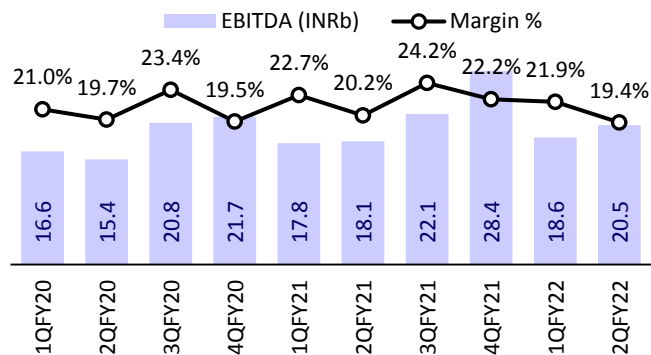
Key exhibits

Exhibit 1: Quarterly revenue trend



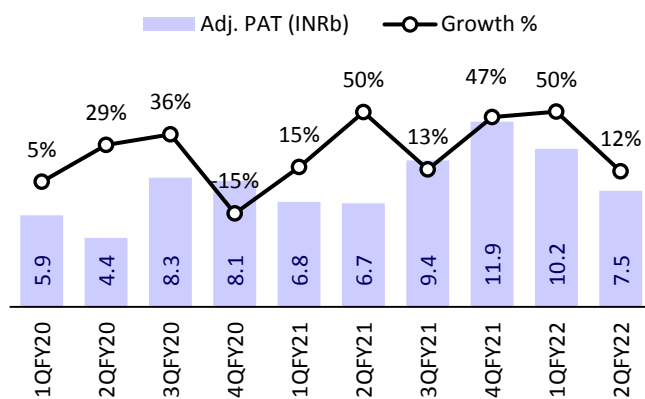
Source: Company, MOFSL

Exhibit 2: Quarterly EBITDA trend



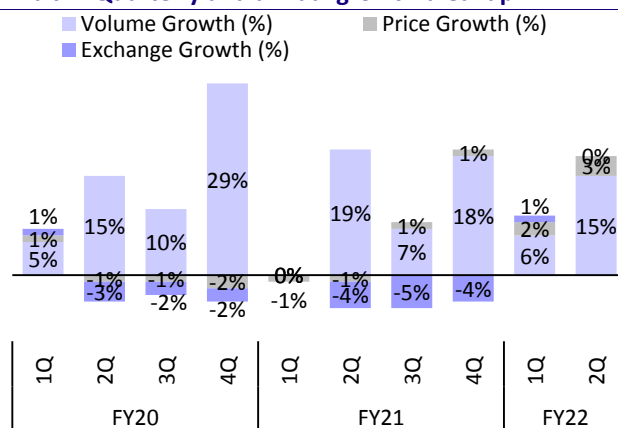
Source: Company, MOFSL

Exhibit 3: Quarterly adjusted PAT trend



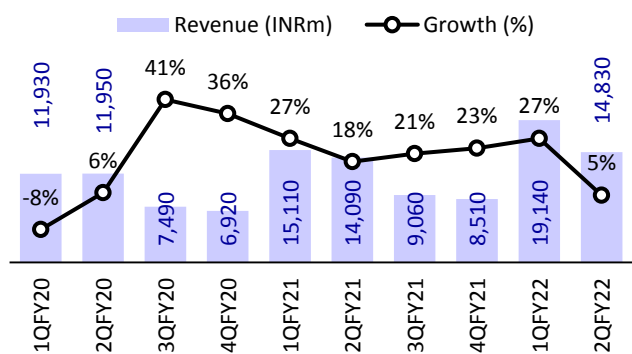
Source: Company, MOFSL

Exhibit 4: Quarterly and annual growth breakup



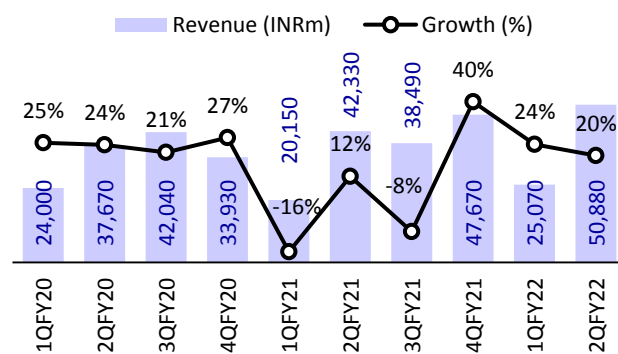
Source: Company, MOFSL

Exhibit 5: Quarterly revenue trend – India

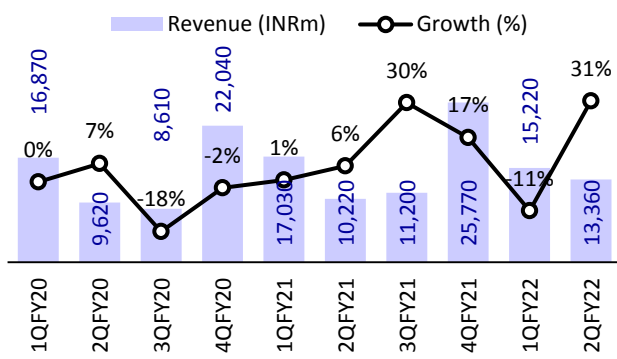


Source: Company, MOFSL

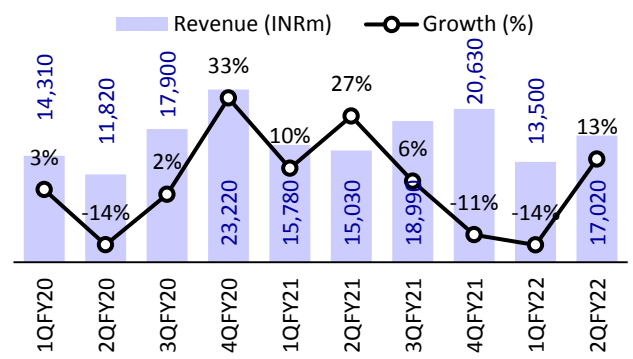
Exhibit 6: Quarterly revenue trend – LatAm



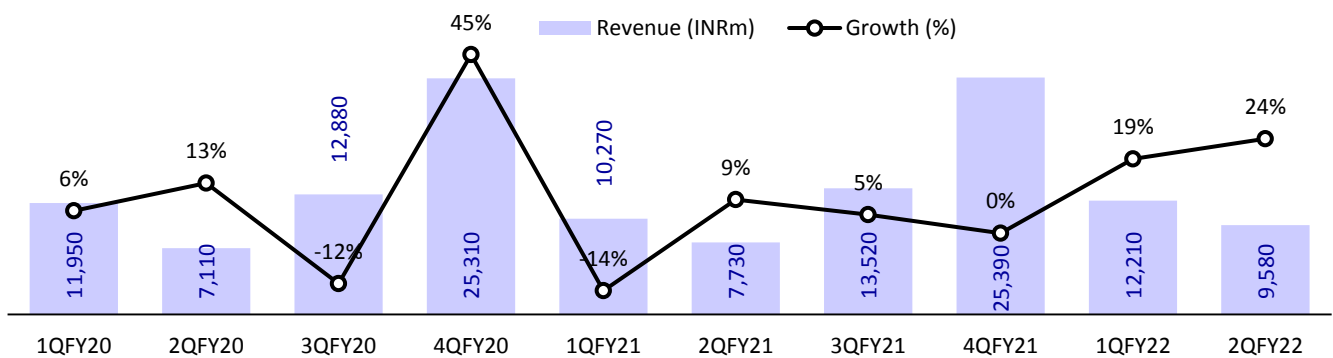
Source: Company, MOFSL

Exhibit 7: Quarterly revenue trend – Europe

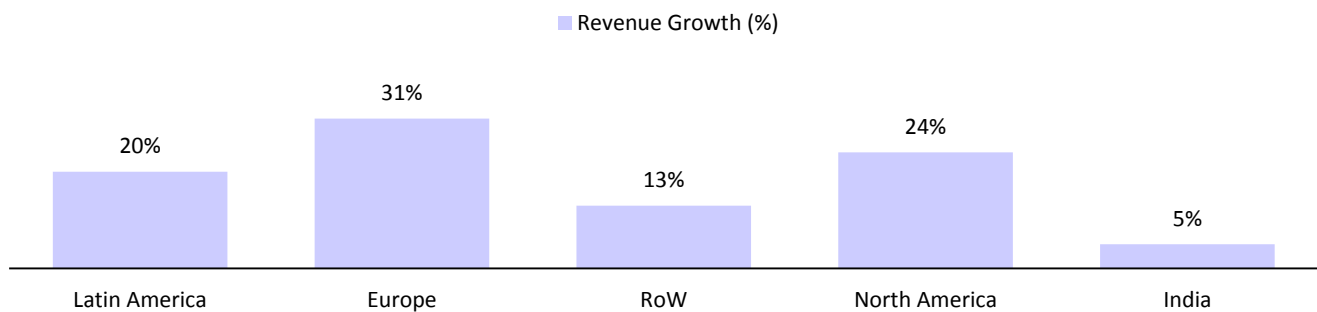
Source: Company, MOFSL

Exhibit 8: Quarterly revenue trend – RoW

Source: Company, MOFSL

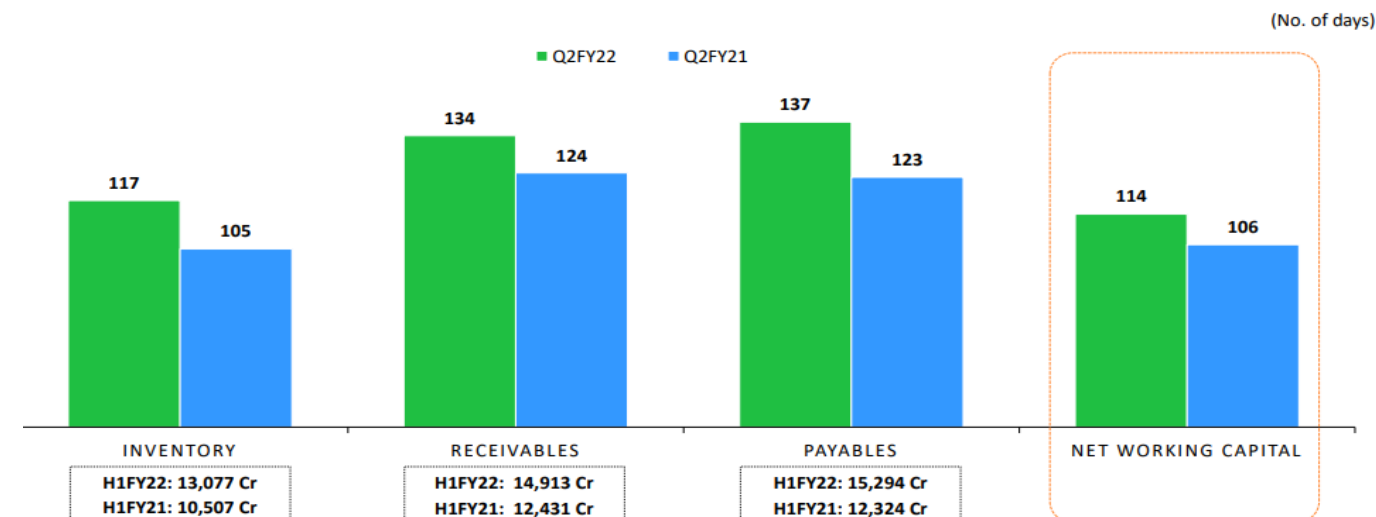
Exhibit 9: Quarterly revenue trend – North America

Above charts includes Arysta numbers; Source: Company, MOFSL

Exhibit 10: Revenue growth by region

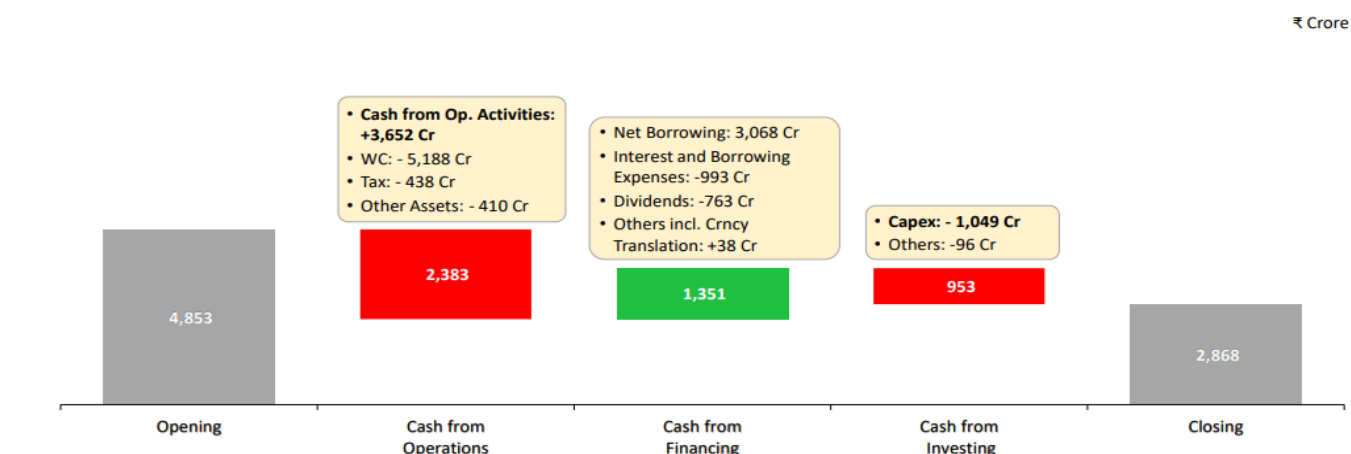
Source: Company, MOFSL

Exhibit 11: Working capital analysis (no. of days)



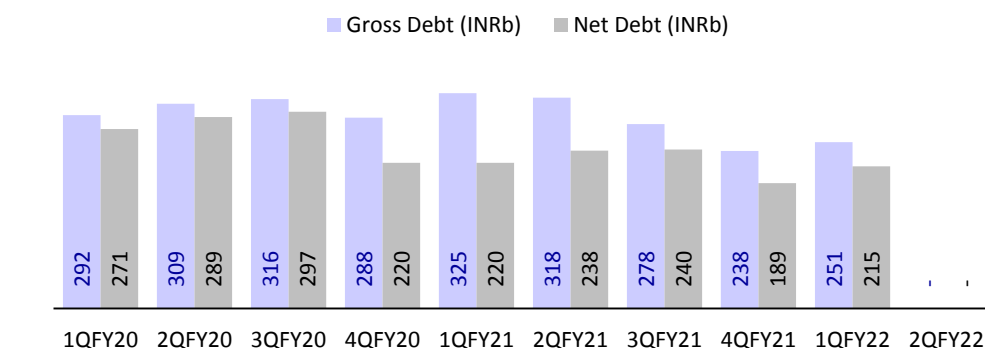
Source: Company, MOFSL

Exhibit 12: Cash flow statement (1st April 2021 to 30th Sept 2021)



Source: Company, MOFSL

Exhibit 13: Gross and net debt movement



Excludes perpetual debt of USD400m issued by the company. Source: Company, MOFSL



Highlights from conference call

LATAM

- LATAM registered 20% YoY growth driven by strong increase in volumes, which in-turn was driven by 27% YoY growth in Brail. Other regions recorded growth of 11% YoY.
- Brazil's higher volumes were supported by better price realization. South Cone and Argentina also registered robust volume growth.
- Mexico's came in flat albeit severe drought impact and improved price realization.

Europe

- Improved weather conditions coupled with favourable price realization lead to accelerated sales in 2QFY22.
- France, UK and DACH growth was driven by a combination of higher volumes and improved price realization. The region witnessed strong performance mainly in the fungicides, herbicides and bio-solutions segments.

India

- Favourable commodity prices, viz, ~61% for cash crops, ~24% for pulses and ~72% for oilseeds, supported to growth in the region. Also, company witnessed better contribution margin in seeds and specialty business.

North America

- North America recorded robust revenue growth through higher price realization. Going forward, improved commodity prices, tight supply for key products, and favorable channel stock provides positive outlook.
- Increase in commodity prices was offset by robust increase in price realization. Also, non-selective herbicides registered significant growth driven by improved price realization.

RoW

- RoW region registered growth despite supply constraint (logistics/supply-chain challenges). The region saw strong growth in ANZ, driven by volume growth and higher realization.
- AME has de-grown due to unfavorable rains in parts of Africa impacting crops, and supply chain.

Other highlights

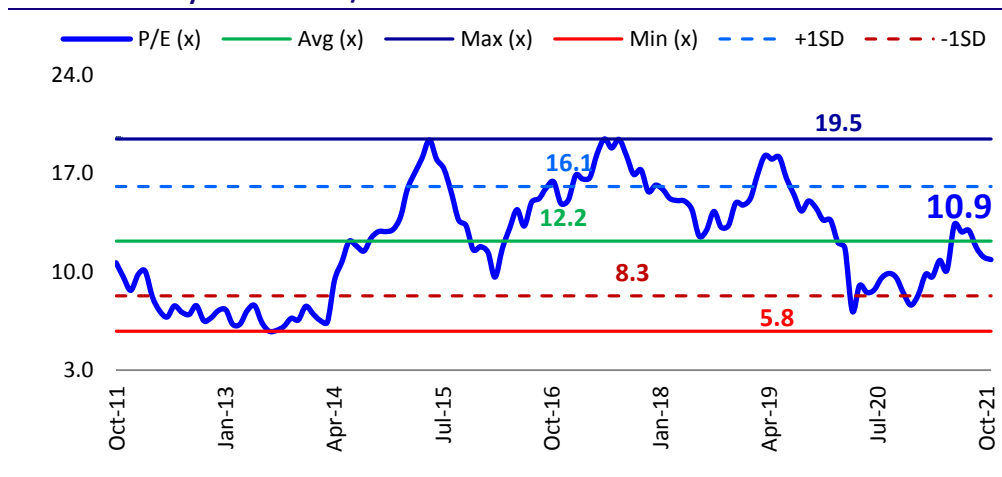
- **Nurture farms:** Under the Nurture farm initiative UPLL aims to create an ecosystem of integrated solutions to increase accessibility, connectivity and resilience and secure sustainable outcomes for farmers. UPLL has on-boarded 1.4m farmers, 60,000 retailers, services 3m acres and had Gross Merchandize Value of INR6b in the last 6 months.
- UPLL also aims to end stubble burning across 500,000acres in India by spraying an eco-friendly decomposer, protecting the soil, flora and fauna.

- **Robust performance:** UPLL was able to record strong volume growth amidst supply-chain/logistical issues across the globe. Backward integration coupled with robust supply-chain helped company to maintain margins in an inflationary environment.
- Net WC days stood at 114 days (+8 days as compared to same period last year). UPLL expects the WC days to be in the range of 80-90 days by FY22-end.
- **Debt:** Gross debt/net debt stood at INR271b/INR243b as on Sept'21. Net debt increased by INR4.3b as compared to same period last year.
- Capex of USD300-320m of which 60% is towards products registration and balance towards physical assets
- Tax rate is higher during the quarter due to higher profit in Brazil; 15-18% annual tax rate guidance (lower end)

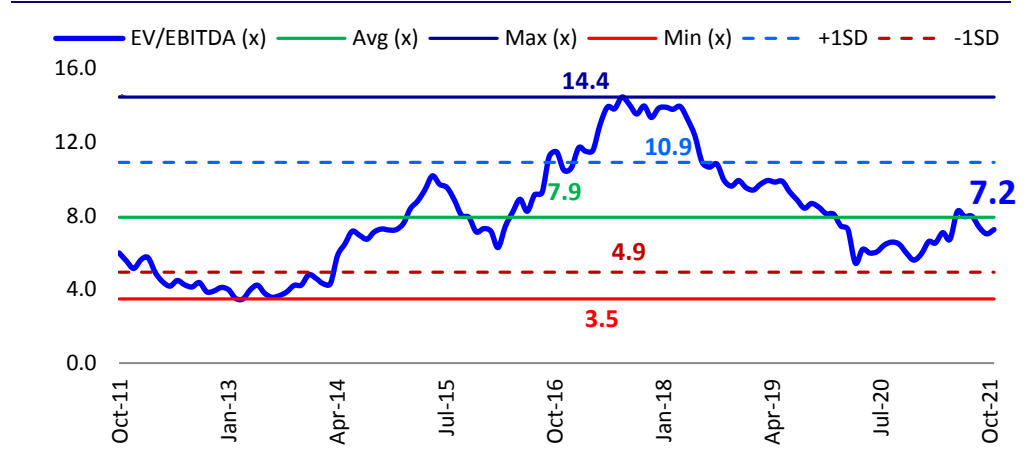
Valuation

- In FY21, UPLL reduced net debt by INR31.4b and achieved 2.2x net debt to EBITDA v/s the 2x guidance for FY21. However, net debt to EBITDA (including perpetual bonds) stood at 2.5x as of FY21 v/s 3.4x as of FY20. Further, in 2QFY22 company's net debt has further increased by INR28.1b QoQ (over 1QFY22) and by INR4.4b YoY (over 2QFY21) to INR273b (as of Sept'21).
- The stock has traded at average P/E of 12.3x over the last three years on a one-year forward basis. However, we have ascribed 11x P/E (~15% discount to its three-year average).
- Factoring the current quarter's performance we have reduced our earnings estimates for FY22E by 4% and have maintained for FY23E. Maintain **Neutral** with TP of INR790.

Exhibit 14: One-year forward P/E trend



Source: MOFSL

Exhibit 15: One-year forward EV/EBITDA trend

Source: MOFSL

Exhibit 16: Change in estimates

Particulars (INR m)	Old		New		Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	4,20,445	4,54,297	4,32,568	4,67,347	3%	3%
EBITDA	96,607	1,07,214	96,485	1,10,294	0%	3%
Adj. PAT	45,449	52,565	43,535	54,727	-4%	4%

Source: MOFSL

Financials and valuations

Consolidated - Income Statement

(INR M)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	1,63,120	1,73,780	2,18,370	3,57,560	3,86,940	4,32,568	4,67,347	5,02,176
Change (%)	16.1	6.5	25.7	63.7	8.2	11.8	8.0	7.5
EBITDA	32,230	35,160	45,530	74,460	86,340	96,485	1,10,294	1,21,024
Margin (%)	19.8	20.2	20.8	20.8	22.3	22.3	23.6	24.1
Depreciation	6,720	6,750	8,800	20,120	21,730	23,020	25,738	27,743
EBIT	25,510	28,410	36,730	54,340	64,610	73,465	84,556	93,282
Int. and Finance Charges	7,350	7,830	9,630	14,810	20,600	18,360	12,518	10,731
Other Income	4,440	4,140	2,400	1,040	2,580	2,150	2,664	2,862
Exchange diff on trade rec. & payables	2,380	110	2,980	3,310	2,070	2,030	0	0
PBT bef. EO Exp.	20,220	24,610	26,520	37,260	44,520	55,225	74,701	85,414
EO Items	810	630	8,930	9,650	3,130	1,030	0	0
PBT after EO Exp.	19,410	23,980	17,590	27,610	41,390	54,195	74,701	85,414
Total Tax	1,890	2,750	1,980	5,860	6,860	8,668	12,699	14,520
Tax Rate (%)	9.7	11.5	11.3	21.2	16.6	16.0	17.0	17.0
Prior Period Items - Income / (Expenses) - Net	0	0	0	0	0	0	0	0
Share of (profit)/loss of ass. & JV	190	930	-140	-30	-420	-654	-719	-791
Minority Interest	60	80	840	4,020	6,240	7,138	7,994	8,953
Reported PAT	17,270	20,220	14,910	17,760	28,710	39,043	54,727	62,731
Adjusted PAT	20,878	22,163	24,648	26,718	34,708	43,535	54,727	62,731
Change (%)	57.7	6.2	11.2	8.4	29.9	25.4	25.7	14.6
Margin (%)	12.8	12.8	11.3	7.5	9.0	10.1	11.7	12.5

Consolidated - Balance Sheet

(INR M)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	1,010	1,020	1,020	1,530	1,530	1,530	1,530	1,530
Total Reserves	72,140	90,670	1,46,130	1,61,430	1,77,480	2,08,714	2,52,496	3,02,680
Net Worth	73,970	91,690	1,47,150	1,62,960	1,79,010	2,10,244	2,54,026	3,04,210
Minority Interest	330	190	34,540	33,120	36,930	44,068	52,062	61,015
Total Loans	63,610	66,380	2,91,360	2,88,130	2,37,740	2,12,740	1,82,740	1,47,740
Perpetual bonds	0	0	0	29,860	29,860	29,860	29,860	29,860
Total Loans (Including Perpetual bond)	63,610	66,380	2,91,360	3,17,990	2,67,600	2,42,600	2,12,600	1,77,600
Deferred Tax Liabilities	-5,010	-4,410	21,970	27,770	26,620	26,620	26,620	26,620
Capital Employed	1,32,900	1,53,850	4,95,020	5,41,840	5,10,160	5,23,532	5,45,307	5,69,445
Gross Block	96,060	1,06,340	2,30,310	2,59,590	2,80,750	3,09,186	3,34,273	3,59,291
Less: Accum. Deprn.	59,540	66,290	75,090	95,210	1,16,940	1,39,960	1,65,698	1,93,441
Net Fixed Assets	36,520	40,050	1,55,220	1,64,380	1,63,810	1,69,226	1,68,575	1,65,850
Goodwill on Consolidation	4,190	4,320	1,66,270	1,82,410	1,76,890	1,76,890	1,76,890	1,76,890
Capital WIP	7,920	13,190	18,550	20,730	21,170	15,734	15,647	15,629
Total Investments	3,780	10,340	7,080	5,580	5,810	5,810	5,810	5,810
Curr. Assets, Loans&Adv.	1,44,700	1,57,240	2,84,540	3,27,730	3,36,630	3,68,732	4,09,146	4,43,181
Inventory	41,560	45,380	91,330	78,500	94,220	1,08,233	1,19,154	1,29,396
Account Receivables	56,560	60,570	1,16,790	1,18,670	1,25,910	1,44,584	1,56,209	1,67,851
Cash and Bank Balance	28,950	28,940	28,510	67,520	48,530	40,216	51,997	58,053
Loans and Advances	17,630	22,350	47,910	63,040	67,970	75,699	81,786	87,881
Curr. Liability & Prov.	64,210	71,290	1,36,640	1,58,990	1,94,150	2,12,860	2,30,761	2,37,915
Account Payables	48,850	56,750	94,230	1,02,330	1,25,250	1,37,593	1,50,844	1,62,086
Other Current Liabilities	14,270	13,430	33,770	55,310	59,870	65,750	70,102	65,283
Provisions	1,090	1,110	8,640	1,350	9,030	9,517	9,814	10,546
Net Current Assets	80,490	85,950	1,47,900	1,68,740	1,42,480	1,55,872	1,78,386	2,05,266
Appl. of Funds	1,32,900	1,53,850	4,95,020	5,41,840	5,10,160	5,23,532	5,45,307	5,69,445

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)								
EPS	27.3	29.0	32.2	34.9	45.4	56.9	71.5	82.0
Cash EPS	36.1	37.8	43.7	61.2	73.8	131.8	159.3	179.2
BV/Share	96.7	119.9	192.4	213.0	234.0	416.3	503.0	602.4
DPS	7.0	5.3	5.3	6.0	10.0	10.2	14.3	16.4
Payout (%)	31.0	20.0	27.1	25.8	26.6	20.0	20.0	20.0
Valuation (x)								
P/E			23.0	21.2	16.3	13.0	10.4	9.0
Cash P/E			16.9	12.1	10.0	5.6	4.7	4.1
P/BV			3.9	3.5	3.2	1.8	1.5	1.2
EV/Sales			3.8	2.3	2.0	1.8	1.6	1.4
EV/EBITDA			18.2	11.0	9.1	8.0	6.6	5.7
Dividend Yield (%)			0.7	0.8	1.3	1.4	1.9	2.2
FCF per share			-350.0	52.0	73.3	55.2	84.3	83.1
Return Ratios (%)								
RoE	31.4	26.8	20.6	17.2	20.3	22.4	23.6	22.5
RoCE	21.7	19.5	11.6	9.5	12.1	14.1	15.7	16.8
RoIC	25.7	26.1	12.0	9.6	12.2	13.8	15.0	16.1
Working Capital Ratios								
Fixed Asset Turnover (x)	1.7	1.6	0.9	1.4	1.4	1.4	1.4	1.4
Inventory (Days)	194	204	319	156	180	188	188	190
Debtor (Days)	127	127	195	121	119	122	122	122
Creditor (Days)	228	255	329	203	239	239	238	238
Leverage Ratio (x)								
Net Debt (incl perpetual bonds)/Equity	0.5	0.4	1.8	1.5	1.2	1.0	0.6	0.4

Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	20,220	24,610	26,520	37,260	44,520	55,225	74,701	85,414
Depreciation	6,720	6,750	8,800	20,120	21,730	23,020	25,738	27,743
Interest & Finance Charges	5,850	7,830	9,630	14,810	20,600	18,360	12,518	10,731
Direct Taxes Paid	-4,040	-2,750	-1,980	-5,860	-6,860	-8,668	-12,699	-14,520
(Inc)/Dec in WC	-1,210	-5,470	-10,480	30,710	-4,740	-21,706	-10,733	-20,825
CF from Operations	27,540	30,970	32,490	97,040	75,250	66,230	89,526	88,542
Others	-850	-630	-8,930	-9,650	-3,130	-1,030	0	0
CF from Operating incl EO	26,690	30,340	23,560	87,390	72,120	65,200	89,526	88,542
(Inc)/Dec in FA	-8,270	-15,680	-2,91,280	-47,600	-16,080	-23,000	-25,000	-25,000
Free Cash Flow	18,420	14,660	-2,67,720	39,790	56,040	42,200	64,526	63,542
(Pur)/Sale of Investments	120	-6,560	3,260	1,500	-230	0	0	0
Others	-2,040	2,810	-21,180	19,670	18,411	0	0	0
CF from Investments	-10,190	-19,430	-3,09,200	-26,430	2,101	-23,000	-25,000	-25,000
Issue of Shares	0	-810	0	510	0	0	0	0
Inc/(Dec) in Debt	10,790	2,770	2,24,980	-3,230	-50,390	-25,000	-30,000	-35,000
Interest Paid	-7,950	-7,830	-9,630	-14,810	-20,600	-18,360	-12,518	-10,731
Dividend Paid	-2,280	-4,040	-4,040	-4,590	-7,650	-7,809	-10,945	-12,546
Others	0	-1,010	73,900	170	-14,571	654	719	791
CF from Fin. Activity	560	-10,920	2,85,210	-21,950	-93,211	-50,515	-52,744	-57,486
Inc/Dec of Cash	17,060	-10	-430	39,010	-18,990	-8,314	11,782	6,056
Opening Balance	11,890	28,950	28,940	28,510	67,520	48,530	40,216	51,997
Closing Balance	28,950	28,940	28,510	67,520	48,530	40,216	51,997	58,053

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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