

- UPL's strong 4QFY21 and FY21 performance was buttressed by a strong performance in Latin America (up 40% YoY) and a robust growth led by volumes in Europe (up 17%) and India (up 23%).
- Sales/EBITDA/PAT beat our estimates, with Sales growth of 14.9% YoY to Rs 127.9bn and EBITDA growth of 39.2% YoY to Rs 26.5bn.
- UPL reduced its gross debt by Rs 51.0bn and net debt by Rs 32.4bn in FY21.
- UPL, as per their guidance achieved a net reduction of 7 days in their cash-conversion cycle to 89 days.
- Also, over-achieved its EBITDA growth guidance by reporting an EBITDA growth of 23.3% YoY to Rs 83.5bn for FY21.

Recently, UPL partnered with FMC Corp for toll manufacturing Chlorantraniliprole insecticide (which is patent protected) which has a global opportunity size of USD 5 bn. The company also partnered with Meiji for Flupyrinim insecticide (also under patent protection). The partnership enables UPL to have exclusive rights to sell Flupyrinim formulations for Rice in Southeast Asia, Flupyrinim has a global market size of USD 2.5bn. The company under its OpenAG program has partnered with strong technology collaborators like TELESENSE and SOIL HEALTH to understand storage of grains and soil patterns. UPL has maintained its strong focus on sustainable agricultural solutions, and is on its path to become a complete solutions provider (from being a product company).

Outlook and valuation

UPL has a target of reducing its Net Debt/EBITDA ratio below 2.0x, which exudes the company's focus on deleveraging. UPL is anchored to achieve ~50% of its revenues from differentiated products by FY26 whilst maintaining above industry level growth rates of 7-10% even in the long run. Underpinned by strong commodity prices and farm incomes, UPL has guided for a sales growth of 7-10% and EBITDA growth of 12-15%. We maintain our positive stance on UPL, and have revised our estimates. Deleveraging, resilient product pipeline and new partnerships on the anvil are mid-term re-rating triggers which compel us to increase our EV/EBITDA multiple to 8.5x. We revise our target price to Rs 850/share and remain buyers on the stock.

Q4FY21 Result (Rs Mn)

Particulars	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Revenue	127,960	111,410	14.9	91,260	40.2
Total Expense	101,450	92,370	9.8	69,240	46.5
EBITDA	26,510	19,040	39.2	22,020	20.4
Depreciation	5,760	5,950	(3.2)	5,420	6.3
EBIT	20,750	13,090	58.5	16,600	25.0
Other Income	490	210	133.3	670	(26.9)
Interest	4,210	1,870	125.1	7,450	(43.5)
EBT	16,230	9,720	67.0	10,600	53.1
Tax	3,220	2,110	52.6	1,090	195.4
RPAT	10,630	6,170	72.3	7,940	33.9
APAT	11,289	7,611	48.3	7,269	55.3
			(bps)		(bps)
Gross Margin (%)	45.9	43.9	199	54.9	(897)
EBITDA Margin (%)	20.7	17.1	363	24.1	(341)
NPM (%)	8.3	5.5	277	8.7	(39)
Tax Rate (%)	19.8	21.7	(187)	10.3	956
EBIT Margin (%)	16.2	11.7	447	18.2	(197)

CMP	Rs 692
Target / Upside	Rs 850 / 23%
NIFTY	14,697

Script Details

Equity / FV	Rs 1,530mn / Rs 2
Market Cap	Rs 529bn
	USD 7bn
52-week High/Low	Rs 703/ 336
Avg. Volume (no)	7,898,930
Bloom Code	UPLL IN

Price Performance	1M	3M	12M
Absolute (%)	14	29	78
Rel to NIFTY (%)	14	35	25

Shareholding Pattern

	Sep'20	Dec'20	Mar'21
Promoters	27.9	27.9	28.0
MF/Banks/FIs	15.9	16.4	15.9
FIIIs	37.2	35.4	37.8
Public / Others	19.0	20.4	18.4

Valuation (x)

	FY21A	FY22E	FY23E
P/E	17.2	12.5	10.8
EV/EBITDA	8.9	7.6	6.8
ROE (%)	16.8	22.0	22.2
RoACE (%)	11.3	13.1	14.4

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	386,940	424,104	455,077
EBITDA	83,520	94,999	101,937
PAT	30,696	42,266	49,214
EPS (Rs.)	40.1	55.3	64.3

Analyst: Archit Joshi
 Tel: +9122 40969726
 E-mail: architj@dolatcapital.com

Associate: Tejas Sonawane
 Tel: +9122 40969792
 E-mail: tejass@dolatcapital.com

Associate: Yash Shah
 Tel: +9122 40969754
 E-mail: yashs@dolatcapital.com

Exhibit 1: Actual vs DART Estimates

Particulars	Actual	Estimated	Variance(%)	Comment
Revenue	1,27,960	1,19,150	7.4	Better than expected growth in LATAM region
EBITDA	26,510	21,501	23.3	Better than expected growth in High margin Differentiated solution business
EBITDA Margin(%)	20.7	18.0	267 Bps	
PAT	11,289	6,248	80.7	Lower than expected Finance cost

Source: DART, Company

Exhibit 2: Change in Estimates

Particulars (Rs Mn)	FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	4,24,104	4,11,617	3.0	4,55,077	4,40,457	3.3
EBITDA	94,999	87,263	8.9	1,01,937	93,377	9.2
EBITDA Margin(%)	22.4	21.2	120.0	22.4	21.2	120.0
PAT	42,266	34,800	21.5	49,214	39,511	24.6
EPS(Rs)	55.3	45.5	21.4	64.3	51.6	24.7

Source: DART, Company

Concall Highlights

Business Performance

- LATAM grew by 8% YoY in FY21 and suffered due to currency devaluation in the region.
- India grew by 22% YoY IN FY21 on the back of great monsoon and expanding portfolio of rice and cotton.
- NA grew by 1% YoY from the ramping of the Glufosinate sales.
- Margins in NA were higher from the improved margins in Differentiated solution.
- Europe grew by 12% YoY in FY21.
- Growth in China was driven by gains in volumes from Yoloo Biotechnology acquisition.
- Sustainable and Differentiated solution grew by 35% CAGR in last 3 years.
- Post patent solution grew by 13% CAGR in last 3 years.
- Sustainable and differentiated solution contributed 29% and Post Patent contributed 71% in FY21.
- Company currently has 15 molecules in pipeline.

Financial Highlights

- Company has gross debt of Rs 288.13bn as of 31st March, 21.
- Company has net debt of Rs 188.92bn as of 31st March, 21.
- Company's Nebt/EBITDA stood at 2.2x and missed management guidance of 2x (~Rs 700cr).
- Company issued bonds worth Rs 42.18bn in FY19
- Exceptional item was on account of fire incident in Jhagadia.
- Company did capex of USD 275mn (Rs21.2bn) in FY21.
- Company paid Rs 1.77bn for acquisitions in FY21.

Partnerships

- Partnered with FMC for Chlorantraniliprole, market size is estimated of USD 5bn, will manufacture it in India.
- Partnered with Meiji Seika Pharma for exclusive access to Flupyrimin for rice in Southeast Asia.
- Partnered with TeleSense for Technology to monitor the temperature, humidity and carbon dioxide levels of stored grain.
- Partnered with soil health- Two year collaboration to help the soil to help provide right solution for farmers.

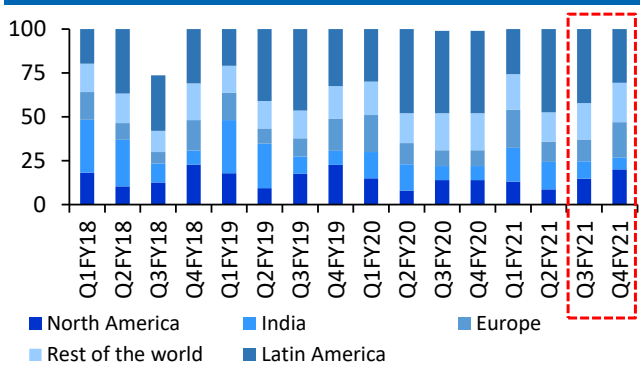
Launches

- Launched Evolution in FY21 for soybean.
- Company will launch Fluarays in FY22 for soybean.
- Unizeb, Glory and Flurarys will have IP protection by 2034.
- Launched global facing R&D hub in USA.
- Flupyrimin launch is expected in FY25-FY26, it is IP protected.
- Gaxy is expected to launch in FY23-FY24 in North America.

Guidance

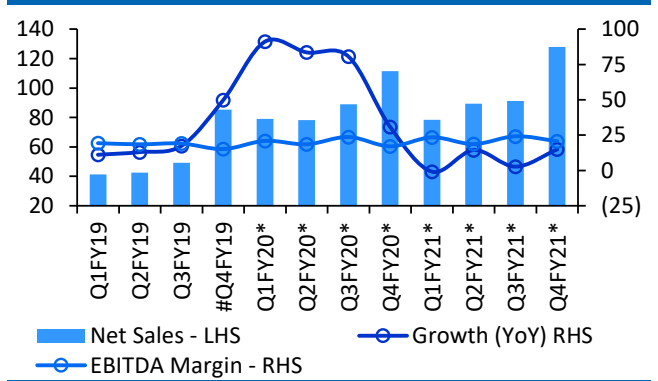
- Company expects to be market leader in Chile in FY22.
- 2.5% of the revenue will be invested in R&D.
- More than USD 2.5bn will be invested in OpenAg in next 5 years.
- Management has guided for a long term revenue growth of 7-10%.
- FY22 EBITDA growth is expected to be between 12-15%.
- Management plans to bring Debt/EBITDA below 2x in FY22.
- Plans to achieve 50% contribution from Differentiated and Sustainable Solution by FY26.
- Plans to Accelerate bio stimulation adoption.
- Plans to expand pronutiva offerings.
- Management will focus on increasing ROCE of the overall business.
- 15-18% effective tax rate is expected in FY22.
- Capex of USD 300-325mn is expected in FY22.

Exhibit 3: Quarterly Geographic Mix (%)



Source: DART, Company

Exhibit 4: Sales (bn) Growth (%) and EBITDA Margin (%)

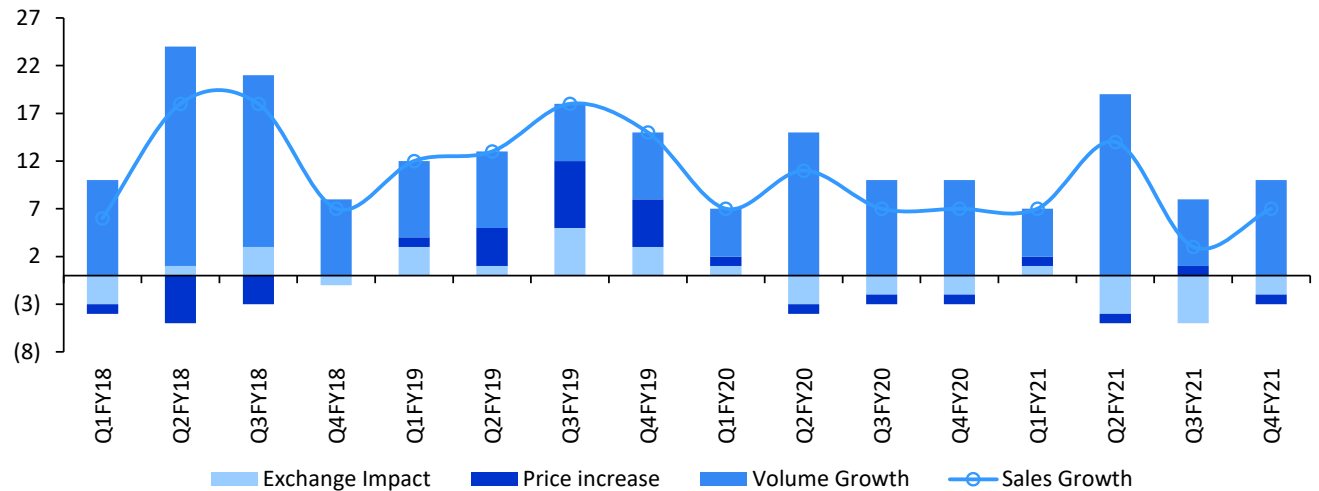


Source: DART, Company

Includes 2 months Arystas numbers,

* Full impact of Arystas performance

Exhibit 5: Volume + Price + Forex (%)



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	357,560	386,940	424,104	455,077
Total Expense	289,830	303,420	329,105	353,140
COGS	187,430	190,960	199,329	213,886
Employees Cost	33,910	37,120	40,714	43,687
Other expenses	68,490	75,340	89,062	95,566
EBIDTA	67,730	83,520	94,999	101,937
Depreciation	20,120	21,730	22,367	23,231
EBIT	47,610	61,790	72,633	78,707
Interest	14,810	20,600	14,909	11,809
Other Income	1,040	2,580	2,709	2,844
Exc. / E.O. items	(6,230)	(2,380)	0	0
EBT	27,610	41,390	60,433	69,743
Tax	5,860	6,860	12,087	13,949
RPAT	17,760	28,710	42,266	49,214
Minority Interest	4,020	6,240	6,500	7,000
Profit/Loss share of associates	30	420	420	420
APAT	22,259	30,696	42,266	49,214

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	1,530	1,530	1,530	1,530
Minority Interest	33,120	36,930	43,430	50,430
Reserves & Surplus	161,430	177,480	204,101	236,750
Net Worth	162,960	179,010	205,631	238,280
Total Debt	316,550	265,460	215,460	165,460
Net Deferred Tax Liability	11,220	9,960	9,960	9,960
Total Capital Employed	523,850	491,360	474,481	464,130

Applications of Funds

Net Block	346,790	340,700	343,525	345,486
CWIP	20,730	21,170	24,180	24,180
Investments	5,580	5,810	5,810	5,810
Current Assets, Loans & Advances	311,180	319,970	299,818	296,841
Inventories	78,500	94,220	98,764	105,977
Receivables	118,670	125,910	116,193	124,679
Cash and Bank Balances	67,520	48,900	24,602	2,883
Loans and Advances	19,170	19,820	19,820	19,820
Other Current Assets	27,320	31,120	40,440	43,482
Less: Current Liabilities & Provisions	160,430	196,290	198,852	208,187
Payables	102,330	125,250	127,812	137,147
Other Current Liabilities	58,100	71,040	71,040	71,040
		<i>sub total</i>		
Net Current Assets	150,750	123,680	100,966	88,654
Total Assets	523,850	491,360	474,481	464,130

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	47.6	50.6	53.0	53.0
EBIDTA Margin	18.9	21.6	22.4	22.4
EBIT Margin	13.3	16.0	17.1	17.3
Tax rate	21.2	16.6	20.0	20.0
Net Profit Margin	5.0	7.4	10.0	10.8
(B) As Percentage of Net Sales (%)				
COGS	52.4	49.4	47.0	47.0
Employee	9.5	9.6	9.6	9.6
Other	19.2	19.5	21.0	21.0
(C) Measure of Financial Status				
Gross Debt / Equity	1.9	1.5	1.0	0.7
Interest Coverage	3.2	3.0	4.9	6.7
Inventory days	80	89	85	85
Debtors days	121	119	100	100
Average Cost of Debt	4.9	7.1	6.2	6.2
Payable days	104	118	110	110
Working Capital days	154	117	87	71
FA T/O	1.0	1.1	1.2	1.3
(D) Measures of Investment				
AEPS (Rs)	29.1	40.1	55.3	64.3
CEPS (Rs)	55.4	68.5	84.5	94.7
DPS (Rs)	6.0	16.0	17.0	18.0
Dividend Payout (%)	20.6	39.9	30.8	28.0
BVPS (Rs)	213.0	234.0	268.8	311.5
RoANW (%)	11.5	16.8	22.0	22.2
RoACE (%)	8.5	11.3	13.1	14.4
RoAIC (%)	10.4	13.7	16.3	17.3
(E) Valuation Ratios				
CMP (Rs)	692	692	692	692
P/E	23.8	17.2	12.5	10.8
Mcap (Rs Mn)	529,112	529,112	529,112	529,112
Mcap/ Sales	1.5	1.4	1.2	1.2
EV	778,142	745,672	719,971	691,689
EV/Sales	2.2	1.9	1.7	1.5
EV/EBITDA	11.5	8.9	7.6	6.8
P/BV	3.2	3.0	2.6	2.2
Dividend Yield (%)	0.9	2.3	2.5	2.6
(F) Growth Rate (%)				
Revenue	63.7	8.2	9.6	7.3
EBITDA	77.6	23.3	13.7	7.3
EBIT	62.3	29.8	17.5	8.4
PBT	57.0	49.9	46.0	15.4
APAT	21.7	37.9	37.7	16.4
EPS	21.7	37.9	37.7	16.4

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	86,560	78,100	84,037	81,427
CFI	(64,090)	(16,680)	(28,202)	(25,192)
CFF	16,520	(80,040)	(80,134)	(77,954)
FCFF	38,960	62,020	55,835	56,235
Opening Cash	28,530	67,520	48,900	24,602
Closing Cash	67,520	48,900	24,602	2,883

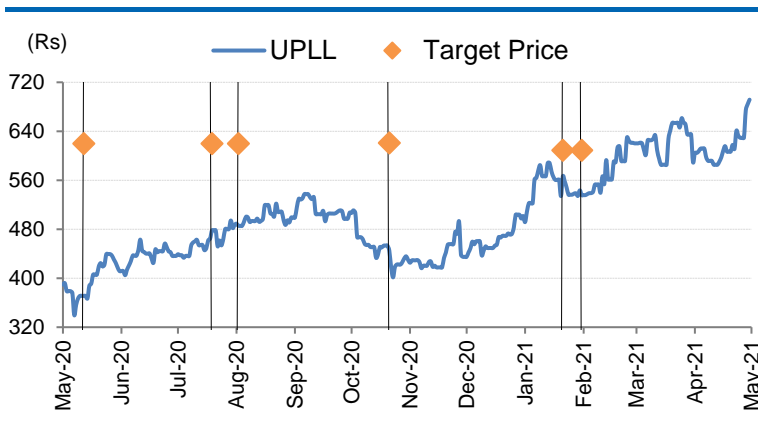
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-20	Buy	620	371
Jul-20	Buy	620	478
Aug-20	Buy	620	486
Nov-20	Buy	621	445
Feb-21	Accumulate	609	566
Feb-21	Accumulate	609	536

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
