

May 10, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	1,010		990	
Sales (Rs. m)	5,10,425	5,51,472	4,92,346	5,35,133
% Chng.	3.7	3.1		
EBITDA (Rs. m)	1,15,356	1,27,942	1,11,270	1,23,081
% Chng.	3.7	3.9		
EPS (Rs.)	61.4	71.9	61.4	71.1
% Chng.	0.1	1.2		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	3,86,940	4,62,400	5,10,425	5,51,472
EBITDA (Rs. m)	85,590	1,01,650	1,15,356	1,27,942
Margin (%)	22.1	22.0	22.6	23.2
PAT (Rs. m)	30,662	38,917	46,963	55,009
EPS (Rs.)	40.1	50.9	61.4	71.9
Gr. (%)	34.1	26.9	20.7	17.1
DPS (Rs.)	10.0	10.0	10.0	10.0
Yield (%)	1.3	1.3	1.3	1.3
RoE (%)	17.9	19.7	20.0	20.0
RoCE (%)	13.8	16.4	17.5	19.1
EV/Sales (x)	2.1	1.8	1.5	1.3
EV/EBITDA (x)	9.5	8.0	6.7	5.8
PE (x)	19.4	15.3	12.7	10.8
P/BV (x)	3.3	2.7	2.4	2.0

Key Data

UPLL.BO | UPLL IN

52-W High / Low	Rs.865 / Rs.622
Sensex / Nifty	54,471 / 16,302
Market Cap	Rs.594bn/ \$ 7,669m
Shares Outstanding	764m
3M Avg. Daily Value	Rs.2513.22m

Shareholding Pattern (%)

Promoter's	28.45
Foreign	35.30
Domestic Institution	17.80
Public & Others	18.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.0)	4.2	23.5
Relative	4.8	15.6	11.6

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Excellent set of numbers.!!

Quick Pointers:

- Volume and Price growth of 3% and 19% YoY respectively
- Net debt (including perpetual bond) stood at ~Rs219bn, down Rs48.6bn sequentially

UPL reported 4QFY22 revenue/EBITDA/PAT of Rs158.6bn/Rs35.9bn/Rs15.1bn (+24%/+27%/+34% YoY). Results were ahead of our and consensus estimates. Key highlights are: (a) volume and price growth of 3%/19% YoY respectively; (b) all geographies barring Europe posted double digit growth; (c) gross margin improved 370bps YoY aided by favorable product and superior pricing; (d) EBITDA margins up 40bps YoY to 22.6%; (e) Net debt (including perpetual bond) stood at ~Rs219bn, flat YoY (down Rs48.6bn sequentially); (f) Net debt down USD91mn YoY; (g) NWC has declined by 2 days YoY to 69. Going forward, citing positive demand scenario globally, UPL sounded confident to achieve revenue and EBITDA growth guidance of 10% and 12-15% YoY in FY23E, with growth to be driven by focus on differentiated solutions and new product launches. While, the company expects to reduce debt by USD400mn in FY23. We broadly maintain our FY23/24 estimates. We expect UPL to clock Revenue/PAT CAGR of 9%/19% over FY22-24E. Maintain 'BUY' with a revised TP of INR1010 (earlier Rs980) based on 14x FY24E EPS.

- All geographies barring Europe posted double digit growth:** Consolidated revenues at Rs158.6bn (+24% YoY) were ahead of our and consensus estimates of Rs149bn and Rs142bn respectively. Volume growth of 3% YoY, while positive price variance of 19% YoY and positive 2% FX has resulted into 24% YoY growth in 4QFY22. All the regions posted positive growth with LATAM/ NAFTA/ Europe/ Row/India recording 21%/38%/2%/25%/63% YoY growth respectively. Growth was primarily driven by (a) strong growth in herbicide and insecticides segment; (b) better price realizations led by healthy demand and lower channel inventory; (c) market share (MS) gains in key territories; (d) accelerated growth in differentiated products across regions. Volume growth was impacted due to lower growth from European region (3-4% growth missed due to geo-political tensions in that region).
- Margin stable despite inflationary RM cost environment:** Gross Margins were up 370bps YoY led by price hikes taken in the recent past to mitigate the inflated RM cost and higher contribution of differentiated products. While, higher employee cost and other expenses up 100bps and 230bps YoY has restricted EBITDA margins expansion to 40 bps YoY to 22.6Y (Our/consensus estimates of 22.4%/22.0%). Absolute EBITDA came in at Rs35.9bn up 27% YoY (PLe Rs33.4bn). Forex loss in finance cost and other income stood at Rs3.8bn during 4QFY22 vs Rs0.7bn in same quarter last year. Adjusted PAT came in at Rs15.2bn (PLe of Rs12.8bn). Exceptional item of Rs1.7bn (net of tax Rs1.4bn) is largely towards loss on account of fire in a plant, restructuring cost in Europe, litigation cost and severance related charges.

- **Debt on the higher side led by seasonality of business:** As on March 31, 2022 Net debt stood at Rs219bn (including perpetual bond of Rs29.9bn, considered as equity), flat YoY/down Rs48.6bn QoQ (as against guidance to reduce net debt by ~USD400mn YoY in FY22). We believe, higher WC requirement (up Rs11.2bn YoY) led by inflationary RM environment impacted the debt reduction guidance. While, in USD terms net debt reduced by USD91mn on YoY basis (Rupee depreciation during FY22 impacted debt reduction in INR terms by Rs 6.52bn). Further, UPL has guided for debt reduction of USD400mn during FY23 despite an announcement of a share buyback of Rs11bn recently.

Other Key Highlights

- **LATAM:** UPL posted 21% YoY growth in the LATAM revenues primarily driven by strong growth in herbicide and insecticides segment in Brazil and Argentina markets. Healthy performance in Brazil (up 255 YoY in 4QFY22) was primarily driven by robust volume growth in key products like Perito and Sperto. While better price realizations in Perito led to an overall good performance from the region. Despite Severe drought in Mexico UPL delivered a flat YoY growth in the region supported by better price realizations.
- **Europe:** UPL posted 2% YoY growth in the European region primarily on the back of a) regulatory issues in the region led to ban of products; b) escalated geo-political tensions between Russia-Ukraine impacted (3-4% of the growth during 4QFY22). Strong performance driven by fungicides, herbicides and Bio-solutions segment aided to offset the loss from the region. Going ahead, UPL has guided for mid-single digit sort of growth from the region to be backed by better product mix supported by strong sales of differentiated & sustainable solutions (higher growth and better margin products).
- **North America:** UPL posted 38% YoY growth in the NAFTA regions primarily led by higher volume growth and superior price realizations in glufosinate from the region. Improved commodity prices coupled with tight supply of key products and favorable channel inventory has in turn resulted into an overall healthy performance from the region. Going forward, the company remains upbeat led by comfortable channel inventory and better traction from the Non-selective herbicides supported by better price realizations.
- **India:** UPL posted 63% YoY growth in the domestic market primarily driven by better performance from herbicide segment and healthy demand from newly launched products (Shenzi, Triskele, and Trishuk). Further, favorable commodity prices have helped to fetch better realizations.
- **RoW:** UPL posted 25% YoY growth in the RoW region during 4QFY22 primarily led by improved pricing, better product mix supported by healthy volume growth.
- **Interest Expenses:** Interest expense grew by 16% on YoY basis and 20% sequentially, on account of a) Mark to market (MTM) losses of Rs1.7bn in respect of advance sales orders as compared to net exchange gain of Rs 1.2bn in 4QFY21, and 2) higher cost of non-recourse factoring.

- Net working capital:** has declined by 2 days YoY to 69 days. UPL has sold receivable of Rs120.9bn in FY22 vs Rs76.2bn in FY21 which has helped them to keep its NWC under check.
- Guidance:** Despite several headwinds across the globe led by supply side constraints and challenges related to COVID-19, UPL sounded positive to achieve revenue and EBITDA growth of 10% and 12-15% YoY in FY23E, with growth to be driven by focus on differentiated solutions and new product launches. Further, better operating leverage coupled with synergy benefits and price hike in local currency is likely to support margins going forward. Further, the company has guided for a debt reduction of USD400mn in FY23.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

(Rs mn)	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
Revenue	1,58,610	1,27,960	24.0	1,12,970	40.4	4,62,400	3,86,940	19.5
Raw material costs	79,940	69,210	15.5	51,540	55.1	2,20,720	1,90,960	15.6
Gross profit	78,670	58,750	33.9	61,430	28.1	2,41,680	1,95,980	23.3
Employee costs	13,470	9,660	39.4	11,660	15.5	46,220	37,120	24.5
Other expenses	29,280	20,700	41.4	23,120	26.6	93,810	73,270	28.0
Total operating expenses	42,750	30,360	40.8	34,780	22.9	1,40,030	1,10,390	26.9
EBITDA	35,920	28,390	26.5	26,650	34.8	1,01,650	85,590	18.8
Depreciation	6,420	5,760	11.5	6,000	7.0	23,590	21,730	8.6
EBIT	29,500	22,630	30.4	20,650	42.9	78,060	63,860	22.2
Less: Interest Expense	8,000	4,210	90.0	5,290	51.2	22,950	20,600	11.4
Add: Other income	-960	-1,390	NA	-1,510	NA	-3,550	510	NA
Profit Before Tax	20,540	17,030	20.6	13,850	48.3	51,560	43,770	17.8
Less: Provision for Tax	2,952	3,364	(12.2)	1,765	67.2	5,873	7,288	(19.4)
Less: Minority Interest	2,420	2,380	1.7	2,290	5.7	6,770	5,820	16.3
Adjusted Profit	15,168	11,286	34.4	9,795	54.9	38,917	30,662	26.9
Add: Exceptional items (net of tax)	1,378	656	110.0	435	217.0	2,657	1,952	36.1
Reported Profit	13,790	10,630	29.7	9,360	47.3	36,260	28,710	26.3
Adjusted EPS	19.8	14.8	34.4	12.8	54.9	50.9	40.1	26.9
As % of revenues								
COGS	50.4	54.1		45.6		47.7	49.4	
Gross profit	49.6	45.9		54.4		52.3	50.6	
Employee costs	8.5	7.5		10.3		10.0	9.6	
Other expenses	18.5	16.2		20.5		20.3	18.9	
Total operating expenses	27.0	23.7		30.8		30.3	28.5	
EBITDA	22.6	22.2		23.6		22.0	22.1	
Net profit	9.6	8.8		8.7		8.4	7.9	

Source: Company, PL

Exhibit 2: Robust growth driven by higher realizations

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Volume growth	29	0	19	7	18	6	15	11	3
Realization impact	(2)	(1)	(1)	1	1	2	3	13	19
Forex impact	(2)	0	(4)	(5)	(4)	1	0	0	2
Total (%)	25	(1)	14	3	15	9	18	24	24

Source: Company, PL

Exhibit 3: Geographical break-up of revenues

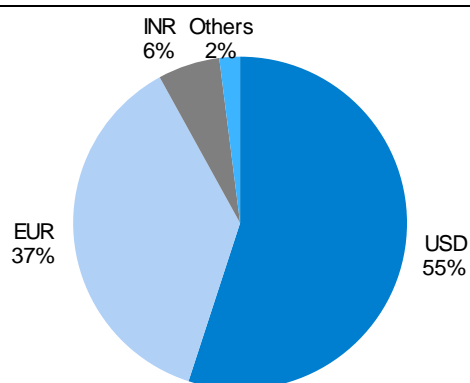
Geography	Q4FY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
NAFTA	24,410	10,270	7,730	13,520	25,390	12,210	9,580	21,170	35,120
India	6,910	15,110	14,090	9,060	8,510	19,140	14,830	9,070	13,840
Europe	22,040	17,030	10,220	11,200	25,770	15,220	13,360	14,060	26,290
ROW	24,120	15,780	15,030	18,990	20,640	13,500	17,020	21,850	25,750
LATAM	33,930	20,150	42,330	38,490	47,660	25,070	50,880	46,830	57,610
Total Sales	1,11,410	78,340	89,400	91,260	1,27,970	85,140	1,05,670	1,12,980	1,58,610
NAFTA	40.2	(14.1)	8.7	5.0	4.0	18.9	23.9	56.6	38.3
India	37.6	26.7	17.9	21.0	23.2	26.7	5.3	0.1	62.6
Europe	7.1	0.9	6.2	30.1	16.9	(10.6)	30.7	25.5	2.0
ROW	27.4	10.3	27.2	6.1	(14.4)	(14.4)	13.2	15.1	24.8
LATAM	27.5	(16.0)	12.4	(8.4)	40.5	24.4	20.2	21.7	20.9
Total Sales	25.8	(0.9)	14.4	2.6	14.9	8.7	18.2	23.8	23.9

Source: Company, PL

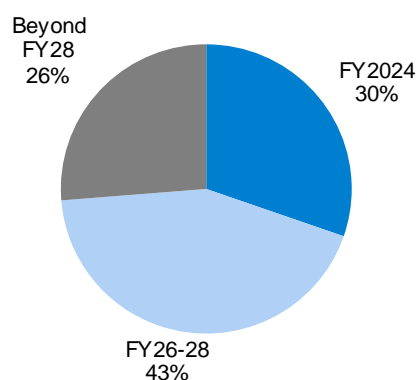
Exhibit 4: Quarterly Debt Movement

Cash Flow Metrics	4QFY22	FY22
Sources		
PAT + Depreciation	20,210	59,850
Increase in Debt	-48,620	-150
Total Sources	-28,410	59,700
Application		
Working Capital	-39,190	11,240
Capex	10,340	27,030
Dividend paid	1,590	9,220
Investment in subsidiaries	0	0
Miscellaneous	-1,150	12,210
Total Utilisations	-28,410	59,700

Source: Company, PL

Exhibit 5: Debt Profile of UPL- By Currency


Source: Company, PL

Exhibit 6: Debt Profile of UPL- By Maturity


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	3,86,940	4,62,400	5,10,425	5,51,472
YoY gr. (%)	8.2	19.5	10.4	8.0
Cost of Goods Sold	1,90,960	2,20,720	2,49,087	2,66,912
Gross Profit	1,95,980	2,41,680	2,61,338	2,84,560
Margin (%)	50.6	52.3	51.2	51.6
Employee Cost	37,120	46,220	51,553	55,147
Other Expenses	60,370	78,088	79,116	84,927
EBITDA	85,590	1,01,650	1,15,356	1,27,942
YoY gr. (%)	20.5	18.8	13.5	10.9
Margin (%)	22.1	22.0	22.6	23.2
Depreciation and Amortization	21,730	23,590	25,877	27,845
EBIT	63,860	78,060	89,479	1,00,097
Margin (%)	16.5	16.9	17.5	18.2
Net Interest	20,600	22,950	20,750	19,250
Other Income	510	(3,550)	(20)	(20)
Profit Before Tax	43,770	51,560	68,709	80,827
Margin (%)	11.3	11.2	13.5	14.7
Total Tax	7,288	5,873	13,742	16,165
Effective tax rate (%)	16.7	11.4	20.0	20.0
Profit after tax	36,482	45,687	54,967	64,661
Minority interest	6,240	8,110	9,344	10,992
Share Profit from Associate	420	1,340	1,340	1,340
Adjusted PAT	30,662	38,917	46,963	55,009
YoY gr. (%)	34.1	26.9	20.7	17.1
Margin (%)	7.9	8.4	9.2	10.0
Extra Ord. Income / (Exp)	1,952	2,657	2,000	2,000
Reported PAT	32,613	41,574	48,963	57,009
YoY gr. (%)	16.6	27.5	17.8	16.4
Margin (%)	8.4	9.0	9.6	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	32,613	41,574	48,963	57,009
Equity Shares O/s (m)	765	765	765	765
EPS (Rs)	40.1	50.9	61.4	71.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	2,68,360	2,91,570	3,15,570	3,39,570
Tangibles	1,56,890	1,80,890	2,04,890	2,28,890
Intangibles	1,11,470	1,10,680	1,10,680	1,10,680
Acc: Dep / Amortization	85,420	1,09,010	1,34,887	1,62,731
Tangibles	85,420	1,09,010	1,34,887	1,62,731
Intangibles	-	-	-	-
Net fixed assets	1,82,940	1,82,560	1,80,683	1,76,839
Tangibles	71,470	71,880	70,003	66,159
Intangibles	1,11,470	1,10,680	1,10,680	1,10,680
Capital Work In Progress	8,990	11,840	11,840	11,840
Goodwill	1,76,890	1,83,640	1,83,640	1,83,640
Non-Current Investments	5,810	10,820	10,820	10,820
Net Deferred tax assets	(9,960)	(3,990)	(3,990)	(3,990)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	370	8,400	8,400	8,400
Inventories	94,220	1,30,780	1,16,013	1,25,047
Trade receivables	1,30,260	1,53,340	1,69,266	1,82,878
Cash & Bank Balance	48,530	61,200	74,339	87,735
Other Current Assets	-	-	-	-
Total Assets	7,04,310	8,17,890	8,33,039	8,68,100
Equity				
Equity Share Capital	1,530	1,530	1,530	1,530
Other Equity	1,77,480	2,15,220	2,50,965	2,94,755
Total Network	1,79,010	2,16,750	2,52,495	2,96,285
Non-Current Liabilities				
Long Term borrowings	2,53,460	2,45,910	2,20,910	1,95,910
Provisions	-	-	-	-
Other non current liabilities	14,160	10,950	10,950	10,950
Current Liabilities				
ST Debt / Current of LT Debt	14,140	42,610	42,610	42,610
Trade payables	1,25,250	1,65,520	1,56,959	1,68,923
Other current liabilities	54,740	73,830	77,896	82,202
Total Equity & Liabilities	7,04,310	8,26,790	8,33,039	8,68,100

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	41,810	49,660	68,709	80,827
Add. Depreciation	21,730	23,590	25,877	27,845
Add. Interest	20,600	22,950	20,750	19,250
Less Financial Other Income	510	(3,550)	(20)	(20)
Add. Other	(1,790)	(3,530)	(9,984)	(11,632)
Op. profit before WC changes	82,350	92,670	1,05,352	1,16,289
Net Changes-WC	(2,140)	(17,670)	(8,382)	(9,239)
Direct tax	(7,250)	(10,040)	(13,742)	(16,165)
Net cash from Op. activities	72,960	64,960	83,228	90,884
Capital expenditures	(20,650)	(25,650)	(15,100)	(24,000)
Interest / Dividend Income	1,960	2,870	(20)	(20)
Others	(2,320)	(15,410)	-	-
Net Cash from Inv. activities	(21,010)	(38,190)	(15,120)	(24,020)
Issue of share cap. / premium	-	-	-	-
Debt changes	73,570	96,840	(25,000)	(25,000)
Dividend paid	(4,580)	(9,220)	(9,218)	(9,218)
Interest paid	(16,550)	(19,410)	(20,750)	(19,250)
Others	(1,19,570)	(87,420)	-	-
Net cash from Fin. activities	(67,130)	(19,210)	(54,968)	(53,468)
Net change in cash	(15,180)	7,560	13,139	13,396
Free Cash Flow	72,960	64,960	83,228	90,884

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	85,150	1,05,670	1,12,970	1,58,610
YoY gr. (%)	8.7	18.2	23.8	24.0
Raw Material Expenses	37,030	52,210	51,540	79,940
Gross Profit	48,120	53,460	61,430	78,670
Margin (%)	56.5	50.6	54.4	49.6
EBITDA	18,630	20,450	26,650	35,920
YoY gr. (%)	9.3	13.1	20.7	26.5
Margin (%)	21.9	19.4	23.6	22.6
Depreciation / Depletion	5,510	5,660	6,000	6,420
EBIT	13,120	14,790	20,650	29,500
Margin (%)	15.4	14.0	18.3	18.6
Net Interest	4,050	3,920	5,210	6,280
Other Income	(2,430)	(340)	(1,590)	(2,680)
Profit before Tax	6,640	10,530	13,850	20,540
Margin (%)	7.8	10.0	12.3	13.0
Total Tax	(1,407)	2,562	1,765	2,952
Effective tax rate (%)	(21.2)	24.3	12.7	14.4
Profit after Tax	8,047	7,968	12,085	17,588
Minority interest	760	1,300	2,290	2,420
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,287	6,668	9,795	15,168
YoY gr. (%)	27.9	4.5	35.0	34.4
Margin (%)	8.6	6.3	8.7	9.6
Extra Ord. Income / (Exp)	(517)	(328)	(435)	(1,378)
Reported PAT	6,770	6,340	9,360	13,790
YoY gr. (%)	22.9	36.9	17.9	29.7
Margin (%)	8.0	6.0	8.3	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,770	6,340	9,360	13,790
Avg. Shares O/s (m)	765	765	765	765
EPS (Rs)	9.5	8.7	12.8	19.8

Source: Company Data, PL Research

Key Financial Metrics

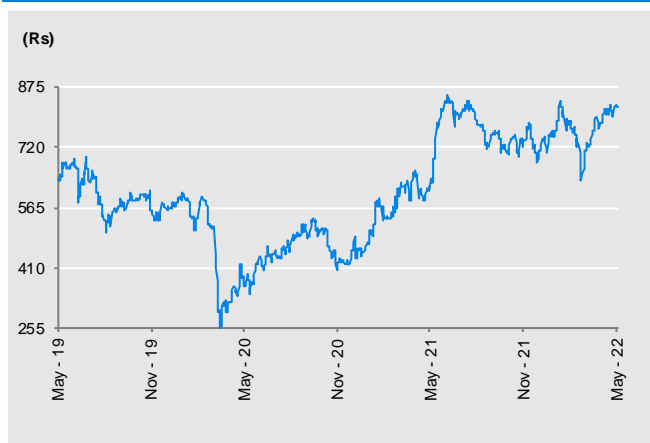
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	40.1	50.9	61.4	71.9
CEPS	68.5	81.7	95.2	108.3
BVPS	234.0	283.3	330.1	387.3
FCF	95.4	84.9	108.8	118.8
DPS	10.0	10.0	10.0	10.0
Return Ratio(%)				
RoCE	13.8	16.4	17.5	19.1
ROIC	12.9	17.0	16.7	18.7
RoE	17.9	19.7	20.0	20.0
Balance Sheet				
Net Debt : Equity (x)	1.2	1.0	0.7	0.5
Net Working Capital (Days)	94	94	92	92
Valuation(x)				
PER	19.4	15.3	12.7	10.8
P/B	3.3	2.7	2.4	2.0
P/CEPS	11.4	9.5	8.2	7.2
EV/EBITDA	9.5	8.0	6.7	5.8
EV/Sales	2.1	1.8	1.5	1.3
Dividend Yield (%)	1.3	1.3	1.3	1.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Revenues	3,86,940	4,62,400	5,10,425	5,51,472
India	46,770	56,900	63,728	70,101
LAAtAM	1,48,630	1,80,400	2,05,656	2,28,278
Europe	64,220	68,900	72,345	75,962
Rest of World	70,410	78,100	82,786	86,925
North America	56,910	78,100	85,910	90,206

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	990	803
2	31-Jan-22	BUY	980	777
3	12-Jan-22	BUY	910	822
4	27-Dec-21	BUY	910	747
5	31-Jul-21	Hold	740	809
6	06-Jul-21	Hold	740	803
7	13-May-21	Hold	740	692

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	5,350	4,823
2	Coromandel International	BUY	960	745
3	Dhanuka Agritech	BUY	870	755
4	Godrej Agrovet	Accumulate	614	526
5	Insecticides India	Hold	680	638
6	P.I. Industries	BUY	3,340	2,858
7	Rallis India	Hold	260	254
8	Sharda Cropchem	BUY	630	664
9	Sumitomo Chemical India	BUY	500	426
10	UPL	BUY	990	803

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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