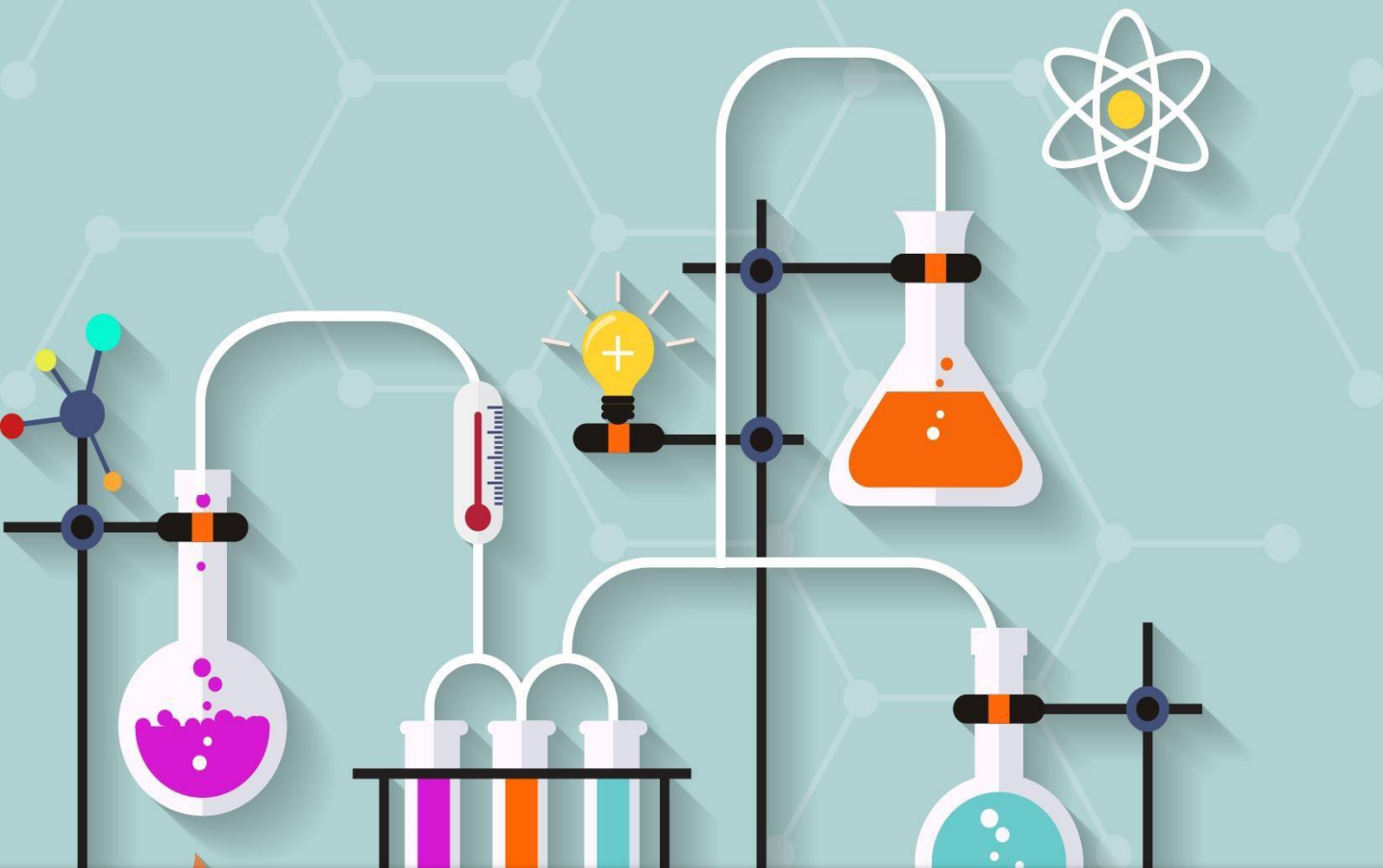


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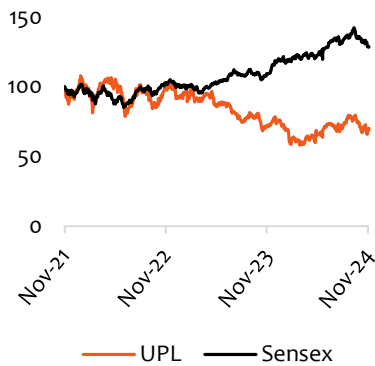
UPL leverages balance sheet will lead to earnings enhancement

CMP INR 546	Target INR 591	Potential Upside 8.3%	Market Cap (INR Mn) 409,456	Recommendation ACCUMULATE	Sector Specialty Chemicals
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MARKET DATA

Shares outs (Mn)	751
Mkt Cap (INR Mn)	409,456
52 Wk H/L (INR)	625/448
Volume Avg (3m K)	2,347
Face Value (INR)	2
Bloomberg Code	UPLL IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	77,579
NIFTY	23,519

SHAREHOLDING PATTERN (%)

Particulars	Sept-24	Jun-24	Mar-24
Promoters	32.5	32.5	32.5
FIIIs	34.2	34.5	33.6
DIIIs	17.7	15.7	15.3
Others	15.6	17.3	18.6
Total	100.0	100.0	100.0

*Based on the previous closing
Note: All the market data is as of previous closing

- UPL has announced a significant investment agreement with Alpha Wave Global, under which Alpha Wave will invest USD 350 Mn in Advanta Enterprises Limited, UPL's subsidiary specializing in the global seeds business.
- The investment includes USD 250 Mn for a secondary share purchase, acquiring 8.93% of Advanta, and USD 100 Mn as a primary investment for fresh equity, representing 3.51%.
- This transaction values Advanta at approximately USD 2.85 Bn and leaves UPL with a 74.70% stake, KKR with 12.86%, and Alpha Wave with 12.44%.
- The primary proceeds will be used to advance Advanta's growth through organic and inorganic initiatives, capitalizing on its superior competitive positioning and robust tailwinds within the global seeds industry.
- **The secondary proceeds will be utilized by UPL to deleverage its balance sheet. The secondary proceeds of USD 250 Mn will be equivalent to INR 21,110 Mn, this will reduce the total debt and save interest cost of about INR 2,977 Mn in FY26E.**
- Consequently, the Adj. EPS will increase to INR 49.2 in FY26E from INR 46.2.
- This marks the second major investment in Advanta, following a USD 300 Mn investment by KKR in CY22, underscoring its strong growth trajectory and potential IPO prospects.
- Advanta, a leader in sustainable agriculture, operates in over 80 countries, delivering innovative seed solutions and focusing on crops like corn, sorghum, sunflower, and rice.
- **UPL plans to raise funds of about INR 42,000 Mn through the way rights issue.** The opening date will be 5th December 2024 with the Rights issue price is of INR 360 per share.
- The company plans to utilize the funds primarily for debt reduction and strategic investments. This will further improve financial prudence of the company.
- Further details are awaited regarding rights issue; therefore, we have not factored in the implications of utilization of funds.

We expect the revenue to grow at 9.1% CAGR and EBITDA to grow at 41.9% CAGR over FY24-FY26E. We increase our FY26E EPS estimates to INR 49.2 (previously: INR 46.2) and increase the PE multiple to 12.0x (previously: 11.4x) as we believe earlier concerns around the interest cost is addressed, better debt profile which will improve the financial health and the company's ability to unlock value in subsidiaries. Therefore, we arrive at a target price of INR 591 (previously: INR 527) and upgrade our rating to "ACCUMULATE" from "HOLD" which will have an upside potential of 8.3%.

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	535,760	430,980	459,086	513,218	573,925
EBITDA	112,830	56,060	83,155	112,908	126,264
Adj. PAT	38,630	(13,610)	1,085	36,927	42,934
Adj. EPS (INR)	51.5	(18.1)	1.4	49.2	57.2
EBITDA Margin	21.1%	13.0%	18.1%	22.0%	22.0%
Adj. NPM	7.2%	-3.2%	0.2%	7.2%	7.5%

Source: Company, DevenChoksey Research

UPL Ltd.

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	535,760	430,980	459,086	513,218	573,925
COGS	272,810	244,940	230,370	251,477	281,223
Gross profit	262,950	186,040	228,716	261,741	292,702
Employee cost	50,560	46,820	50,888	56,454	63,132
Other expenses	99,560	83,160	94,674	92,379	103,307
EBITDA	112,830	56,060	83,155	112,908	126,264
Depreciation	25,470	27,630	28,236	28,272	28,541
EBIT	87,360	28,430	54,918	84,636	97,723
Finance Costs	29,630	38,520	39,423	35,543	35,543
Other Income	4,770	4,830	4,667	4,106	4,591
PBT	49,930	(18,450)	9,344	49,606	58,163
Tax	7,360	(2,090)	1,599	8,929	11,479
PAT	35,700	(12,000)	4,045	36,927	42,934
EPS (INR)	45.8	(17.8)	5.4	49.2	57.2
Adj. PAT	38,630	(13,610)	1,085	36,927	42,934
Adj. EPS	45.8	(17.8)	5.4	49.2	57.2

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	77,510	18,220	57,709	82,393	77,555
CFFI	(14,900)	(24,780)	(28,030)	(28,030)	(28,030)
CFFF	(62,270)	1,640	(46,913)	(64,133)	(43,033)
Net Inc/Dec in cash	1,700	(240)	(17,234)	(9,770)	6,492
Opening Cash	57,970	59,670	59,430	42,196	32,426
Closing Cash	59,670	59,430	42,196	32,426	38,918

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin	21.1%	13.0%	18.1%	22.0%	22.0%
Tax rate (%)	15.9%	11.3%	17.1%	18.0%	19.7%
Adj. Net Profit Margin (%)	7.2%	(3.2%)	0.2%	7.2%	7.5%
RoE (%)	10.1%	(3.7%)	1.3%	10.4%	11.0%
RoCE (%)	15.0%	4.6%	9.0%	13.7%	14.9%
Current Ratio (x)	1.4	1.5	1.5	1.5	1.6
P/E(x)	11.9	(30.6)	101.1	11.1	9.5

Source: Company, DevChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	1,500	1,500	1,500	1,500	1,500
Other Equity	352,790	325,560	321,445	352,632	389,826
Total Equity	354,290	327,060	322,945	354,132	391,326
Non-Current Liabilities					
Long-term borrowings	201,440	240,100	240,100	219,000	219,000
Deferred tax liabilities (Net)	24,620	24,060	24,060	24,060	24,060
Other Non-Current Liabilities	15,050	15,630	12,896	14,417	16,122
Total Non-Current Liabilities	241,110	279,790	277,056	257,477	259,182
Current Liabilities					
Short-term borrowings	28,550	44,280	44,280	44,280	44,280
Trade Paybles	176,140	156,840	138,355	154,668	157,240
Other current liabilities	85,680	67,490	66,862	74,746	83,588
Total Current Liabilities	290,370	268,610	249,497	273,695	285,108
Total Liabilities	531,480	548,400	526,553	531,172	544,290
Non-Current Assets					
Property Plants and Equipments	179,090	176,070	172,437	169,867	167,588
Capital work in progress	11,970	11,060	11,060	11,060	11,060
Other Non-current assets	274,430	295,050	299,244	302,541	305,396
Total Non-Current Assets	465,490	482,180	482,741	483,468	484,044
Current Assets					
Inventories	139,850	127,760	125,777	140,608	157,240
Trade Receivables	182,240	163,540	157,221	182,790	204,412
Cash and Bank	59,670	59,430	42,196	32,426	38,918
Oher current assets	38,120	42,260	41,273	45,722	50,712
Total Current Assets	419,880	392,990	366,467	401,546	451,282
Total Assets	885,770	875,460	849,498	885,304	935,616

UPL Ltd.

UPL Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
21-Nov-24	546	591	ACCUMULATE
12-Nov-24	515	527	HOLD
06-Aug-24	529	534	HOLD
22-May-24	512	534	HOLD
06-Feb-24	482	487	HOLD
15-Nov-23	554	600	ACCUMULATE
01-Aug-23	620	684	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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