

Retail Equity Research

UPL Limited

Chemicals

BSE CODE: 512070

NSE CODE: UPL

Bloomberg CODE: UPLL:IN

SENSEX: 80,905

ACCUMULATE

12 Months Investment Period Rating as per Mid Cap
CMP Rs. 568 TARGET Rs. 640 RETURN 13% ↑
(Closing: 21-08-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Stable performance, opportunities emerging

UPL Ltd is a global agriculture solutions company engaged in the agrochemicals and industrial chemicals business with manufacturing sites globally. Through recent expansion, the company has become a leader in global food systems as well.

- In Q1FY25, UPL's consolidated revenue grew 1.2% YoY to Rs. 9,067cr, primarily driven by higher sales volumes (+16.0% YoY), offset by decline in prices (-14.0% YoY).
- EBITDA declined 28.0% YoY to Rs. 1,146cr and margin fell 520bps YoY to 12.6% due to higher cost of materials consumed (+15.0% YoY).
- The company had a muted Q1 earnings result as price realisations deteriorated. Volume expansion, recovering demand, and launching new products should support the company's revenue improvements in the long run. Liquidation of high-cost inventory and stabilisation of agrochemical prices are expected to aid the company's bottom line. Hence, we upgrade our rating on the stock to ACCUMULATE with a revised target price of Rs. 640 based on 15.5x FY26E adjusted EPS.

Revenue inches up, fueled by a notable expansion in volume

In Q1FY25, UPL's consolidated revenue increased marginally by 1.2% YoY to Rs. 9,067cr driven by a 16.0% YoY rise in sales volumes, offset by a 14.0% YoY decline in prices and an unfavourable 1.0% impact of foreign exchange fluctuations. Geographically, the company experienced strong volume growth across various regions. Notably, North America saw a significant 42.0% YoY revenue increase to Rs. 1,235cr, led by robust growth in herbicides and fungicides. Europe reported 13.0% YoY growth to Rs. 1,425cr, driven by expansion in Mediterranean countries and fungicide volumes. The Rest of the World segment witnessed modest 3% YoY growth to Rs. 1,876cr. However, Latin America experienced a 10.0% YoY decline to Rs. 2,659cr, due to price declines and drought conditions in Colombia. Revenue from India also declined 9.0% YoY to Rs. 1,872cr.

Key concall highlights

- UPL maintained its FY25 guidance, expecting EBITDA growth of over 50% and cash flow from operations of USD 300-400mn, which should help reduce interest costs and drive return to profitability.
- It anticipated FY25 revenue growth to be in the range of 4% to 8%, primarily driven by an increase in sales volumes.
- It remained committed to expanding its product portfolio, with a robust pipeline poised to deliver revenue of USD 85mn from newly introduced products in FY25.

Pricing and cost pressures erode margins

EBITDA decreased 28.0% YoY to Rs. 1,146cr, with margins declining 520bps YoY to 12.6% primarily driven by an increase in cost of sales, higher employee and trade expenses, price declines, and partial liquidation of high-cost inventory. Consequently, UPL reported a net loss of Rs. 527cr due to a significant increase in interest costs.

Valuation

UPL's quarterly performance was muted due to declining prices, which offset the growth in volumes. However, the company is optimistic about its prospects, driven by increasing volumes, new product launches, and a rebound in demand for crop protection products. Additionally, margins are expected to recover as high-cost inventory is liquidated, agrochemical prices stabilise, and cost-saving initiatives take effect. Therefore, we upgrade our rating on the stock to ACCUMULATE, with a revised target price of Rs. 640, based on 15.5x FY26E adjusted EPS.

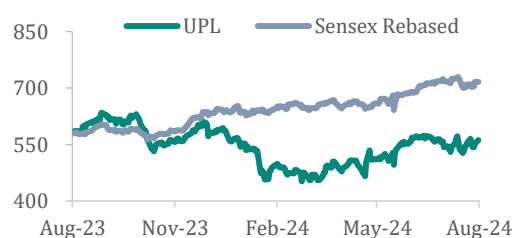
Company Data

Market Cap (cr)	Rs. 43,417
Enterprise Value (cr)	Rs. 68,879
Outstanding Shares (cr)	75.0
Free Float	67.0%
Dividend Yield	0.2%
52 week high	Rs. 639
52 week low	Rs. 448
6m average volume (lacs)	40.4
Beta	1.2
Face value	Rs. 2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	32.5	32.5	32.5
FII's	37.7	37.0	37.8
MFs/Insti	16.8	15.3	15.7
Public	11.4	13.2	12.2
Others	1.6	2.0	1.7
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	10.7%	13.5%	-2.2%
Absolute Sensex	9.2%	10.6%	24.4%
Relative Return*	1.5%	2.9%	-26.6%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	43,098	46,092	49,930
Growth (%)	(19.6)	6.9	8.3
EBITDA	5,515	8,351	9,884
EBITDA Margin (%)	12.8	18.1	19.8
Adj. PAT	(948)	1,567	3,098
Growth (%)	n.m.	n.m.	99.9
Adj. EPS	(12.6)	20.9	41.3
Growth (%)	n.m.	n.m.	99.9
P/E	n.m.	27.1	13.7
P/B	1.2	1.5	1.4
EV/EBITDA	11.4	8.2	6.9
ROE (%)	(6.8)	6.0	11.2
D/E	0.9	0.8	0.8

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	9,067	8,963	1.2	14,078	(35.6)
EBITDA	1,146	1,592	(28.0)	1,932	(40.7)
EBITDA margins	12.6	17.8	(520bps)	13.7	(110bps)
Depreciation	660	636	3.8	794	(16.9)
EBIT	486	956	(49.2)	1,138	(57.3)
Interest	913	700	30.4	1,090	(16.2)
Other Income	53	(218)	n.m.	42	26.2
Exceptional Items	(49)	(43)	(14.0)	(105)	53.3
Share of profit from Associate	(32)	45	n.m.	(57)	(171.1)
PBT	(455)	(62)	633.9	30	n.m.
Tax	72	(164)	n.m.	110	(34.5)
Reported PAT	(527)	102	n.m.	(80)	(558.8)
Minority Interest	(143)	(64)	(123.4)	(120)	(19.2)
PAT att. to shareholders	(384)	166	n.m.	40	n.m.
Adjustments	49	43	14.0	105	(53.3)
Adj. PAT	(335)	209	n.m.	145	n.m.
No. of shares	75.0	75.0	-	75.0	-
Adj. EPS (Rs.)	(4.5)	2.8	n.m.	1.9	n.m.

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	46,503	50,376	46,092	49,930	(0.9)	(0.9)
EBITDA	8,415	10,011	8,351	9,884	(0.8)	(1.3)
Margins (%)	18.1	19.9	18.1	19.8	0bps	(10bps)
Adj. PAT	1,764	3,086	1,567	3,098	(11.2)	0.4
Adj. EPS	23.5	41.1	20.9	41.3	(11.1)	0.5

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	46,240	53,576	43,098	46,092	49,930
% change	19.5	15.9	(19.6)	6.9	8.3
EBITDA	10,165	11,160	5,515	8,351	9,884
% change	18.8	9.8	(50.6)	51.4	18.4
Depreciation	2,359	2,547	2,763	2,839	2,871
EBIT	7,806	8,613	2,752	5,512	7,013
Interest	2,295	2,963	3,852	3,537	2,807
Other Income / costs	(545)	(500)	(987)	148	40
PBT	4,966	5,150	(2,087)	2,124	4,245
% change	18.8	3.7	n.m.	n.m.	99.9
Tax	529	736	(209)	382	764
Tax Rate (%)	10.7	14.3	n.m.	18.0	18.0
Reported PAT	4,437	4,414	(1,878)	1,741	3,481
PAT att. to common shareholders	3,626	3,570	(1,200)	1,567	3,098
Adj*	324	170	252	-	-
Adj PAT	3,950	3,740	(948)	1,567	3,098
% change	27.5	(3.7)	n.m.	n.m.	99.9
No. of shares (cr)	79.0	78.0	75.0	75.0	75.0
Adj EPS (Rs.)	50.0	48.0	(12.6)	20.9	41.3
% change	23.3	(2.4)	n.m.	n.m.	99.9
DPS (Rs.)	10.0	10.0	1.0	5.7	11.4

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	6,796	6,961	885	4,580	6,352
Non-cash adj.	2,460	3,677	857	874	(1,006)
Changes in W.C	(2,760)	(2,887)	80	(806)	(1,038)
C.F. Operation	6,496	7,751	1,822	4,648	4,308
Capital exp.	(2,565)	(2,289)	(1,954)	(1,884)	(2,028)
Change in inv.	(433)	432	(970)	(100)	(100)
Other invest.CF	(821)	367	446	(50)	(50)
C.F - Investment	(3,819)	(1,490)	(2,478)	(2,034)	(2,178)
Issue of equity	-	705	-	-	-
Issue/repay debt	1,306	(4,595)	4,805	(997)	(598)
Dividends paid	(922)	(750)	(749)	(431)	(852)
Other finance.CF	(2,305)	(1,587)	(3,892)	0	(0)
C.F - Finance	(1,921)	(6,227)	164	(1,428)	(1,450)
Chg. in cash	756	34	(492)	1,187	680
Closing cash	6,120	6,097	6,036	7,223	7,903

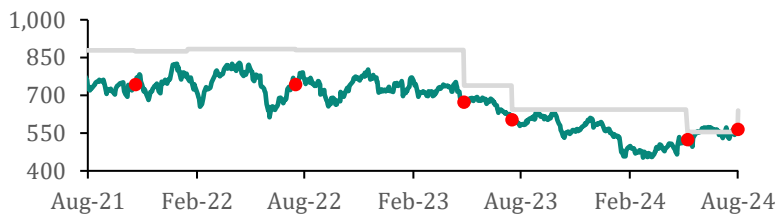
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	6,120	6,097	6,036	7,223	7,903
Accounts Receivable	15,328	18,224	16,354	17,284	18,624
Inventories	13,078	13,985	12,776	12,368	12,883
Other Cur. Assets	5,202	3,722	4,162	3,543	3,325
Investments	1,082	1,569	1,893	2,117	2,353
Gross Fixed Assets	15,612	17,901	19,855	21,739	23,767
Net Fixed Assets	7,286	8,164	8,443	6,822	5,270
CWIP	1,184	1,197	1,106	1,128	1,151
Intangible Assets	29,432	32,170	32,472	33,116	33,802
Def. Tax (Net)	2,076	2,661	3,595	2,293	3,056
Other Assets	1,891	788	709	659	609
Total Assets	82,679	88,577	87,546	86,552	88,976
Current Liabilities	23,935	26,182	22,433	21,041	21,341
Provisions	52	217	386	425	467
Debt Funds	26,909	24,287	29,615	28,568	27,920
Other Liabilities	2,475	2,462	2,406	2,502	2,602
Equity Capital	153	150	150	150	150
Reserves & Surplus	24,508	29,694	27,643	28,779	31,025
Shareholder's Fund	24,661	29,844	27,793	28,929	31,175
Minority Interest	4,647	5,585	4,913	5,087	5,470
Total Liabilities	82,679	88,577	87,546	86,552	88,976
BVPS (Rs.)	312	383	371	386	416

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	22.0	20.8	12.8	18.1	19.8
EBIT margin (%)	16.9	16.1	6.4	12.0	14.0
Net profit mgn.(%)	9.6	8.2	(4.4)	3.8	7.0
ROE (%)	18.0	14.8	(6.8)	6.0	11.2
ROCE (%)	13.9	14.4	4.4	8.8	10.9
W.C & Liquidity					
Receivables (days)	121.0	124.2	138.5	136.9	136.1
Inventory (days)	216.3	187.1	190.4	189.1	187.6
Payables (days)	273.7	235.7	233.7	235.4	236.2
Current ratio (x)	1.4	1.4	1.5	1.6	1.7
Quick ratio (x)	0.8	0.8	0.8	1.0	1.0
Turnover & Leverage					
Gross asset T.O (x)	3.2	3.2	2.3	2.2	2.2
Total asset T.O (x)	0.6	0.6	0.5	0.5	0.6
Int. coverage ratio (x)	3.4	2.9	0.7	1.6	2.5
Adj. debt/equity (x)	0.9	0.7	0.9	0.8	0.8
Valuation					
EV/Sales (x)	1.9	1.5	1.5	1.5	1.4
EV/EBITDA (x)	8.5	7.1	11.4	8.2	6.9
P/E (x)	15.5	15.0	n.m.	27.1	13.7
P/BV (x)	2.5	1.9	1.2	1.5	1.4

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
17-May-21	BUY	879
8-Nov-21	BUY	875
3-Feb-22	BUY	884
5-Aug-22	BUY	880
16-May-23	HOLD	739
5-Aug-23	HOLD	643
27-May-24	HOLD	555
21-Aug-24	ACCUMULATE	640

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock. To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

DISCLAIMER & DISCLOSURES

Certification: I, ANIL R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd (P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, ANIL R, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing. Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances:** **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

