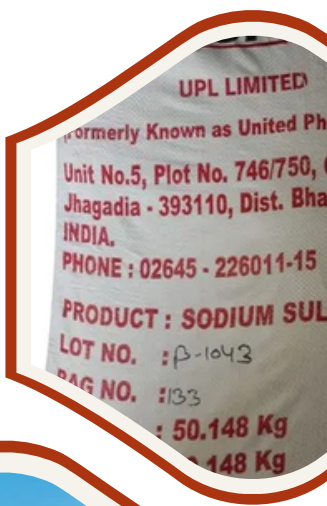


# RESEARCH REPORT

UPL LTD



**PREPARED BY:**  
PRATEEK ACHARYA  
EQUITY RESEARCH ANALYST

# About

UPL is principally engaged in the business of agrochemicals, industrial chemicals, chemical intermediates, speciality chemicals and production and sale of field crops and vegetable seeds.

## Revenue Breakup

Crop Protection- 84%

Seed Business-11%

Non- Agro- 6%

## Synopsis of Financials

- Revenue for the last year stood at INR 43,098 crores, showing a 20% decline.
- EBITDA was INR 5,500 crores, down by 51%.
- Debt increased by \$600 million and working capital increased by 22 days.
- Net debt increased to \$2.66 billion.
- Net loss reported for the year was INR 1,200 crores.

## Stock data (as 22nd Oct 2024)

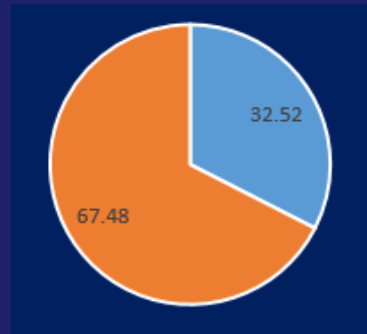
Nifty Price : 24,175.30  
52 week High (in Rs.) : 600  
52 week Low (in Rs.) : 430  
Market Cap. (in Crore) : ₹ 45,046 Cr.  
NSE Code : UPL

### Stock data



-NIFTY50  
-UPL

## Shareholding Pattern (March 2024)



-PUBLIC GROUP  
-PROMOTER GROUP

## Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	46,240	53,576	43,098
Sales Growth %	19.50%	15.87%	-19.56%
Expenses	36,711	43,380	38,801
Operating Profit	9,529	10,196	4,297
OPM %	21%	19%	10%
Net Profit	4,437	4,414	-1,878
EPS in Rs	42.18	42.28	-14.21

# Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	12,507	13,679	16,569	8,963	10,170	9,887	14,078
Expenses	10,090	10,795	13,847	7,747	9,049	9,820	12,230
Operating Profit	2,417	2,884	2,722	1,216	1,121	67	1,848
OPM %	19%	21%	16%	14%	11%	1%	13%
Other Income	35	129	302	58	18	134	66
Interest	644	894	906	700	871	1,191	1,090
Depreciation	608	624	727	636	657	676	794
Profit before tax	1,200	1,495	1,391	-62	-389	-1,666	30
Tax %	19%	9%	22%	-265%	-25%	-4%	367%
Net Profit	969	1,360	1,080	102	-293	-1,607	-80

Source: Screener

## Key Ratios

Particulars	FY 2024	FY 2023
EBITDA Margin	12.8%	20.9%
EBITDA/Net Interest	1.8x	3.8x
Net Profit Margin	-2.8%	6.7%
Net Debt-Equity Ratio	0.9x	0.6x
Net Debt/EBITDA	3.99x	1.51x
Return on Capital Employed	3.2%	15.3%
Earnings per share	- 17.80	45.79

Source: Annual Report

# Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	153	150	150
Reserves	24,508	26,708	24,657
Borrowings	26,746	23,939	29,754
Other Liabilities	29,196	35,318	30,579
Total Liabilities	80,603	86,115	85,140
Fixed Assets	36,193	38,713	39,056
CWIP	2,501	2,818	2,965
Investments	1,922	1,615	2,154
Other Assets	39,987	42,969	40,965
Total Assets	80,603	86,115	85,140

# Synopsis Quarter Results

## Key Highlights

### Strategic Direction:

- Focus on profitable business and improving working capital.
- Growth focus on platforms such as Advanta, Specialty Chemicals, India Crop Protection, and UPL Corporation.
- Deleverage the business and unlock value from various platforms.
- Focus on improving cash flows.
- Reimagining sustainability with various initiatives like Zeba platform for water reduction and Pronutiva platform for soil health.

### UPL Corporation:

- Expecting Brazilian and U.S. markets to recover.
- Focus on launching new technologies and improving brand presence.
- Strong performance in Latin America, Mexico, and Argentina.
- Challenges faced in North America and Europe due to pricing pressures.
- Strong performance in the rest of the world region, especially in China and Africa.

### Advanta Enterprises:

- Robust 34% growth in revenue and 38% growth in EBITDA for Q4.
- Leading in corn seed platforms in India.
- Focusing on biofuels and gaining market share in related areas.
- Strong performance in the seed business.

### UPL SAS:

- Challenging year due to erratic weather affecting cotton, summer pulses, and Rabi crops.
- Decline in revenue by 34%.
- Focus on improving the product mix and working capital optimization.
- Significant reduction in SG&A costs.
- Positive cash generation of INR 1,000 crores in FY24.

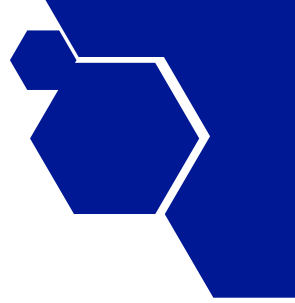
### Future Plans:

- Launching six major products in FY25 targeting rice, vegetable, maize, and sugarcane.
- Healthy innovation rate of 25% expected to continue.
- Realigning business priorities for the future.
- Focus on realigning sales closer to the season for better working capital management.

### Advanta Performance:

- Revenue growth of 34% in Q4, driven by volume growth in canola, corn, sorghum, and vegetables.
- EBITDA grew by 38%, with contribution margin dropping due to higher production costs and change in crop mix.
- Expenditure on fixed overheads and R&D increased in line with expectations, leading to a 38% growth in EBITDA margins.
- Strong traction in field corn, sunflower, canola, and sorghum verticals.
- CAGR of 21% in top line growth from FY22 to FY24.
- Gross margin improved from 56% to 57%, with overheads in line with contribution growth.
- Focus on growing non-captive business aggressively over the next few years leveraging scale and vertical integration.
- Expecting improvement in margins and aggressive growth in non-captive business.

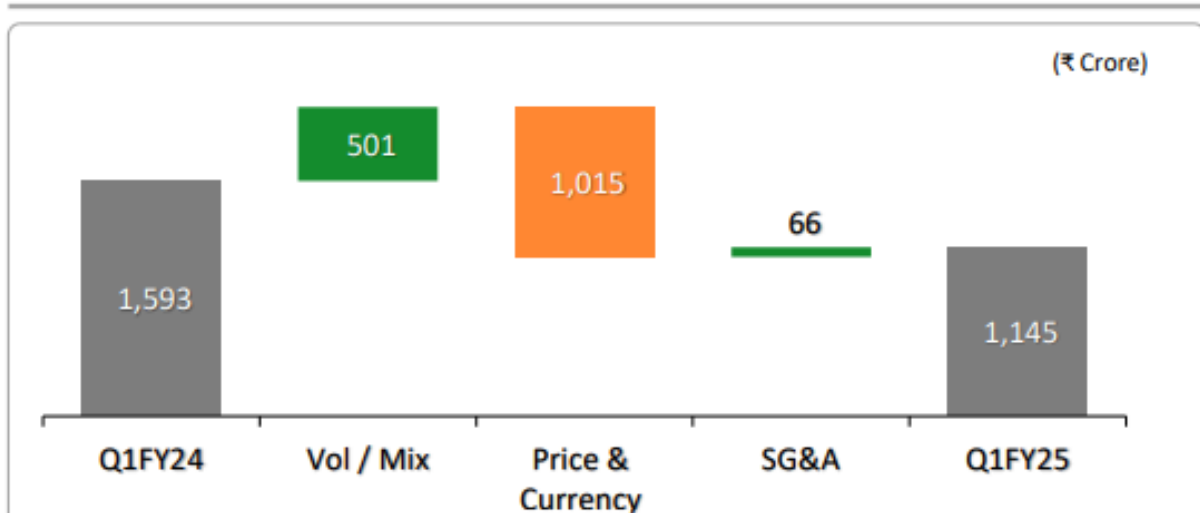
# Revenue Highlights



## Revenue Variance – Q1FY25 vs. Q1FY24



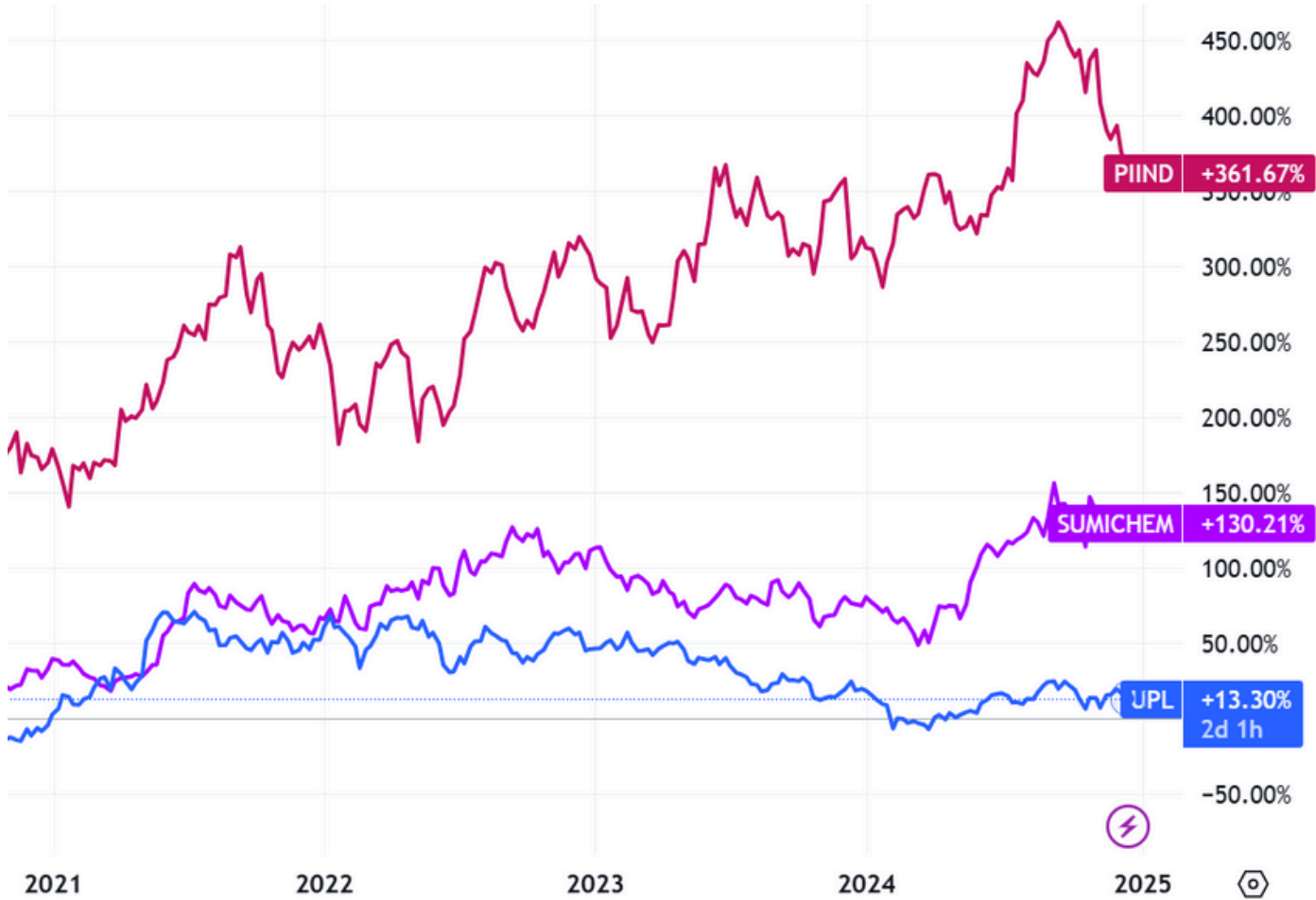
## EBITDA Variance – Q1FY25 vs. Q1FY24



# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	PI Industries	3879.20	33.19	58854.50	0.39	508.20	5.76	2221.00	4.92	24.00
2.	UPL	533.45		45046.29	0.19	-585.00	-152.09	11090.00	9.05	3.29
3.	Sumitomo Chemi.	531.00	54.79	26504.62	0.17	190.84	32.82	971.35	7.51	20.83

Source: Screener

# Final Outlook

UPL: BUY | LTP: 531.70

## Risks:

**High Debt:** A significant debt burden could constrain financial flexibility, especially in a high-interest rate environment.

**Profitability Pressure:** Margins have been shrinking due to fluctuating raw material costs and global macroeconomic challenges.

**Valuation Concerns:** A P/E ratio of 28.1 suggests overvaluation compared to peers, despite operational headwinds.

## Support and Resistance Levels:

**Immediate Resistance:** Around ₹560–₹570. This area aligns with previous price action and is marked as a horizontal resistance zone. A breakout above this level could lead to a move toward the ₹590–₹600 zone.

**Strong Resistance:** The ₹620–₹630 area represents a key zone where the stock faced rejections in the past, visible at the top of the chart.

**Immediate Support:** The ₹530–₹540 level (aligned with the 20-EMA and 9-EMA) is acting as a short-term support zone.

**Key Support:** Around ₹498, which aligns with the recent swing low.

## What to Watch:

A breakout above ₹570 with strong volume could push the stock toward ₹590–₹600 in the near term.

A failure to hold ₹530 could trigger further downside, potentially retesting ₹498.

UPL is a strong player in the agrochemical sector with global operations and a focus on sustainable products. However, its high debt levels and declining profitability raise red flags. The stock appears overvalued relative to its fundamentals, and any investment would need careful monitoring of its debt reduction strategies and margin recovery.

I will give **sell** recommendation for this stock

**Disclaimer:** The information provided on this blog is for general informational purposes only and is not intended as financial advice. While we aim to provide accurate information, please conduct your own research before making any investment decisions. This content is for informational purposes only and should not be construed as financial advice. Always consult with a financial advisor before investing.

This blog may contain links to external websites for your convenience. We do not endorse the content or views expressed in these external sites and are not responsible for their accuracy or reliability.

By using this blog, you acknowledge that you have read and understood this disclaimer and agree to its terms.