

# Research Report

## UPL Limited



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# 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. UPL is a leading provider of agricultural solutions and services, with 14,000+ product registrations, a presence in ~140 countries, access to 90% of the world's food basket.

## Products

The products include Crop Protection Chemicals like Insecticides, Fungicides, Herbicides etc. also Seeds, Biosolutions. It is a 5th largest Agrochemical company globally with 43 manufacturing facilities across the globe.

## Speciality Chemicals

Company through its subsidiary UPL Speciality Chemicals, supplies high-quality agro chemical active ingredients and specialty chemicals to the UPL Group companies and 600+ other external B2B clients.

## Synopsis of Financials

- Sales has increased due to increase in sale of agri products.
- Moreover, Revenue has increased from export incentives.
- Majorly Profit of the company is increased due to increase in royalty income.

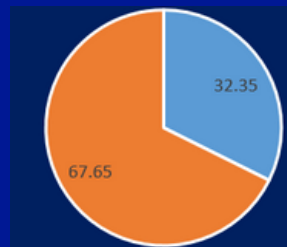
## Stock data (as on 6th June 2024)

Nifty Price	: 22,858.65
52 week High (in Rs.)	: 699
52 week Low (in Rs.)	: 448
Market Cap. (in Crore)	: 39,632Cr.
NSE Code	: UPL

## Stock data (2020-2024)



## Shareholding Pattern (March 2024)



## Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	43,098	53,576	46,240
Sales Growth %	-19.56%	15.87%	19.50%
Operating Profit	4,297	10,196	9,529
OPM %	10%	19%	21%
Profit before tax	-2,087	5,150	4,966
YOY Growth	86%	-38%	-
EPS in Rs	-15.99	47.56	47.46

# Synopsis Quater Results

## Con-Call Q4FY24: Key Highlights

### Financial Performance:

- 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.

### 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.

### 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.

### Profitable Growth:

- Focus on regaining volumes in flagship products Flonicamide and Glufosinate.
- Expecting higher contribution from recent launches and volume growth from new launches.
- Aim to increase differentiated and sustainable share from 25% to 35%.
- Continuous push on SG&A rationalization for efficiency improvement.
- Lowering working capital and realigning sales closer to the season.
- Rationalizing credit terms, scaling up channel financing, and improving inventory controls for cash generation.

# Quarterly Results

Particular	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec2023	Mar2024
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

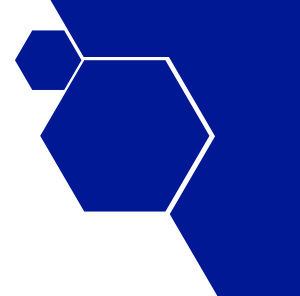
Source: Screener

## Key Ratios

Ratios	March 31, 2023	March 31, 2022	Variance in %
Net Worth (₹ in Crores)	7,068	8,201	-14%
Debenture Redemption Reserve (₹ in Crores)	-	140	-100%
Debt-Equity ratio (times) [Total Debt/Equity]	0.08	0.20	-61%
Long term Debt to Working Capital (times) [(Non-Current Borrowings + Current Maturities of Long Term Debts)/ Net Working Capital excluding Current Borrowings]	0.00	0.05	-100%
Total Debts to Total Assets ratio (%) [(Short term debt + Long term debt)/Total Assets]	3.15	8.48	-63%
Debt Service Coverage ratio (times) [(Profit before Interest, Tax and Exceptional Items)/(Interest Expense + Principal Repayments made during the period for long term debts)]	4.51	3.69	22%
Interest Service Coverage ratio (times) (Profit before Interest, Tax and Exceptional Items)/(Interest Expense)	7.69	13.64	-44%
Current ratio (times) (Current Assets/Current Liabilities excluding Current Borrowings)	1.14	1.37	-17%
Bad debts to Account receivable ratio (%) [Bad Debts/Average Trade Receivable]	0%	0%	0%
Current liability ratio (%) (Current Liabilities excluding Current Borrowings / Total Liabilities)	75.25	73.37	3%
Debtors Turnover (times) [(Sales of Products /Average Trade Receivable)]- Annualised	2.94	3.02	-3%
Inventory Turnover (times) [(Sales of Products /Average inventory)]- Annualised	5.62	5.54	1%
Operating Margin (%) [(Profit before Interest and Tax - Other Income) /Revenue from operations]	7.03	6.16	14%
Return on equity ratio (Profit For The Year /Total Equity)%	13.79	14.34	-4%
Trade payables turnover ratio (Net Credit Purchases / Average Accounts Payable)	1.74	1.65	6%

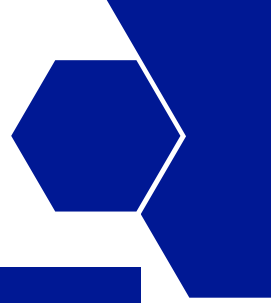
Source: Annual Report

# Yearly Results

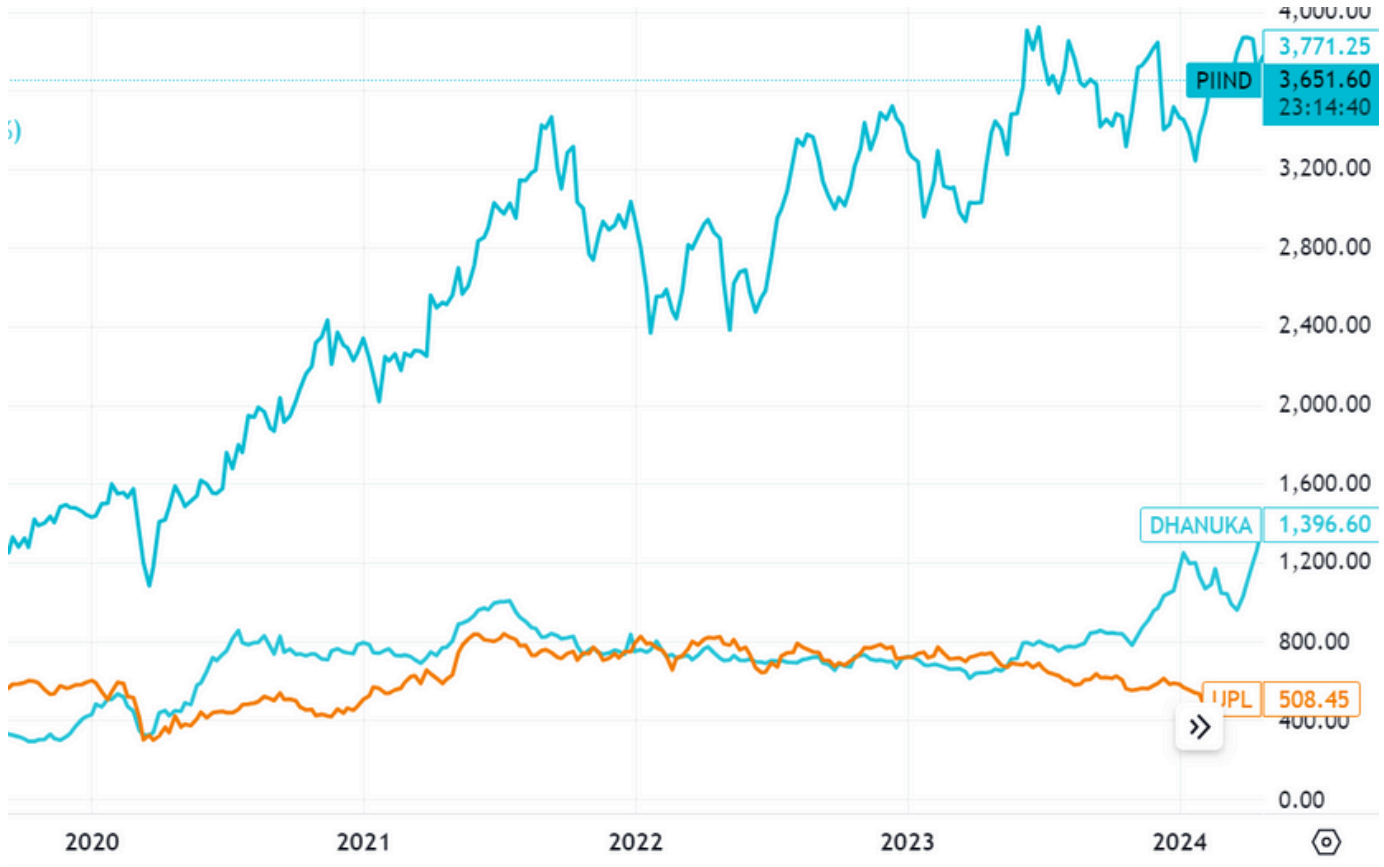


Particulars	Mar 2024	Mar 2023	Mar 2022
Equity Capital	150	150	153
Reserves	27,643	29,694	24,508
Borrowings	29,754	23,985	26,746
Other Liabilities	29,999	32,286	29,196
Total Liabilities	87,546	86,115	80,603
Fixed Assets	40,915	38,713	36,193
CWIP	1,106	2,818	2,501
Investments	2,154	1,624	1,922
Other Assets	43,371	42,960	39,987
Total Assets	87,546	86,115	80,603

# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

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 %
PI Industries	3646.00	32.91	55316.42	0.27	369.50	31.68	1741.00	11.20	23.81
UPL	534.45		40116.18	1.83	-80.00	-118.38	14078.00	-15.03	3.31
Sumitomo Chemi.	480.35	64.79	23976.49	0.25	109.28	50.79	664.37	1.96	20.83
Dhanuka Agritech	1370.00	26.12	6244.24	1.02	59.02	-9.62	368.31	-0.79	27.07
Rallis India	266.50	35.01	5182.61	0.94	-21.00	69.57	436.00	-16.63	11.20

Source: Screener

# Final Outlook

UPL: Buy | LTP: 528

UPL Ltd. is a leading agrochemical company focused on strengthening its financial position. The company is facing challenges such as a low interest coverage ratio. It announced a right issue of up to Rs 4200 Cr in December 2023 to reduce debt. UPL expects improved performance in the next two quarters and anticipates normalized business performance from the second quarter of fiscal 2025. With a healthy dividend payout of 22.9% and a median sales growth of 16.1% over the last 10 years, UPL has shown its ability to generate consistent revenue and growth in EBITDA. Additionally, UPL SAS has outperformed the broader market with a remarkable revenue CAGR of 18% over the past four years. UPL's strategic initiatives, including debt reduction, position it as a strong long-term investment option and one of the largest agrochemical players globally. Focus on profitable business and improving working capital. Growth focus on platforms such as Advanta, Specialty Chemicals, India Crop Protection, and UPL Corporation. So there is a buyin reccomedation on it.