

BSE SENSEX	S&P CNX
36,583	10,912
Bloomberg	UPLL IN
Equity Shares (m)	505
M.Cap.(INRb)/(USD\$b)	392.3 / 5.5
52-Week Range (INR)	800 / 538
1, 6, 12 Rel. Per (%)	-1/22/1
Avg Val, INRm	1472
Free float (%)	72.1

Financials & Valuations (INR b)

Y/E Mar	2019E	2020E	2021E
Net Sales	198.3	361.6	395.2
EBITDA	41.4	75.7	94.5
PAT	23.1	24.4	37.0
EPS (INR)	45.2	47.8	72.6
Gr. (%)	3.3	5.7	51.7
BV/Sh (INR)	213.2	255.2	304.7
RoE (%)	23.1	20.6	26.2
RoCE (%)	18.6	15.8	14.8
P/E (x)	17.0	16.1	10.6
P/BV (x)	3.6	3.0	2.5

Estimate change



TP change



Rating change


CMP: INR770
TP: INR943(+22%)
Buy
A quarter of holistic growth
Cheers across geographies barring India

- Largely in-line result; operational performance improves:** Revenue increased 17.3% YoY to INR49.2b (our estimate: INR47.7b) in 3QFY19, driven by volume growth of 6% YoY and price growth of 7% YoY. EBITDA increased 22.6% YoY to INR10,160m (our estimate: INR9,633m), with the margin expanding 90bp YoY to 20.6% (our estimate: 20.2%). Adj. PAT was flattish YoY at INR6,340m (our estimate: INR6,669m). For 9MFY19, revenue grew 14% YoY to INR133,120m, EBITDA increased 18% YoY (margin up 60bp YoY to 20.3%) and adj. PAT grew 6% YoY to INR15,510m.
- All-round growth barring India:** Growth was robust across key geographies (+36.6% YoY in Europe, +26.5% YoY in LATAM, +21.5% YoY in North America and +12.7% YoY in RoW), barring India (-20.8% YoY), where poor Kharif yield and erratic rainfall resulted in stressed cash flow for farmers. UPLL also faced restriction on the sale of organophosphorus products in a few states in India, which impacted the top line (to the tune of INR300-400m on an annualized basis). UPLL's performance in Europe has been a highlight, with the geography growing at 15.4% YoY in 9MFY19 against an estimated industry decline of 10% in CY18.
- Valuation view:** We maintain our estimates (revenue/PAT CAGR of 32%/18% over FY18-21), factoring in the financials of Arysta in FY20E and FY21E. We roll over the target price to FY21E EPS, valuing UPLL at 13x (~15% discount to its three-year average trading multiple, primarily due to the expectedly high leverage in the balance sheet post Arysta acquisition). We believe the all-round performance will sustain and the set-back in the Indian market is temporary. Our TP of INR943 implies a 22% upside. **Buy.**

Cons.: Quarterly Earning Model

Y/E March	FY18				FY19				FY18		FY19E		Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	3QE	3QE			
Net Sales	37,230	37,700	41,940	56,910	41,340	42,570	49,210	65,182	173,780	198,302	47,688	3	
YoY Change (%)	6.1	6.5	7.0	6.5	11.0	12.9	17.3	14.5	6.5	14.1	13.7		
Total Expenditure	29,730	30,510	33,650	44,730	32,870	34,180	39,050	50,767	138,620	156,867	38,055		
EBITDA	7,500	7,190	8,290	12,180	8,470	8,390	10,160	14,415	35,160	41,435	9,633	5	
Margins (%)	20.1	19.1	19.8	21.4	20.5	19.7	20.6	22.1	20.2	20.9	20.2		
Depreciation	1,580	1,650	1,690	1,840	1,750	1,810	1,820	2,119	6,760	7,499	1,825		
Interest	800	1,820	1,110	4,100	1,750	1,810	2,020	2,884	7,830	8,464	1,120		
Other Income	1,010	760	1,190	1,180	1,230	320	370	380	4,140	2,300	1,210		
Exch. difference on trade rec./payable	590	420	1,130	-2,030	500	520	780	0	110	1,800	0		
PBT before EO expense	5,540	4,060	5,550	9,450	5,700	4,570	5,910	9,792	24,600	25,972	7,898	-25	
Extra-Ord expense	190	310	70	60	40	570	910	0	630	1,520	0		
PBT	5,350	3,750	5,480	9,390	5,660	4,000	5,000	9,792	23,970	24,452	7,898	-37	
Tax	480	750	-140	1,660	520	1,160	280	1,952	2,750	3,912	1,264		
Rate (%)	9.0	20.0	-2.6	17.7	9.2	29.0	5.6	19.9	11.5	16.0	16.0		
MI & P/L of Asso. Cos.	140	630	-120	370	40	140	110	290	1,020	580	-35		
Reported PAT	4,730	2,370	5,740	7,360	5,100	2,700	4,610	7,551	20,200	19,961	6,669	-31	
Adj PAT	5,010	3,320	6,320	7,650	5,590	3,580	6,340	7,551	22,300	23,061	6,669	-5	
YoY Change (%)	19.9	-7.4	28.6	-9.5	11.6	7.8	0.3	-1.3	5.5	3.4	5.5		
Margins (%)	13.5	8.8	15.1	13.4	13.5	8.4	12.9	11.6	12.8	11.6	14.0		

E: MOSL Estimates

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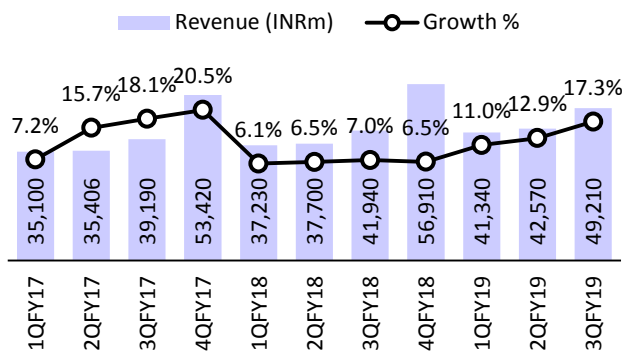
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Largely in-line, operational performance improves

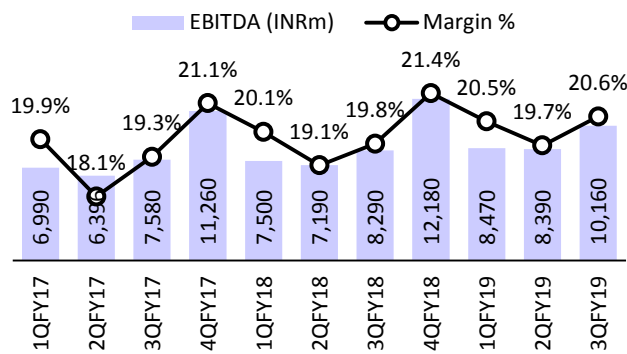
- Revenue increased 17.3% YoY to INR49.2b (our estimate: INR47.7b) in 3QFY19.
- EBITDA margin expanded 90bp YoY to 20.6% (our estimate: 20.2%), led by a decline in raw material cost (-30bp to 45.2% of net sales) and other expenses (-70bp to 23.9%), partly offset by higher employee expenses (+10bp to 10.2%).
- EBITDA increased 22.6% YoY to INR10,160m (our estimate: INR9,633m).
- Adj. PAT was flattish at INR6,340m (our estimate: INR6,669m), as growth was contained by a higher tax rate (5.6% v/s -2.6% in 3QFY18), interest cost (INR2,020m v/s INR1,110m in 3QFY18) and lower other income (INR370m v/s INR1,190m in 3QFY18). PAT is adjusted for exceptional items, forex gain/loss stated in finance cost and exchange difference on trade receivable and payable.
- Exceptional item of INR910m includes cost related to the Arysta acquisition, certain litigation cost in the US, and LATAM restructuring expenses.
- In 9MFY19, revenue grew 14% YoY to INR133,120m, EBITDA increased 18% YoY (margin up 60bp YoY to 20.3%) and adj. PAT grew by 6% YoY to INR15,510m.

Exhibit 1: Quarterly revenue trend



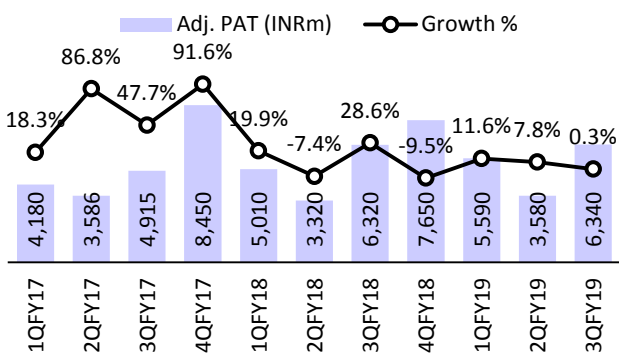
Source: Company, MOSL

Exhibit 2: Quarterly EBITDA trend



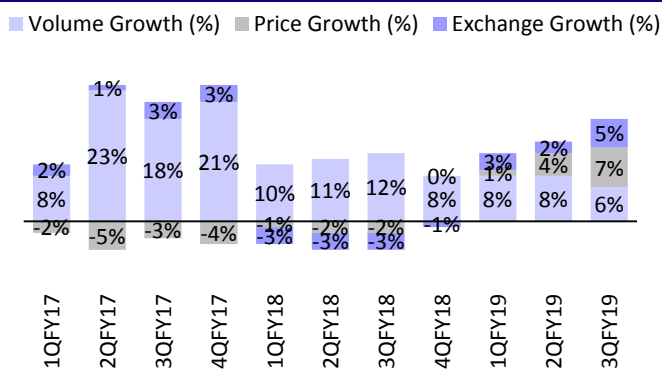
Source: Company, MOSL

Exhibit 3: Quarterly adj. PAT trend



Source: Company, MOSL

Exhibit 4: Quarterly growth break-up



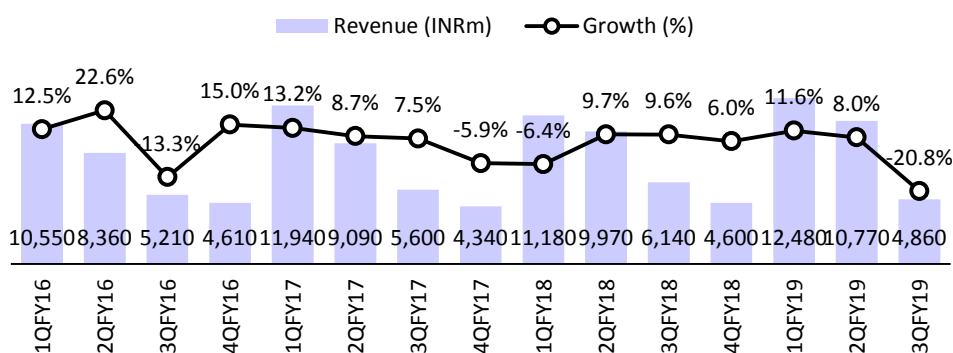
Source: Company, MOSL

Poor yield and erratic rainfall impact India business

- UPLL reported revenue of INR4,860m in India (8% contribution in 3QFY19), de-growth of 20.8% YoY.
- The company witnessed disappointing quarter primarily on account of erratic rainfall and poor Kharif yield which collectively resulted in stressed cash flows for farmers.

- UPLL pulled back its inventories which impacted its performance. However, on the positive note there are now no inventories lying in the channels which won't drag the performance further.
- The company witnessed successful "Wheat" campaign in the North resulting in a value growth of 60% in "Shagun". The company also launched a new fungicide on grapes with a completely new molecule. The company expects it to deliver niche market share in certain segments.
- The company has faced restrictions in certain states like Maharashtra, Punjab and Haryana on the sale of organophosphorus products. UPLL has certain products in that portfolio e.g – Acephate which is significant hence the company suffered during the quarter. An estimated INR300-400m of turnover on an annualized basis has been impacted on this account.
- We expect India to post revenue CAGR of 10% over FY18-21E.

Exhibit 5: Quarterly revenue trend - India

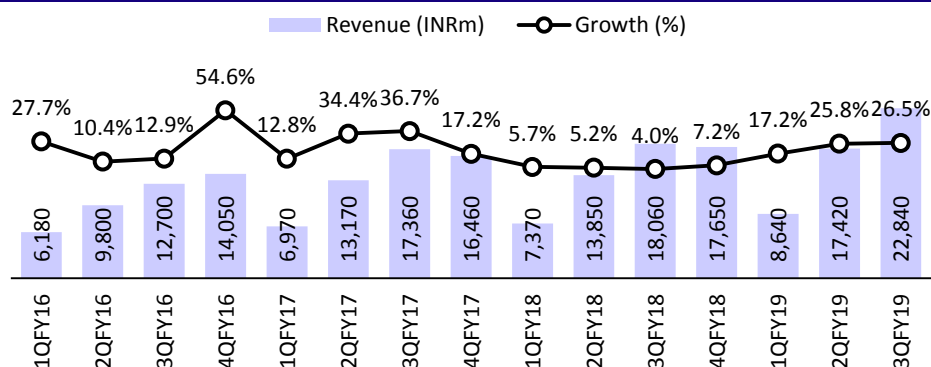


Source: Company, MOSL

Yet another quarter of staggering performance for LATAM

- UPLL reported a strong revenue growth of 26.5% to INR22,840m in LATAM (34% contribution in 3QFY19).
- The company had a good quarter despite parts of Brazil getting impacted by poor rains and hence effecting soybean yields in the season.
- The company's insecticide "Sperto" consolidated its position as the market leader in soybean. The company also launched a herbicide in Argentina and a 3-way mixture based on Mancozeb.
- Going forward, we expect a LATAM to post a revenue CAGR of 17% over FY18-21E.

Exhibit 6: Quarterly revenue trend - LATAM

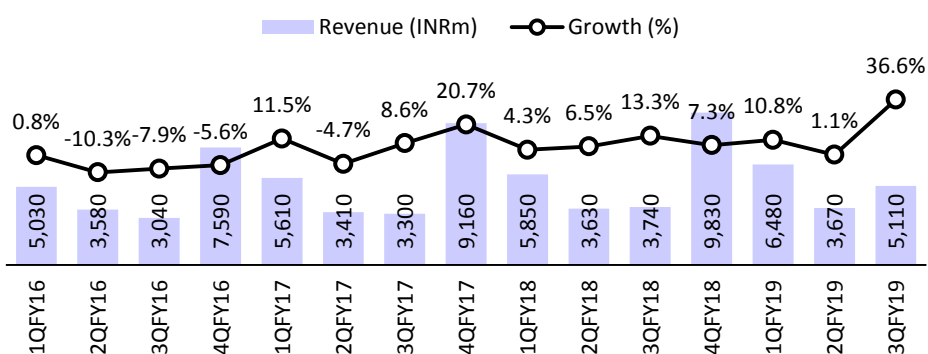


Source: Company, MOSL

Europe business revives

- UPLL reported a revenue growth of 36.6% to INR5,110m in Europe (17% contribution in 3QFY19).
- The current year has been challenging for the overall market due to dry summers impacting fungicide sales. The European market itself is expected to have de-grown by 10% YoY in CY2018.
- However, UPLL’s performance has been above par with the growth in 3QFY19 being driven by growth in Mancozeb and Sugarbeet herbicide.
- The business of sulphur and copper also grew due to favorable weather conditions.
- Going forward, we expect Europe to deliver 11% revenue CAGR over FY18-21E.

Exhibit 7: Quarterly revenue trend - Europe

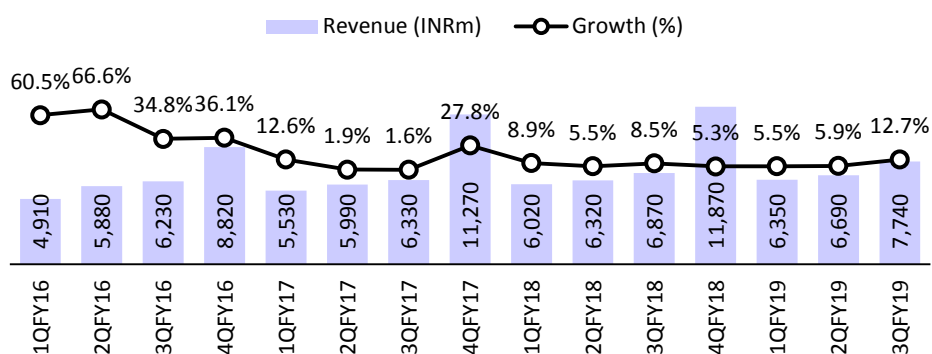


Source: Company, MOSL

Australia continues to be a dampener for RoW business

- The company registered a growth of 12.7% in RoW (20% contribution in 3QFY19) to INR7,740m.
- The company had a successful campaign of “Ulala” in Pakistan where the sales of the product doubled. Further, the company also launched 2 new herbicides in China.
- Africa continues to grow as it has in the past couple of quarters with new registrations coming in.
- The biggest dampener however has been Australia which continued to be under drought and the prospects of summer crops too don’t look good.
- We expect RoW to deliver revenue CAGR of 13% over FY18-21E.

Exhibit 8: Quarterly revenue trend - RoW

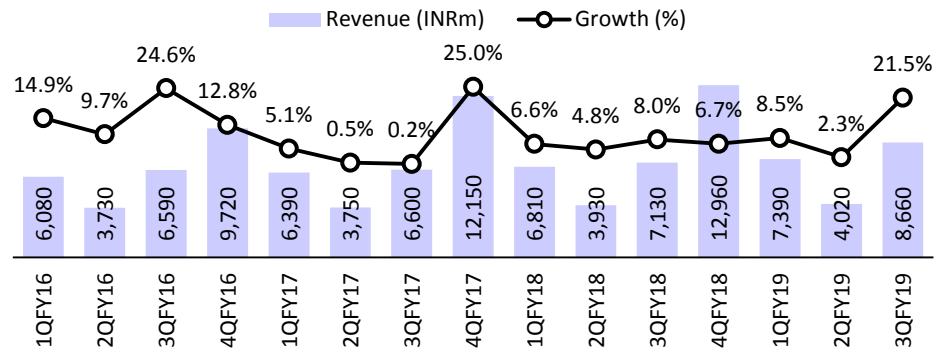


Source: Company, MOSL

Strong performance in North America

- UPLL reported a revenue growth of 21.5% in North America to INR8,660m (22% contribution in 3QFY19).
- The company’s brand “Lifeline” continues to grow despite the increase in acreage of Dicamba-tolerant seeds. Rather, the company launched “Lifeline” in Canada and expects it to be significant in near future.
- We expect North America to post revenue CAGR of 10% over FY18-20E.

Exhibit 9: Quarterly revenue trend – North America



Source: Company, MOSL

Conference call takeaways

- Gross debt stood at INR84.4b as of Dec'18 v/s INR66.4b as of Mar'19. The cash position stood at INR13.4b as of Dec'18 v/s INR28.9b as of Mar'18. The net debt hence stood at INR71b as of Dec'18 v/s INR37.5b as of Mar'18.
- Update on Arysta acquisition
 - The company has successfully closed transaction of Arysta as on 31st Jan 2019.
 - Global, regional and country leadership has been announced. Full organization structure would be announced by the end of 2019. The company would be consolidating two months of Arysta's financials in 4QFY19.
 - The company expects USD350m of topline synergies over a period of three years (30% in first year, 70% by second year and entire 100% by third year).
 - Further, USD200-250m of cost synergies are expected (50% of these would be due to backward integration. USD100-110m in the first year and the rest in second year).
 - Arysta's revenue in CY18 stood at USD2b and EBITDA at USD450m.
- The tax rate for FY19 is guided at 15-18%. The capex for 9MFY19 stood at INR12.5b and working capital at INR20.9b.
- Exceptional items are largely related to expenses due to Arysta transaction. The company expects more such expenses in 4QFY19.
- India, Netherlands and Columbia are the three major sourcing points of Mancozeb. The company has doubled its capacities in Columbia – no custom duty is charged when product is imported in Brazil from Columbia.

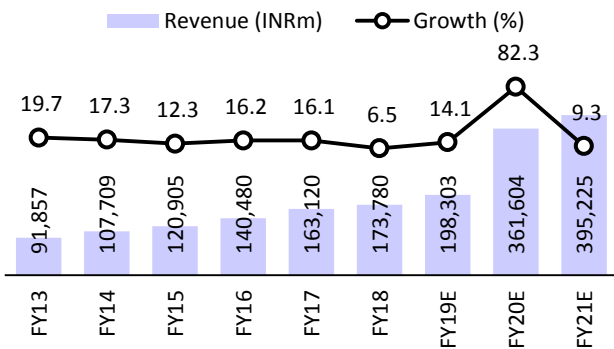
Valuation & View

We maintain our estimates (revenue/PAT CAGR of 32%/18% over FY18-21), factoring in the financials of Arysta for FY20E and FY21E. We roll over the target price to FY21E EPS, valuing UPLL at 13x (~15% discount to its three-year average trading multiple, primarily due to the expectedly high leverage in the balance sheet post Arysta acquisition). We believe the all-round performance will sustain and the set-back in the Indian market is temporary. Our TP of INR943 implies a 22% upside.

Buy.

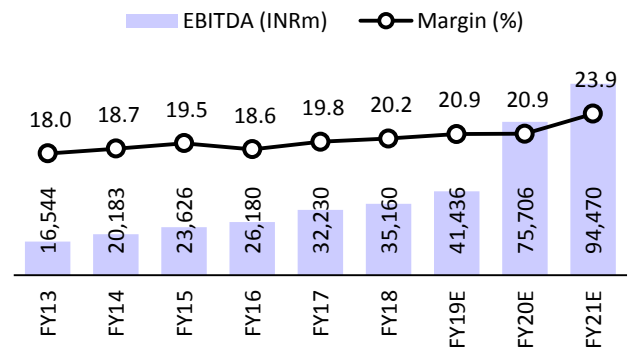
Story in charts

Exhibit 10: Revenue to post 32% CAGR over FY18-21E



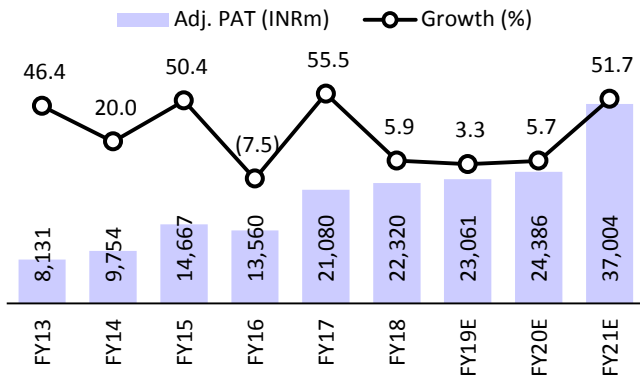
Source: Company, MOSL

Exhibit 11: Margin to expand 370bp over FY18-21E



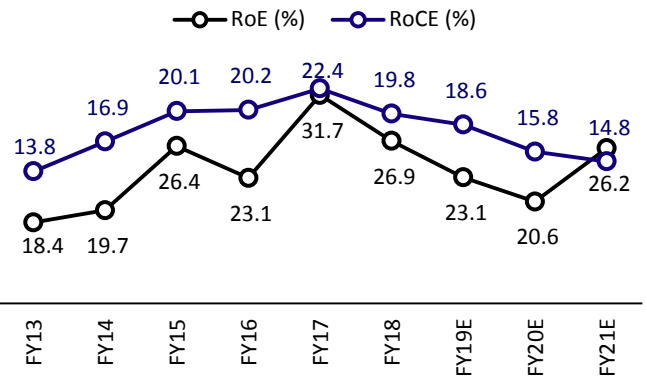
Source: Company, MOSL

Exhibit 12: Adj. PAT to post 18% CAGR over FY18-21E



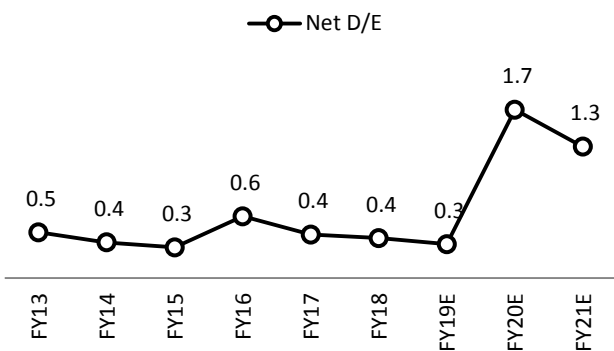
Source: Company, MOSL

Exhibit 13: Return ratios trend



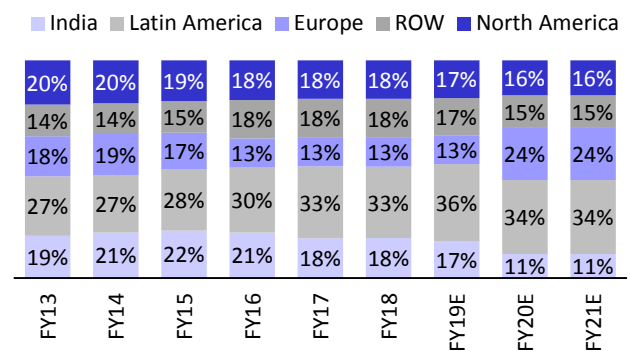
Source: Company, MOSL

Exhibit 14: Net D/E to rise



Source: Company, MOSL

Exhibit 15: Geographical mix of revenue



Source: Company, MOSL

Financials and Valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total Income from Operations	107,709	120,905	140,480	163,120	173,780	198,303	361,604	395,225
Change (%)	17.3	12.3	16.2	16.1	6.5	14.1	82.3	9.3
Total Expenditure	87,526	97,279	114,300	130,890	138,620	156,867	285,898	300,754
% of Sales	81.3	80.5	81.4	80.2	79.8	79.1	79.1	76.1
EBITDA	20,183	23,626	26,180	32,230	35,160	41,436	75,706	94,470
Margin (%)	18.7	19.5	18.6	19.8	20.2	20.9	20.9	23.9
Depreciation	4,069	4,245	6,760	6,720	6,750	7,499	25,179	27,071
EBIT	16,113	19,381	19,420	25,510	28,410	33,937	50,527	67,399
Int. and Finance Charges	4,853	5,170	7,040	7,350	7,830	8,464	17,060	17,569
Other Income	1,239	911	3,160	4,440	4,140	2,300	2,323	2,346
Exchange difference on trade rec. & payables	-75	939	2,230	2,380	110	1,800	0	0
PBT bef. EO Exp.	12,574	14,182	13,310	20,220	24,610	25,973	35,791	52,177
EO Items	853	30	1,290	810	630	1,520	0	0
PBT after EO Exp.	11,721	14,153	12,020	19,410	23,980	24,453	35,791	52,177
Total Tax	2,217	2,440	1,650	1,890	2,750	3,912	5,435	6,733
Tax Rate (%)	18.9	17.2	13.7	9.7	11.5	16.0	15.2	12.9
Prior Period Items - Income / (Expenses) - Net	156	49	0	0	0	0	0	0
Share of (profit)/loss of ass. & JV	-221	-209	850	190	930	409	1,025	1,076
Minority Interest	72	433	120	60	80	170	4,945	7,364
Reported PAT	9,498	11,440	9,400	17,270	20,220	19,961	24,386	37,004
Adjusted PAT	9,754	14,667	13,560	21,080	22,320	23,061	24,386	37,004
Change (%)	20.0	50.4	-7.5	55.5	5.9	3.3	5.7	51.7
Margin (%)	9.1	12.1	9.7	12.9	12.8	11.6	6.7	9.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	857	857	860	1,010	1,020	1,020	1,020	1,020
Total Reserves	51,617	57,746	20,060	72,140	90,670	106,643	127,880	152,848
Net Worth	52,474	58,603	58,890	73,970	91,690	107,663	128,900	153,868
Minority Interest	1,721	444	440	330	190	190	34,612	34,319
Total Loans	28,610	27,815	47,710	60,580	65,070	62,070	268,170	269,670
Deferred Tax Liabilities	813	446	-3,900	-5,010	-4,410	-4,410	-4,410	-4,410
Capital Employed	83,617	87,307	103,140	129,870	152,540	165,513	427,272	453,447
Gross Block	64,646	65,352	93,150	96,060	106,340	124,392	177,227	207,133
Less: Accum. Deprn.	38,560	39,537	58,700	59,540	66,290	73,789	98,968	126,039
Net Fixed Assets	26,086	25,815	34,450	36,520	40,050	50,603	78,260	81,094
Goodwill on Consolidation	12,124	14,493	4,170	4,190	4,320	4,320	149,337	150,070
Capital WIP	2,278	5,831	4,840	7,920	13,190	10,138	8,028	7,606
Total Investments	7,373	7,636	3,350	3,780	10,340	10,340	10,340	10,340
Curr. Assets, Loans&Adv.	79,731	89,064	117,980	144,700	157,240	170,126	325,197	366,508
Inventory	24,801	29,376	37,870	41,560	45,380	50,577	96,765	105,497
Account Receivables	32,085	37,930	51,000	56,560	60,570	69,542	131,111	143,467
Cash and Bank Balance	10,228	10,098	11,890	28,950	28,940	26,211	53,928	70,117
Loans and Advances	12,618	11,659	17,220	17,630	22,350	23,796	43,393	47,427
Curr. Liability & Prov.	43,973	55,532	61,650	67,240	72,600	80,014	143,889	162,171
Account Payables	26,919	32,177	39,620	48,850	56,750	57,657	107,952	117,614
Other Current Liabilities	13,373	19,207	20,990	17,300	14,740	21,031	33,587	41,916
Provisions	3,681	4,148	1,040	1,090	1,110	1,325	2,350	2,641
Net Current Assets	35,757	33,532	56,330	77,460	84,640	90,112	181,308	204,337
Appl. of Funds	83,617	87,307	103,140	129,870	152,540	165,513	427,272	453,447

Financials and Valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Basic (INR)								
EPS	19.3	29.0	26.9	41.7	43.8	45.2	47.8	72.6
Cash EPS	27.4	37.4	40.2	55.0	57.6	60.5	98.1	126.9
BV/Share	103.9	116.0	116.6	146.5	181.6	213.2	255.2	304.7
DPS	3.4	4.2	5.0	7.0	8.0	7.9	9.6	14.6
Payout (%)	21.1	22.6	26.9	20.5	20.0	20.0	20.0	20.0
Valuation (x)								
P/E		26.5	28.7	18.4	17.6	17.0	16.1	10.6
Cash P/E		20.6	19.1	14.0	13.4	12.7	7.8	6.1
P/BV		6.6	6.6	5.3	4.2	3.6	3.0	2.5
EV/Sales		3.4	3.0	2.6	2.4	2.1	1.7	1.5
EV/EBITDA		17.2	16.2	13.0	12.1	10.2	8.0	6.2
Dividend Yield (%)	0.4	0.6	0.6	0.9	1.0	1.0	1.3	1.9
Return Ratios (%)								
RoE	19.7	26.4	23.1	31.7	26.9	23.1	20.6	26.2
RoCE	16.9	20.1	20.2	22.4	19.8	18.6	15.8	14.8
RoIC	21.4	25.2	22.8	26.9	26.7	26.0	18.1	16.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.7	1.9	1.5	1.7	1.6	1.6	2.0	1.9
Inventory (Days)	166	178	204	194	204	200	210	220
Debtor (Days)	109	115	133	127	127	128	132	132
Creditor (Days)	181	195	213	228	255	228	234	245
Leverage Ratio (x)								
Net Debt/Equity	0.4	0.3	0.6	0.4	0.39	0.3	1.7	1.3

Consolidated - Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
(INR m)								
OP/(Loss) before Tax	12,574	14,182	13,310	20,220	24,610	25,973	35,791	52,177
Depreciation	4,069	4,245	6,760	6,720	6,750	7,499	25,179	27,071
Interest & Finance Charges	4,323	4,576	6,350	5,850	7,830	8,464	17,060	17,569
Direct Taxes Paid	-1,913	-2,826	-5,030	-4,040	-2,750	-3,912	-5,435	-6,733
(Inc)/Dec in WC	-3,970	-5,529	-7,040	-1,210	-7,190	-8,201	-63,479	-6,840
CF from Operations	15,083	14,648	14,350	27,540	29,250	29,822	9,115	83,243
Others	-675	-558	-390	-850	-630	-1,520	0	0
CF from Operating incl EO	14,408	14,090	13,960	26,690	28,620	28,302	9,115	83,243
(Inc)/Dec in FA	-5,664	-5,311	-6,930	-8,270	-15,680	-15,000	-195,742	-30,217
Free Cash Flow	8,744	8,780	7,030	18,420	12,940	13,302	-186,627	53,026
(Pur)/Sale of Investments	1,791	-1,982	800	120	-6,560	0	0	0
Others	1,010	2,986	-10,728	-2,040	2,810	0	9,033	-29,162
CF from Investments	-2,863	-4,307	-16,858	-10,190	-19,430	-15,000	-186,709	-59,378
Issue of Shares	0	0	0	0	-810	0	0	0
Inc/(Dec) in Debt	-11,444	-689	12,840	10,790	4,490	-3,000	206,100	1,500
Interest Paid	-4,254	-7,395	-5,860	-7,950	-7,830	-8,464	-17,060	-17,569
Dividend Paid	-1,102	-1,830	-2,290	-2,280	-4,040	-3,988	-4,872	-7,393
Others	0	0	0	0	-1,010	-579	-5,970	-8,440
CF from Fin. Activity	-16,800	-9,913	4,690	560	-9,200	-16,031	178,198	-31,902
Inc/Dec of Cash	-5,255	-130	1,792	17,060	-10	-2,729	604	-8,037
Opening Balance	15,482	10,228	10,098	11,890	28,950	28,940	53,323	78,154
Closing Balance	10,228	10,098	11,890	28,950	28,940	26,211	53,928	70,117

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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