

UNITED PHOSPHOROUS LIMITED

HOLD

United Phosphorous Limited [UPL] incorporated in 1969 is a leading global producer of crop protection products, specialty chemicals and other industrial chemicals. UPL and Advanta, the two companies in the group, are listed on the Indian stock exchange, with a combined market capitalization of approx USD 2.5 billion.

- UPL has its presence across agrichemical industry with activities ranging from seeds to crop protection and post harvest activity
- Company has restructured all the facilities of Cerexagri, except Spain and Rotterdam facilities. Restructuring of Spain and Rotterdam facilities are likely to be completed by end of this quarter.
- United Phosphorus is the only Indian player which has global generics play in crop protection products. Going forward we expect a demand pick up from US and other European nations which will boost the volume growth.
- The key risk for the company remains the rupee appreciation as it derives over 75% percent of its total income from the international market. Also the prices of key raw materials like sulphur, phosphorous have been on the upswing which could hurt the margins going forward.
- We expect the topline to grow at a CAGR of 12.7% for the period FY09-FY12E and profits to grow at a CAGR of 16% for the same period

Based on a consolidated P/E multiple of 10, the fair value per share for the company works out to Rs. 172.

Financial Snapshot

Projections (Rsmn)	FY09	FY10E	FY11E	FY12E
Net Revenue	48,021	55,224	61,851	68,655
Y-o-Y Growth %		15%	12%	11%
EBITDA	9,867	11,045	11,814	13,319
Y-o-Y Growth %		12%	7%	13%
PAT	4,851	5,713	6,287	7,550
Y-o-Y Growth %		18%	10%	20%
EPS Rs	11.0	13.0	14.3	17.2
BVPS Rs	40.7	43.3	56.3	70.6
EBITDA Margin%	20.5%	20.0%	19.1%	19.4%
NPM %	10.1%	10.3%	10.2%	11.0%
RoE%	27%	30%	25%	24%
PERx	13.1	11.1	10.1	8.4
P/B Ratio	3.6	3.3	2.6	2.0

Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

Strong Buy – Expected Returns > 20% p.a.
Buy – Expected Returns from 10 to 20% p.a.
Hold – Expected Returns from 0 % to 10% p.a.
Reduce – Expected Returns from 0 % to 10% p.a. with possible downside risk
Sell – Returns < 0 %



STOCK DATA

BSE / NSE Code	512070 / UNIPHOS
Bloomberg Code	UNTP IN Equity
No. of Shares (Mn)	439.5
Sensex / Nifty	17,473 / 5,245

PRICE DATA

CMP (as on April 21, 2010)	144.65
Beta	0.39
Market Cap (Rs mn)	63,574
52 Week High-low	186 / 111
Average Daily Volume	14,800

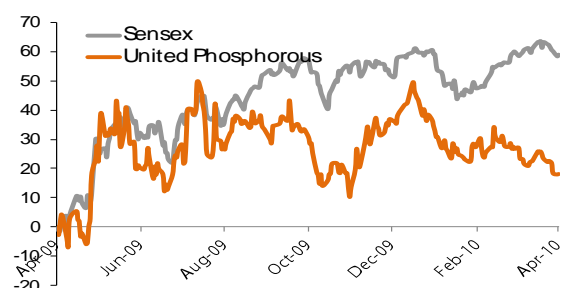
STOCK RETURN (%)

	30D	3M	6M	1Y
United Phosphorous Ltd	-7%	11%	-10%	18%
Sensex	-1%	2%	3%	60%
Nifty	-0.3%	3%	4%	56%

SHARE HOLDING PATTERN (%)

Promoter	28.0
Institution	53.9
Non Institution	18.1
Total	100.0

1 Year Price Performance (Rel. to Sensex)



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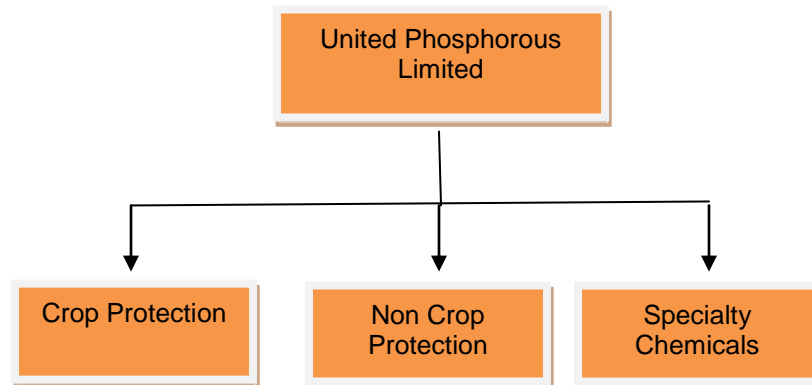
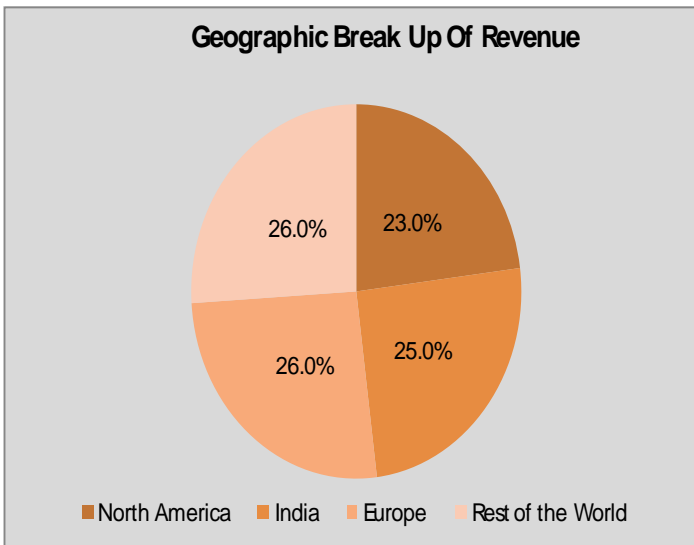


BUSINESS PROFILE

United Phosphorous is the largest producer of agriculture chemicals in India. It is among the top five generic agrochemical companies in the world. Over 75% of the company's total income comes from the international market. The company has presence in more than 120 countries. The company is looking for the further expansion of its business into new geographical area. The company has 21 manufacturing facilities. Among them, 9 are in India, 4 are in China, 2 in Spain and one each in UK, Argentina, Vietnam, Netherland, Italy and China. UPL has subsidiaries across the world.

Over 75% of the total income comes from International market

UPL Presence across Agrochemical Industry



Short Term Cost Pressure but good long term play

UPL's raw-material costs have risen substantially in the past six months, while farm output prices have dropped by ~20%, hurting its customers' purchasing power. The continued weak credit environment in some Latin-American and North American markets, we believe, will further constrain UPL's pricing power. UPL derives ~75% of its revenues from overseas markets. Given that a part of the manufacturing costs for these products is incurred in India, the rupee's appreciation translates to added pressure on margins.

Key raw material prices have doubled in the past 6 months

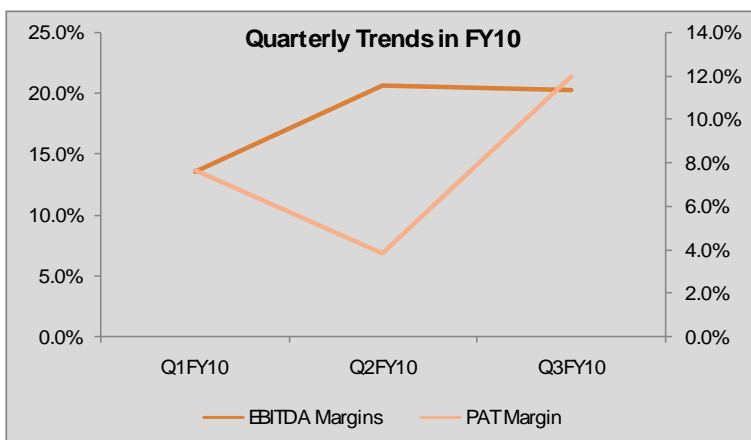
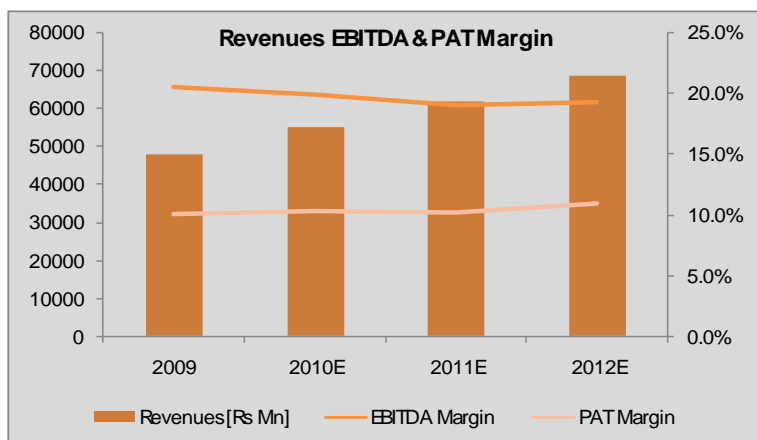
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BUSINESS PERFORMANCE

Muted Performance in Q3FY10

The Revenue and PAT grew marginally in the third quarter of FY10. Revenue grew by 6% Y-o-Y to Rs 11,496.80mn and PAT grew by 7% to Rs 651.60mn. The quarter witnessed 18% volume growth which was primarily driven by the domestic demand. Revenue from the domestic market rose 25%Y-O-Y while that from the international market remained flat. Revenue from international market contributed 73% to the total income and that from the domestic market 27%. Revenue from North America European regions declined in the quarter in comparison with that a year ago by 4% and 11% respectively.

This quarter witnessed 18% volume growth primarily driven by domestic demand.



Peer Comparison

We believe that UPL is a pure play in the agrichemical sector. It offers all the products that are required in protecting the plants during their different stages of growth. UPL has an efficient R&D Division and thereby company introduces new product every year to meet the changing demand of the market.

UPL remains a good long term play in the agrichemical sector

Peer Group Comparison

Companies	Revenues (Rs mn)	Operating Margins %	PAT Margins %	ROE	P/E(x)	P/B(x)	CMP	FV
United Phosphorous	51,954	19.7%	9.7%	27.1%	13.1	3.6	144.7	2
Rallis India	8,565	17.1%	10.4%	26%	21.1	7.2	1457.0	10
Nagarjuna Agrichem Ltd	6,539	19.2%	8.3%	33%	9.8	3.8	375	10

Figures used are on TTM Basis

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VALUATIONS

The domestic income of the company is growing fast and we expect this would grow further due to the increasing use of agrichemicals in the country. The revenue growth of the company from the international market is currently in a slow pace. We expect this situation will change soon. The company is looking to expand its geographical presence. We expect the revenues to grow at a CAGR of 12.7% for the period FY09-FY12E

Based on consolidated P/E multiple of 10 the fair value for the company comes to Rs. 172

Based on a consolidated P/E multiple of 10, the fair value per share for the company works out to Rs. 172.

We recommend a '**HOLD**' rating on the stock.

Financial Analysis and Projections

Particulars (Rs mn)	FY09	FY10E	FY11E	FY12E
Net Revenue	48,021	55,224	61,851	68,655
Other Income	418	552	680	961
Other Operating Income	1,295	-	-	-
Total Income	49,735	55,776	62,531	69,616
Operating Expenditure	39,868	44,732	50,718	56,297
EBITDA	9,867	11,045	11,814	13,319
EBITDA Margin (%)	20.5%	20.0%	19.1%	19.4%
Depreciation	1,927	2,289	2,392	2,500
Interest	2,919	1,800	1,750	1,600
Profit Before Tax	5,021	6,956	7,672	9,219
Less: Tax	269	1,391	1,534	1,844
Extraordinary Items	101	0	0	0
P&L of Associate Co	200	148	150	175
Profit After Tax	4,851	5,713	6,287	7,550
PAT Margin (%)	10.1%	10.3%	10.2%	11.0%
ROE (%)	27%	30%	25%	24%
EPS (Rs)	11.0	13.0	14.3	17.2
BVPS (Rs)	40.7	43.3	56.3	70.6
Valuation Ratios (x)			FY2011E	FY2012E
P/E			10.1	8.4
P/B			2.6	2.0

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Board Of Directors

Director Name	Current Position	Description
Rajju D. Shroff	Chairman & MD	Mr. Rajju D. Shroff is the Director of United Phosphorus Limited since 1 October, 1992. He is also the Chairman and Managing Director of the Company. He has been associated with the group since inception. He has extensive experience in the chemical industry and has been closely involved with the Research and Development of all the Group's products. His technical expertise was instrumental in United Phosphorus Limited winning the Government's Gold Shield Award. He has held various important positions in commercial, educational and social fields. He is also a Director on the Board of various other public limited companies, viz. Uniphos Enterprises Limited, Uniphos Agro Industries Limited, Enviro Technology Limited, Nivi Trading Limited, Shroff United Chemicals Limited, SWAL Corporation Limited, Pradeep Metals Limited, Bharuch Enviro Infrastructure Limited, Agri Net Solutions Limited, Vapi Effluent & Waste Management Co. Limited, Search Enviro Limited, Uniphos Enviro Limited and JRF Biogenomics Limited.
Sandra R. Shroff	Non Executive Vice Chairman	Ms. Sandra R. Shroff is Director of United Phosphorus Limited since October, 1992. She has been associated with Uniphos Enterprises Limited (erstwhile United Phosphorus Limited) since its inception. She has held various important positions in commercial, educational and social fields. She is on the Board of Uniphos Enterprises Ltd., Uniphos Agro Industries Ltd., Enviro Technology Ltd., Nivi Trading Ltd., Shroff United Chemicals Ltd., Bharuch Enviro Infrastructure Ltd., Vapi Effluent and Waste Management Co. Ltd., Ventura Guaranty Ltd. and Associated Environmental Engineers Ltd.
Chirayu R. Amin	Independent Non Executive Director	Mr. Chirayu R. Amin has joined the Board of United Phosphorus Limited as an Independent Non-Executive Director. He is a Science graduate and 'Master in Business Administration. Presently, he is the Chairman and Managing Director of Alembic Limited. He represented the industry in various associations and federations such as FICCI, International Chambers of Commerce, Federation of Gujarat Industries etc. He is keenly interested in sports and presently he is the Vice-President of Cricket Control Board of India. He has many years of experience in business. He is also the Chairman of Alembic Glass Industries Ltd. and Paushak Ltd. He is also on the Board of Alembic Exports Ltd., AGI Developers Ltd. and Elecon Engineering Company Ltd.
Pradeep Goyal	Independent Non Executive Director	Mr. Pradeep Goyal is Independent Non-Executive Director of United Phosphorus Limited since 31 January, 2002. He is a Metallurgy Engineer from IIT and Master Graduate from MIT, USA. He has been the member of various associations such as All India Manufacturers Organisation, ASSOCHAM, Indo-German Chambers of Commerce, etc. He has authored a few articles relating to steel making. He is the Managing Director of Pradeep Metals Limited. He is also on the Board of Uniphos Enterprises Limited, Nelito Systems Limited, Indian Resources Information and Mgmt Technology Limited and Flashnet Info Solutions (India) Limited.

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Board Of Directors

P.V Krishna	Independent Non Executive Director	Dr. P. V. Krishna is the Independent Non-Executive Director of United Phosphorus Ltd since 31 January, 2002. He is a member of the Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee. He is Ph.D.(Tech.). He is a Chemical technologist with specialization in chemicals and petrochemicals. He has over 40 years experience in Research & Development and industry and has held various positions in Government of Gujarat and Government of India. He is presently a Project Consultant for Chemicals, Petro Chemicals, Safety Management and Environment Planning. He has got an excellent technical background.
Pradip Madhavji	Independent Non Executive Director	Mr. Pradip Madhavji is Independent Non-Executive Director of United Phosphorus Ltd since 29th January, 2004. Mr. Madhavji is B.A., B.Com. arjd L.L.B. Mr. Madhavji has more than 43 years of experience in the fields of finance and administration. Formerly he was chief of Thomas Cook India Ltd. Presently Mr. Madhavji is on the Board of Standard Chartered Asset Management Co. Pvt. Ltd., Kishco Outlery Ltd. and Travel Corporation of India. Apart from this, he is Hon. Consul of New Zealand and also holds positions in various trade bodies.
Reena Ramachandran	Independent Non Executive Director	Dr. Rena Ramachandran is Independent Non-Executive Director of United Phosphorus Ltd since 21 October, 2003. She is the Director General of J. K. Business School, running a UGC recognized management programme. Presently, she is a member of the HR Advisory Committee of Reserve Bank of India. She has been member of various associations and institutions relating to education. She was also associated with various committees appointed by various Ministries of Government of India. She has done her Doctorate in Chemistry from University of Allahabad and Doctorate in Science (chemistry) in France. She has varied professional experience of over 34 years in Textile, Drug, Cement, Petroleum and Petro Chemical Industry.
Vikram R Shroff	Executive Director	Mr. Vikram R. Shroff has joined the Board of Directors as an Additional Director of United Phosphorus Limited. He is a Science graduate from University of Mumbai. He has been associated with the group since 1997. He looks after HR functions, Purchase, Commercial, Marketing (local), production departments and SAP implementation in the organization. He is on the Board of Bharuch Enviro Infrastructure Ltd. and Agrinet Solutions Ltd.

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