

## Results in line, Downgrade earnings and price target

January 25, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 155	Rs 210
EPS change FY11E/12E (%)	-2.5 / -8.5
Target Price change (%)	-8.5
Nifty	5,687
Sensex	18,969

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(28)	(17)	(3)
Rel. to Nifty	2	(23)	(21)	(15)

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Agri-input & Chemicals
Bloomberg	UNTP@IN
Equity Capital (Rs mn)	922
Face Value(Rs)	2
No of shares o/s (mn)	461
52 Week H/L	220/143
Market Cap (Rs bn/USD mn)	71/1,553
Daily Avg Volume (No of sh)	2062895
Daily Avg Turnover (US\$m)	8.2

### Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	26.6	27.8	27.9
FII/NRI	38.0	37.1	35.8
Institutions	17.1	18.0	19.7
Private Corp	11.4	9.9	9.7
Public	7.0	7.2	7.0

Source: Capitaline

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- **Q3FY11 results in line with estimates with APAT growth of 14% yoy to Rs 1.1 bn, adjusted for Rs 355 mn on forex loss**
- **Revenue grew by 6% to Rs 12.2 bn on account of 37% growth in RoW markets followed by 6% in India while growth in Europe (-24%) and North America (-4%) remains subdued**
- **Growth in India and RoW to remain buoyant while normalcy in Europe and Northern America along with partial benefit of Cerexagri integration and price increase to drive margins**
- **Downgrade FY11 / FY12 estimates by 2.5% / 8.5% to Rs 15.4 / 17.5. Subsequently downgrade price target by 8.5% to Rs 210 however maintain BUY with 35% upside**

### Strong growth in RoW markets supported revenue growth of 6%

UPL's Q3FY11 revenues increased by 6% to Rs 12.2 bn and (in line with est). Company reported volume growth of 14% while currency fluctuation and realisation decline adversely affected revenue growth by 5% and 3%, respectively. Among the key growth markets, Rest of the World (RoW) reported sharp increase of 37% to Rs 5.4 bn and contributed 43% to revenues followed by 6% growth in India to Rs 3.3 bn. Strong growth in Latin America and Middle East supported growth in RoW markets. Europe fell sharply by 24% to Rs 2 bn on account of adverse currency, price erosion and volumes decline due to adverse monsoon. North America markets also witnessed weakness with decline of 4% to Rs 1.8 bn.

### APAT growth of 14% to Rs 1.1 bn in line with estimates

EBITDA margins improved by 110bps to 18.1% but was below estimates of 18.6%. EBITDA increased by 13.5 % to Rs 2.2 bn (estimated Rs 2.2 bn). Driven by higher debt and increase in borrowing rates, interest cost increased by 103% to Rs 538 mn (adjusted for Rs 355 mn on account of forex loss) however the same was below our estimates of Rs 700 mn. APAT of Rs 1.1 bn, +14% yoy, was in line with estimates. AEPS for the quarter stood at Rs 2.5 as against Rs 2.2 previous year.

### Downgrade FY11 / FY12 estimates by 2.5% and 8.5%

We have adjusted our FY11 estimates to factor subdued growth in Europe and Northern America. We have downgraded our FY11E estimates by 2.5% to Rs 15.4 (previous Rs 15.8) and FY12E by 8.5% to Rs 17.5 (previous Rs 19.1). Subsequently we are revising our target price downward by 8.5% to Rs 210 (previous Rs 230) based on 12x FY12 estimates and maintain BUY recommendation considering 35% upside at current price.

### Management shared healthy future outlook

UPL's growth in FY11 was adversely affected due to various reasons like 1) currency impact having adverse impact on revenues by ~5%, 2) lower growth in Europe and Northern America due to adverse weather conditions. However volume growth remained strong at 9%, mainly in India and RoW has been encouraging at ~20%. Going forward, turn around in Europe and Northern Region may drive revenue growth. Further price increase and partial benefit of Cerexagri integration should drive EBITDA margins.

### Financial Snapshot

YE- Mar	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	Rs Mn		
								P/E	EV/ EBITDA P/BV	
FY09	49,317	9,449	19.2	6,085	13.2	54.4	24.8	11.1	8.3	2.5
FY10	54,633	10,021	18.3	5,593	12.1	(8.1)	19.7	12.1	6.8	2.3
FY11E	56,302	10,860	19.3	7,103	15.4	27.0	20.8	10.0	6.7	1.8
FY12E	63,119	12,659	20.1	8,081	17.5	13.8	19.4	8.8	5.4	1.6

## Key Financials – Quarterly (Consolidated)

Rs Mn

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Revenue	11,497	15,190	14,686	12,569	12,221	6.3	(2.8)	39,476	39,443	0.1
Expenditure	9,545	12,155	11,794	10,243	10,007	4.8	(2.3)	32,043	32,457	(1.3)
as % of sales	83.0	80.0	80.3	81.5	81.9			81.2	82.3	
Consumption of RM	5,748	8,156	7,647	6,135	5,695	(0.9)	(7.2)	19,478	21,386	(8.9)
as % of sales	50.0	53.7	52.1	48.8	46.6			49.3	54.2	
Employee Cost	1,234	1,339	1,334	1,186	1,298	5.1	9.4	3,817	3,679	3.8
as % of sales	10.7	8.8	9.1	9.4	10.6			9.7	9.3	
Other expenditure	2,563	2,660	2,813	2,922	3,014	17.6	3.2	8,749	7,392	18.3
as % of sales	22.3	17.5	19.2	23.2	24.7			22.2	18.7	
<b>EBITDA</b>	<b>1,952</b>	<b>3,034</b>	<b>2,892</b>	<b>2,326</b>	<b>2,215</b>	<b>13.5</b>	<b>(4.8)</b>	<b>7,433</b>	<b>6,986</b>	<b>6.4</b>
Depreciation	541	558	472	515	491	(9.2)	(4.7)	1,477	1,589	(7.0)
<b>EBIT</b>	<b>1,411</b>	<b>2,477</b>	<b>2,420</b>	<b>1,811</b>	<b>1,724</b>	<b>22.2</b>	<b>(4.8)</b>	<b>5,955</b>	<b>5,397</b>	<b>10.3</b>
Other Income	83	154	186	238	262	216.3	10.2	687	189	264.2
Interest	266	30	494	492	538	102.6	9.5	1524	1058	44.0
<b>PBT</b>	<b>1,228</b>	<b>2,601</b>	<b>2,113</b>	<b>1,557</b>	<b>1,448</b>	<b>17.9</b>	<b>(7.0)</b>	<b>5,118</b>	<b>4,528</b>	<b>13.0</b>
Total Tax	247	134	156	250	266	7.8	6.4	673	680	(1.0)
<b>Adjusted PAT</b>	<b>981</b>	<b>2,467</b>	<b>1,957</b>	<b>1,307</b>	<b>1,182</b>	<b>20.4</b>	<b>(9.6)</b>	<b>4,445</b>	<b>3,848</b>	<b>15.5</b>
(Profit)/loss from JV's/Ass/MI	10	-29	23	0	-12	(221.8)		11	-99	(111.4)
<b>APAT after MI</b>	<b>971</b>	<b>2,496</b>	<b>1,934</b>	<b>1,307</b>	<b>1,194</b>	<b>22.9</b>	<b>(8.6)</b>	<b>4,434</b>	<b>3,947</b>	<b>12.3</b>
Extra ordinary items	-330	-63	-510	-160	-355	7.5	121.7	-1025	-520	97.1
<b>Reported PAT</b>	<b>641</b>	<b>2,433</b>	<b>1,424</b>	<b>1,147</b>	<b>839</b>	<b>30.9</b>	<b>(26.8)</b>	<b>3,409</b>	<b>3,427</b>	<b>(0.5)</b>
<b>Reported EPS</b>	<b>1.5</b>	<b>5.5</b>	<b>3.2</b>	<b>2.6</b>	<b>1.9</b>	<b>30.9</b>	<b>(26.8)</b>	<b>7.8</b>	<b>7.8</b>	<b>(0.5)</b>

Margins (%)						(bps)	(bps)			
EBIDTA	17.0	20.0	19.7	18.5	18.1	115	(38)	18.8	17.7	112
EBIT	12.3	16.3	16.5	14.4	14.1	183	(30)	15.1	13.7	140
EBT	10.0	16.1	13.1	10.5	9.7	(26)	(79)	11.2	11.0	22
PAT	8.4	16.4	13.2	10.4	9.8	132	(63)	11.2	10.0	122
Effective Tax rate	20.1	5.2	7.4	16.1	18.4	(172)	232	13.1	15.0	(186)

Source: Company, Emkay Research

## Geographical Break up

Rs Mn

Y/E Mar	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
India	3123	2050	4052	4540	3320	6.3	(26.9)	11912	9932	19.9
North America	1841	3280	3861	2650	1760	(4.4)	(33.6)	8271	9056	(8.7)
Europe	2673	5430	3647	2070	2020	(24.4)	(2.4)	7737	10289	(24.8)
Rest of the World	3942	4550	3312	3555	5380	36.5	51.3	12247	10342	18.4
<b>Total</b>	<b>11580</b>	<b>15310</b>	<b>14872</b>	<b>12815</b>	<b>12480</b>	<b>7.8</b>	<b>(2.6)</b>	<b>40167</b>	<b>39620</b>	<b>1.4</b>

Source: Company, Emkay Research

## Revision Table

Rs Mn

(Rs mn)	FY11E			FY12E		
	Old Estimates	New Estimates	% Change	Old Estimates	New Estimates	% Change
Net Sales	57674	56302	-2.4%	68945	63119	-8.5%
EBITDA	11468	10860	-5.3%	13235	12659	-4.4%
PAT	7275	7103	-2.4%	8833	8081	-8.5%
EPS (Rs)	15.8	15.4	-2.5%	19.1	17.5	-8.4%

## Key Financials

## Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>49,317</b>	<b>54,633</b>	<b>56,302</b>	<b>63,119</b>
Growth (%)	32.2	10.8	3.1	12.1
<b>Expenditure</b>	<b>39,868</b>	<b>44,612</b>	<b>45,442</b>	<b>50,460</b>
Materials Consumed	29,082	29,542	28,311	36,720
Employee Cost	4,794	5,018	5,017	6,642
Other Exp	5,992	10,052	12,114	7,097
<b>EBITDA</b>	<b>9,449</b>	<b>10,021</b>	<b>10,860</b>	<b>12,659</b>
Growth (%)	33.9	6.1	8.4	16.6
<b>EBITDA margin (%)</b>	<b>19.2</b>	<b>18.3</b>	<b>19.3</b>	<b>20.1</b>
Depreciation	1,927	2,147	1,968	2,438
<b>EBIT</b>	<b>7,522</b>	<b>7,874</b>	<b>8,892</b>	<b>10,220</b>
<b>EBIT margin (%)</b>	<b>15.3</b>	<b>14.4</b>	<b>15.8</b>	<b>16.2</b>
Other Income	418	343	937	600
Interest expenses	1,761	1,938	2,024	1,200
<b>PBT</b>	<b>6,180</b>	<b>6,279</b>	<b>7,804</b>	<b>9,620</b>
<b>Tax</b>	<b>269</b>	<b>814</b>	<b>673</b>	<b>1,539</b>
Effective tax rate (%)	4.4	13.0	8.6	16.0
<b>Adjusted PAT</b>	<b>5,911</b>	<b>5,465</b>	<b>7,131</b>	<b>8,081</b>
Growth (%)	58.4	(7.5)	30.5	13.3
<b>Net Margin (%)</b>	<b>12.0</b>	<b>10.0</b>	<b>12.7</b>	<b>12.8</b>
(Profit)/loss from JVs/Ass/MI	174.8	128.2	(28.7)	-
<b>Adjusted PAT After JVs/Ass/MI</b>	<b>6,085</b>	<b>5,593</b>	<b>7,103</b>	<b>8,081</b>
E/O items	(1,259)	-	(1,025)	-
<b>Reported PAT</b>	<b>4,826</b>	<b>5,593</b>	<b>6,078</b>	<b>8,081</b>
<b>PAT after MI</b>	<b>6,085</b>	<b>5,593</b>	<b>7,103</b>	<b>8,081</b>
Growth (%)	54.3	(8.1)	27.0	13.8

## Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>PBT (Ex-Other income)</b>	<b>4,603</b>	<b>5,936</b>	<b>6,868</b>	<b>9,020</b>
Depreciation	1,927	2,147	1,968	2,438
Interest Provided	1,549	1,503	2,024	1,200
Other Non-Cash items	862	(970)	-	-
Chg in working cap	(7,304)	4,499	(8,803)	(1,676)
Tax paid	-828	-813	-673	-1,539
<b>Operating Cashflow</b>	<b>809</b>	<b>12,302</b>	<b>1,384</b>	<b>9,444</b>
Capital expenditure	(4,075)	(2,285)	(2,700)	(3,000)
<b>Free Cash Flow</b>	<b>-3,267</b>	<b>10,017</b>	<b>-1,316</b>	<b>6,444</b>
Other income	418	343	937	600
Investments	(359)	122	-	-
<b>Investing Cashflow</b>	<b>60</b>	<b>465</b>	<b>937</b>	<b>600</b>
Equity Capital Raised	-	-	3,026	-
Loans Taken / (Repaid)	4,763	2,840	(6,226)	(5,364)
Interest Paid	(1,467)	(1,522)	(2,024)	(1,200)
Dividend paid (incl tax)	(513)	(769)	(1,621)	(1,621)
Income from investments	0	0	0	0
Others	-1124	-791	0	0
<b>Financing Cashflow</b>	<b>1,660</b>	<b>-243</b>	<b>-6,845</b>	<b>-8,185</b>
<b>Net chg in cash</b>	<b>-1,547</b>	<b>10,239</b>	<b>-7,225</b>	<b>-1,141</b>
Opening cash position	7,086	5,539	15,778	8,553
<b>Closing cash position</b>	<b>5,539</b>	<b>15,778</b>	<b>8,553</b>	<b>7,412</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	879	879	924	924
Reserves & surplus	25,851	29,039	37,502	43,962
<b>Net worth</b>	<b>26,730</b>	<b>29,918</b>	<b>38,426</b>	<b>44,886</b>
<b>Minority Interest</b>	<b>95</b>	<b>140</b>	<b>265</b>	<b>365</b>
Secured Loans	4,574	4,044	4,044	4,044
Unsecured Loans	16,092	19,774	13,548	8,184
<b>Loan Funds</b>	<b>20,665</b>	<b>23,818</b>	<b>17,592</b>	<b>12,228</b>
Net deferred liabilities	277	490	394	294
<b>Total Liabilities</b>	<b>47,767</b>	<b>54,366</b>	<b>56,676</b>	<b>57,773</b>
Gross Block	29,603	30,009	31,914	34,614
Less: Depreciation	12,348	12,286	14,254	16,693
<b>Net block</b>	<b>17,255</b>	<b>17,723</b>	<b>17,660</b>	<b>17,922</b>
Capital work in progress	1,239	406	1,200	1,500
<b>Investments</b>	<b>4,332</b>	<b>7,612</b>	<b>7,612</b>	<b>7,612</b>
<b>Current Assets</b>	<b>41,173</b>	<b>43,242</b>	<b>49,277</b>	<b>51,547</b>
Inventories	16,849	10,084	20,824	22,826
Sundry debtors	11,406	12,135	14,654	16,063
Cash & bank balance	5,539	15,778	8,553	7,412
Loans & advances	6,758	4,693	4,693	4,693
Other current assets	622	553	553	553
<b>Current lia &amp; Prov</b>	<b>16,233</b>	<b>14,616</b>	<b>19,073</b>	<b>20,808</b>
Current liabilities	15,402	13,591	18,047	19,783
Provisions	831	1,025	1,025	1,025
<b>Net current assets</b>	<b>24,941</b>	<b>28,626</b>	<b>30,205</b>	<b>30,739</b>
Misc. exp	-	-	-	-
<b>Total Assets</b>	<b>47,766</b>	<b>54,366</b>	<b>56,676</b>	<b>57,773</b>

## Key Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
<b>Profitability (%)</b>				
EBITDA Margin	19.2	18.3	19.3	20.1
Net Margin	12.3	10.2	12.6	12.8
ROCE	18.4	16.1	17.7	18.9
ROE	24.8	19.7	20.8	19.4
RoIC	24.5	23.4	25.4	25.4
<b>Per Share Data (Rs)</b>				
FDEPS	13.2	12.1	15.4	17.5
CEPS	18.2	17.6	19.6	22.8
BVPS	60.8	68.1	83.2	97.2
DPS	2.0	2.5	3.0	3.0
<b>Valuations (x)</b>				
PER	11.1	12.1	10.0	8.8
P/CEPS	8.4	8.7	7.8	6.7
P/BV	2.5	2.3	1.8	1.6
EV / Sales	1.6	1.2	1.3	1.1
EV / EBITDA	8.3	6.8	6.7	5.4
Dividend Yield (%)	1.3	1.6	2.0	2.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.4	0.0	0.0	-0.1
Net Debt/EBIDTA	1.1	0.0	0.1	-0.2
Working Cap Cycle (days)	95.1	57.6	113.0	110.5

**Recommendation History: United Phosphorus – UNTP IN**

Date	Reports	Reco	CMP	Target
29/12/2010	<a href="#">United Phosphorus Company Update</a>	Buy	161	230
27/10/2010	<a href="#">United Phosphorus Q2FY11 Result Update</a>	Buy	202	230
26/07/2010	<a href="#">United Phosphorus Q1FY11 Result Update</a>	Buy	179	230
30/04/2010	<a href="#">United Phosphorus Q4FY10 Result Update</a>	Buy	170	192

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
24/01/2011	<a href="#">Chambal Fertilisers Q3FY11 Result Update</a>	Accumulate	78	86
20/01/2011	<a href="#">Kajaria Ceramics Q3FY11 Result Update</a>	Buy	74	100
18/01/2011	<a href="#">Rallis India Q3FY11 Result Update</a>	Buy	1,313	1,800
13/01/2011	<a href="#">Coromandel International Q3FY11 Result Update</a>	Buy	279	435

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