



UNITED PHOSPHORUS

To appeal against fine levied by CCI

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The Competition Commission of India (CCI) has imposed a fine of INR2.52bn on United Phosphorus (UNTP) on account of charges of cartelization pertaining to collusive bidding to supply aluminium phosphide tablets to Food Corporation of India (FCI). UNTP has, however, denied these charges and decided to approach the Competition tribunal against this order. Moreover, UNTP's management mentioned that this order of CCI pertains to a bidding done in 2009 for an order from FCI worth INR80mn (~0.34% of UNTP's FY09 standalone revenue), against which the penalty levied is grossly disproportionate at 9% of past three years average sales of UNTP on standalone basis. We have 'BUY' recommendation on the stock.

CCI imposes INR2.52bn fine on UNTP for cartelisation

CCI has imposed a fine of INR2.52bn on UNTP, along with two other companies – Excel Crop Care (INR630mn) and Sandhya Organics (INR16mn). This is on account of charges of cartelization pertaining to collusive bidding to supply aluminium phosphide tablets (ALP; used for pest control of food grains) to FCI. CCI stated that these three companies, by acting together and quoting identical prices, have deprived FCI of competitive bid rates in procurement of ALP tablets. CCI has imposed the penalty on these three companies at a rate of 9% on average of past three years' revenue.

UNTP to approach the tribunal to challenge the order

The management of UNTP clarified two things:

- It has denied the charges levied against it for cartelization for the bidding done to FCI and decided to appeal against the CCI's order with Competition tribunal.
- While the CCI order pertains to a bidding of INR80mn worth order by UNTP, which forms a small proportion of the company's standalone revenues, the fine levied on it is 9% of past three years standalone revenue, which is unfair.

Valuations: Currently, the stock is trading at P/E of 8.6x and 6.8x FY12E and FY13E, respectively. We have a 'BUY' recommendation with target price of INR177 at 10x FY13E EPS.

Financials

Year to March	FY10	FY11	FY12E	FY13E
Revenues (INR mn)	54,116	57,857	73,307	83,501
Rev growth (%)	9.7	6.9	26.7	13.9
EBITDA (INR mn)	9,504	10,917	13,538	15,843
Adj. profit (INR mn)	5,155	6,246	6,483	8,165
Dil. shares (mn)	462	462	462	462
Adj. EPS (INR)	11.1	13.5	14.0	17.7
P/E (x)	10.8	8.9	8.6	6.8
EV/EBITDA (x)	5.6	5.1	4.5	3.6

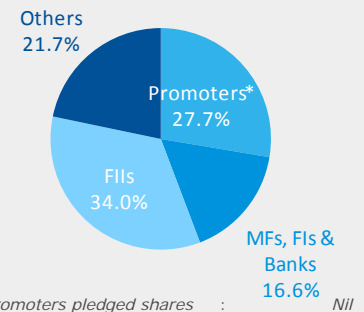
EDELWEISS RATING

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: UNPO. BO, B: UNTP IN)

CMP	: INR 120
Target Price	: INR 177
52-week range (INR)	: 171 / 118
Share in issue (mn)	: 461.8
M cap (INR bn/USD mn)	: 55 / 1,049
Avg. Daily Vol. BSE/NSE ('000)	: 1,376.4

SHARE HOLDING PATTERN (%)



PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock Over Index
1 month	0.6	2.3	1.7
3 months	10.8	(3.2)	(14.1)
12 months	(11.7)	(14.7)	(3.0)

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