Prabhudas Lilladher

United Phosphorus

Poised for a re-rating!

Company Update

March 04, 2013

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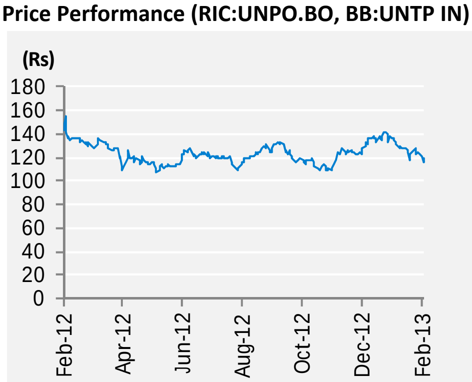
Rating	**BUY**
Price	Rs119
Target Price	Rs170
Implied Upside	42.9%
Sensex	18,919
Nifty	5,720

(Prices as on March 01, 2013)

Trading data			
Market Cap. (Rs bn)			52.8
Shares o/s (m)			442.6
3M Avg. Daily value (Rs m)			359.9
Major shareholders			
Promoters			28.87%
Foreign			31.51%
Domestic Inst.			16.64%
Public & Other			22.98%
Stock Performance			
(%)	**1M**	**6M**	**12M**
Absolute	(9.2)	(0.3)	(16.0)
Relative	(4.9)	(8.8)	(23.6)
How we differ from Consensus			
EPS (Rs)	**PL**	**Cons.**	***% Diff.***
2014	19.1	18.4	*3.8*
2015	22.6	21.7	*4.1*

Price Performance (RIC:UNPO.BO, BB:UNTP IN)



Source: Bloomberg

- **Concerns overdone, CMP factors in all negatives:** United Phosphorus (UPL) continues to trade at ~50% discount to peers due to investor concerns related to piling up of debt, further deterioration in working capital, margin dilutive acquisitions and decline in return ratios. However, we believe, concerns are overdone and CMP factors in all negatives. We would like to highlight that despite decline in return ratios from their peak, current RoE/RoA at 16.4%/6.1% are significantly higher than the global generic players, *Nufarm & Makhteshim-Agan (MAI)*.

- **Working capital unlikely to deteriorate further:** Despite increasing contribution from Brazil which has longer credit cycles, we do not expect working capital to deteriorate further. On the contrary, we have modelled for working capital improvement of three days over the next two years to 143/142 in FY14E/FY15E. We believe there is room for improvement in inventory/receivables across multiple geographies as unfavourable weather conditions this year have resulted in piling up of inventory and longer credit days. However, rebound in these markets over the next two years would result in marginal improvement of working capital.

- **Earnings growth, combined with improvement in return ratios, to trigger re-rating:** UPL's higher exposure to emerging markets positions it well to deliver sustainable revenue growth over the medium term. EBITDA margins are likely to improve by 60bps over the next two years, driven by a turnaround in DVA (expect DVA to contribute 20-30 bps of improvement), significant cost savings initiatives and shift in product mix. We expect UPL to register 12.5%/14.1% CAGR in Revenue/PAT over FY12-15E. RoE/ROCEs are likely to improve ~150bps to 17.8%/12.6% from FY13E-FY15E. With sustainable earnings growth and improvement in return ratios, stock is likely to get re-rated. We value UPL at 9x FY14 earnings and recommend '**BUY**' with target of Rs 170 (43% upside to CMP).

Key financials (Y/e March)	**2012**	**2013E**	**2014E**	**2015E**
Revenues (Rs m)	76,936	88,026	98,939	109,323
Growth (%)	*33.6*	*14.4*	*12.4*	*10.5*
EBITDA (Rs m)	14,054	15,457	17,710	19,897
PAT (Rs m)	6,735	7,134	8,435	9,995
EPS (Rs)	14.6	16.1	19.1	22.6
Growth (%)	*9.0*	*10.5*	*18.2*	*18.5*
Net DPS (Rs)	2.5	2.8	3.0	3.0

Profitability & Valuation	**2012**	**2013E**	**2014E**	**2015E**
EBITDA margin (%)	*18.3*	*17.6*	*17.9*	*18.2*
RoE (%)	*17.1*	*16.4*	*17.3*	*17.8*
RoCE (%)	*13.4*	*11.1*	*11.8*	*12.6*
EV / sales (x)	1.0	1.0	0.8	0.7
EV / EBITDA (x)	5.7	5.5	4.7	4.0
PE (x)	8.2	7.4	6.3	5.3
P / BV (x)	1.3	1.2	1.0	0.9
Net dividend yield (%)	*2.1*	*2.3*	*2.5*	*2.5*

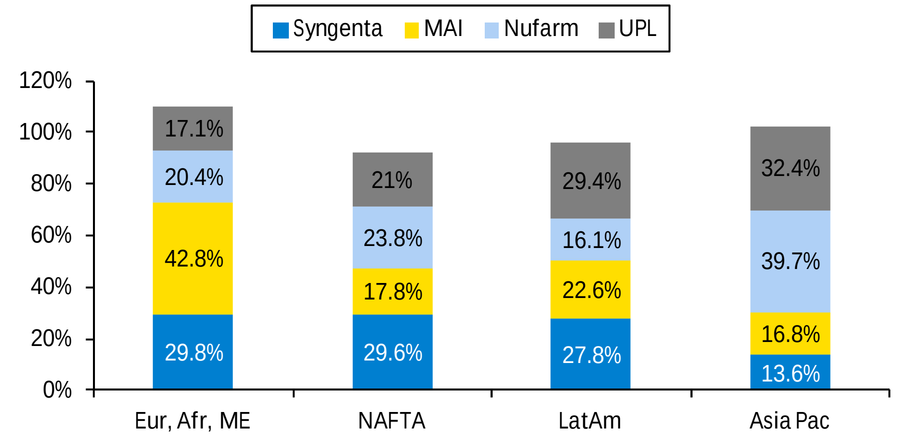
Source: Company Data; PL Research

Comparison with global peers

Higher share of revenues from high growth markets of AsiaPac & LatAm bodes well for UPL

UPL generates ~60% of its revenues collectively from high growth markets of Asia Pacific & Latin America, which is the highest, compared to the likes of global giants Syngenta (42%), MAI (40%) and Nufarm (56%). Higher exposure to these emerging economies positions UPL well to ride the next growth boom in these markets which are growing at a higher rate of 12-15% annually compared to global agrochemicals market growth rate of 4-5%. UPL has lower exposure to developed economies of Europe & North America which are growing in mid-single digits. Europe & North America collectively contribute to ~40% of revenues for UPL compared to 60% for Syngenta and MAI and 44% for Nufarm.

Exhibit 1: UPL generates 60% of its revenues from high growth markets of LatAm& AsiaPac

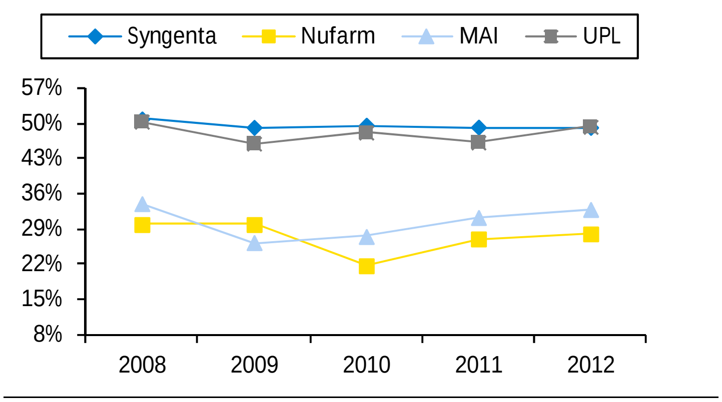


Source: Bloomberg, PL Research

UPL's margins are better than other generic players

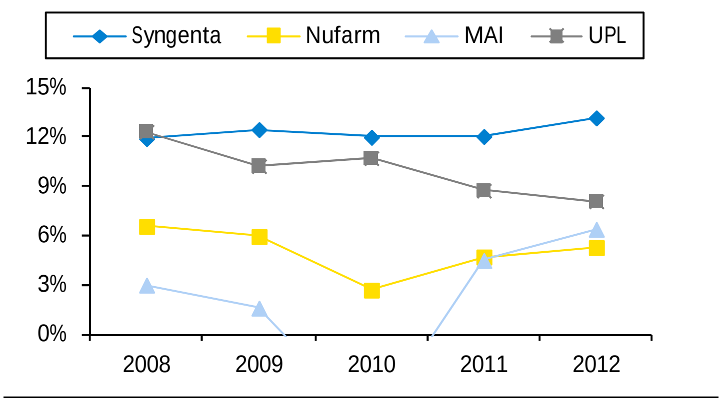
UPL's gross margins at ~50% are comparable to innovator companies like Syngenta, while they are higher than other generic players (Nufarm & MAI) who clock margins of ~30%. PAT margins for UPL are in the range of 8-9% compared to 5-6% for Nufarm & MAI.

Exhibit 2: UPL's gross margins are comparable to innovators



Source: Company Data, Bloomberg, PL Research

Exhibit 3: UPL's net margins are higher than global generic players

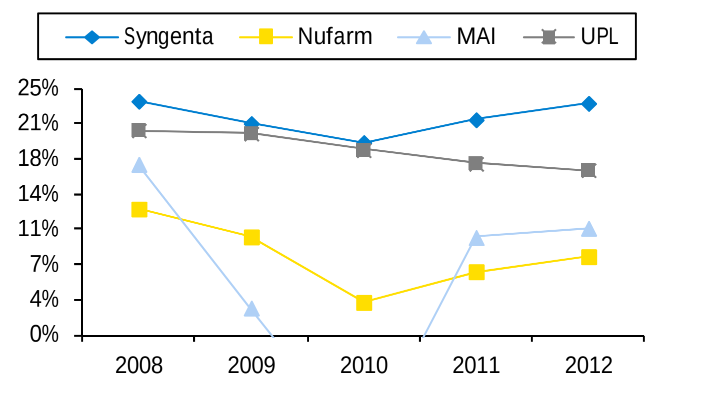


Source: Company Data, Bloomberg, PL Research

Despite decline in RoEs/RoAs from their peak, current return ratios are higher than global generic players

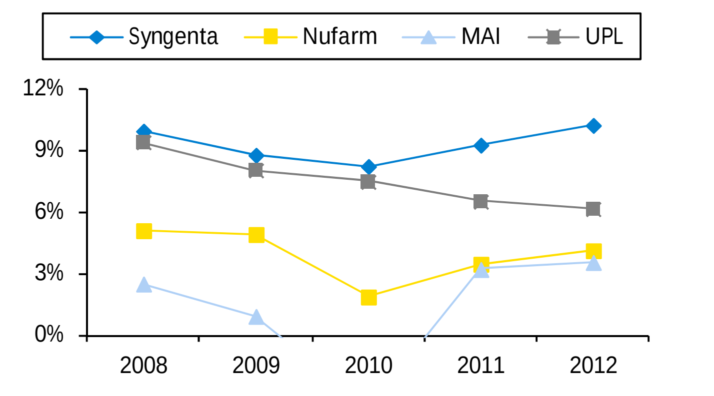
UPL has embarked on a typical strategy of acquiring global companies in financial distress and turning them around over a period of time. Though this strategy has enabled the company to clock revenue CAGR of 27% over FY07-12 (compared to industry average of 6-7%), it has resulted in dilution of ROEs/ROAs from their peak, piling up of debt and stretched working capital requirements. However, despite decline in return ratios from their peak, current return ratios are higher than global generic players. UPL's RoE/RoA stand at 16.4%/6.1% compared to 8-10% RoE & 3-4% RoA for Nufarm & MAI.

Exhibit 4: RoEs for UPL remain higher than global generics players



Source: Company Data, Bloomberg, PL Research

Exhibit 5: Despite decline in RoAs, they still remain higher



Source: Company Data, Bloomberg, PL Research

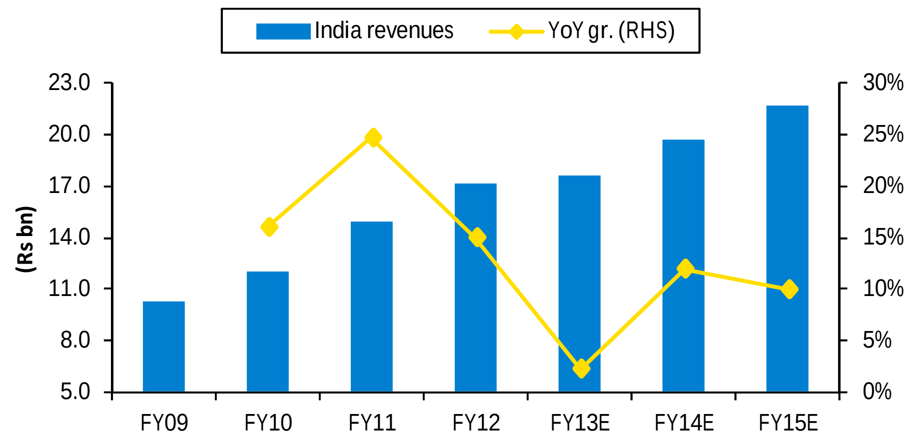
UPL plans to double revenues over the next 4-5 years; organic opportunities in emerging markets of Brazil & India remain the key

UPL's management has laid out a well-defined strategy to double revenues over the next 4-5 years. While global agrochemicals market is expected to grow at a CAGR of 4-5% over the medium term, UPL's higher exposure to emerging economies of Brazil and India (which is likely to grow at ~12-15% over the medium term) positions it well to capitalize on the growth opportunities. We believe organic opportunities in Latin America and India, coupled with expansion in newer geographies of RoW market, are likely to drive growth and help UPL achieve this enviable target.

Domestic market has witnessed two consecutive bad seasons (Rabi in 2011, Kharif in 2012); expect environment to improve

Domestic agrochemicals market has witnessed two consecutive bad seasons - Rabi (2011), Kharif (2012). While rabi was impacted due to pressure on farmers' cash flows (lower crop prices, high fertilizer/labour/power costs), kharif was impacted due to delayed rainfall which impacted sowing patterns and hence, agri-inputs consumption. Consequently, 9MFY13 has witnessed a muted performance, with industry-wide volume growth expected to be slightly negative. However, we believe, concerns are receding and industry conditions are likely to improve over the next few quarters. Improvement in crop prices (25-30% increase in agri-produce prices from their lows), stabilizing costs, rise in Minimum Support Prices (MSPs) has boosted farmers' sentiments and agri-inputs consumption is also likely to improve. We expect domestic agrochemicals market to increase at a CAGR of 10-12% over the next few years.

Exhibit 6: UPL's India revenues – Rs (bn) & YoY growth



Source: Company Data, PL Research

Latin America - Brazil & Argentina fastest growing market globally; twin acquisitions in Brazil positions UPL well to ride the growth boom

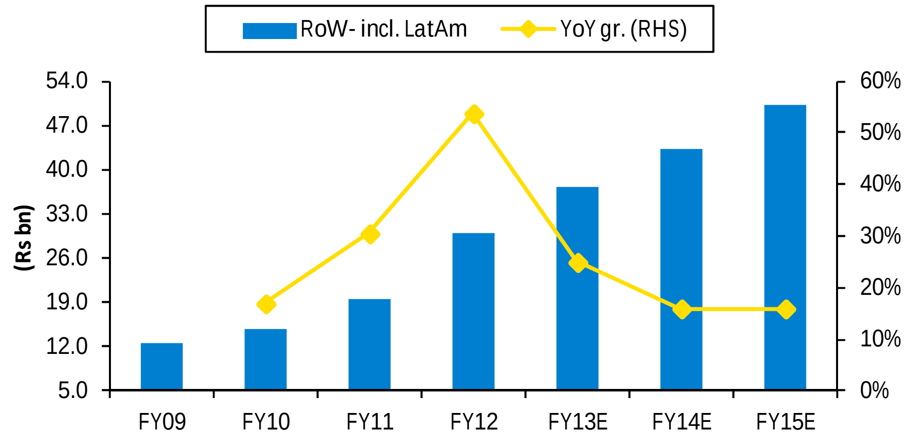
Latin American market is pegged at US$12-13bn and accounts for 25% of the global agrochemicals consumption. Latin America is the fastest growing geography globally and has been growing at a CAGR of more than 15% over the last few years. Growth in Latin America has been driven primarily from Brazil and Argentina where expansion in farming land area due to increased production of soyabean, corn and sugarcane have led to increased usage of pesticides. We expect this trend to continue over the medium term driven by firm crop prices, increase in acreages, newer product combinations etc.

Brazilian agrochemicals market is the fastest growing market globally and is estimated to reach US$10bn in 2012. Over the last few years, Brazil has emerged as the single largest agrochemicals market globally climbing from 4th place in 2006 to the top position. UPL, with twin acquisitions of *Sipcam Isagro Brazil* (SIB) & *DVA Agro*, is well-positioned to ride the growth boom in this geography. Though UPL through its subsidiary, *United Phosphorus do Brasil Ltda*, operated in the Brazilian agrochemical market prior to acquisition of stakes in SIB & DVA, it was still at a very nascent stage with limited product registrations and distribution access. Acquisition of stakes in these entities provided UPL overnight access to product registrations, wider product basket and more importantly, distribution network.

RoW market- opening up new avenues for growth

RoW market (excl. LatAm) contributed 14% to consolidated UPL revenues in 9MFY13. RoW market is a pretty large territory for UPL and includes key markets of Australia, Japan, China, Africa, Middle East etc. Management expects RoW market to be a key growth driver over the medium term driven by expansion in newer geographies as well as launch of new products in existing geographies to gain further ground. Expansion in China, Africa, and Middle East will be a major focus area for UPL, going forward. UPL also expects Australian market to rebound in FY14 after a disappointing performance in FY13 which was impacted by floods. In anticipation of this, company has lined up a slew of products to be launched in Australia during FY14. We believe expansion in newer geographies of China and Africa combined with new product launches in Australia and other geographies will enable UPL to post 15-16% YoY growth within this region over the medium term.

Exhibit 7: UPL's RoW revenues (incl. LatAm)- Rs (bn) & YoY growth



Source: Company Data, PL Research

DVA turnaround to contribute 20-30bps of margin improvement

We expect DVA Agro's margins to improve by 250-300bps over the medium term (DVA had margins of 10-11% at the time of acquisition) driven by consolidation of supply chain in Latin America, improved product profile (higher contribution of fruits & vegetables which carry higher margins) and better customer mix. Since DVA is primarily a marketing & distribution focused organization, it had outsourced all its supply chain related costs. Consolidating DVA's supply chain with UPL's existing LatAm supply chain will enable DVA to reap benefits and lower its sourcing costs. We expect DVA to contribute 20-30bps of margin improvement to UPL's consolidated business.

Exhibit 8: DVA Agro financials (Rs m)

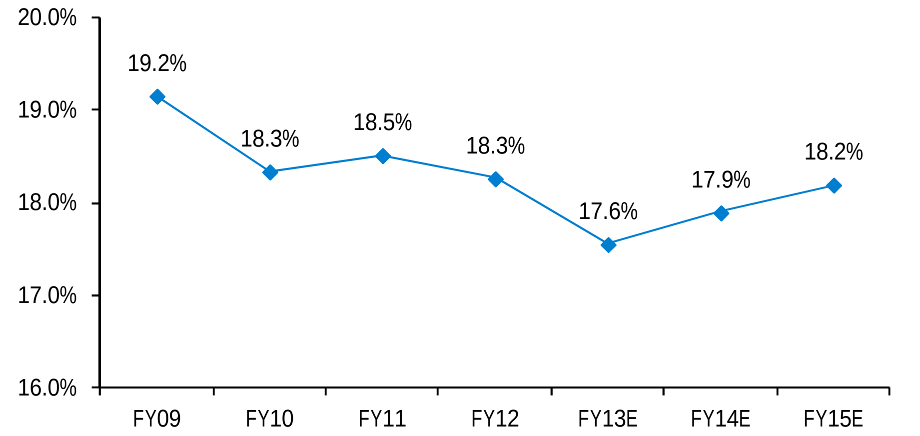
	FY12	FY13E	FY14E	FY15E
Revenues	6,468	10,996	13,196	15,835
YoY gr. (%)		*70.0*	*20.0*	*20.0*
% of consolidated revenues	*8.4*	*12.5*	*13.3*	*14.5*
EBITDA	712	1,265	1,715	2,217
EBITDA margins (%)	*11.0*	*11.5*	*13.0*	*14.0*

Source: Company Data, PL Research

EBITDA margins likely to improve driven by turnaround in DVA, shift in product mix, cost savings initiatives

We expect UPL's EBITDA margins to improve by 60bps over the next two years to 18.2% (from 17.6% in 9MFY13). EBITDA margin improvement is likely to be driven by shift in product mix, rationalization of costs and turnaround of DVA. UPL is consciously increasing the proportion of proprietary branded products in its portfolio which carry higher margins. The company has undertaken massive cost restructuring exercises which are expected to materialise over the medium term and contribute significantly to margin improvement. Turnaround in DVA is expected to contribute 20-30 bps of margin improvement to UPL's consolidated business.

Exhibit 9: EBITDA Margins to improve driven by multiple opportunities



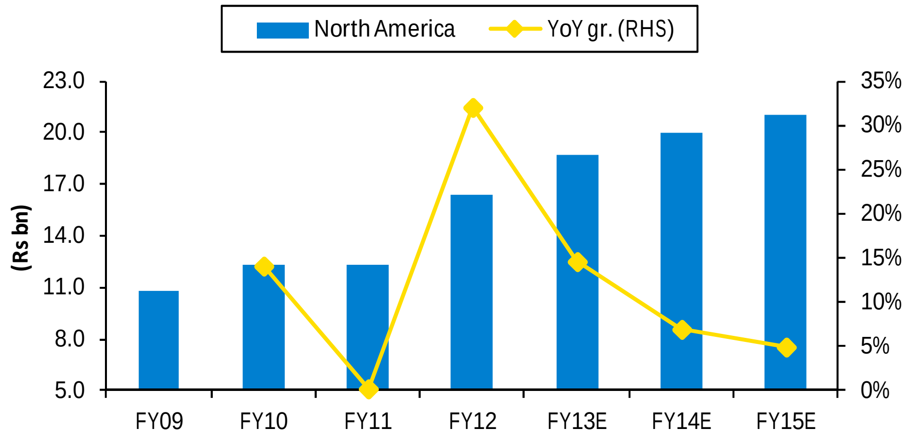
Source: Company Data, PL Research

North America - growth likely to be in mid-single digits

North American market accounts for ~18% of the global agrochemicals consumption and is expected to grow in mid-single digits. North American market has witnessed slowdown in growth over the last few years due to increasing adoption of integrated pest management strategies, organic farming, usage of selective herbicides and the development of biopesticides, which are increasingly being used as alternative pest-control agents.

Management expects North American business to grow at 5-10% YoY driven by new product launches, ramp-up in existing product lines and market share gains. RiceCo, which UPL acquired in December 2010, will be an important contributor to growth in this geography through its rice herbicide. US market is highly concentrated in terms of distribution network and introduction of new product lines will diversify the product basket and help to tap large distributors. UPL, with US sales of US$300-350m, accounts for ~4-5% of the market share in this geography.

Exhibit 10: UPL's North American revenues- Rs (bn) & YoY growth



Source: Company Data, PL Research

Advanta- in a sweet spot

UPL's associate company *Advanta* posted impressive results for CY12 backed by strong growth in corn, soya and canola business. For CY12, Advanta reported sales of Rs10.7bn, 12.5% YoY, with EBITDA at Rs1.6bn, 23% YoY. Adjusted PAT for CY12 stood at Rs681m, 90% YoY. EBITDA margins improved to 15.2% in CY12 from 14.0% in CY11 driven by price increases undertaken during the year and lower seed write-offs. Working Capital cycle has also reduced to 103 days (113 days in CY11).

Advanta's management remains quite bullish and highlighted that they are well-placed to cash in on the opportunities, going ahead. Over the last 2-3 years, Advanta has made investments across products/geographies which have now started materializing and are expected to be future growth drivers. Key growth drivers for the next two years include corn business in Asia, GM corn business in Australia/Brazil , sunflower in Europe (sunflower in Europe is a Euro 500m opportunity & Advanta is targeting 10% market share in the long term) and canola, sorghum expansion in newer geographies. Management has guided for 15-20% top-line growth in CY13 alongwith margin improvement of 100-200bps.

Working Capital unlikely to deteriorate further

UPL's working capital cycle deteriorated from 86 days in FY10 to 137 days in FY12 due to increasing contribution of Brazil (which has credit days as high as 250-300 days), pressure in domestic market and unfavourable weather conditions in major geographies which delayed receivables and led to stocking-up of inventory. Brazil's credit cycle is unusually high due to huge bargaining power at the farmers' level. Average farm land size holding in Brazil stands at about 72 hectares compared to 1.3 hectares for India. However, despite increasing contribution of Brazil, we do not expect working capital to deteriorate further from the current levels.

On the contrary, we expect working capital to improve marginally by three days over the next two years as there is room for improvement in receivables/inventory across multiple geographies. Domestic market has remained under pressure for two consecutive seasons resulting in build-up of inventory and extended credit cycle. Similarly, unfavourable weather conditions this year in North America as well as other geographies have resulted in stretching the working capital requirements. We believe rebound in these markets over the next two years would result in marginal improvement of working capital and somewhat ease the cash flow situation. We have modelled for working capital of 143/142 days in FY14E/15E (FY13E working capital cycle of 145 days).

Exhibit 11: Working Capital Cycle (Rs m)

	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Sales	23,112	35,155	48,021	52,900	56,497	75,342	86,445	97,200	107,410
Inventories	10,435	10,853	16,849	10,084	14,055	18,779	24,868	27,429	30,016
Debtors	5,697	8,541	11,406	12,135	14,795	24,453	28,420	31,956	35,313
Creditors	12,504	12,514	15,402	9,796	11,092	15,035	18,947	21,304	23,542
Net WC	3,628	6,880	12,853	12,423	17,759	28,197	34,341	38,081	41,787
Net WC Days	57	71	98	86	115	137	145	143	142

Source: Company Data, PL research

UPL has done 24 acquisitions over the last 10 years…

UPL has been on an acquisition spree since the last decade acquiring companies/brands and enhancing its global footprint. UPL acquired companies to gain access to knowledge, product basket and product registrations in addition to the existing distribution channels. While the process of obtaining product registrations can be complex, time consuming and expensive in developed countries, these acquisitions provided UPL with overnight access to registrations. UPL also capitalized on the existing strong distribution network of these partners to emerge as a leading generic player globally.

….however, we expect investment in acquisitions to decline, given that management's objective of global footprint has been achieved

Through a spate of acquisitions over the years, UPL has emerged as the world's third largest generic agrochemicals company and seventh largest agrochemicals company. The company has created a truly global footprint, with international revenues (revenues outside India) constituting 80% of consolidated revenues in FY13E. We believe that investments in acquisitions are likely to decline over the next few years as management's objective of creating a global footprint has been achieved. UPL is likely to focus its energies on integrating the recent acquisitions and reap synergy benefits out of it.

Recent buy-back instils confidence

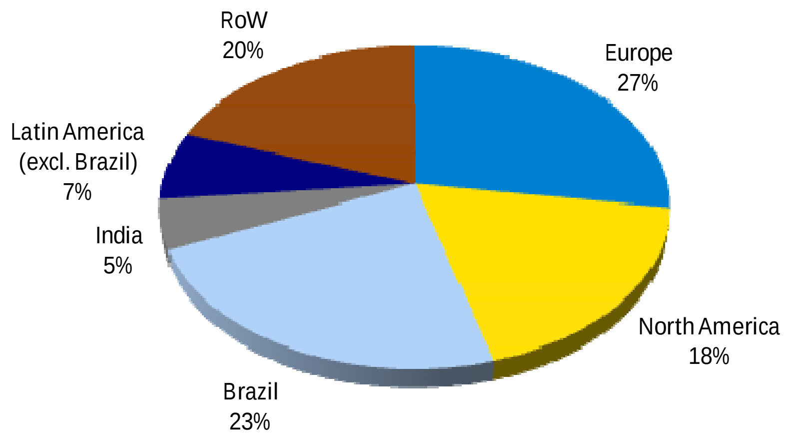
UPL has recently completed buy-back of 19.2m shares (4% of the total outstanding equity) at an average price of Rs116.4/equity share, resulting in an outflow of Rs2.2bn. The buy-back instills confidence among investors and strengthens our belief that management is bullish on company's growth prospects. Promoters' holdings increased to 28.9% at end of Q3FY13 compared to 27.7% at end of Q1FY13.

Global agrochemicals market estimated to grow at 4-5% CAGR over the medium term

The global agrochemicals market is pegged at US$50.3bn in CY2011 (global conventional chemical crop protection market is estimated at US$44bn, while use of agrochemicals in non-farm sectors is estimated at US$6.3bn). Brazil has emerged as the single largest agrochemicals consumer globally and is estimated to reach US$10bn by 2012. North American market accounts for 18% of the global agrochemicals market at US$8bn, while European market is estimated at US$12bn (27% of global agchem consumption).

Over the last few years, agrochemicals industry has witnessed a secular trend of global giants flocking to emerging markets since emerging markets like India and Brazil have been growing at a higher rate of 12-15% compared to low single-digit growth for matured markets of North America and Europe. We expect this trend to continue over the medium term driven by low agrochemicals penetration, increasing farmers' affordability, farmers' willingness to experiment and new product introductions by companies to tap newer markets.

Exhibit 12: Global Agrochemicals market dominated by Europe, Brazil & North America



Source: Industry, PL Research

US$4bn worth of products expected to go off-patent over the next 3-4 years creating huge opportunities for generic players

Global agrochemicals market is highly consolidated, with the top six players (Bayer Crop, Syngenta, Monsanto, BASF, DuPont & Dow Agro) controlling 70-75% of the market share. 75-80% of the global agrochemicals market is still dominated by off-patent market, while patented products account for the remaining 20-25%.

With ~US$4bn worth of agrochemicals products expected to go off-patent over the next 3-4 years, there is a huge opportunity for generic players like UPL, MAI and Nufarm to capitalize on the growth opportunities. We believe that generics market is likely to witness significant organic growth opportunities, going ahead, due to launch of products, low cost advantage to generic manufacturers & innovators' strategy to focus on divesture of old products (and maintain focus on new product development). Consequently, generics market has been growing at a higher rate of 4-5% compared to 1-2% for innovators' market.

Exhibit 13: Segmentation of Global Agrochemicals market

2010 Total industry sales- $44bn	
Off-Patent Market	76.4%
Patent Market	23.6%
Total Market	**100.0%**

Source: Industry, PL Research

Exhibit 14: Products coming off-patent 2011-2016

Product Category	**2010 sales value (US$m)**
Herbicides	2237
Insecticides	1858
Fungicides	1151
Others	10
Total	**5256**

Source: Nufarm, PL Research

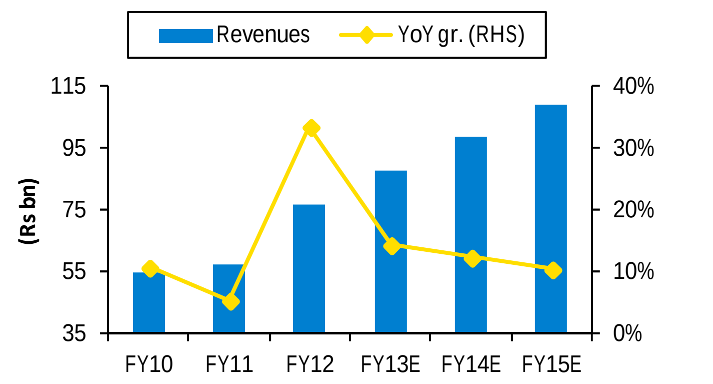
Financials

Expect revenues to grow at a CAGR of 12.5% over FY12-15E

We expect UPL's revenue to grow at a CAGR of 12.5% over FY12-15E, driven primarily by organic growth opportunities across UPL's geographies. Domestic market has been under pressure since the last two seasons; however, we expect domestic market to rebound in the next two years (we have modelled for 8% CAGR domestically over FY12-15E). We expect RoW market (incl. Latin America) to increase at a CAGR of 19% YoY during the same period, driven by growth opportunities in Brazil and Argentina & expansion in China, Africa and Middle East.

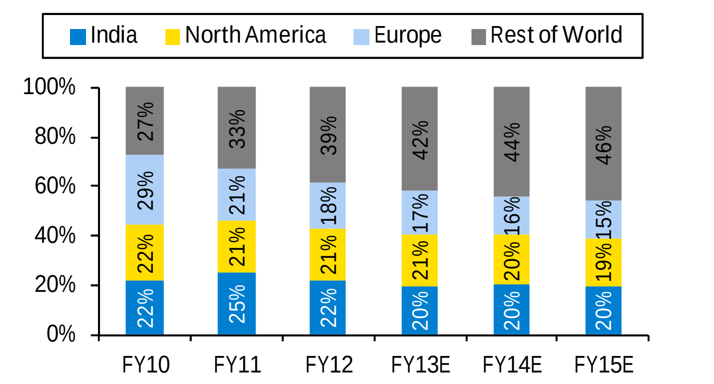
Over FY09-12, UPL clocked revenue growth of 16% YoY, driven primarily by inorganic growth opportunities, while organic growth remained muted. However, we expect organic growth to rebound in the next two years led by multiple growth opportunities in India, RoW and North American markets.

Exhibit 15: Revenues to grow at a CAGR of 12.5% over FY12-15E



Source: Company Data, PL Research

Exhibit 16: RoW contribution set to rise driven by Brazil

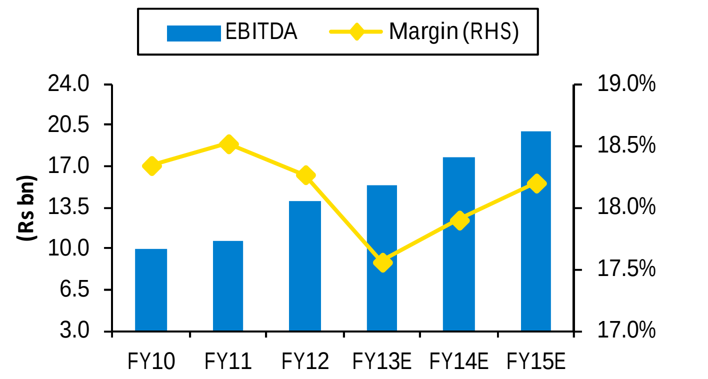


Source: Company Data, PL Research

EBITDA likely to grow at 12.3% CAGR over FY12-15E, Expect PAT to increase by 14% CAGR during the same period

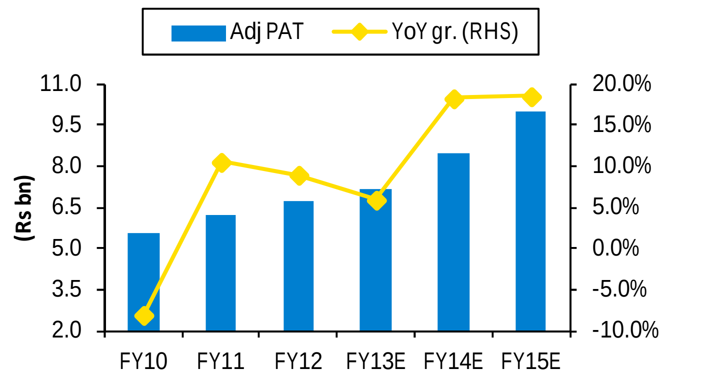
We expect EBITDA to grow at a CAGR of 12.3% over FY12-15E. EBITDA margins, which dipped to 17.6% in 9MFY13, are expected to recover by 60bps over the next two years to 18.2% in FY15E (management has guided for 100-200bps improvement over the next two years). We expect UPL's PAT to increase by 14% CAGR over FY12-15E. With sustainable earnings growth and improvement in margin profile, we expect RoE/RoCE to improve by 150bps to 17.8%/12.6% by FY15E. We expect UPL to generate FCFF of Rs2.9bn/Rs5.3bn in FY14E/FY15E.

Exhibit 17: EBITDA to grow at 12.3% CAGR over FY12-15E



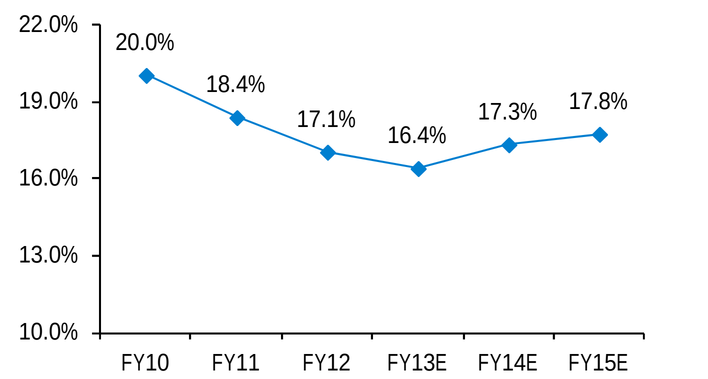
Source: Company Data, PL Research

Exhibit 18: Adj. PAT to increase by 14% CAGR over FY12-15E



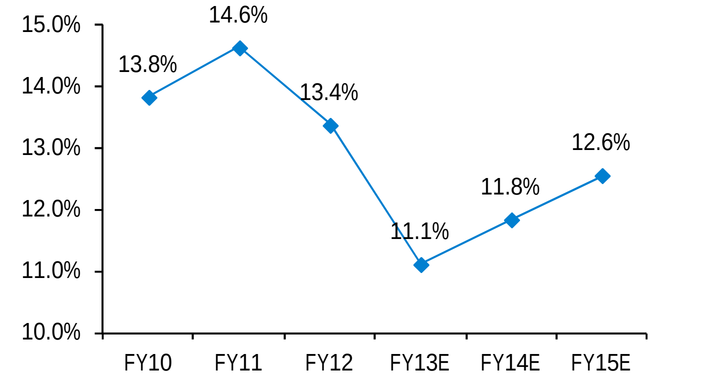
Source: Company Data, PL Research

Exhibit 19: RoEs to improve by 150bps from 2013E-15E



Source: Company Data, PL Research

Exhibit 20: RoCEs to improve to 12.6% by FY15E



Source: Company Data, PL Research

Valuation & Recommendations

Earnings growth, combined with improvement in return ratios, to trigger re-rating

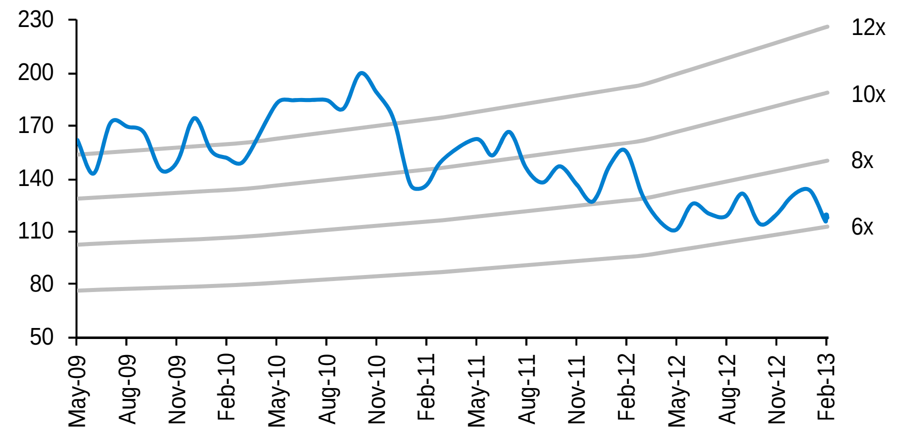
UPL, through its higher exposure to emerging markets, is comfortably placed to deliver sustainable growth in revenues over the medium term. EBITDA margins are likely to improve led by shift in product mix, rationalization of costs and turnaround of DVA. We expect UPL to register 12.5%/14% CAGR in revenues/PAT over FY12-15E. Balance sheet concerns related to pile-up of debt and higher working capital requirements are likely to recede as UPL focuses its energies on integration, going forward, rather than acquisition. Consequently, we expect RoE/ROCE to improve by ~150bps to 17.8%/12.6% from FY13E- FY15E. With sustainable earnings growth and improvement in return ratios over the medium term, stock is likely to get re-rated.

UPL is trading at 50% discount to peers; expect valuation gap to bridge; recommend 'BUY 'with target price of Rs170

UPL continues to trade at a significant discount to peers due to investor concerns related to high debt position, further deterioration in working capital requirements, turnaround in DVA and a decline in RoE/ROCEs. However, we believe, concerns are overdone and current price factors in all the negatives. Despite decline in return ratios from their peak, current return ratios are higher than global generic players. Sustainable earnings growth, DVA turnaround and marginal improvement in working capital over the next two years are likely to dispel investor concerns and re-rate the stock.

At CMP of Rs119, UPL trades at 6.3x FY14 earnings which is a discount of ~50% to industry average and 30% discount to its 3-year average. We recommend '**BUY**' & value UPL at 9x FY14 earnings of Rs19.1, resulting in target price of Rs170 (upside potential of 43%).

Exhibit 21: 1 year forward PE Band



Source: Company Data, Bloomberg, PL Research

Exhibit 22: Valuations Summary

Companies	M/cap (Rs m)	Net Sales (Rs m)		EBITDA (Rs m)		EBITDA (%)		PAT (Rs m)		PAT (%)		PAT Gr. (%)	
		FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Rallis India	23,627	16,458	18,769	2,646	3,192	16.1%	17.0%	1,594	1,935	9.7%	10.3%	28.5%	21.4%
PI Industries	17,310	13,878	16,939	2,504	3,075	18.0%	18.2%	1,482	1,899	10.7%	11.2%	40.5%	28.1%
Bayer Crop	44,638	28,280	34,798	3,506	4,719	12.4%	13.6%	2,361	3,349	8.3%	9.6%	16.4%	41.8%
Insecticides India	4,920	7,137	NA	887	NA	12.4%	NA	439	NA	6.2%	NA	14.0%	NA
Dhanuka Agritech	6,202	7,063	8,597	1,050	1,312	14.9%	15.3%	767	923	10.9%	10.7%	17.1%	20.3%
UPL	**55,325**	**98,939**	**109,323**	**17,710**	**19,897**	**17.9%**	**18.2%**	**8,435**	**9,995**	**8.5%**	**9.1%**	**18.2%**	**18.5%**
Avg. excluding UPL						**14.8%**	**16.0%**			**9.1%**	**10.5%**	**23.3%**	**27.9%**

Source: Bloomberg, PL Research

Exhibit 23: Valuations Summary

	EV/EBITDA (x)		P/E (x)		RoE (%)	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Rallis India	9.6	7.9	14.8	12.2	23.1	24.5
PI Industries	7.9	6.4	11.7	9.1	27.4	26.5
Bayer Crop	11.5	8.5	18.9	13.3	13.2	NA
Insecticides India	7.9	NA	11.2	NA	18.1	NA
Dhanuka Agritech	6.2	5.0	8.1	6.7	25.7	25.4
UPL	**4.7**	**4.0**	**6.3**	**5.3**	**17.3**	**17.8**
Avg. excluding UPL	**8.6**	**7.0**	**12.9**	**10.3**	**21.5**	**25.4**

Source: Bloomberg, PL Research

Income Statement (Rs m)

Y/e March	2012	2013E	2014E	2015E
Net Revenue	**76,936**	**88,026**	**98,939**	**109,323**
Raw Material Expenses	41,421	44,647	50,063	55,317
Gross Profit	35,515	43,379	48,876	54,006
Employee Cost	6,856	8,783	9,894	10,932
Other Expenses	14,605	19,139	21,272	23,176
EBITDA	**14,054**	**15,457**	**17,710**	**19,897**
Depr. & Amortization	2,924	3,415	3,909	4,188
Net Interest	2,477	2,614	2,928	2,729
Other Income	701	987	1,036	1,088
Profit before Tax	**8,654**	**9,427**	**10,873**	**12,980**
Total Tax	1,514	2,558	2,718	3,245
Profit after Tax	**7,139**	**6,869**	**8,155**	**9,735**
Ex-Od items / Min. Int.	(3,466)	(303)	320	340
Adj. PAT	**6,735**	**7,134**	**8,435**	**9,995**
Avg. Shares O/S (m)	**461.8**	**442.6**	**442.6**	**442.6**
EPS (Rs.)	**14.6**	**16.1**	**19.1**	**22.6**

Cash Flow Abstract (Rs m)

Y/e March	2012	2013E	2014E	2015E
C/F from Operations	(3,224)	5,861	12,125	14,134
C/F from Investing	(6,599)	(4,355)	(4,250)	(4,500)
C/F from Financing	2,562	1,278	(6,527)	(7,400)
Inc. / Dec. in Cash	(7,260)	2,784	1,348	2,234
Opening Cash	16,712	7,002	7,999	8,847
Closing Cash	7,002	7,999	8,847	10,581
FCFF	(15,954)	(1,801)	2,891	5,277
FCFE	1,520	6,699	1,891	3,277

Key Financial Metrics

Y/e March	2012	2013E	2014E	2015E
Growth				
Revenue (%)	33.6	14.4	12.4	10.5
EBITDA (%)	31.7	10.0	14.6	12.3
PAT (%)	9.0	5.9	18.2	18.5
EPS (%)	9.0	10.5	18.2	18.5
Profitability				
EBITDA Margin (%)	18.3	17.6	17.9	18.2
PAT Margin (%)	8.8	8.1	8.5	9.1
RoCE (%)	13.4	11.1	11.8	12.6
RoE (%)	17.1	16.4	17.3	17.8
Balance Sheet				
Net Debt : Equity	0.6	0.7	0.6	0.5
Net Wrkng Cap. (days)	149	166	163	161
Valuation				
PER (x)	8.2	7.4	6.3	5.3
P / B (x)	1.3	1.2	1.0	0.9
EV / EBITDA (x)	5.7	5.5	4.7	4.0
EV / Sales (x)	1.0	1.0	0.8	0.7
Earnings Quality				
Eff. Tax Rate	17.5	27.1	25.0	25.0
Other Inc / PBT	8.1	10.5	9.5	8.4
Eff. Depr. Rate (%)	10.7	10.8	10.9	10.4
FCFE / PAT	22.6	93.9	22.4	32.8

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2012	2013E	2014E	2015E
Shareholder's Funds	41,731	45,189	52,081	60,532
Total Debt	32,447	40,947	39,947	37,947
Other Liabilities	6,956	5,447	5,947	5,947
Total Liabilities	**81,133**	**91,583**	**97,974**	**104,426**
Net Fixed Assets	13,951	14,786	15,127	15,439
Goodwill	21,335	21,335	21,335	21,335
Investments	9,895	10,413	10,413	10,413
Net Current Assets	34,956	44,052	50,103	56,243
Cash & Equivalents	*7,002*	*7,999*	*8,847*	*10,581*
Other Current Assets	*50,350*	*60,575*	*67,635*	*73,779*
Current Liabilities	*22,396*	*24,521*	*26,379*	*28,116*
Other Assets	997	997	997	997
Total Assets	**81,133**	**91,583**	**97,974**	**104,426**

Quarterly Financials (Rs m)

Y/e March	Q1FY13	Q2FY13	Q3FY13	Q4FY13E
Net Revenue	**22,142**	**18,560**	**22,956**	**24,368**
EBITDA	**3,864**	**3,261**	**4,042**	**4,289**
% of revenue	*17.5*	*17.6*	*17.6*	*17.6*
Depr. & Amortization	734	820	961	900
Net Interest	575	557	732	750
Other Income	254	202	280	250
Profit before Tax	**2,555**	**1,884**	**2,348**	**2,639**
Total Tax	703	457	685	712
Profit after Tax	**2,029**	**1,198**	**1,735**	**1,941**
Adj. PAT	**2,209**	**1,248**	**1,735**	**1,941**

Key Operating Metrics

Y/e March	2012	2013E	2014E	2015E
India	15.0	2.3	12.0	10.0
North America	32.1	14.7	7.0	5.0
Europe	16.2	7.2	4.0	3.0
Rest of World	53.8	25.0	16.0	16.0

Source: Company Data, PL Research.

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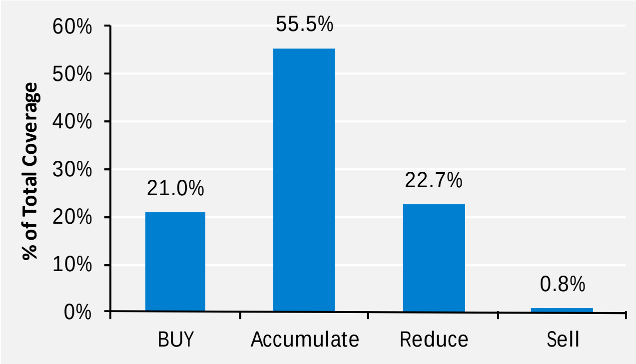
Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	:	Over 15% Outperformance to Sensex over 12-months	**Accumulate**	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months	**Sell**	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month	**Trading Sell**	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock	**Under Review (UR)**	:	Rating likely to change shortly

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