

January 30, 2012

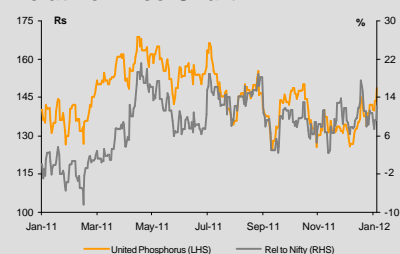
Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 144	Rs 200
EPS change FY12E/13E (%)	-10/-7
Target Price change (%)	-7
Nifty	5,087
Sensex	16,863

### Price Performance

(%)	1M	3M	6M	12M
Absolute	13	(3)	(13)	2
Rel. to Nifty	3	2	(5)	11

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	171/120
Market Cap (Rs bn/USD mn)	66/1,330
Daily Avg Volume (No of sh)	1052332
Daily Avg Turnover (US\$m)	2.9

### Shareholding Pattern (%)

	Dec-11	Sep-11	Jun-11
Promoters	27.3	26.6	26.6
FII/NRI	37.9	39.3	38.5
Institutions	15.6	15.6	16.7
Private Corp	10.8	10.7	10.6
Public	8.4	7.8	7.7

Source: Capitaline

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- Q3FY12 revenues / EBITDA were above est driven by currency impact however higher tax outgo squeezed APAT at Rs 1.15bn, 4% yoy, below est of Rs 1.5bn
- 58%yoy growth in sales is primarily driven by recent acquisitions in Brazil (~25%) and exchange fluctuation (19%) while organic volume growth remains muted at ~6%
- Despite higher revenue growth, EBITDA margins remain subdued at 18.1%. Higher tax rates at 33% and losses from Brazilian JV (SIPchem) suppressed PAT growth at mere 4%
- Downgrade FY12/13 est by 10%/7% to Rs 16 / 19.9 and subsequently downgrade price target to Rs 200 (10x FY13 EPS), however maintain BUY due to attractive valuations

### Revenue growth of 58% led by exchange impact and acquisition

UPL reported revenues of Rs 19.3bn, +58% yoy higher than our estimates of Rs 17 bn. 19% positive impact of exchange fluctuation along with 8% price inflation drove revenue growth. Revenue contribution of ~Rs 3 bn from Brazilian acquisitions also contributed to topline growth while organic growth remains subdued at ~6%.

North America (62% yoy growth) and RoW (91%) lead topline growth during the quarter along with pick up in Europe (31% yoy growth). Growth in India however slowed down to 15% yoy compared to 25%+ growth witnessed in domestic markets in last 3 quarters. RoW revenues of Rs 9.3 bn (+91%) are primarily led by acquisitions.

### APAT below est due to higher tax and losses in joint ventures

Consol EBITDA of Rs 3.5bn, +57% yoy, is higher than est of Rs 3bn driven by higher topline. However EBITDA margins at 18.1% was broadly in line with est. Currency fluctuation adversely affected employee cost (increased by 50% yoy/29% qoq to Rs 1.9bn) and tax outgo (effective tax rate increased to 33% as against 20-25%). Repricing of income statement and higher profit from India driven by amalgamation of its Mauritius entity adversely affected tax provisioning however the same is likely to reverse with appreciation in INR. JV in Brazil – SIPchem also reported losses of Rs 120 mn as a result APAT at Rs 1.15 bn (+4%yoy) was below our est of Rs 1.5 bn.

### Domestic markets growth slowed down to 15%yoy in Q3

UPL's domestic growth slowed down to 15% yoy compared to 25%+ growth witnessed in domestic markets in previous 3 quarters. As highlighted earlier, we expect domestic markets to remain under pressure in the near term due to declining farm incomes and shrinking farm profitability. However, slowdown in domestic rural markets is likely to have a limited impact on UPL due to lower share (20-25%) from Indian markets.

### Downgrade FY12/FY13 est and target price, maintain BUY

Management maintained its guidance of 35%-40% topline growth for FY12 with EBITDA margins of 19-20%. However despite higher topline growth with lower PAT in current quarter and pressure on margins we have downgraded our FY12/FY13 est by 10%/7% to Rs 16 / 19.9. Subsequently we have also reduced our price target from Rs 215 to Rs 200 (10x FY13 est EPS) however maintain BUY on attractive valuations. At CMP stock is trading at 7.2x 1year fwd earnings, compared to average of 13x enjoyed historically.

### Financial Snapshot

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	Rs Mn		
								P/E	EBITDA	P/BV
Mar										
FY10	54,633	10,021	18.3	5,593	12.1	(8.1)	19.7	11.3	6.4	2.1
FY11	58,045	11,106	19.1	6,620	14.3	18.3	19.7	10.0	6.1	1.8
FY12E	81,168	15,568	19.2	7,402	16.0	11.8	18.4	9.0	5.0	1.5
FY13E	85,982	16,350	19.0	9,200	19.9	24.3	19.6	7.2	4.4	1.3

## Key Financials – Quarterly (Consolidated)

Rs Mn

Rs mn	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	YoY (%)	QoQ (%)	YTDFY12	YTDFY11	YoY (%)
Revenue	12,221	18,569	18,621	17,757	19,288	57.8	8.6	55,666	39,476	41.0
Expenditure	10,007	14,896	15,173	14,502	15,804	57.9	9.0	45,479	32,043	41.9
as % of sales	81.9	80.2	81.5	81.7	81.9			81.7	81.2	
Consumption of RM	5,695	10,403	10,234	9,700	10,305	80.9	6.2	30,238	19,478	55.2
as % of sales	46.6	56.0	55.0	54.6	53.4			54.3	49.3	
Employee Cost	1,298	1,329	1,487	1,511	1,948	50.2	28.9	4,947	3,817	29.6
as % of sales	10.6	7.2	8.0	8.5	10.1			8.9	9.7	
Other expenditure	3,014	3,163	3,452	3,291	3,551	17.8	7.9	10,295	8,749	17.7
as % of sales	24.7	17.0	18.5	18.5	18.4			18.5	22.2	
<b>EBITDA</b>	<b>2,215</b>	<b>3,673</b>	<b>3,449</b>	<b>3,255</b>	<b>3,484</b>	<b>57.3</b>	<b>7.0</b>	<b>10,187</b>	<b>7,433</b>	<b>37.1</b>
Depreciation	491	661	628	719	785	59.9	9.1	2,132	1,477	44.3
<b>EBIT</b>	<b>1,724</b>	<b>3,012</b>	<b>2,820</b>	<b>2,536</b>	<b>2,699</b>	<b>56.5</b>	<b>6.4</b>	<b>8,055</b>	<b>5,955</b>	<b>35.3</b>
Other Income	262	250	226	196	107	(59.3)	(45.4)	528	687	(23.1)
Interest	538	450	875	805	810	50.5	0.7	2,489	1,524	63.4
<b>PBT</b>	<b>1,448</b>	<b>2,813</b>	<b>2,171</b>	<b>1,927</b>	<b>1,996</b>	<b>37.8</b>	<b>3.6</b>	<b>6,094</b>	<b>5,118</b>	<b>19.1</b>
Total Tax	427	113	478	116	811	90.0	599.9	1,243	758	64.0
<b>Adjusted PAT</b>	<b>1,021</b>	<b>2,700</b>	<b>1,693</b>	<b>1,811</b>	<b>1,185</b>	<b>16.0</b>	<b>(34.6)</b>	<b>4,851</b>	<b>4,360</b>	<b>11.3</b>
(Profit)/loss from JV's/Ass/MI	88	-271	-11	-219	-31	(135.9)		189	11	1,568.1
<b>APAT after MI</b>	<b>1,109</b>	<b>2,429</b>	<b>1,682</b>	<b>1,592</b>	<b>1,154</b>	<b>4.1</b>	<b>(27.5)</b>	<b>4,428</b>	<b>4,349</b>	<b>1.8</b>
Extra ordinary items	-270	-262	161	-1023	-29	(89.1)	(97.1)	-891	-940	(5.2)
<b>Reported PAT</b>	<b>839</b>	<b>2,167</b>	<b>1,843</b>	<b>570</b>	<b>1,124</b>	<b>34.0</b>	<b>97.4</b>	<b>3,537</b>	<b>3,409</b>	<b>3.7</b>
<b>Reported EPS</b>	<b>1.9</b>	<b>4.9</b>	<b>4.0</b>	<b>1.2</b>	<b>2.4</b>	<b>27.5</b>	<b>97.4</b>	<b>7.7</b>	<b>7.8</b>	<b>(1.3)</b>
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	18.1	19.8	18.5	18.3	18.1	(6)	(27)	18.3	18.8	(53)
EBIT	14.1	16.2	15.1	14.3	14.0	(11)	(29)	14.5	15.1	(62)
EBT	9.7	13.8	10.4	9.7	9.8	9	4	10.0	11.2	(123)
PAT	9.1	13.1	9.0	9.0	6.0	(309)	(299)	8.0	11.0	(306)
Effective Tax rate	29.5	4.0	22.0	6.0	40.6	1,115	3,461	20.4	14.8	559

Source: Company, Emkay Research

## Geographical Break up

Rs Mn

Y/E Mar	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	YoY (%)	QoQ (%)	YTDFY12	YTDFY11	YoY (%)
India	3320	3030	5360	5690	3810	14.8	(33.0)	14860	11912	24.7
North America	1760	4100	5110	2990	3590	104.0	20.1	11690	8281	41.2
Europe	2020	4490	3760	2230	2650	31.2	18.8	8640	7730	11.8
Rest of the World	5380	7200	4620	7040	9340	73.6	32.7	21000	12240	71.6
<b>Total</b>	<b>12480</b>	<b>18820</b>	<b>18850</b>	<b>17950</b>	<b>19390</b>	<b>55.4</b>	<b>8.0</b>	<b>56190</b>	<b>40163</b>	<b>39.9</b>

Source: Company, Emkay Research

## Downgrade estimates by 10%/7% to Rs 16 / 19.9

Despite higher topline growth with lower PAT in current quarter and pressure on margins we have downgraded our FY12/FY13 est by 10%/7% to Rs 16 / 19.9.

Rs mn	FY12E			FY13E		
	Old Estimates	New Estimates	% Change	Old Estimates	New Estimates	% Change
Net sales	76,494	81,168	6.1%	82,760	85,982	3.9%
EBITDA	14,728	15,568	5.7%	16,307	16,350	0.3%
EBITDA %	19.3%	19.2%	-7	19.7%	19.0%	-69
PAT	8,218	7,402	-9.9%	9,904	9,200	-7.1%
EPS	17.8	16.0	-10.0%	21.4	19.9	-6.9%

## Key Financials

## Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>54,633</b>	<b>58,045</b>	<b>81,168</b>	<b>85,982</b>
Growth (%)	10.8	6.2	39.8	5.9
<b>Expenditure</b>	<b>44,612</b>	<b>46,939</b>	<b>65,599</b>	<b>69,632</b>
Materials Consumed	29,542	29,881	49,795	52,289
Employee Cost	5,018	5,146	6,642	7,645
Other Exp	10,052	11,912	9,162	9,699
<b>EBITDA</b>	<b>10,021</b>	<b>11,106</b>	<b>15,568</b>	<b>16,350</b>
Growth (%)	6.1	10.8	40.2	5.0
<b>EBITDA margin (%)</b>	<b>18.3</b>	<b>19.1</b>	<b>19.2</b>	<b>19.0</b>
Depreciation	2,147	2,138	2,800	2,600
<b>EBIT</b>	<b>7,874</b>	<b>8,968</b>	<b>12,768</b>	<b>13,750</b>
<b>EBIT margin (%)</b>	<b>14.4</b>	<b>15.5</b>	<b>15.7</b>	<b>16.0</b>
Other Income	343	937	700	900
Interest expenses	1,938	2,309	3,400	3,200
<b>PBT</b>	<b>6,279</b>	<b>7,596</b>	<b>10,068</b>	<b>11,450</b>
<b>Tax</b>	<b>814</b>	<b>731</b>	<b>2,416</b>	<b>2,290</b>
Effective tax rate (%)	13.0	9.6	24.0	20.0
<b>Adjusted PAT</b>	<b>5,465</b>	<b>6,865</b>	<b>7,652</b>	<b>9,160</b>
Growth (%)	(7.5)	25.6	11.5	19.7
<b>Net Margin (%)</b>	<b>10.0</b>	<b>11.8</b>	<b>9.4</b>	<b>10.7</b>
(Profit)/loss from JVs/Ass/MI	128.2	(245.3)	(250.0)	40.0
<b>Adjusted PAT After JVs/Ass/MI</b>	<b>5,593</b>	<b>6,620</b>	<b>7,402</b>	<b>9,200</b>
E/O items	-	(1,006)	-	-
<b>Reported PAT</b>	<b>5,593</b>	<b>5,614</b>	<b>7,402</b>	<b>9,200</b>
<b>PAT after MI</b>	<b>5,593</b>	<b>6,620</b>	<b>7,402</b>	<b>9,200</b>
Growth (%)	(8.1)	18.3	11.8	24.3

## Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>PBT (Ex-Other income)</b>	<b>5,936</b>	<b>6,659</b>	<b>9,368</b>	<b>10,550</b>
Depreciation	2,147	2,138	2,800	2,600
Interest Provided	1,503	2,031	3,400	3,200
Other Non-Cash items	(970)	(36)	-	-
Chg in working cap	4,499	(1,884)	(6,283)	(996)
Tax paid	-813	-885	-2,416	-2,290
<b>Operating Cashflow</b>	<b>12,302</b>	<b>8,023</b>	<b>6,869</b>	<b>13,063</b>
Capital expenditure	(2,285)	(6,960)	(13,000)	(3,000)
<b>Free Cash Flow</b>	<b>10,017</b>	<b>1,063</b>	<b>-6,131</b>	<b>10,063</b>
Other income	313	125	700	900
Investments	122	(1,391)	-	-
<b>Investing Cashflow</b>	<b>435</b>	<b>-1,266</b>	<b>700</b>	<b>900</b>
Equity Capital Raised	-	2,888	-	-
Loans Taken / (Repaid)	2,840	(58)	6,000	(4,251)
Interest Paid	(1,522)	(1,095)	(3,400)	(3,200)
Dividend paid (incl tax)	(769)	(1,024)	(1,621)	(1,621)
Income from investments	0	0	0	0
Others	-761	-1027	0	0
<b>Financing Cashflow</b>	<b>-213</b>	<b>-316</b>	<b>979</b>	<b>-9,072</b>
<b>Net chg in cash</b>	<b>10,239</b>	<b>-520</b>	<b>-4,452</b>	<b>1,892</b>
Opening cash position	5,539	16,178	15,659	11,207
<b>Closing cash position</b>	<b>15,778</b>	<b>15,658</b>	<b>11,207</b>	<b>13,098</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	879	924	924	924
Reserves & surplus	29,039	36,337	42,118	49,697
<b>Net worth</b>	<b>29,918</b>	<b>37,260</b>	<b>43,042</b>	<b>50,620</b>
<b>Minority Interest</b>	<b>140</b>	<b>180</b>	<b>180</b>	<b>280</b>
Secured Loans	4,044	4,646	4,646	2,646
Unsecured Loans	19,774	20,273	26,273	24,022
<b>Loan Funds</b>	<b>23,818</b>	<b>24,919</b>	<b>30,919</b>	<b>26,669</b>
Net deferred liabilities	490	296	546	406
<b>Total Liabilities</b>	<b>54,366</b>	<b>62,655</b>	<b>74,686</b>	<b>77,974</b>
Gross Block	30,009	36,317	48,476	51,476
Less: Depreciation	12,286	13,109	15,909	18,509
<b>Net block</b>	<b>17,723</b>	<b>23,209</b>	<b>32,567</b>	<b>32,967</b>
Capital work in progress	406	658	1,500	1,500
<b>Investments</b>	<b>7,612</b>	<b>8,232</b>	<b>8,232</b>	<b>8,232</b>
<b>Current Assets</b>	<b>43,242</b>	<b>49,914</b>	<b>59,177</b>	<b>63,560</b>
Inventories	10,084	14,055	20,737	21,951
Sundry debtors	12,135	14,795	21,828	23,106
Cash & bank balance	15,778	15,659	11,207	13,098
Loans & advances	4,693	4,662	4,662	4,662
Other current assets	553	743	743	743
<b>Current lia &amp; Prov</b>	<b>14,616</b>	<b>19,358</b>	<b>26,789</b>	<b>28,285</b>
Current liabilities	13,591	18,117	25,548	27,044
Provisions	1,025	1,241	1,241	1,241
<b>Net current assets</b>	<b>28,626</b>	<b>30,557</b>	<b>32,388</b>	<b>35,276</b>
<b>Total Assets</b>	<b>54,366</b>	<b>62,655</b>	<b>74,686</b>	<b>77,974</b>

## Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability (%)</b>				
EBITDA Margin	18.3	19.1	19.2	19.0
Net Margin	10.2	11.4	9.1	10.7
ROCE	16.1	16.9	19.6	19.2
ROE	19.7	19.7	18.4	19.6
RoIC	23.4	26.1	27.8	25.3
<b>Per Share Data (Rs)</b>				
FDEPS	12.1	14.3	16.0	19.9
CEPS	17.6	19.0	22.1	25.6
BVPS	68.1	80.7	93.2	109.6
DPS	2.5	2.0	3.0	3.0
<b>Valuations (x)</b>				
PER	11.3	10.0	9.0	7.2
P/CEPS	8.2	7.6	6.5	5.6
P/BV	2.1	1.8	1.5	1.3
EV / Sales	1.2	1.2	1.0	0.8
EV / EBITDA	6.4	6.1	5.0	4.4
Dividend Yield (%)	1.7	1.4	2.1	2.1
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.0	0.0	0.3	0.1
Net Debt/EBIDTA	0.0	0.1	0.7	0.3
Working Cap Cycle (days)	57.6	67.5	76.5	76.5

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

Date	Reports	Reco	CMP	Target
21/10/2011	<a href="#">United Phosphorus Q2FY12 Result Update</a>	Buy	143	215
29/07/2011	<a href="#">United Phosphorus Q1FY12 Result Update</a>	Buy	166	215
26/07/2011	<a href="#">United Phosphorus Event Update</a>	Buy	157	215
29/04/2011	<a href="#">United Phosphorus Q4FY11 Result Update</a>	Buy	125	215

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
19/01/2012	<a href="#">Fertiliser Sector Update</a>			
27/01/2012	<a href="#">GSFC Q3FY12 Result Update</a>	Accumulate	388	530
25/01/2012	<a href="#">Deepak Fertilisers Q3FY12 Result Update</a>	Buy	138	185
24/01/2012	<a href="#">JK Paper Q3FY12 Result Update</a>	Accumulate	36	48

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