UPL Limited

Global agchem cycle is turning; retain ADD

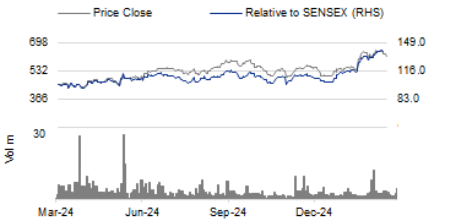
India

ADD *(no change)*

Consensus ratings*:	Buy 16	Hold 7	Sell 1

Current price:	Rs601
Target price: ▲	Rs1,289
Previous target:	Rs754
Up/downside:	114.5%
InCred Research / Consensus:	88.8%
Reuters:	UPLL.NS
Bloomberg:	UPLL IN
Market cap:	US$5,189m
	Rs451,453m
Average daily turnover:	US$16.4m
	Rs1430.2m
Current shares o/s:	765.0m
Free float:	66.5%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.7)	9.3	35.7
Relative (%)	0.1	19.5	33.5

Major shareholders	% held
Promoter & Group	33.5
Life Ins. Corp. of India	7.3
ICICI Prudential	5.2

- The global agrochemical cycle is recovering, and with restocking underway, crop protection companies will witness volume growth in the coming years.
- While a broad price recovery is unlikely, key chemicals - glyphosate, 2,4-D, mancozeb & glufosinate - witness modest price rebound. GM to remain stable.
- UPL's EPS outlook is strong. Projected revenue CAGR is 11% over FY25F-27F, leading to a valuation of 20x FY27F EPS & TP of Rs1,289. Retain ADD.

The global agrochemical cycle is recovering; stocking commences

The global agrochemical cycle is showing signs of a recovery, with the industry moving past the destocking phase and entering the restocking period. This shift is already evident in the performance of Indian agrochemical intermediate maker companies like SRF and Anupam Rasayan, as well as in the guidance of major global crop protection companies such as FMC, Corteva, and Bayer. UPL, a key player in the sector, has indicated that its inventory challenges are largely resolved, and volume growth is returning. As a result, UPL's revenue is expected to grow by 11% over FY25F-27F, aided by easing pressure on working capital and a successful rights share issue, which will contribute to debt reduction.

There is likely to be a price recovery for key chemicals sold by UPL

While a broad pricing recovery in agrochemicals is unlikely, certain products such as glyphosate, 2,4-D, mancozeb, and glufosinate are expected to witness a modest rebound. Glyphosate prices are stabilizing near their historical low, while 2,4-D and mancozeb may witness some price recovery as supply chains normalize. Similarly, glufosinate, which hit a seven-year low in Dec 2024, is now showing signs of a turnaround. Despite this, gross margin or GM for the sector is unlikely to see a major improvement, as it has already stabilized around 50% in the first three quarters of FY25.

We value the stock at 20x FY27F earnings; maintain ADD rating

UPL's earnings outlook remains strong, driven by expected volume growth, operational leverage, and lower interest costs. Revenue is projected to grow at an 11% CAGR over FY25F-27F, while EBITDA and PAT are estimated to expand at 24% and 99% CAGR, respectively. The company's stock is currently trading at a historically low valuation level, with the price-to-book ratio at a 20-year low and EV/EBITDA near a five-year low. Given these favourable growth prospects, UPL is valued at 20x FY27F EPS, leading to a higher target price of Rs1,289 (Rs754 earlier) while maintaining our ADD rating on it. Downside risk: A fresh drawdown phase in supply chain inventory will lead to a less-than-projected recovery in profits.

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Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	535,760	430,980	453,066	498,372	558,177
Operating EBITDA (Rsm)	112,830	56,060	83,390	102,471	127,754
Net Profit (Rsm)	35,700	(25,560)	12,458	31,710	49,306
Core EPS (Rs)	60.7	(16.2)	22.3	41.5	64.5
Core EPS Growth	2.4%	(126.6%)	(237.7%)	86.2%	55.5%
FD Core P/E (x)	12.89	(18.00)	36.93	14.51	9.33
DPS (Rs)	12.3	(8.8)	4.3	10.9	16.9
Dividend Yield	2.04%	(1.46%)	0.71%	1.81%	2.81%
EV/EBITDA (x)	6.33	13.57	8.56	7.12	5.72
P/FCFE (x)	(357.78)	11.09	6.65	10.54	4.44
Net Gearing	47.6%	67.7%	45.7%	43.3%	35.6%
P/BV (x)	1.54	1.66	1.42	1.30	1.14
ROE	19.2%	(4.8%)	6.3%	10.3%	14.1%
% Change In Core EPS Estimates			(62.71%)	(30.57%)	7.96%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

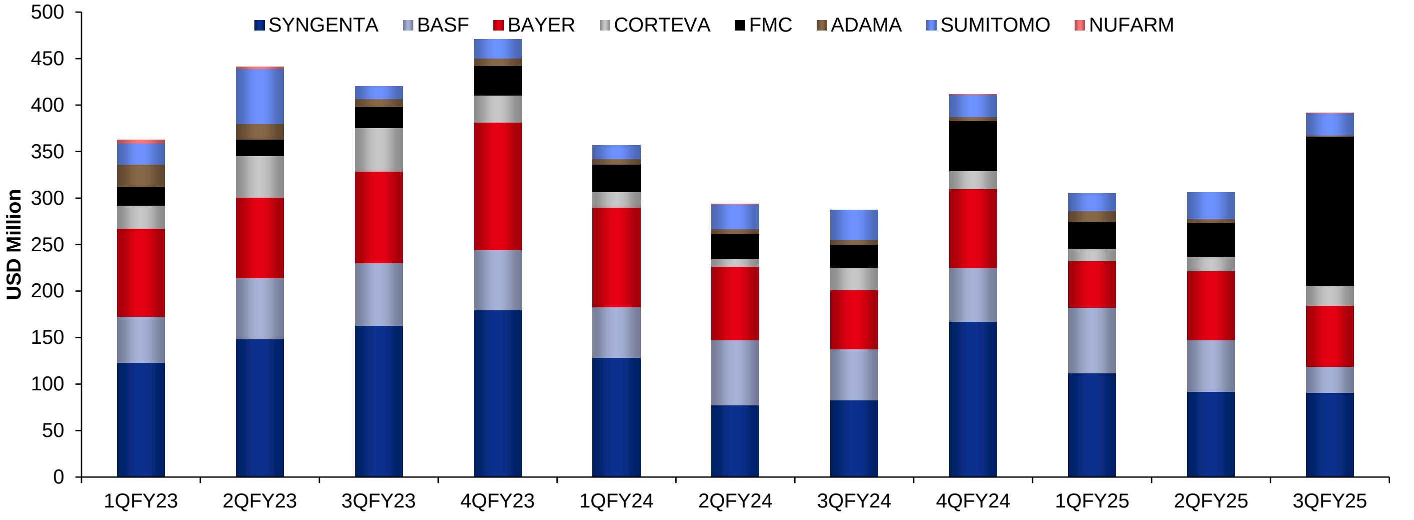
Global agchem cycle is turning; retain ADD

A cyclical shift is evident, and we are currently at the tail-end of the global destocking cycle, with restocking expected to commence soon. This trend is already visible in the sales of several Indian chemical intermediate companies, such as SRF and Anupam Rasayan. Multiple global companies have echoed a similar sentiment. As the global agrochemical cycle recovers and restocking begins, we expect a 12% revenue growth for UPL. The company's balance sheet is expected to deleverage as working capital pressure eases, while the successful rights share issue will further contribute to the decline in overall debt. We have increased our EPS estimate to Rs64 for FY27F and rolled over our valuation to FY27F. We maintain our **ADD** rating on UPL with an increased target price of Rs1,289 (Rs754 earlier).

Global agrochemical cycle is turning

Indian chemical companies' exports to global crop protection companies bottomed out in 2QFY25 ➤

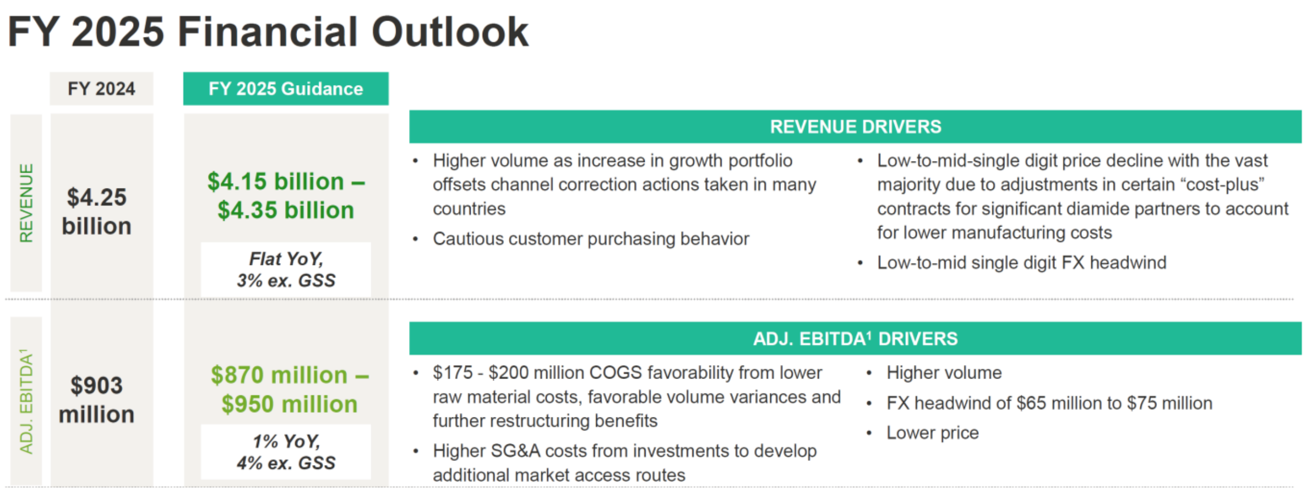
Figure 1: While a depreciating Indian rupee would have made the recovery even starker, we have used the US dollar as it presents a correct picture



SOURCE: INCRED RESEARCH, COMPANY REPORTS

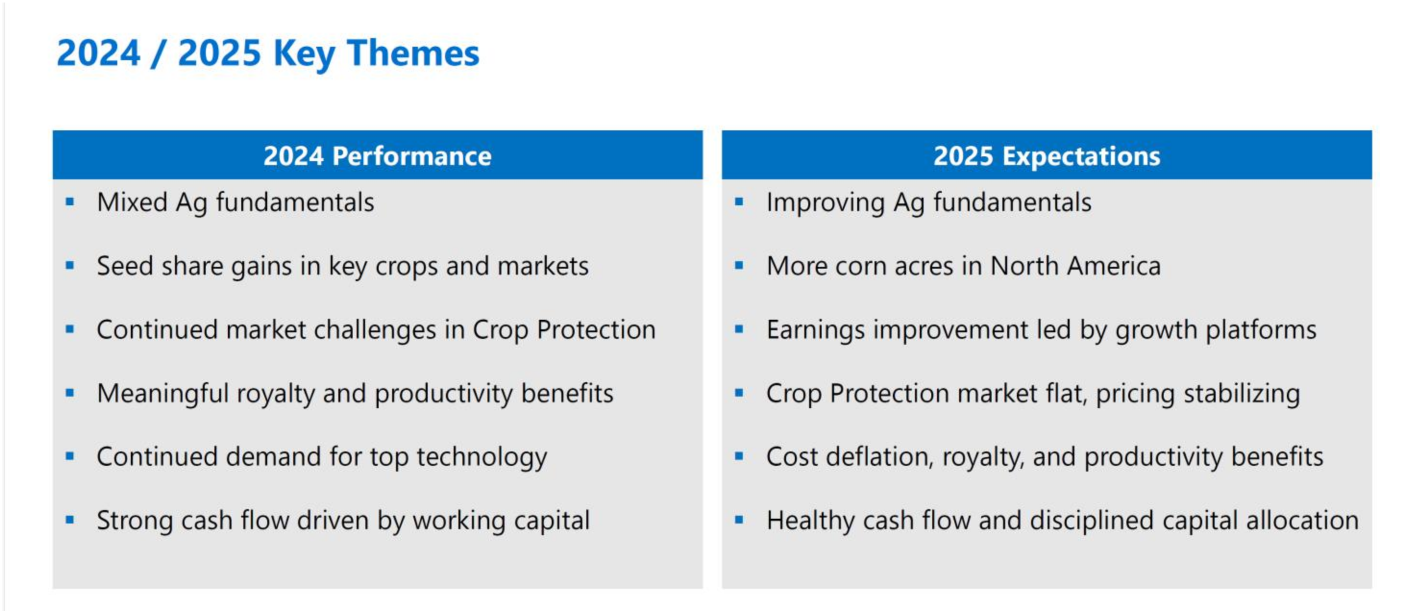
Most global crop protection companies have given guidance of an increase in volume in 2025F ➤

Figure 2: FMC predicts volume growth, although it is worried about forex volatility



SOURCE: COMPANY REPORTS, INCRED RESEARCH

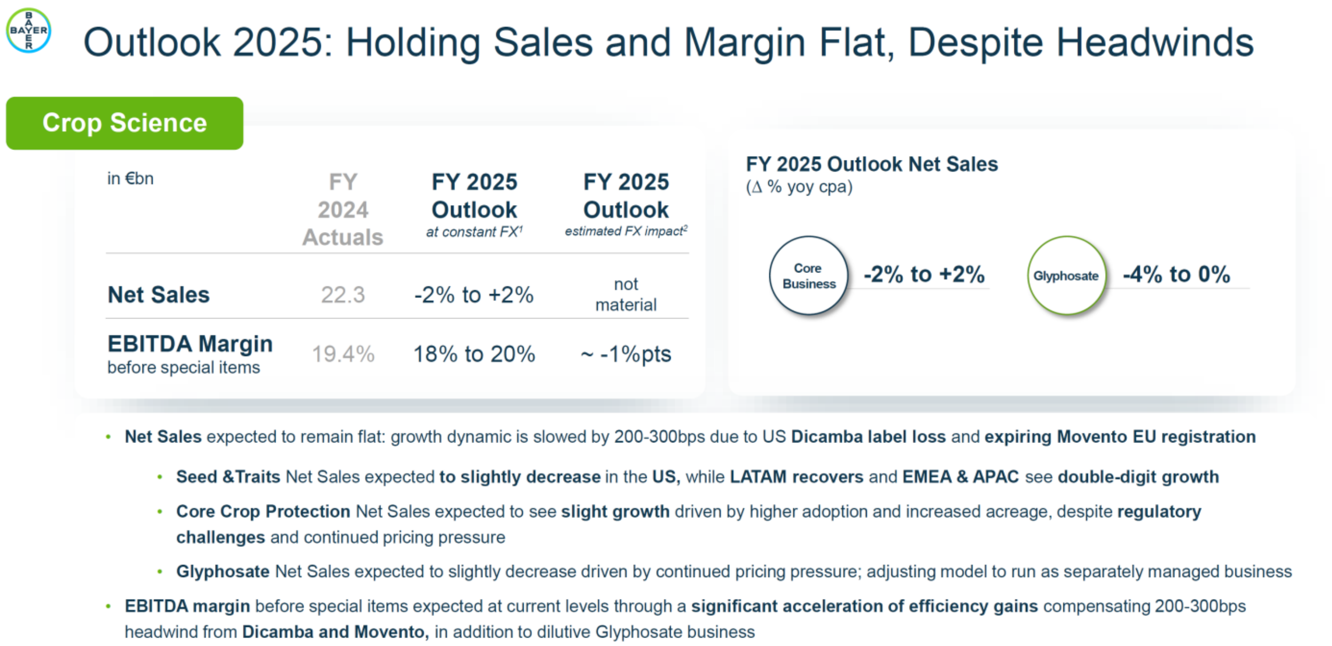
Figure 3: Corteva is much more bullish than FMC



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Bayer also sees volume growth in the crop protection market

Figure 4: Bayer expects a flattish 2025 performance mainly on account of slower glyphosate sales and label loss of Dicamba

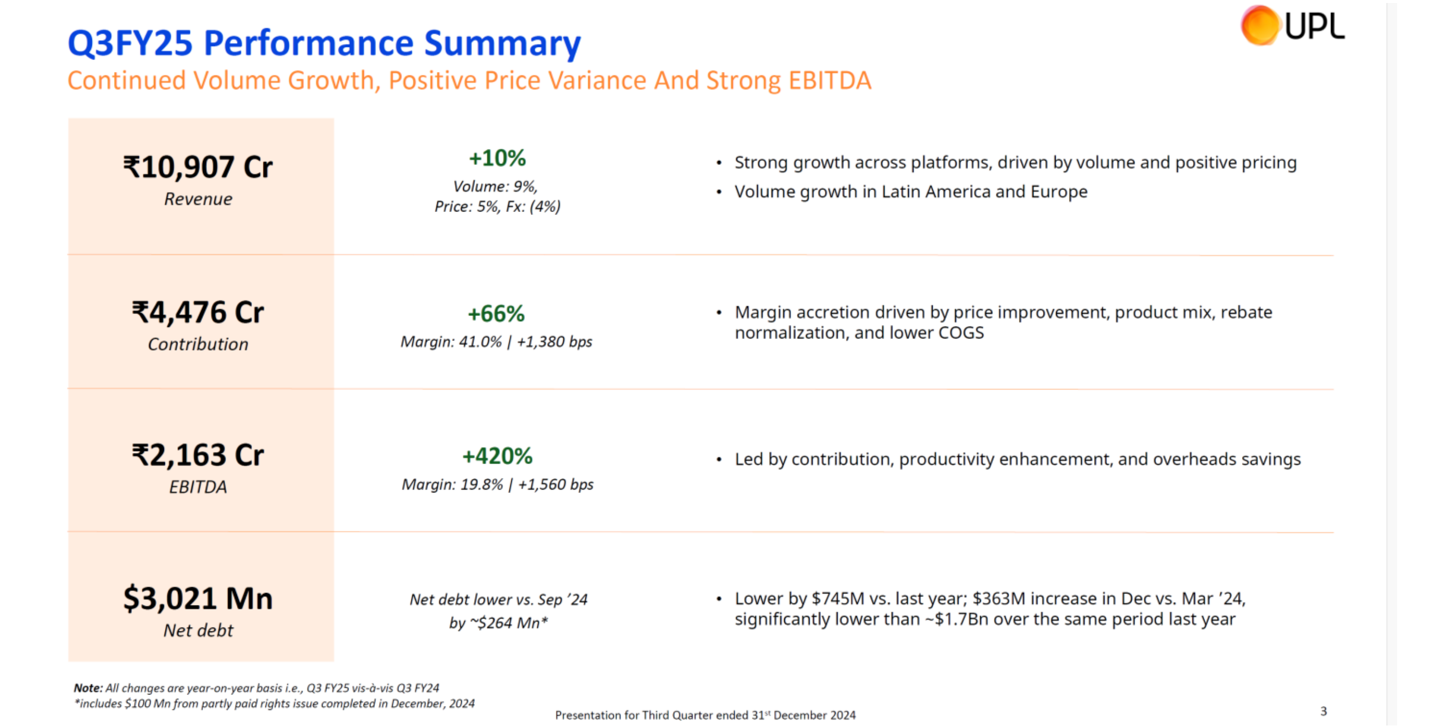


in €bn	FY 2024 Actuals	FY 2025 Outlook at constant FX[1]	FY 2025 Outlook estimated FX impact[2]
Net Sales	22.3	-2% to +2%	not material
EBITDA Margin before special items	19.4%	18% to 20%	~ -1%pts

SOURCE: COMPANY REPORTS, INCRED RESEARCH

UPL has indicated that its channel inventory problem is over

Figure 5: UPL has already started witnessing a growth in volume

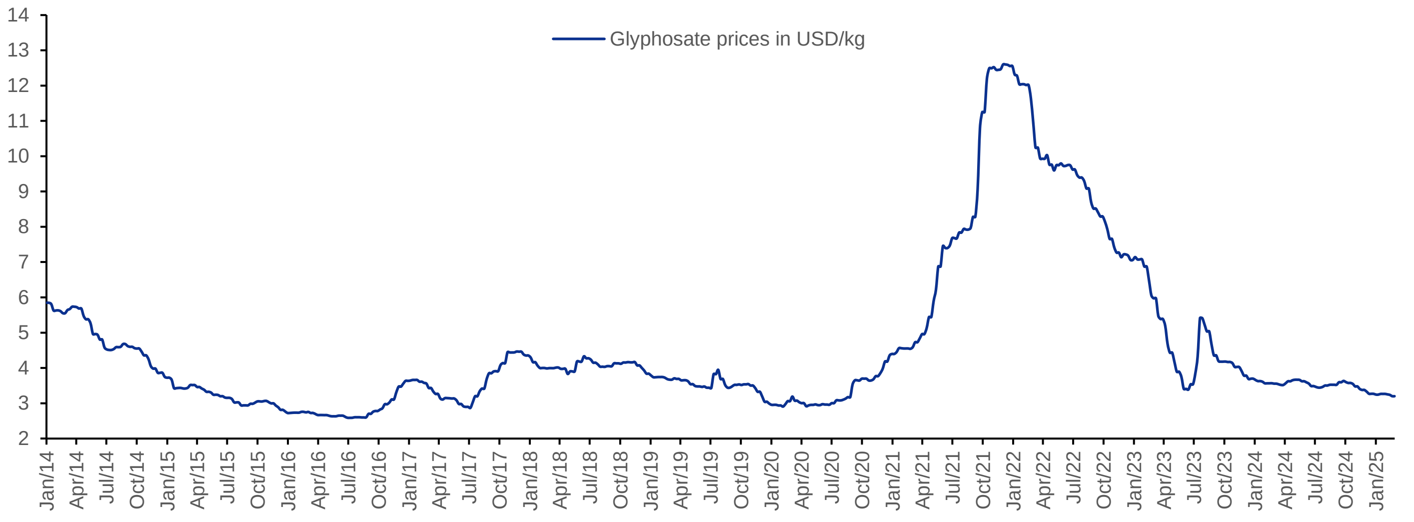


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Don't expect a great recovery in pricing; however, a 20% kind of recovery can be expected in some chemicals

Glyphosate prices are near to their historical level in USD terms

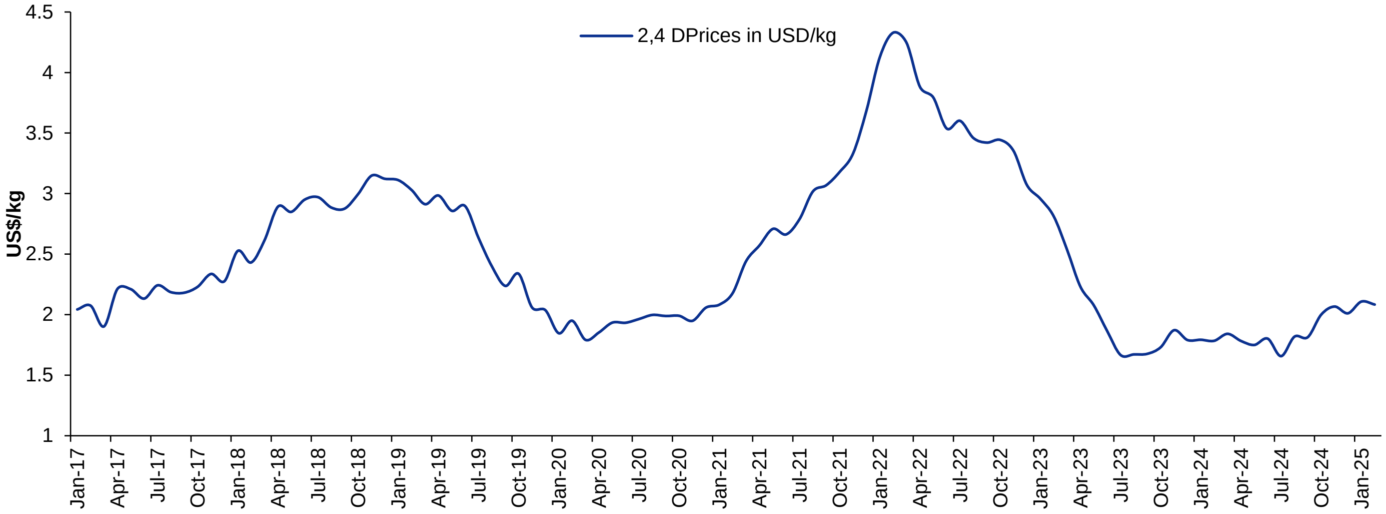
Figure 6: Glyphosate prices are close to their historical level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

2,4-D may see some recovery, but unlikely to return to the levels reached during the Covid-related supply chain crisis

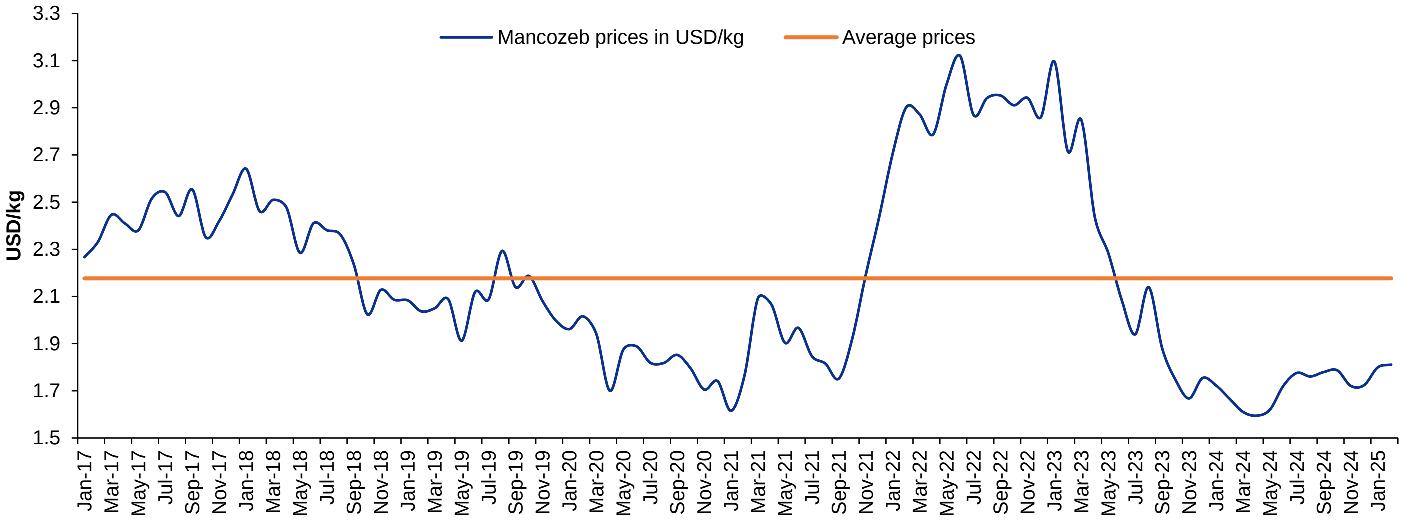
Figure 7: 2,4-D may see some recovery as its USD prices are currently lower compared to historical levels; however, while the recent decline appears sharp, it's important to remember that the price surge during the Covid-related supply chain disruption was equally spectacular



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Like 2,4-D, mancozeb can also recover a bit

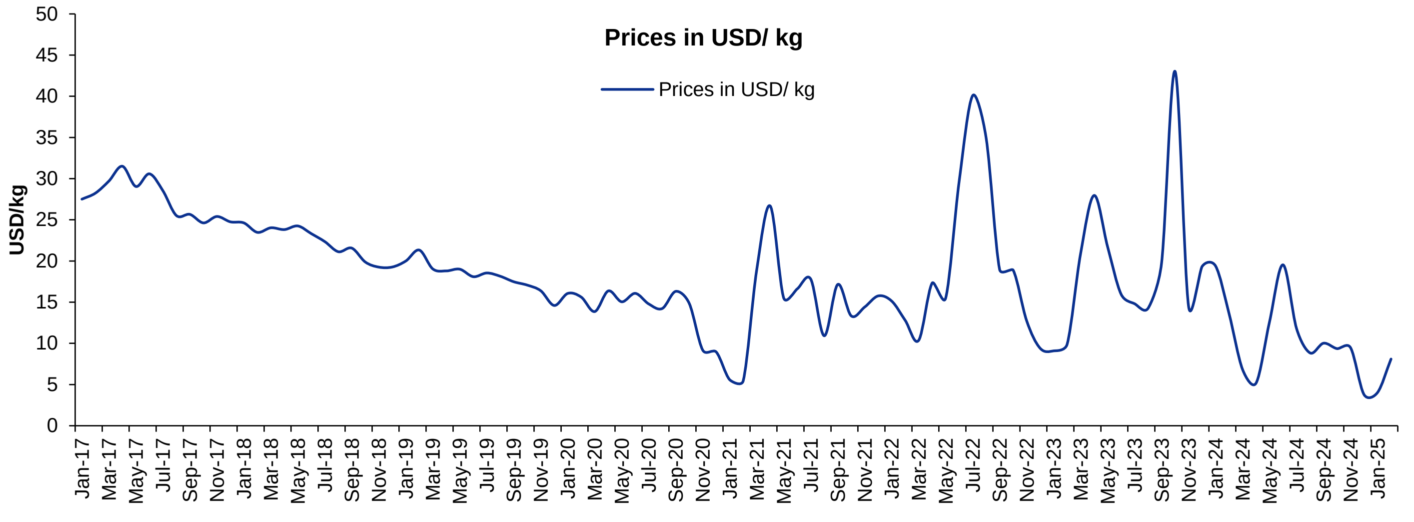
Figure 8: Like 2,4-D, UPL can get the benefit from restocking of mancozeb in the supply chain



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Glufosinate prices have been volatile, but it appears that they have already formed a bottom

Figure 9: Glufosinate prices had hit a seven-year low (at that level, raw material cost recovery would have been difficult) in Dec 2024 and since then they are on the recovery path

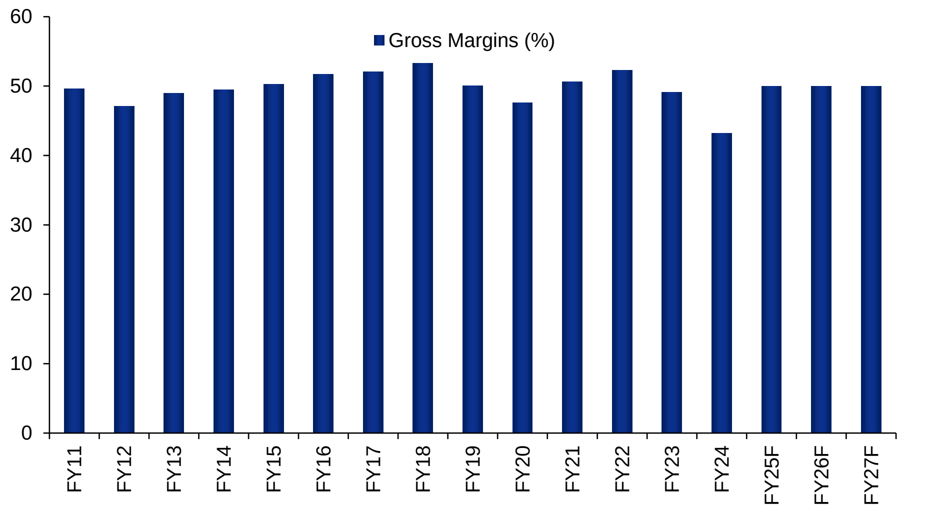


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Earnings and valuation: We expect earnings recovery driven by volume growth

A significant improvement in gross margin is unlikely

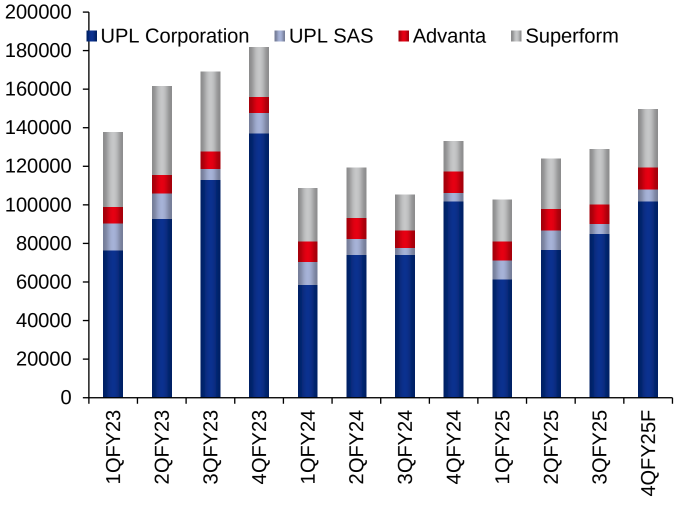
Figure 10: In the first three quarters of FY25, gross margin has already reached 50% and we do not expect any significant improvement from this level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

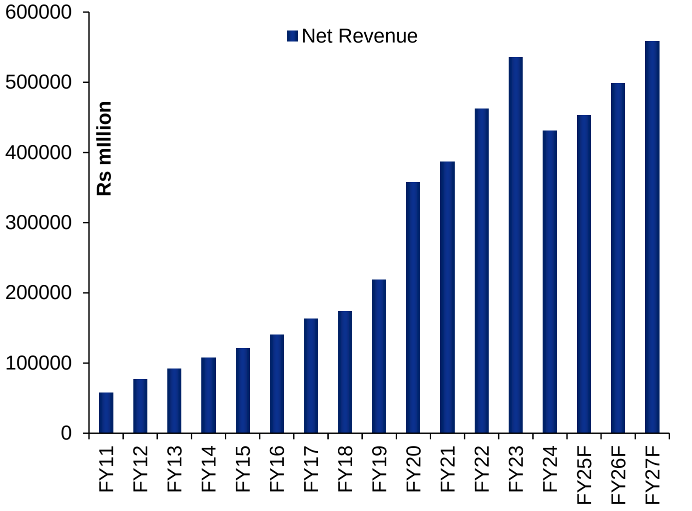
Revenue is already improving QoQ, and we expect it to grow at an 11% CAGR over FY25F-27F

Figure 11: We are witnessing QoQ improvement in revenue and expect this trend to continue



SOURCE: INCRED RESEARCH, COMPANY REPORTS

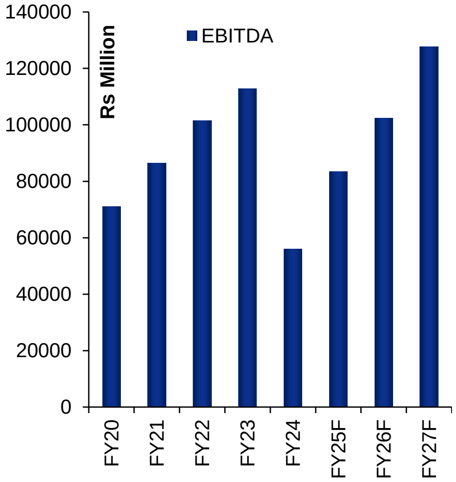
Figure 12: Overall revenue is likely to grow at an 11% CAGR over FY25F-27F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

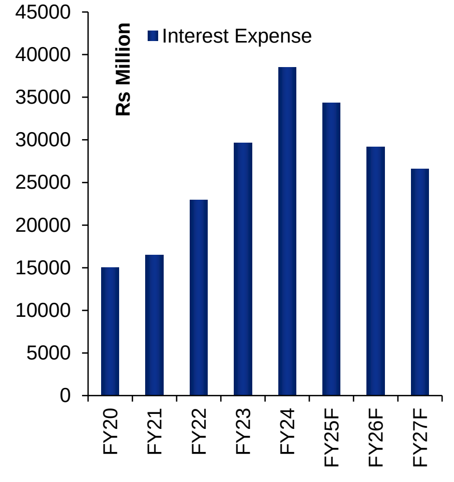
Operational leverage and lower interest costs will lead to PBT growing at a 99% CAGR over FY25F-27F

Figure 13: EBITDA is likely to increase by a 24% CAGR over FY25F-27F



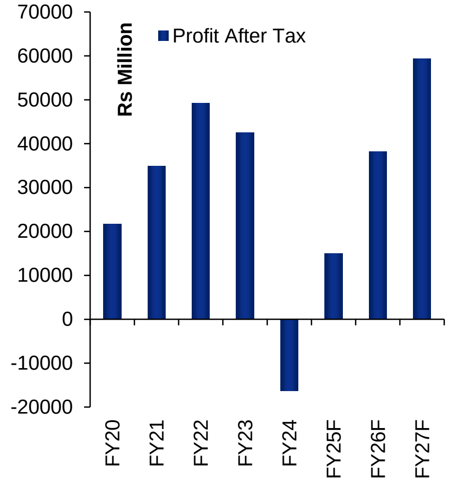
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Interest expenses are likely to decline by a 12% CAGR



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: PAT is likely to increase by a 99% CAGR over FY25F-27F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation is the cheapest in several years based on any parameter

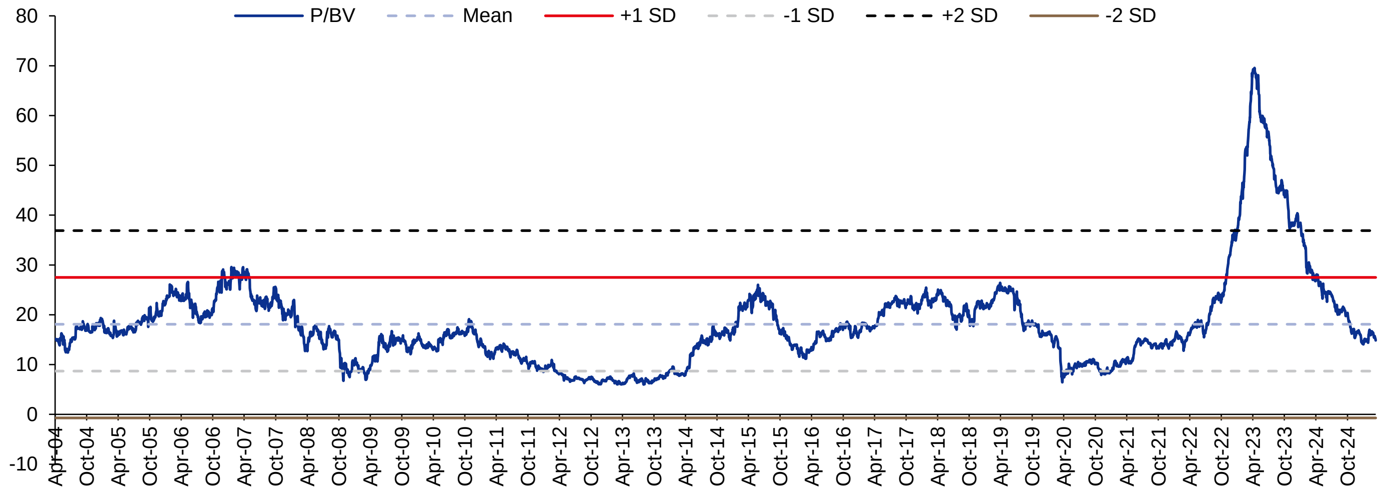
Figure 16: P/BV is near its 20-year low

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: EV/ EBITDA is near its five-year low, primarily because when earnings collapse in cyclicals it starts trading on P/BV basis

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: On FY27F EPS basis (Rs64.4 in FY27F), the stock trades at a historical low



SOURCE: INCRED RESEARCH, COMPANY REPORTS

We value the stock at 20x FY27F EPS to arrive at our higher target price of Rs1,289 ➤

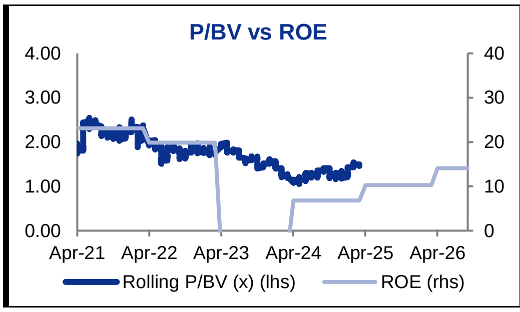
Figure 19: We value the stock at 20x FY27F EPS to arrive at our higher target price of Rs1,289

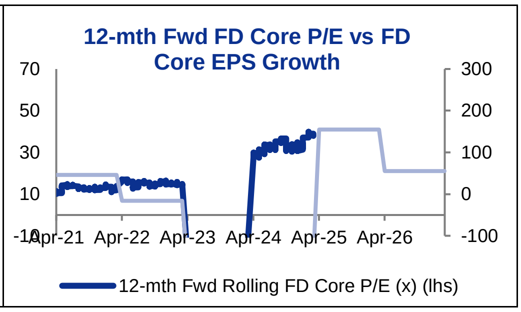
Target Price Methodology

Item	Unit	Valuation
FY27F EPS	Rs/share	64.5
P/E multiple	x	20.0
Target price	Rs/share	1,289

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**535,760**	**430,980**	**453,066**	**498,372**	**558,177**
Gross Profit	**262,950**	**186,040**	**226,533**	**249,186**	**279,088**
Operating EBITDA	**112,830**	**56,060**	**83,390**	**102,471**	**127,754**
Depreciation And Amortisation	(25,470)	(27,630)	(27,715)	(27,056)	(26,596)
Operating EBIT	**87,360**	**28,430**	**55,676**	**75,415**	**101,158**
Financial Income/(Expense)	(29,630)	(38,520)	(34,369)	(29,169)	(26,569)
Pretax Income/(Loss) from Assoc.	1,570	(2,420)	450	1,146	1,782
Non-Operating Income/(Expense)	4,770	4,830	4,830	4,830	4,830
Profit Before Tax (pre-EI)	**64,070**	**(7,680)**	**26,587**	**52,222**	**81,200**
Exceptional Items	(12,570)	(13,190)	(6,070)		
Pre-tax Profit	**51,500**	**(20,870)**	**20,517**	**52,222**	**81,200**
Taxation	(7,360)	2,090	(5,057)	(12,871)	(20,013)
Exceptional Income - post-tax					
Profit After Tax	**44,140**	**(18,780)**	**15,460**	**39,351**	**61,187**
Minority Interests	(8,440)	(6,780)	(3,002)	(7,641)	(11,881)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**35,700**	**(25,560)**	**12,458**	**31,710**	**49,306**
Recurring Net Profit	46,474	(12,370)	17,032	31,710	49,306
Fully Diluted Recurring Net Profit	**46,474**	**(12,370)**	**17,032**	**31,710**	**49,306**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	112,830	56,060	83,390	102,471	127,754
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(13,690)	(12,710)	38,669	(9,579)	(12,644)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	19,933	1,830	3,002	7,641	11,881
Other Operating Cashflow	(24,343)	(4,620)	23,016	8,257	(8,627)
Net Interest (Paid)/Received	(29,840)	(33,770)	(34,369)	(29,169)	(26,569)
Tax Paid	12,620	11,430	5,057	12,871	20,013
Cashflow From Operations	**77,510**	**18,220**	**118,765**	**92,492**	**111,807**
Capex	(16,010)	(11,180)	(10,000)	(10,000)	(10,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,110	(13,600)	450	1,146	1,782
Cash Flow From Investing	**(14,900)**	**(24,780)**	**(9,550)**	**(8,854)**	**(8,218)**
Debt Raised/(repaid)	(63,896)	48,050	(40,000)	(40,000)	
Proceeds From Issue Of Shares	26,990		33,777		
Shares Repurchased					
Dividends Paid	(7,500)	(7,490)	(3,272)	(8,328)	(12,949)
Preferred Dividends					
Other Financing Cashflow	(17,864)	(38,920)	(34,369)	(29,169)	(26,569)
Cash Flow From Financing	**(62,270)**	**1,640**	**(43,864)**	**(77,497)**	**(39,518)**
Total Cash Generated	340	(4,920)	65,352	6,141	64,071
Free Cashflow To Equity	**(1,286)**	**41,490**	**69,215**	**43,638**	**103,589**
Free Cashflow To Firm	**92,450**	**27,210**	**143,585**	**112,807**	**130,158**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	61,430	62,970	72,695	24,724	35,603
Total Debtors	182,240	163,540	136,540	150,194	168,218
Inventories	139,850	127,760	124,128	136,540	152,925
Total Other Current Assets	36,420	39,010	39,010	39,010	39,010
Total Current Assets	**419,940**	**393,280**	**372,372**	**350,469**	**395,756**
Fixed Assets	74,610	58,480	40,765	23,710	7,114
Total Investments	15,780	18,930	18,930	18,930	18,930
Intangible Assets	198,980	201,840	201,840	201,840	201,840
Total Other Non-Current Assets	34,740	44,630	44,630	44,630	44,630
Total Non-current Assets	**324,110**	**323,880**	**306,165**	**289,110**	**272,514**
Short-term Debt	28,550	44,280	44,280	44,280	44,280
Current Portion of Long-Term Debt					
Total Creditors	176,140	156,840	164,877	181,365	203,129
Other Current Liabilities	85,650	67,490	67,490	67,490	67,490
Total Current Liabilities	**290,340**	**268,610**	**276,647**	**293,135**	**314,899**
Total Long-term Debt	201,440	240,100	200,100	160,100	160,100
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	12,880	11,770	11,770	11,770	11,770
Total Non-current Liabilities	**214,320**	**251,870**	**211,870**	**171,870**	**171,870**
Total Provisions	26,790	27,920	27,920	27,920	27,920
Total Liabilities	**531,450**	**548,400**	**516,437**	**492,925**	**514,689**
Shareholders Equity	298,470	277,930	323,698	354,721	402,960
Minority Interests	55,850	49,130	52,132	59,773	71,654
Total Equity	**354,320**	**327,060**	**375,830**	**414,494**	**474,614**

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	15.9%	(19.6%)	5.1%	10.0%	12.0%
Operating EBITDA Growth	11.2%	(50.3%)	48.8%	22.9%	24.7%
Operating EBITDA Margin	21.1%	13.0%	18.4%	20.6%	22.9%
Net Cash Per Share (Rs)	(220.34)	(289.42)	(224.43)	(234.84)	(220.62)
BVPS (Rs)	390.16	363.31	423.13	463.69	526.74
Gross Interest Cover	2.95	0.74	1.62	2.59	3.81
Effective Tax Rate	14.3%		24.6%	24.6%	24.6%
Net Dividend Payout Ratio	19.4%	54.3%	17.7%	26.3%	26.3%
Accounts Receivables Days	114.29	146.42	120.88	105.00	104.11
Inventory Days	181.04	199.39	202.93	190.91	189.29
Accounts Payables Days	(228.56)	(248.10)	(259.18)	(253.58)	(251.43)
ROIC (%)	21.6%	6.9%	15.7%	21.7%	29.5%
ROCE (%)	14.7%	4.6%	8.7%	11.7%	15.0%
Return On Average Assets	11.0%	4.5%	8.0%	10.4%	13.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.