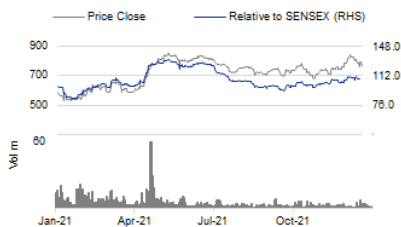


India

REDUCE (previously HOLD)

Consensus ratings*:	Buy 26	Hold 3	Sell 1
Current price:	Rs790		
Target price:	Rs754		
Previous target:	Rs831		
Up/downside:	-4.6%		
InCred Research / Consensus:	-18.3%		
Reuters:	UPLL.NS		
Bloomberg:	UPLL IN		
Market cap:	US\$8,045m		
	Rs603,698m		
Average daily turnover:	US\$27.6m		
	Rs2071.0m		
Current shares o/s:	765.0m		
Free float:	72.2%		

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.7	8.3	39.8
Relative (%)	5.0	13.5	14.5

Major shareholders	% held
Promoter & Group	27.9
Life Ins. Corp. of India	8.2
Government Pension Fund Global	3.7

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UPL Limited

Downgrade to REDUCE

- Most of the self-manufactured agrochemicals of UPL are either facing stagnation or regulatory problems.
- Weather, currency and supply chain risks are part of the business risks of UPL (company has no control over them) which makes its earnings volatile.
- Given the aging product profile and volatile earnings, we value UPL at a 20% discount to 16.2x long-term mean. Downgrade to REDUCE with TP of Rs754.

Multiple headwinds on the product side

UPL is facing multiple headwinds on the product side. While qoq performance is a matter of near-term hits and misses, over the long term we don't see sustained growth for the company. We have covered country dynamics of UPL in our initiation report and subsequent reports ([Link1](#) [Link2](#)) and hence, this report is all about product composition of UPL. Our analysis of the products manufactured by UPL paints a grim picture. In fungicides, UPL's success was driven by dithiocarbamate fungicides (mainly mancozeb) which, given regulatory headwinds, appears to be peaking. Any generic manufacturer of herbicides is at a disadvantage because of the lack of seed that goes along with it, and the same is applicable to UPL. An analysis of the herbicide portfolio (self-manufactured) indicates that there are only two bright spots 2,4-D and glufosinate, although being commodity by nature they also face high pricing volatility. Insecticide portfolio (self-manufactured) also doesn't paint any good picture - UPL's diamides presence is negligible. It is mainly present in organophosphates and pyrethroids which are facing regulatory pressure as well as stagnancy. The potential biologicals launch by Arysta can be the only bright spot but as of now, the single biological fermentation product (thiocyclam) it makes witnessed sales declining by a 2.6% CAGR over last five years.

Near-term earnings can also be volatile

Weather, currency, regulatory and supply chain risks are some of the near-term risks that are ingrained in the business model of UPL. The growth differential between UPL Corp and UPL India can also create increased or decreased minority interest % from overall PAT.

We value UPL at 13x FY24F EPS and downgrade it to REDUCE

Given the aging product profile and volatile earnings, we value UPL at a 20% discount to its long-term mean of 16x. We value the stock at 13x FY24F EPS and downgrade our rating on it to REDUCE (from HOLD earlier) with a target price of Rs754.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	357,600	386,940	429,984	470,729	523,135
Operating EBITDA (Rsm)	70,980	86,390	92,463	98,657	110,149
Net Profit (Rsm)	17,760	29,130	33,011	36,220	42,529
Core EPS (Rs)	32.8	47.9	49.4	53.6	61.9
Core EPS Growth	14.0%	46.1%	3.2%	8.5%	15.4%
FD Core P/E (x)	34.04	20.75	18.31	16.69	14.21
DPS (Rs)	6.0	10.0	11.3	12.4	14.6
Dividend Yield	0.76%	1.27%	1.43%	1.57%	1.85%
EV/EBITDA (x)	12.51	9.96	9.20	8.33	7.17
P/FCFE (x)	18.74	99.11	37.53	10.16	8.96
Net Gearing	97.6%	77.0%	59.8%	40.7%	24.0%
P/BV (x)	3.14	2.89	2.51	2.19	1.90
ROE	16.2%	21.4%	19.4%	17.9%	17.7%
% Change In Core EPS Estimates			3.62%	3.72%	3.63%
InCred Research/Consensus EPS (x)			0.97	0.87	0.86

SOURCES: INCRED RESEARCH, COMPANY REPORTS

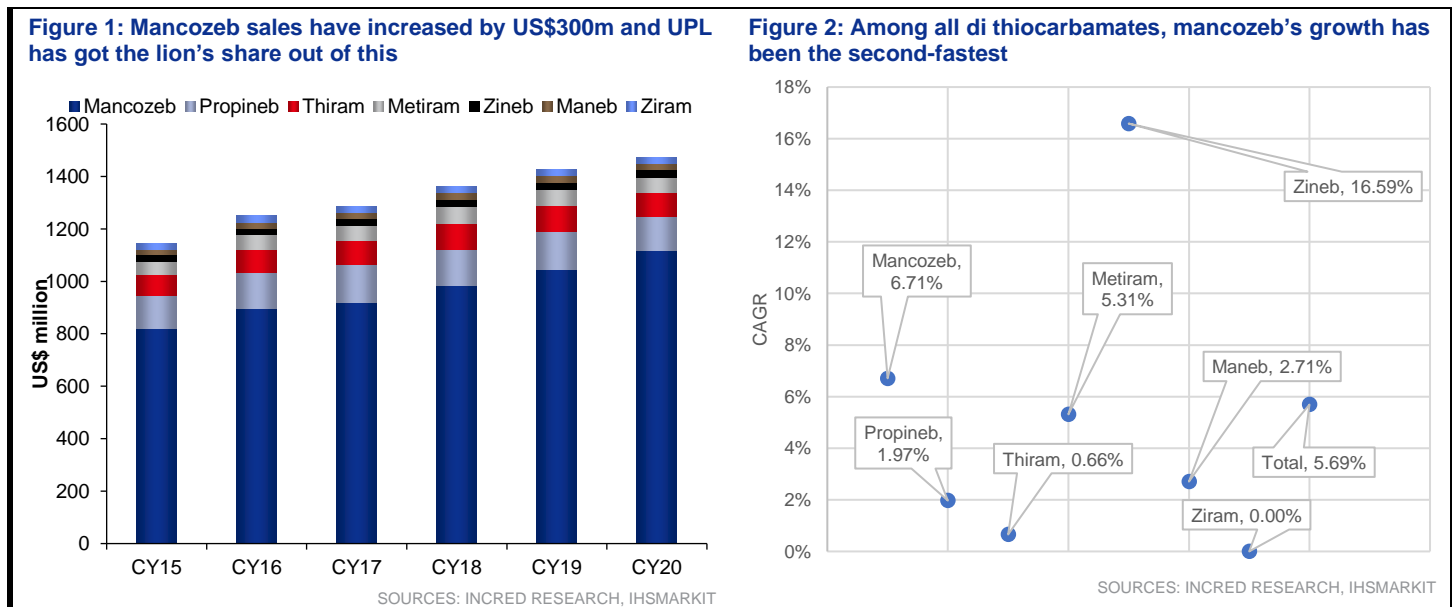
Downgrade to REDUCE

Mounting headwinds in Mancozeb, soft prices of glufosinate and rising raw material cost pressure makes us believe that consensus earnings are at risk. We downgrade UPL to REDUCE with a year-ending Mar 2023F target price of Rs754/share.

UPL- In fungicides, mancozeb has hit its peak

The success of UPL in past few years has been driven by mancozeb technical and formulation sales. The emergence of Asian rust disease on soybean and the need for a multi-site fungicide led to the success of mancozeb in Brazil. Since then, various manufacturers have tried multiple things like mixing strobilurin, SBI – triazole group of fungicides with di thiocarbamates. Bayer has done this, and the same goes with UPL and others. However, the difference is that Bayer manufactures strobilurin, but UPL and others acquire it from Bayer and other manufacturers.

Di thiocarbamates led to UPL's success in past few years



However, now mancozeb is coming under increased regulatory action

We are not medical practitioners who can take a definitive call on the toxicity of mancozeb, but it is sufficient to say that regulatory action on these issues can throttle the growth of this molecule. There are many groups who argue that it is proven to be cancerous, but it is still in use. We are listing research papers below that have arguments on both sides:

- [Factcheck \(Mostly False: "The pesticide mancozeb is a relatively harmless substance" – eufactcheck.eu\)](#)
- [Scandinavian Journal of Work, Environment & Health - Indicators of mancozeb exposure in relation to thyroid cancer and neural tube... \(sjweh.fi\)](#)
- [Transplacental Carcinogenic Potential of the Carbamate Fungicide Mancozeb \(researchgate.net\)](#)
- [Federal Register :: Mancozeb; Pesticide Tolerances](#)
- [Mancozeb - OEHHA \(ca.gov\)](#)
- [Occupational Exposure to Pesticides With Occupational Sun Exposure Increases the Risk for Cutaneous Melanoma.](#)
- [mancozeb.pdf \(ppqs.gov.in\)](#)

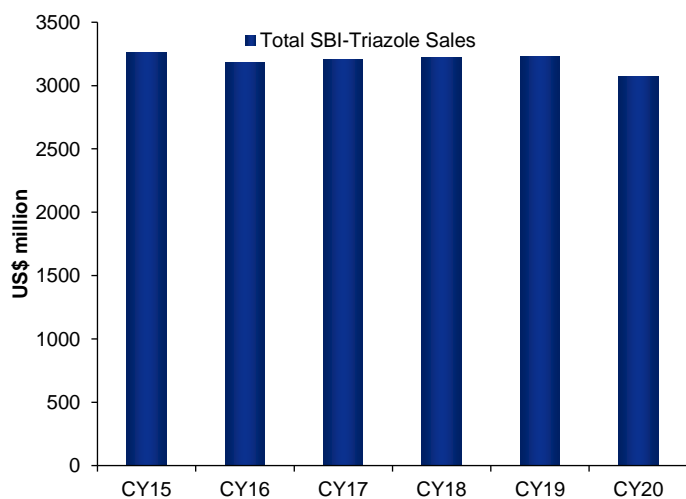
In future, mancozeb may not be banned but at best it will become a mixture partner with strobilurin and SDHI fungicides ➤

As stated earlier, we cannot take a definitive call on whether mancozeb will be banned, but at least we are sure that it will at best become a mixture partner. This limits its sales growth potential. Even UPL is launching various strobilurins with dithiocarbamate as a mixture partner. UPL has launched azoxystrobin+trifloxystrobin + mancozeb to be applied on soybean. Other combinations are also being launched by the company.

UPL is trying out mancozeb as a mixture partner with SBI-triazole as well, although SBI-triazole global sales itself are declining ➤

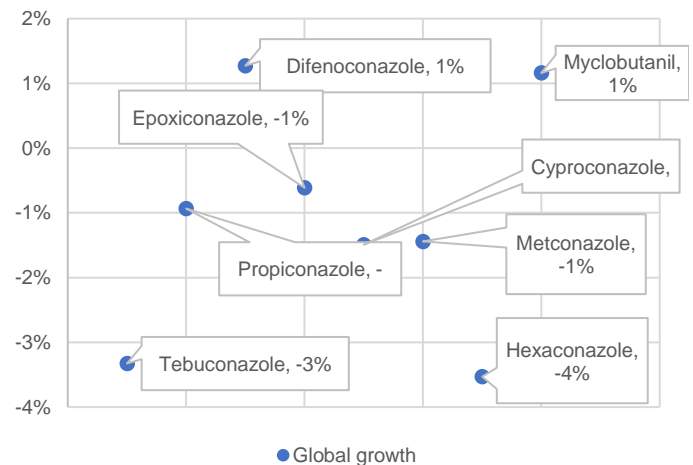
- Azur Top 325 SC - azoxystrobin (strobilurin) / difenoconazole (triazole).
- Fortix- fluoxastrobin (dihydrodioxazine) 167 g/litre / flutriafol (triazole) 218g/litre.

Figure 3: Overall SBI-triazole sales declining at a 1% CAGR



SOURCES: INCRED RESEARCH, IHSMARKIT

Figure 4: While overall sales have been declining at -1% CAGR over CY15-20, individual chemical sales performance is much worse



SOURCES: INCRED RESEARCH, IHSMARKIT

Summary of all classes of fungicides manufactured by UPL indicates its overdependence on mancozeb ➤

Figure 5: An analysis of the fungicide portfolio of UPL (including arysta) indicates vulnerability of the company and its overdependence on mancozeb for growth in this portfolio

Fungicides	Comments
Benzimidazole	Declining global sales at a 2.2% CAGR.
Multisite - dithiocarbamate	Last nine years' sales have been growing at a 3.5% CAGR, primarily driven by mancozeb.
Multisite - inorganic	Anaemic sales growth at a 1% CAGR. UPL sells age-old fungicides like copper
Multisite - phthalimide	Declining class. UPL makes captan and chlorothalonil. Last five years' sales of captan are declining at the rate of 2% and that of chlorothalonil at a 3% CAGR.
Phenylamide	Sales are stagnant since the last decade or so. UPL makes metalalxyl which is used as a mixture partner with mancozeb. On its own, metalalxyl is also a stagnant chemical with annual global sales increasing only at a 1% CAGR over last five years.
SBI - other azoles	Again, a stagnant chemical class with sales growing only at a 0.4% CAGR over last five years.
SBI - triazole	Declining chemical class with sales declining at 1.2% CAGR over CY15-20. UPL makes almost all chemicals of this class such as hexaconazole, tebuconazole and triadimefon, sales of which are declining at 4%, 3% and growing at 1%, respectively. Ipconazole and myclobutanil are relatively small molecules, but they are growing at 6% and 1% CAGR, respectively.
Strobilurin	One of the fastest-growing fungicide class, but UPL's presence in it is limited to fluoxastrobin.
Succinate dehydrogenase inhibitor	This chemical class appears to be the future of fungicides. It is growing at a 7% CAGR over last five years. UPL's presence is limited to carboxin, which is a relatively small molecule, and its sales are declining at a 10% CAGR.

SOURCES: INCRED RESEARCH, IHSMARKIT

An analysis of individual fungicides also shows the overdependence on mancozeb ➤

Figure 6: Analysis of individual fungicides presents a grim picture for UPL's fungicide product profile

Name	Growth	Class	Comments
Carboxin	-10%	Succinate dehydrogenase inhibitor	This chemical class is one the most successful agrochemicals in the near term . However, the chemical manufactured by UPL is declining in this segment as well
Fluoxastrobin	-3%	Strobilurin	Fluoxastrobin is not used as widely as other strobilurins like azoxystrobin and trifloxystrobin.
Ipconazole	6%	SBI - Triazole	
Tetraconazole	2%	SBI - Triazole	
Myclobutanil	1%	SBI - Triazole	We have written enough on it in the sector segment. This is a declining segment and the best case for SBI triazoles could be their use as a mixture partner for strobilurins.
Triadimefon	1%	SBI - Triazole	
Tebuconazole	-3%	SBI - Triazole	
Hexaconazole	-4%	SBI - Triazole	
Triflumizole	1%	SBI - Other azoles	
Tricyclazole	-2%	SBI - Other azoles	This chemical can also be used as a mixture partner with other strobilurins or even with SDHI.
Etridiazole	-11%	SBI - Other azoles	
Metalaxyl	1%	Phenylamide	Metalaxyl, on its own, is rarely used. It is normally used as a mixture partner with dithiocarbamate.
Cymoxanil	-4%	OtherF	
Captan	-2%	Multisite - Phthalimide	A declining class. UPL makes captan and chlorothalonil. Last five years' sales of captan are declining at the rate of 2% CAGR and chlorothalonil at a 3% CAGR.
Chlorothalonil	-3%	Multisite - Phthalimide	
Copper Fungicides	1%	Multisite - Inorganic	These are age-old fungicides.
Fentin	-9%	Multisite - Inorganic	
Mancozeb	6%	Multisite - Dithiocarbamate	Dithiocarbamate have witnessed success in the recent past. To counter Asian rust, Brazilian soybean farmers have resorted to multi-site fungicides.
Maneb	3%	Multisite - Dithiocarbamate	
Thiophanate	1%	Benzimidazole	Carbendazim sales decreased by an estimated 6.0% to US\$156m in 2020 partly due to lower planted area of around 2% and pricing decline of around 10%.
Carbendazim	-7%	Benzimidazole	

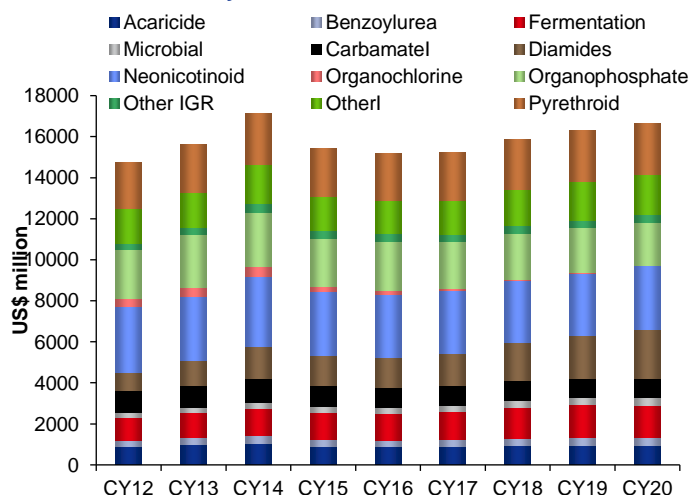
SOURCES: INCRED RESEARCH, COMPANY REPORTS

UPL- Insecticides portfolio weak but Arysta biological portfolio can be a saving grace

The insecticides portfolio of UPL is also quite weak and it depends upon acaricides, organophosphates and neonicotinoid. These three groups are also on a declining trend. Arysta gives UPL some foothold in biologicals but as of now, the only biological fermentation product it has is thiocyclam whose sales have not been going anywhere since last five years.

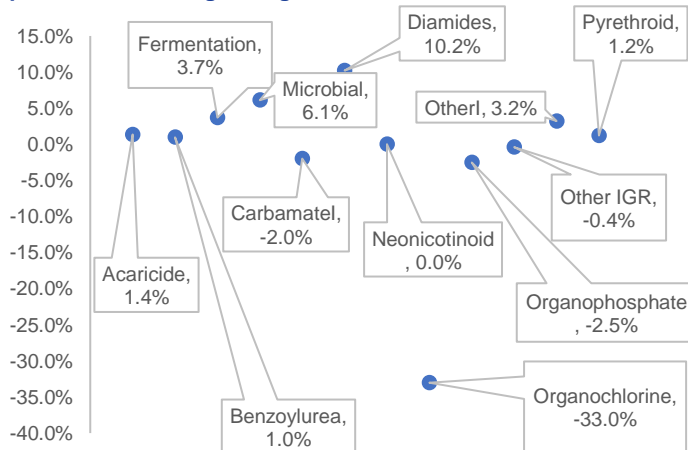
Global sales of insecticides grew at a 1.5% CAGR over CY15-20 but some classes of chemicals are growing much faster ➤

Figure 7: Overall insecticides sales growth is at a meagre 1.5% CGAR over last five years



SOURCES: INCRED RESEARCH, IHSMARKIT

Figure 8: However, diamides and microbial fermentation product sales are growing faster



SOURCES: INCRED RESEARCH, IHSMARKIT

While UPL sells multiple formulations its manufacturing capability is limited to a few insecticides class ➤

UPL manufactures acaricides, benzoylurea, biological - fermentation product, carbamate, neonicotinoid, organophosphate and pyrethroids. Apart from biological fermentation products, all are class of chemicals are either facing stagnancy or witnessing a decline in global sales. The option for growth in this

segment is to wait till the innovator product goes off-patent or to keep buying materials to mix with self-manufactured chemicals and sell them as formulations.

Figure 9: Insecticides manufactured by UPL are either stagnating or declining – it does not manufacture diamides class of insecticides

Class of Fungicides	Name of Chemicals manufactured by UPL	Comments
Acaricide	Amitraz, Azocyclotin, Bifenazate, Propargite	
Benzoylurea	Diflubenzuron	As a result of this mode of action, the products are primarily active following ingestion and as such have a minimal effect on predatory insects. This characteristic has promoted their inclusion in IPM programmes. However, their lack of a quick kill has restricted the commercial success of the group, with the products most often used in conjunction with a conventional insecticide for both immediate and longer-term insect control.
Biological - Fermentation Product	Thiocyclam	It's a new class of chemicals which is witnessing growth. Through Arysta, UPL has a presence in this area, although current product in portfolio is declining at a 2.6% CAGR over last five years.
Carbamate	Carbofuran	
Neonicotinoid	Imidacloprid, Clothianidin	This class of chemicals is stagnant for last nine years.
Organophosphate	Acephate, Chlorpyrifos, Dichlorvos, Monocrotophos, Omethoate, Phorate, Prothiofos, Terbufos	The organophosphates act by an inhibition of cholinesterase; as a result, acetylcholine accumulates, causing overexcitation of the nervous system, leading to inhibition of respiration. The toxicity of the agrochemicals is high which leaves the room open for regulatory action.
Pyrethroid	Bifenthrin, Cypermethrin, Lambda-cyhalothrin, Permethrin	A fading class of chemicals. It's a good chemical against fall army worm but these days diamides are doing a much better job.

SOURCES: INCRED RESEARCH, IHSMARKIT

Organophosphate, one of the important class of insecticides for UPL, is facing regulatory action in the EU, US, Latin America as well as Asia ➤

Chlorpyrifos

1. In 2019, Canadian Pest Management Regulatory Agency (PMRA) proposed the cancellation of most uses of the ai (agrochemical intermediary).
2. In 2019, Australian Pesticides and Veterinary Medicines Authority (APVMA) finalized its decision to cancel the registration of 27 products containing the ai.
3. In Jan 2020, EU Commission announced that use of the insecticides, chlorpyrifos and chlorpyrifos-methyl, be phased out in the EU.
4. In Feb 2020, Corteva Agriscience announced it will phase out the production of the insecticide, chlorpyrifos, in 2020.
5. The company calls it a strategic business decision as demand for the active ingredient has declined significantly” over the last two decades, particularly in the US. Chlorpyrifos is licensed for use on more than 50 crops, including almonds, apples, citrus, and grapes. The EPA estimates that US farmers use some 5m pounds (2.26m kg) per year of the insecticide.
6. In May 2020, Thailand announced its ban on the use of the insecticide, chlorpyrifos, effective 1 Jun 2020. The ban is also on the production, use, import and export of the two active ingredients. Farmers were advised to return any stocks lying with them within 90 days from 1 Jun 2020.
7. In Aug 2020, Turkey issued phase-out dates for 16 pesticide active ingredients including chlorpyrifos-ethyl.
8. The Canadian PMRA decided in 2021 to cancel the use of chlorpyrifos, citing failure by registrants to furnish it with data for updating a human health risk assessment.
9. Argentina announced in 2021 that it will phase out the production, import, sale and use of chlorpyrifos.

Acephate

1. In 2017, agrochemical suppliers in Brazil were to follow new procedures for the commercialization of acephate.
2. In Apr 2020, Canadian Pest Management Regulatory Agency (PMRA) finalized its decision to restrict the use of acephate due to concerns over risks to human health and the environment. The agency proposed several restrictions in 2016 and issued an updated environmental risk assessment last year.

3. In May 2020, India's Ministry of Agriculture proposed to ban 27 pesticides, including the ai. The government received representations from various pesticide associations and companies asking it to allow their manufacture for export purposes which was subsequently agreed in Jun 2020.
4. In Jul 2020, Vietnam announced its ban on the use of 41 insecticidal active ingredients including acephate.

Dimethoate

1. In 2019, EU Commission voted through a ban with member states to withdraw approvals of dimethoate-based products by 31 Dec 2019. There will be an end for use of existing stocks for use on cherries on 30 Sep. Grace periods for use of existing stocks on other crops have to end by 30 Jun 2020.
2. This was followed by the Brazilian integrated citrus production (PIC) list committee issuing a restriction on the use of dimethoate on citrus fruit considering the EU prohibition on the import of goods with the presence of the ai from 30 Jul 2020.
3. In May 2020, France extended the ban on the import of fresh cherry treated with dimethoate till Apr 2021. The measure was adopted on 8 Apr.

Profenophos

1. In May 2020, India's Ministry of Agriculture proposed to ban 27 pesticides, including the ai. The government received representations from various pesticide associations and companies asking it to allow their manufacture for export purposes which was subsequently agreed in Jun 2020.

Even pyrethroids are facing certain regulatory action in various part of the world ➤

Apart from stagnancy, pyrethroids are also facing certain regulatory action in various parts of the world.

Alphacypermethrin

The European Commission instructed EU member states in 2021 to withdraw product approval for alphacypermethrin by 7 Dec. Any grace periods granted to use existing stocks have to expire by 7 Dec 2022.

Bifenthrin

1. The European Commission confirmed in 2018 that outdoor agrochemical use must end in 2019, and that use of bifenthrin will then only be permitted in greenhouses with a permanent structure.
2. In Aug 2020, Turkey issued a ban on bifenthrin that started at the end of that month. Its production must end on 15 Oct 2020, it said.

Cypermethrin

The European Commission proposed in 2021 that cypermethrin be subject to restrictions on outdoor spray applications as a condition of the renewal of its EU approval. The measure is needed to protect non-target organisms, in particular aquatic organisms and bees. The active ingredient would also be designated as a candidate for substitution, which requires EU member states to consider safer alternatives before approving products. Cypermethrin's new EU approval period has a proposed start date of 1 Feb 2022.

Deltamethrin

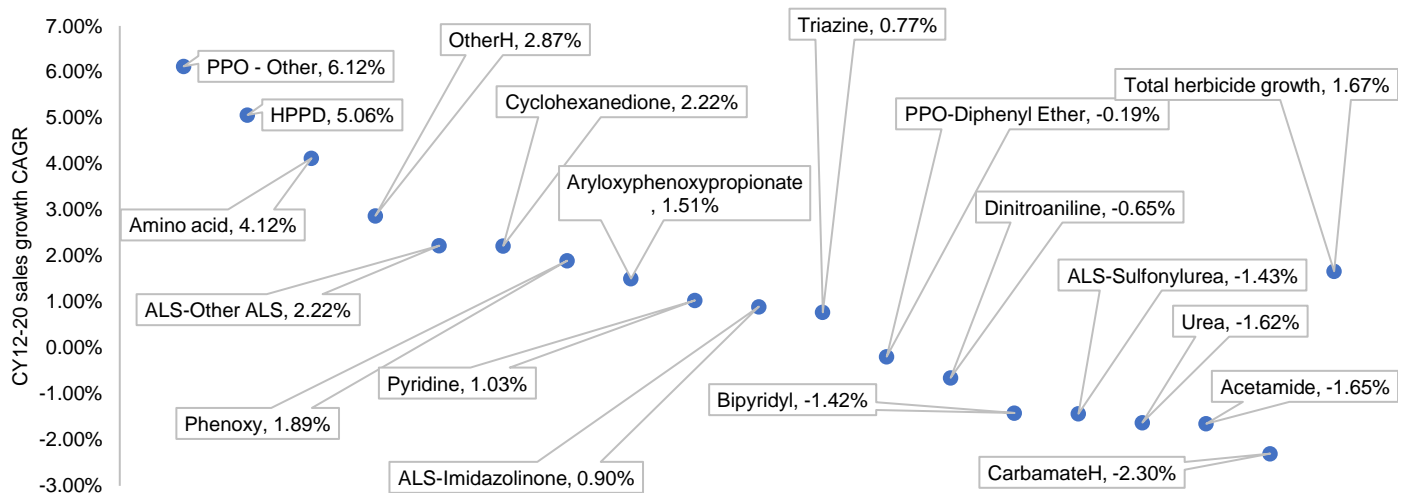
It's on the continuous watch list of European agencies. While it's difficult to take a call on the result of this action, it remains a headwind for the chemical.

UPL not present in high-growth herbicide class

Herbicides are sold in conjunction with herbicide-tolerant seeds. If a company doesn't have herbicide-tolerant seed of its own, then it's at the mercy of the innovator of the seed. Structurally, companies like UPL will always remain at the mercy of Bayer, Syngenta, and DuPont for relevant seed development. Companies like UPL don't invest much in herbicide R&D because it's useless unless they develop the capability to make relevant tolerant seed as well. In a nutshell, all the cards in herbicides are held by big agrochemical companies.

Overall, herbicides grew at a 1.7% CAGR over CY12-18

Figure 10: While overall global herbicide sales growth over CY12-20 has been at a 1.7% CAGR over CY12-20, multiple chemical classes grew much slower



SOURCES: INCRED RESEARCH, IHSMARKIT

UPL's manufacturing presence is limited in herbicides to a few chemical classes and most of them are showing unimpressive performance

Figure 11:

Chemical Class	Chemicals	Comments
ALS-Other ALS	Flucarbazone	Arysta is the innovator of this chemical. It is used on cereals, maize and soybean. Declining molecule as its sales fell at a 3% CAGR over CY15-20.
ALS-Sulfonylurea	Metsulfuron, Pyrazosulfuron, Sulfosulfuron, Triasulfuron	ALS-sulfonylurea as a chemical class is also stagnant. Sales growth is nil over last five years. Metsulfuron is now banned in China.
Amino acid	Glufosinate	The chemical is facing pricing pressure. Bayer is the innovator and is launching resistant seeds which is sold as a bundled product with glufosinate.
Aryloxyphenoxypropionate	Clodinafop, Quizalofop	Clodinafop approval in the EU will expire on 30 Apr 2022. For quizalofop, the EU approval expiry date is 30 Nov 2022 - quizalofop-P-ethyl and quizalofop-P-tefuryl.
Bipyridyl	Paraquat	Last five years' growth of paraquat is -3.15% CAGR. It is also facing regulatory pressure in many parts of the world including China.
Carbamate Herbicides	Asulam, Desmedipham	Stagnant segment since last five years.
Cyclohexanedione	Clethodim, Tralkoxydim	Marginal growth is witnessed in this segment. Clethodim facility was established by UPL in 2020. This molecule is set for registration expiry in May 2023 in the EU.
Dinitroaniline	Oryzalin, Trifluralin	No growth to speak about. Oryzalin sales declining at a 4.1% CAGR and trifluralin at a 1% CAGR over last five years.
Other Herbicides	Amicarbazone, Dichlobenil, Endothal, Ethofumesate, Propanil	Arysta is the innovator of amicarbazone. Its sales are growing at a 1.5% CAGR over last five years. Propanil sales growing at a 7% CAGR over last five years.
Phenoxy	2,4-D	As a segment, phenoxy herbicides are growing impressively at a 5% CAGR over last five years. 2,4 D growth is even more impressive at a 8% CAGR. However, recent phenol price volatility has hit margins.
PPO-Diphenyl Ether	Acifluorfen	Acifluorfen is a dying herbicide. Sales stood at only US\$19m in CY20 - declining at a 8% CAGR over last five years.
Pyridine	Fluroxypyr	Fluroxypyr is a pyridine-based herbicide which is stagnant over last five years.
Triazine	Atrazine, Simazine	Atrazine and simazine are one of the oldest herbicides and still in use, but their growth is negligible.
Urea	Chlorotoluron, Isoproturon	Chlorotoluron is a dying herbicide. Sales in 2020 were at US\$74m, declining at a 5.6% CAGR over last five years. Isoproturon performance is even worse, declining at a 10% CAGR over last five years.

SOURCES: COMPANY REPORTS, INCRED RESEARCH

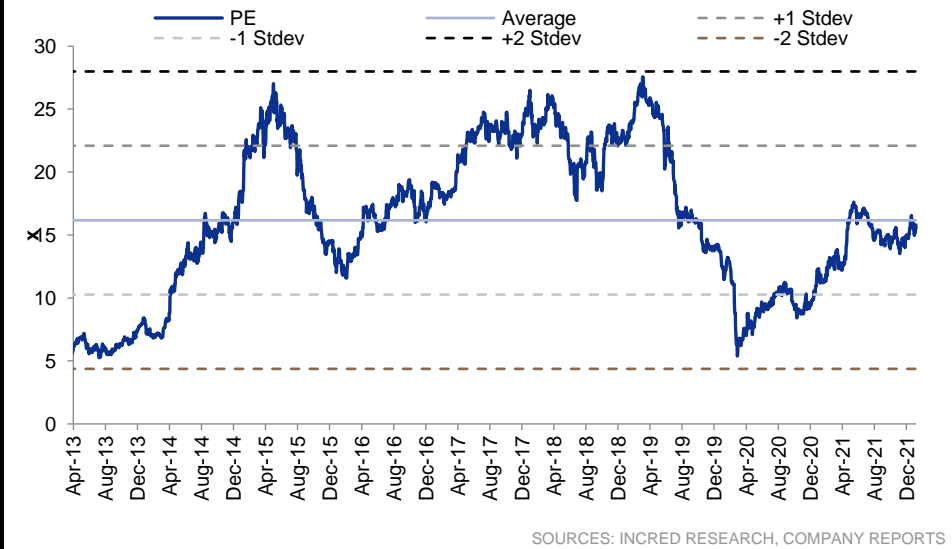
Glufosinate can benefit from the predicament of glyphosate, but Indian company UPL lacks the seed to go with glufosinate ➤

The increased regulatory and legal pressure on glyphosate is good news for glufosinate. However, as always, the key for selling any herbicide is the development of resistant seeds. UPL and other generic players have no advantage here. The margins on glufosinate are likely to keep coming down. Glufosinate-tolerant seeds are sold under Liberty ready brand by Bayer.

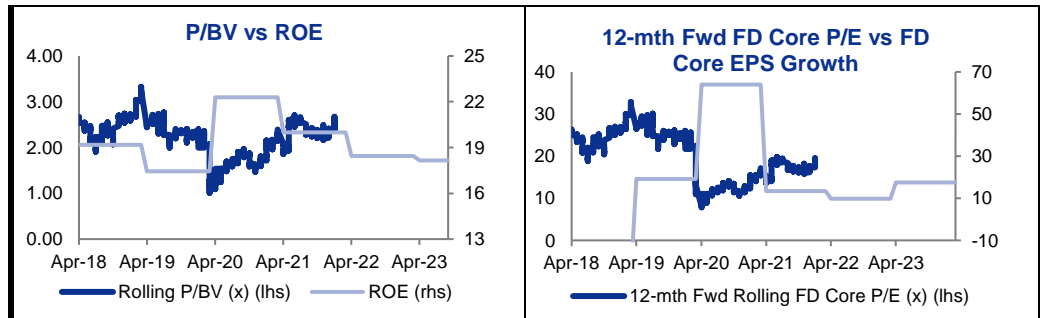
Earnings and valuation- P/E to derate

We expect UPL's EPS to grow at a 14% CAGR over FY22F-24F. Please note that apart from headwinds on the chemicals side, UPL also faces weather, country, and macro risks. In this scenario, we don't expect UPL to trade at more than 13-14x one-year forward EPS. We value the stock at 13x FY24F EPS to arrive at our target price of Rs754. We downgrade our rating on it to REDUCE (from HOLD earlier).

Figure 12: We value UPL at a 20% discount to historical average P/E to arrive at our target price Rs754



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	357,600	386,940	429,984	470,729	523,135
Gross Profit	170,170	195,980	214,992	233,011	258,952
Operating EBITDA	70,980	86,390	92,463	98,657	110,149
Depreciation And Amortisation	(20,120)	(21,730)	(23,715)	(25,969)	(27,757)
Operating EBIT	50,860	64,660	68,748	72,688	82,392
Financial Income/(Expense)	(15,040)	(16,460)	(14,122)	(13,340)	(13,340)
Pretax Income/(Loss) from Assoc.	30	420	35	37	39
Non-Operating Income/(Expense)	1,070	2,580	2,580	2,580	2,580
Profit Before Tax (pre-EI)	36,920	51,200	57,241	61,965	71,671
Exceptional Items	(9,280)	(8,970)	(6,000)	(6,000)	(6,000)
Pre-tax Profit	27,640	42,230	51,241	55,965	65,671
Taxation	(5,860)	(6,860)	(10,241)	(11,186)	(13,126)
Exceptional Income - post-tax					
Profit After Tax	21,780	35,370	41,000	44,780	52,545
Minority Interests	(4,020)	(6,240)	(7,989)	(8,560)	(10,015)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,760	29,130	33,011	36,220	42,529
Recurring Net Profit	25,073	36,643	37,812	41,021	47,330
Fully Diluted Recurring Net Profit	25,073	36,643	37,812	41,021	47,330

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	70,980	86,390	92,463	98,657	110,149
Cash Flow from Invt. & Assoc.					
Change In Working Capital	30,500	(2,140)	(8,326)	(9,474)	(11,199)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(3,690)	(2,630)	7,656	8,869	10,015
Other Operating Cashflow	(3,780)	3,850	(9,780)	(12,451)	(16,333)
Net Interest (Paid)/Received	(14,810)	(20,600)	(14,122)	(13,340)	(13,340)
Tax Paid	8,190	7,250	10,241	11,186	13,126
Cashflow From Operations	87,390	72,120	78,132	83,447	92,419
Capex	(19,350)	(20,650)	(37,060)	(24,000)	(25,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(7,080)	(360)	35	37	39
Cash Flow From Investing	(26,430)	(21,010)	(37,025)	(23,963)	(24,961)
Debt Raised/(repaid)	(28,700)	(45,010)	(25,000)		
Proceeds From Issue Of Shares	29,870				
Shares Repurchased					
Dividends Paid	(4,570)	(4,580)	(8,669)	(9,512)	(11,169)
Preferred Dividends					
Other Financing Cashflow	(18,350)	(17,540)	(14,122)	(13,340)	(13,340)
Cash Flow From Financing	(21,750)	(67,130)	(47,791)	(22,852)	(24,509)
Total Cash Generated	39,210	(16,020)	(6,684)	36,632	42,949
Free Cashflow To Equity	32,260	6,100	16,107	59,484	67,458
Free Cashflow To Firm	75,770	71,710	55,229	72,824	80,799

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	67,520	48,900	42,216	78,847	121,797
Total Debtors	120,570	130,260	144,750	158,467	176,109
Inventories	78,500	94,220	104,701	114,623	127,383
Total Other Current Assets	27,720	31,670	31,850	32,021	32,240
Total Current Assets	294,310	305,050	323,517	383,958	457,528
Fixed Assets	191,530	191,930	205,275	203,306	200,549
Total Investments	5,580	5,810	5,810	5,810	5,810
Intangible Assets	182,410	176,890	176,890	176,890	176,890
Total Other Non-Current Assets	27,000	24,630	24,981	24,692	24,714
Total Non-current Assets	406,520	399,260	412,956	410,698	407,963
Short-term Debt	12,980	14,140	14,140	14,140	14,140
Current Portion of Long-Term Debt					
Total Creditors	102,330	125,250	139,183	152,372	169,335
Other Current Liabilities	50,260	54,240	57,132	58,278	60,737
Total Current Liabilities	165,570	193,630	210,455	224,790	244,213
Total Long-term Debt	275,000	224,100	199,100	199,100	199,100
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	6,310	13,780	13,780	13,780	13,780
Total Non-current Liabilities	281,310	237,880	212,880	212,880	212,880
Total Provisions	28,010	27,000	27,018	27,038	27,060
Total Liabilities	474,890	458,510	450,353	464,708	484,152
Shareholders Equity	192,820	208,870	241,201	276,469	317,844
Minority Interests	33,120	36,930	44,919	53,479	63,494
Total Equity	225,940	245,800	286,120	329,948	381,339

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	63.8%	8.2%	11.1%	9.5%	11.1%
Operating EBITDA Growth	72.7%	21.7%	7.0%	6.7%	11.6%
Operating EBITDA Margin	19.8%	22.3%	21.5%	21.0%	21.1%
Net Cash Per Share (Rs)	(288.18)	(247.50)	(223.56)	(175.68)	(119.53)
BVPS (Rs)	252.05	273.03	315.30	361.40	415.48
Gross Interest Cover	3.38	3.93	4.87	5.45	6.18
Effective Tax Rate	21.2%	16.2%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	17.0%	20.1%	22.2%	22.5%	23.0%
Accounts Receivables Days	121.16	118.30	116.72	117.56	116.72
Inventory Days	165.36	165.07	168.86	168.38	167.18
Accounts Payables Days	(195.52)	(217.50)	(224.47)	(223.83)	(222.24)
ROIC (%)	10.7%	13.8%	14.0%	14.6%	16.2%
ROCE (%)	9.8%	12.3%	13.3%	13.3%	13.8%
Return On Average Assets	6.9%	8.7%	8.5%	8.4%	8.7%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

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.