

Healthy revenue growth in UPL SAS and Advanta; offset by LATAM CPC

CMP: INR 660

Rating: BUY

Target Price: INR 800

Stock Info

BSE	512070
NSE	UPL
Bloomberg	UPLL:IN
Sector	Agrochemicals
Face Value (INR)	2
Equity Capital (INR Bn)	159
Mkt Cap (INR Bn)	602
52w H/L (INR)	736 / 484
Avg Yearly Volume (in 000')	8,647

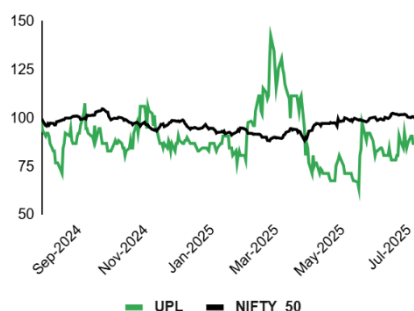
Shareholding Pattern %

(As on July, 2025)

Promoters	33.49
FII's	34.90
DII's	18.09
Public & Others	13.50

Stock Performance (%)	1m	6m	12m
UPL	5.94	12.80	32.23
NIFTY	-3.10	5.95	-1.04

UPL vs Nifty



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Q1FY26 Revenue grew by 2% to INR 92.2 Bn, led by forex as volume decline of 1% was negated by a similar growth in pricing. The growth was led by UPL SAS, Advanta (growth in volumes as well as pricing) and SUPERFORM, which was offset by decline in UPL Corp largely due to volume. Margin trajectory witnessed a healthy uptick despite muted topline growth driven by improved pricing, favorable product mix, higher capacity utilization and lower input cost. EBITDA came in at INR 13.7 bn beating estimates of INR 11.7bn by 20%. Strong EBITDA growth was led mainly by higher crop protection segment. EBITDA Margins expanded by 300 bps YoY & 534 bps QoQ to 15.1%, against our estimates of 12.5%. Post Tax Loss stood at INR 1.7 bn in Q1FY26, vs. loss of INR 5.2bn in Q1FY25 and PAT of INR 10.8bn in Q4FY25. NWC days witnessed a healthy reduction of 35 days YoY to 86 days.

Weakness persists in Global Agchem, however India (SAS) and Advanta drive growth

UPL's India Crop Protection platform posted robust 13% revenue growth driven by volume gains and successful new product introductions, with EBITDA margins expanding sharply to 15.1%. The Advanta seeds business achieved a notable 20% revenue growth, fueled by volume increases across major geographies despite some margin pressures from higher input costs and investments. The Global Crop Protection (UPL Corp) segment experienced a 3% revenue decline mainly due to product phasing and pricing pressures in Brazil's insecticide segment, but contribution margins improved by 13%, with strong growth in Europe and North America. The Super Specialty Chemicals platform (SUPERFORM) grew revenues by 9% with margin improvement, further diversifying UPL's portfolio and revenue streams.

Operational Efficiency and Debt Reductions:

UPL continues to drive its strategic initiatives through ongoing operational excellence programs and supply chain enhancements, which have collectively contributed to a 12% improvement in contribution margins at the group level. The company has demonstrated strong deleveraging momentum, marked by the prepayment of a \$250 million loan scheduled for September 2025 and the redemption of \$400 million in perpetual bonds earlier in May 2025. To further strengthen the balance sheet and fund its growth plans, UPL has announced a rights issue aimed at raising INR16.88 billion (approximately \$200 million). Investments remain focused on digital transformation, marketing capabilities, and new product development, with a target of generating \$130 million in new product sales for FY26, predominantly in the second half of the year.

Valuation and Outlook:

UPL's management adopts a cautiously optimistic stance for FY26, highlighting challenges from softer commodity prices, geopolitical tensions, and currency volatility, especially in Latin American markets. Growth is expected to be multi-phased, skewed towards the second half of the year, driven by a robust pipeline of new product launches, price normalization, and recovery in key markets like Latin America. The company remains committed to deleveraging, focusing on capital allocation discipline and operational excellence to deliver sustainable long-term value. Management maintains guidance for FY26 revenue growth of 4-8% and EBITDA growth of 10-14%, emphasizing margin expansion backed by operational efficiencies and sourcing optimization. **Hence, we remain positive on UPL Ltd, valuing the company at 6.5x EV/EBITDA of its FY28E EBITDA of INR 124 bn, with a revised target price of INR 800 per share giving an upside of 20% from current levels with BUY ratings.**

Financial Performance

Valuation summary (Rs Bn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	431	466	538	592	651
EBIDTA	55	81	102	112	124
Net Profit	(16)	13	38	47	80
PAT Adj	0	18	31	38	70
Diluted EPS	0.4	24.3	41.4	50.9	88.1
P/E (x)	1,914.5	29.4	17.3	14.0	8.1
EV/EBIDTA (x)	13.8	8.3	7.0	6.3	4.1
P/BV (x)	1.9	1.7	1.5	1.4	0.9
RoE (%)	0.1	6.1	9.2	10.5	17.7
Debt/Equity (x)	0.9	0.6	0.5	0.4	0.3

Particulars (Consolidated)(In INR Mn)	Q1FY26	Q1FY25	Y-o-Y	Q4FY25	Q-o-Q
Revenue from Operations	92,160	90,670	1.6%	155,730	-40.8%
Raw Material Costs	41,690	45,200	-7.8%	85,510	-51.2%
Gross Profit	50,470	45,470	11.0%	70,220	-28.1%
Gross Margin (%)	54.8%	50.1%	9.2%	45.1%	21.5%
Employee Cost	13,220	13,370	-1.1%	14,510	-8.9%
Other Exp	23,290	21,090	10.4%	23,800	-2.1%
EBITDA	13,960	11,010	26.8%	31,910	-56.3%
EBITDA Margin %	15.1%	12.1%	24.7%	20.5%	-26.1%
Depreciation	7,310	6,600	10.8%	7,050	3.7%
EBIT	6,650	4,410	50.8%	24,860	-73.3%
Other Income	1,430	980	45.9%	1,070	33.6%
Finance costs	10,070	9,130	10.3%	9,140	10.2%
PBT	(1,990)	(3,740)	-46.8%	16,790	-111.9%
Share of (loss)/profit from JV	180	(320)	-156.3%	(270)	-166.7%
Exceptional Items	90	(490)	-118.4%	2,750	-96.7%
Total taxes	-140	-720	-80.6%	2,980	-104.7%
PAT	(1,760)	(5,270)	-66.6%	10,790	-116.3%
PAT Margin (%)	-1.9%	-5.8%	-67.1%	6.9%	-127.6%

Source: Arianth Research

Q1FY26 Concall Highlights**Macro & Operating Environment**

- Challenging global macro environment, particularly in Brazil and broader LATAM, driven by lower commodity prices, distributor stress, high rates, and currency volatility. Geopolitical tensions notably US tariffs, China oversupply persist as headwinds.
- Management cited oversupply-related pricing pressure from China, although some molecules (clethodim, mancozeb, S-metolachlor) are seeing price recovery. Base plan assumes China prices remain at current levels with upside optionality if further supply cuts materialize.

FY26 Guidance:

- Reiterated—revenue growth of 4–8%, EBITDA growth of 10–14%, with improved margins expected to be driven by operating leverage and cost mix.

Platform Performance**Global Crop Protection (UPL Corp)**

- Q1 revenue down ~3% YoY; primarily product phasing and pricing pressure in LATAM especially Brazil, where insecticides underperformed.
- Despite revenue decline, contribution margins up 13% and EBITDA up 23% YoY. Margin expansion via supply chain/productivity initiatives and better COGS positioning. Margin expansion expected to continue, reflecting improved inventory management and manufacturing usage.
- LATAM: Revenue declined 12%; short-term issue with order book and improved visibility for H2. Market dynamics remain tough but management expects volume-led recovery in Q2 and H2.
- North America: Grew 6% YoY on strong in-season demand and key products (herbicides, mancozeb, acephate), with healthy channel inventories.
- Europe: Stable to slightly up; volume growth in herbicides and fungicides, with strong performance in Germany, Italy, Belgium, and Spain. Some currency effects muted reported INR growth.
- Asia and Africa: Flat to slightly down, with regional headwinds in China pricing offsetting gains in Indonesia, Japan, and Africa.
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India Crop Protection (UPL SAS)

- Growth of 13%: 9% volume/4% price, driven by herbicides and favorable season. EBITDA margin expanded by 540bps to 22.3%.

Advanta (Seeds Platform)

- Revenue up 20% YoY, driven by 12% volume growth; outsized contributions from corn (India, Thailand) and grains in Argentina. Price increase partially offset high production costs in Thailand. EBITDA up 5% despite input cost headwinds; one-off impacts seen in Q1 margins, expected to moderate.
- Advanta continues to explore inorganic growth; ongoing IP is a gating factor for acquisitions in that region.
- USD100 mn previously raised for Advanta is earmarked for strategic growth, with deployment governed by legal and market opportunities.

Speciality Chemicals (SUPERFORM)

- Platform up 9% YoY; super-speciality segment up 21%. Contribution margin improved 50bps to 24.9%. Approximately 75% of revenues from internal UPL businesses; 25% from external customers.

Liquidity, Capital Structure, and Strategic Moves

- Prepaid a USD250 mn loan due September 2025 and exercised call on perpetual bonds (USD400 mn) in May 2025, furthering deleveraging.
- Looking to further optimize capital structure and unlock value across platforms in the next 1–2 years; ongoing discussions with advisors—no specific guidance on restructuring timeline.

Exceptional Items, Impairments, and Tariff Commentary

- INR1.92 billion impairment charge in Q1: INR1.12 billion linked to a Brazilian distributor's restructuring (non-cash, recoverable over time), balance relates to provisions in Africa/LATAM. No further impairments anticipated, as credit controls have strengthened.
- Exceptional items down to INR90 million from INR490 million last year.
- US import tariffs: India crop protection exporters unaffected materially. UPL's US business has a favorable tariff differential vs. Chinese peers (India 25% vs. China 55%). Only 10% of North American sales exposed to new tariffs; management does not foresee material impact in FY26.

Working Capital and Finance Charges

- Net finance costs reduced from INR7.4 billion to INR6.31 billion YoY, mainly due to lower working capital, debt prepayment, and improved credit terms. Exchange losses have increased owing to higher Brazil hedging costs. Including exchange losses, blended finance cost stands at INR10.07 billion.
- Suppliers are providing better commercial terms; higher payables do not entail material additional costs.
- Receivables collection strengthened; factoring use (USD45 million reduction YoY) will remain a risk mitigation tool and vary seasonally.

Management Outlook & Strategic Focus

- Management remains optimistic for Q2 and FY26, expecting margin-led growth, volume recovery in H2, and robust cash generation from tighter working capital management.
- Strategic options for value unlocking continue to be explored, with deleveraging and capital discipline at the forefront. No material M&A or restructuring progress disclosed, but active evaluation continues as platforms mature.

Financial Statements

Income Statement (INR Mn)	Mar-23	Mar-24	Mar-25	Mar 26E	Mar 27E	Mar 28E
Net sales	5,35,750	4,30,980	4,66,370	5,37,947	5,91,742	6,50,916
Growth (%)	15.9	(19.6)	8.2	15.3	10.0	10.0
Operating expenses	(4,24,160)	(3,75,830)	(3,85,170)	(4,35,737)	(4,79,311)	(5,27,242)
EBITDA	1,11,590	55,150	81,200	1,02,210	1,12,431	1,23,674
EBITDA Margin %	20.8%	12.8%	17.4%	19.0%	19.0%	19.0%
Growth (%)	9.8	(50.6)	47.2	25.9	10.0	10.0
Depreciation	(25,470)	(27,630)	(27,500)	(29,537)	(32,624)	(36,374)
Other income	4,770	4,830	4,860	4,884	4,909	4,933
EBIT	90,890	32,350	58,560	77,557	84,716	92,234
Finance cost	(29,630)	(38,520)	(36,270)	(31,450)	(27,950)	0
Exceptional & extraordinary	(11,340)	(12,280)	(9,280)	0	0	0
Profit before tax	49,920	(18,450)	13,010	46,107	56,767	92,234
Tax (current + deferred)	(7,360)	2,090	(90)	(8,299)	(10,218)	(12,201)
P / L form discontinuing operations	0	0	0	0	0	0
Profit / (Loss) for the period	42,560	(16,360)	12,920	37,808	46,549	80,033
PAT Margin %	7.9%	-3.8%	2.8%	7.0%	7.9%	12.3%
P/L of Associates, Min Int, Pref Div	(6,870)	4,360	(3,970)	(6,779)	(8,370)	(10,013)
Reported Profit / (Loss)	35,690	(12,000)	8,950	31,029	38,179	70,020
Adjusted net profit	47,030	280	18,230	31,029	38,179	70,020

Balance Sheet (INR Mn)	Mar-23	Mar-24	Mar-25	Mar 26E	Mar 27E	Mar 28E
Share capital	1,500	1,500	1,590	1,590	1,590	1,590
Reserves & surplus	2,96,940	2,76,430	3,20,400	3,48,406	3,77,737	4,12,415
Shareholders' funds	2,98,440	2,77,930	3,21,990	3,49,996	3,79,327	4,14,005
Minority Intersts and others	55,850	49,130	56,270	56,270	56,270	56,270
Non-current liabilities	2,41,110	2,79,790	2,16,070	1,91,070	1,66,070	1,41,070
Long-term borrowings	2,01,440	2,40,100	1,82,630	1,57,630	1,32,630	1,07,630
Other non-current liabilities	39,670	39,690	33,440	33,440	33,440	33,440
Current liabilities	2,90,370	2,68,610	2,85,690	2,42,556	2,61,796	2,79,899
ST borrowings, Curr maturity	28,550	44,280	54,510	54,510	54,510	54,510
Other current liabilities	2,61,820	2,24,330	2,31,180	1,88,046	2,07,286	2,25,389
Total (Equity and Liabilities)	8,85,770	8,75,460	8,80,020	8,39,892	8,63,463	8,91,243
Non-current assets	4,65,890	4,82,470	4,83,850	4,95,630	5,06,329	5,12,158
Fixed assets (Net block)	2,07,270	2,05,720	1,96,310	2,08,443	2,16,146	2,18,717
Non-current Investments	16,180	19,220	20,520	20,520	20,520	20,520
Long-term loans and advances	570	230	210	5,379	5,917	6,509
Other non-current assets	2,41,870	2,57,300	2,66,810	2,61,288	2,63,746	2,66,412
Current assets	4,19,880	3,92,990	3,96,170	3,44,261	3,57,134	3,79,085
Cash & current investment	60,970	60,360	95,370	37,094	19,250	7,412
Other current assets	3,58,910	3,32,630	3,00,800	3,07,168	3,37,884	3,71,673
Total (Assets)	8,85,770	8,75,460	8,80,020	8,39,892	8,63,463	8,91,243
Total debt	2,29,990	2,84,380	2,37,140	2,12,140	1,87,140	1,62,140
Capital employed	6,23,950	6,51,130	6,48,840	6,51,846	6,56,177	6,65,855

Financial Statements

Cash Flow Statement (INR Mn)	Mar-23	Mar-24	Mar 25	Mar 26E	Mar 27E	Mar 28E
Profit before tax	49,920	(18,450)	13,010	46,107	56,767	92,234
Depreciation	25,470	27,630	27,500	29,537	32,624	36,374
Change in working capital	910	(9,180)	38,190	(54,671)	(12,015)	(16,278)
Total tax paid	(13,340)	(7,810)	(1,520)	(8,299)	(10,218)	(12,201)
Others	20,140	24,860	33,690	31,410	26,567	23,043
Cash flow from oper. (a)	87,820	25,880	1,08,590	39,241	90,200	95,195
Capital expenditure	(37,360)	(26,080)	(18,090)	(41,670)	(40,326)	(38,945)
Change in investments	(4,880)	(3,040)	(1,300)	0	0	0
Others	6,730	1,600	(2,470)	10,407	2,451	2,267
Cash flow from inv. (b)	(35,510)	(27,520)	(21,860)	(31,263)	(37,875)	(36,677)
Free cash flow (a+b)	52,310	(1,640)	86,730	7,979	52,326	58,518
Equity raised/(repaid)	(30)	0	90	0	0	0
Debt raised/(repaid)	(28,670)	54,390	(47,240)	(25,000)	(25,000)	(25,000)
Dividend (incl. tax)	(9,959)	3,828	(3,023)	(8,847)	(10,892)	(13,006)
Others	(13,881)	(57,188)	(1,547)	(32,404)	(34,273)	(32,349)
Cash flow from fin. (c)	(52,540)	1,030	(51,720)	(66,251)	(70,166)	(70,355)
Net chg in cash (a+b+c)	(230)	(610)	35,010	(58,272)	(17,840)	(11,837)

Key ratios

Key Ratios (%)	Mar-23	Mar-24	Mar 25	Mar 26E	Mar 27E	Mar 28E
Adjusted EPS (Rs)	62.7	0.4	24.3	41.4	50.9	88.1
<i>Growth</i>	<i>4.6</i>	<i>(99.4)</i>	<i>6,410.7</i>	<i>70.2</i>	<i>23.0</i>	<i>73.0</i>
CEPS (Rs)	96.7	37.2	61.0	80.8	94.4	212.8
Book NAV/share (Rs)	397.9	370.6	429.3	466.7	505.8	828.0
Dividend/share (Rs)	10.0	10.0	11.0	11.0	11.0	12.0
Dividend payout ratio	27.9	31.9	33.8	28.5	28.5	18.6
EBITDA margin	20.8	12.8	17.4	19.0	19.0	19.0
Tax rate	12.0	33.9	0.4	18.0	18.0	13.2
RoCE	15.0	5.1	9.0	11.9	13.0	14.0
Total debt/Equity (x)	0.6	0.9	0.6	0.5	0.4	0.3
Net debt/EBITDA (x)	1.5	4.1	1.7	1.7	1.5	1.3
Net debt/Equity (x)	0.5	0.7	0.4	0.4	0.4	0.3
Du Pont Analysis - ROE						
Net margin	8.8	0.1	3.9	5.8	6.5	10.8
Asset turnover (x)	0.6	0.5	0.5	0.6	0.7	0.7
Leverage factor (x)	3.1	3.1	2.9	2.6	2.3	2.2
Return on equity	17.3	0.1	6.1	9.2	10.5	17.7

Valuations

Valuations (x)	Mar-23	Mar-24	Mar 25	Mar 26E	Mar 27E	Mar 28E
PER	11.4	1,914.5	29.4	17.3	14.0	8.1
PCE	7.4	19.2	11.7	8.9	7.6	3.4
Price/Book	1.8	1.9	1.7	1.5	1.4	0.9
Yield (%)	1.6	(0.6)	0.5	1.4	1.7	3.1
EV/EBITDA	6.3	13.8	8.3	7.0	6.3	4.1

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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