MOTILAL OSWAL

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ANNUAL REPORT THREADBARE

The ART of annual report analysis

- UPL sold receivables of INR8.3b (FY14: INR6.2b) to UPL finance BV, an unrelated party.
- Operating cash flow post interest declined to INR6.7b (FY14:INR10.2b).
- Cash and investments generated average yield of 4.4% while debt had an average borrowing cost of 10.2%.

UPL LIMITED

UPLL's FY15 annual report analysis highlights sale of receivables of INR8.3b (FY14: INR6.2b) to UPL Finance BV—an unrelated party, adjusted for which the cash conversion cycle increased to 120 days (v/s the reported 95). Despite the sale of receivables, operating cash flow post interest declined from INR10.2b in FY14 to INR6.7b in FY15 due to increase in (a) loans and advances to INR5.7b (FY14: INR4.0b) and (b) finance cost to INR7.4b (FY14: INR4.3b). Revenue grew a mere 12% YoY to INR121b, while EBITDA margin increased 80bp to 19.5%. Forex fluctuations had an INR2.1b (15% of PBT) adverse impact on earnings. UPLL has a natural hedge of forex borrowings against exports income; however, it continues to have exposure to derivative instruments—which leads to an increase in net unhedged forex position on a consolidated basis. UPLL had cash and investments of INR13b (FY14: INR16b), generating a 4.4% yield; UPLL also has debt of INR32.8b having a borrowing cost of 10.2%—the low yield and high borrowing cost may partially be due to seasonality of the business.

- **Sale of receivables to UPL Finance BV, an unrelated party, increases:** United Phosphorus, Inc. (a subsidiary) sold receivables of INR8.3b (FY14: INR6.2b) to UPL Finance BV—an unrelated party. Consequently, the receivables are derecognized and do not form part of receivable/contingent liabilities; adjusted for which the receivable days for FY15 will be higher by 25 days at 136 days.
- **Earnings-to-cash flow conversion declines from 80% in FY14 to 71% in FY15:** The decline was primarily on account of an increase in advance extended to INR5.7b (FY14: INR4.0b). Higher finance cost at INR7.4b (FY14: INR4.3b) further led to a decline in operating cash flow post interest to INR6.7b (FY14: INR10.2b).
- **Forex fluctuations continue to impact earnings:** UPLL recognized a forex loss of INR3.2b (FY14: Gain of INR0.6b), partially offset by derivative gains of INR1.1b (FY14: Loss of INR1.4b). Some of the derivatives taken by the company increase unhedged positions on consolidated basis; this may be due to a combination of (a) net unhedged forex position on subsidiaries and (b) elimination of inter-company transactions on consolidation of subsidiaries (having a reporting currency other than INR)
- **Effective tax rates low at 17.3%:** This was primarily on account of routing of exports (~32% of export revenue) through subsidiaries domiciled in countries having low tax rates.
- **Rising payable days drive improvement in cash conversion cycle:** Over the last four years, reported cash conversion cycle improved to 95 days (FY12: 139 days), primarily on account of increase in payable days to 141 (FY11: 100 days)—led by standalone operations.

Stock Info

Bloomberg	UPLL IN
CMP (INR)	425
Equity Shares (m)	428.6
52-Week Range (INR)	576/329
1,6,12 Rel. Perf. (%)	9/-7/39
M.Cap. (INR b) / (USD b)	182.2/2.7

Financial summary (INR b)

Y/E March	2015A	2016E	2017E
Sales	120.9	133.6	150.5
EBITDA	23.6	26.4	30.7
NP	11.5	12.8	16.5
Adj EPS (INR)	26.9	29.9	38.5
EPS Growth (%)	11.2	11.2	28.7
BV/Sh. (INR)	136.7	162.6	197.0
RoE (%)	20.8	20.0	21.4
RoCE (%)	21.7	22.1	24.0
Payout (%)	15.1	13.8	10.8
Valuations			
P/E (x)	15.8	14.2	11.0
P/BV (x)	3.1	2.6	2.2
EV/EBITDA (x)	8.7	7.9	6.6
Div. Yield (%)	0.8	0.8	0.8

E: MOSL Estimates (Analyst estimates)

Shareholding pattern (%)

As on	Sep-15	Jun-15	Sep-14
Promoter	29.8	29.8	29.8
DII	9.9	9.1	8.5
FII	47.9	48.9	46.6
Others	12.4	12.2	15.1

Note: FII Includes depository receipts

Auditor's name

S R B C & Co LLP

ART will present a threadbare portrait of annual reports - statistical, strategic and structured. We believe ART's wide canvas - from accounting and auditing issues to operating performance to management insights to governance matters - will help readers paint a clearer picture of the stock's investment worthiness.

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ART #1 ACCOUNTING & KEY FINANCIAL INSIGHTS

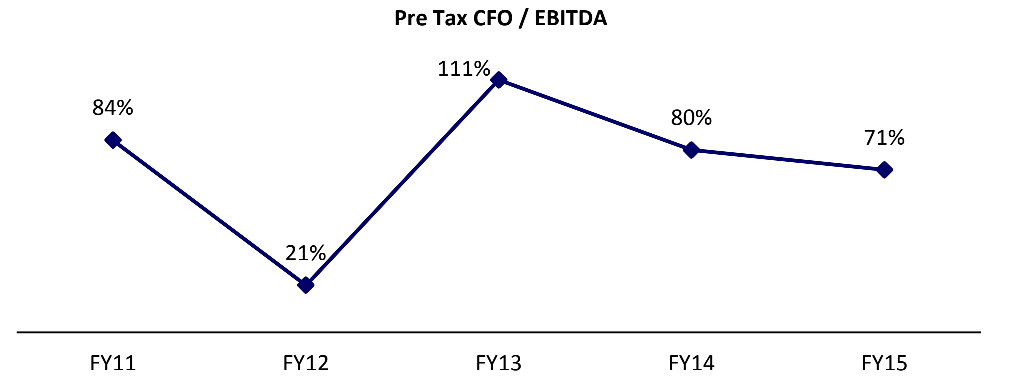
Operating cash flow declines despite increase in sale of receivables

- Operating cash flow before extraordinary items declined from INR15.3b in FY14 to INR14.6b in FY14, led by increase in working capital requirements.
- Cash conversion cycle remained flat at 95 days (FY14: 96 days).However, advances recoverable in cash or kind increased from INR4.0b in FY14 to INR5.7b in FY15. Further details on advances extended are not available.
- UPLL's receivables discounted on recourse basis stood at INR0.9b (FY14:INR2.12b) and are shown as a part of contingent liabilities.

Earnings-to-cash flow conversion deteriorates despite increase in sale of receivables of INR8.3b (FY14: INR6.2b) to UPL Finance BV—an unrelated party.

- Further, United Phosphorus Inc, (a subsidiary) sold receivables of INR8.3b (FY14 INR6.2b) to UPL Finance BV—an unrelated party. Consequently, the receivables have been derecognized and also do not form part of contingent liabilities.
- Adjusted for sale of receivables cash conversion cycle stood at 120 days (v/s reported of 95 days)
- Free cash flow post interest declined from INR4.5b in FY14 to negative INR1.1b in FY15. The decline was led by (a) steep increase in finance cost paid from INR4.3b in FY14 to INR7.4b in FY15 and (b) increase in capex from INR5.7b in FY14 to INR7.8b in FY15

Exhibit 1: Earnings-to-cash conversion deteriorates



Source: Company Annual Report, MOSL

Exhibit 2: FCF turns negative on rising capex and finance cost (INR b)

Particulars	Standalone		Subsidiary (derived)		Consolidated	
	FY14	FY15	FY14	FY15	FY14	FY15
Net profit before taxation, and extraordinary items	**5.5**	**5.8**	**7.0**	**8.4**	**12.6**	**14.2**
Add/(Less): Non-cash adjustments	1.5	1.6	3.1	2.7	4.6	4.3
Add/(Less): Non-Operating adjustments	0.5	(2.1)	3.4	6.6	3.9	4.4
Less: Direct taxes paid	(1.1)	(1.2)	(0.6)	(1.6)	(1.8)	(2.8)
Oper. profit bef. w/cap changes	**6.4**	**4.1**	**12.9**	**16.0**	**19.3**	**20.2**
Inventories	(2.5)	(3.0)	(1.6)	(1.7)	(4.1)	(4.7)
Trade receivables	3.9	(0.1)	(10.3)	(4.9)	(6.4)	(5.0)
Other current assets	(0.2)	(0.0)	0.0	(0.4)	(0.2)	(0.4)
Loans and advances	(0.9)	(0.4)	0.4	(1.7)	(0.5)	(2.1)
Trade payables	4.5	3.8	1.6	1.8	6.2	5.6
Long term & Short term provisions	0.1	0.1	0.1	(0.4)	0.1	(0.3)
Current liabilities and provisions	0.1	0.4	0.8	0.9	0.9	1.3
Cash generated from operations before exceptional Items	**11.4**	**5.0**	**3.9**	**9.7**	**15.3**	**14.6**
Exceptional Items	-	-	(0.8)	(0.5)	(0.8)	(0.5)
Prior Period Adjustments	-	-	(0.2)	(0.0)	(0.2)	(0.0)
Net Cash from Operating Activities	**11.4**	**5.0**	**3.0**	**9.1**	**14.4**	**14.1**
Less: Financial cost	(1.9)	(2.4)	(2.4)	(4.9)	(4.3)	(7.4)
Cash generated from operations post interest	**9.5**	**2.5**	**0.7**	**4.2**	**10.2**	**6.7**
Less: Capital expenditure	(3.2)	(3.9)	(2.5)	(3.9)	(5.7)	(7.8)
Free cash flows post interest	**6.3**	**(1.3)**	**(1.8)**	**0.3**	**4.5**	**(1.1)**

Source: Company Annual Report, MOSL

Rising payable days lead to improvement in cash conversion cycle

Rising payable days on standalone levels improve reported cash conversion cycle over FY12-FY15.

- Over the last four years, the improvement in cash conversion cycle from 139 days in FY12 to 95 days in FY15 is primarily on account of (a) increase in the payable days from 100 days in FY12 to 141 days in FY15, and (b) Sale of receivables by United Phosphorus Inc.
- The increase in the payable days is primarily on account of the standalone operations, wherein the payable days have jumped steeply from 115 days in FY12 to 200 days in FY15.

Exhibit 3: Cash conversion cycle improves primarily on increase in payable days at the standalone entity

Particulars	Standalone				Consolidated			
	FY12	FY13	FY14	FY15	FY12	FY13	FY14	FY15
Inventory Days	102	95	109	136	125	117	120	129
Receivable Days	153	167	104	97	119	107	109	111
Advances from customers	5	5	4	3	5	4	2	4
Payable Days	115	147	171	200	100	119	131	141
Cash conversion cycle (Days)	**135**	**110**	**38**	**30**	**139**	**101**	**96**	**95**

Note: On closing basis; Source: Company Annual Report, MOSL

Exhibit 4: Receivable days continue to remain elevated in LATAM and USA (INR b)

Subsidiary Name	Sales		Sales excluding Related Party		Receivable Days		Receivable Days (Ex Related Party)	
	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15
UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A.	14.3	14.7	14.2	14.7	262	298	264	298
UPL Agro S.A. de C.V.	3.0	3.2	3.0	3.2	62	91	62	91
Icona S A	1.7	2.5	1.5	2.3	233	188	264	145
UPL Costa Rica S.A	1.3	1.6	1.0	1.4	94	78	56	64
UPL Europe Limited	9.2	8.9	NA	NA	80	59	NA	NA
UPL France	0	3.4	0	3.3	0	87	0	85
UPL (Cerexagri)	6.6	4.2	6.6	0.0	117	173	117	NM
Cerexagri (B.V.)	2.3	2.5	0.9	0.7	344	309	89	201
UPL (Benelux)B.V.	3.2	1.9	2.0	1.7	60	240	27	6
UPL Deutschland GmbH	2.9	2.2	2.9	2.1	195	127	7	18
Decco US Post - Harvest Inc.	1.9	2.4	1.8	2.3	59	69	41	36
United Phosphorus Inc.*	19.2	21.1	19.0	20.8	42	48	41*	47*
Bio win Corporation	5.1	6.3	0.5	0.3	1,965	1,610	181	829
United Phosphorus Limited, Gibraltar	0	0.8	0	0		2,159		
UPL LIMITED,Gibraltor	17.2	18.5	3.1	2.3	356	416	1,615	1,225
UPL Limited,Hong Kong	2.5	3.4	1.2	1.2	273	229	322	305
UPL Italia S.R.L.	2.3	2.3	2.3	2.2	370	402	245	215
SWAL Corporation Limited	4.1	4.9	4.1	4.9	55	73	53	66
Standalone	49.7	53.3	25.7	29.6	104	97	72	91
UPL Limited, Mauritius	0	5.3	0	0.3	NA	451	NA	579
United Phosphorus Cayman Limited	2.2	2.6	1.8	2.2	65	100	12	12
Riceco International, Inc.	2.6	2.5	0.9	0.8	156	175	184	257
UPL Australia Limited	1.1	1.3	NA	NA	41	36	NA	NA

*including sale of receivables of INR8.3b (FY14: INR6.2b) receivable days stood at 192 days (FY14: 160 days)

Note: days calculated on closing basis; Source: Company Annual Report, MOSL

Revenue growth and margin expansion led by subsidiaries

- On consolidated basis, UPLL's revenue grew 12% YoY to 121b in FY15. The revenue growth was led by subsidiaries wherein the revenue contribution increased 17.2% YoY to INR68b. On a standalone basis, revenue increased 7%YoY to INR53b.
- EBITDA margin increased to 19.5% in FY15 from 18.7% in FY14, primarily on gross margin expansion. However, for the standalone entity, EBITDA margin declined to 10.5% in FY15 from 13.4% in FY14 on higher operating cost.

Exhibit 5: Subsidiaries' performance leads to growth in operating earnings

Particulars	Standalone				Subsidiary (Derived)				Consolidated			
	FY14		FY15		FY14		FY15		FY14		FY15	
	(INR b)	%	(INR b)	%	(INR b)	%	(INR b)	%	(INR b)	%	(INR b)	%
Net Revenue (Operations)	**49.7**	**100.0**	**53.3**	**100.0**	**58.0**	**100.0**	**67.6**	**100.0**	**107.7**	**100.0**	**120.9**	**100.0**
Raw Materials Consumed	26.6	53.6	28.2	52.9	27.8	47.9	31.9	47.2	54.4	50.5	60.2	49.8
Gross Margin	**23.1**	**46.4**	**25.1**	**47.1**	**30.2**	**52.1**	**35.6**	**52.8**	**53.3**	**49.5**	**60.7**	**50.2**
Operating and Administrative Expenses	13.8	27.8	16.3	30.6	9.8	16.9	10.4	15.4	23.6	21.9	26.7	22.1
Personnel Cost	2.6	5.2	3.2	6.0	6.9	11.9	7.3	10.7	9.5	8.8	10.4	8.6
EBITDA	**6.7**	**13.4**	**5.6**	**10.5**	**13.5**	**23.3**	**18.0**	**26.6**	**20.2**	**18.7**	**23.6**	**19.5**

Source: Company Annual Report, MOSL

Forex fluctuation impacts earnings adversely….

- During FY15, INR appreciated against most currencies (~26.4% against BRL; by ~18.2% against Euro); however, it declined 4.3% versus the USD.
- UPLL had significant unhedged forex payables as at the end of FY15. Refer to **Exhibit 9** for details.
- UPLL recognised foreign exchange loss of INR3.2b (v/s gain of INR0.6b in FY14) mainly comprising of:
  (a) Forex loss of INR0.9b in FY15 (v/s gain of 0.1b in FY14) on operations as part of other income, and
  (b) Forex losses of INR2.3b (v/s gain of INR0.5b in FY14) on loans as part of finance cost.

Forex fluctuations had an INR2.1b (15% of PBT) adverse impact on earnings.

… However, partially cushioned by gains on derivatives

- UPLL has forex debt, which acts as a natural hedge for foreign exchange earnings.
- Further, UPLL had derivative contracts outstanding as of FY15. Refer to **Exhibit 11** for details. Some of the contracts lead to an increase in net unhedged position.
- The net unhedged position on the consolidated basis can be on account of combination of (a) net unhedged foreign position at the subsidiary level and (b) elimination of inter-company transactions on consolidation of subsidiaries (having a reporting currency other than INR).
- UPLL recognized a gain of INR1.1b on derivatives in FY15 (v/s a loss of INR1.4b in FY14)—as part of net finance cost.
- The gains and losses on derivatives were primarily on account of standalone operations, wherein the company recognized a gain of INR1.2b in FY15 (v/s a loss of INR1.4b in FY14)

Exhibit 6: Forex impact on standalone (INR b)

Particulars	FY14	FY15
Other income	1.2	-0.2
Finance Cost - Gain/ (loss)	-0.7	-0.1
Gross Foreign Exchange Gain/ (Loss)	**0.5**	**-0.3**
Derivatives Instruments- Gain/(loss)	1.4	-1.2
Net Foreign Exchange Gain/ (Loss)	**1.9**	**-1.5**

Source: Company Annual Report, MOSL

Exhibit 7: .. and consolidated entity adverse (INR b)

Particulars	FY14	FY15
Other income	0.1	-0.9
Finance cost - Gain/ (loss)	0.5	-2.3
Gross Foreign Exchange Gain/ (Loss)	**0.6**	**-3.2**
Derivatives Instruments- Gain/(loss)	-1.4	1.1
Net Foreign Exchange Gain/ (Loss)	**-0.8**	**-2.1**

Source: Company Annual Report, MOSL

Exhibit 8: Low net unhedged exposure on standalone ('000)

Nature of Instrument	Currency	FY14	FY15
1. Payable	USD	383,467	327,478
	EUR	28,827	26,903
	GBP	202	176
	JPY	128	27,572
2. Receivable	USD	394,150	305,279
	EUR	34,591	17,782
	AUD	1,815	1,588
	GBP	10	10
	AED	18	-
	CHF	-	19

Source: Company Annual Report, MOSL

*(including Foreign Currency payable in respect of derivative contracts as mentioned in Exhibit-10 below)

Exhibit 9: High net unhedged exposure on consolidated ('000)

Nature of Instrument	Currency	FY14	FY15
1 Payable	USD	743,479	708,647
	EUR	33,395	57,057
	GBP	260	2,310
	CHF	4	38
	DKK	1,118	1,099
	PLN	-	7
	MUR	20	43
2 Receivable	USD	224,833	143,503
	EUR	15,893	23,351
	GBP	124	2,109
	DKK	3,879	51
	JPY	145,291	176,303
	AUD	5,113	10,795
	MUR	4,506	180
	PLN	55	116
	AED	18	-
	NZD	-	75
	CHF	-	19

Source: Company Annual Report, MOSL

*(including Foreign Currency payable in respect of derivative contracts as mentioned in Exhibit-11 below)

Exhibit 10: Standalone derivative exposure outstanding ('000)

Nature of Instrument	Currency	FY14	FY15
(a) Forward contracts - Sell	USD	4,000	-
Forward contracts - Sell	EUR	4,119	24,843
Forward contracts - Buy	USD	-	64,577
(b) Derivative contracts			
(i) Full Currency Interest Rate Swap contracts – payable*	USD	233,853	177,585
Full Currency Interest Rate Swap contracts – payable*	EUR	25,667	25,667

Source: Company Annual Report, MOSL

*Note:- a) Company will receive principal in INR and pay in foreign currency, b) Company will receive fixed interest in INR and pay fixed / floating interest in foreign currency.

Exhibit 11: Consol. derivative exposure outstanding ('000)

Nature of Instrument	Currency	FY14	FY15
(a) Forward contracts - Sell	USD	4,307	2,127
Forward contracts - Sell	EUR	4,119	24,843
Forward contracts - Buy	USD	7,141	157,057
(b) Derivative contracts			
(i) Full Currency Int.Rate Swap contracts – payable*	USD	233,853	177,584
Full Currency Interest Rate Swap contracts – payable*	EUR	25,667	25,667
(ii) Interest Rate Swaps on Loans Payable	USD	243,275	202,948

Source: Company Annual Report, MOSL

*Note:- a) Company will receive principal in INR and pay in foreign currency, b) Company will receive fixed interest in INR and pay fixed / floating interest in foreign currency.

Exhibit 12: Translation losses dampen net worth accretion (INR b)

Particulars	FY14	FY15
Opening net worth	46.5	52.5
Add: Profit for the year	9.5	11.4
Less: Dividend (including tax)	(2.0)	(2.6)
Issue of shares	-	-
Buyback of Shares	(0.0)	-
Capital Reserve	0.0	0.3
Securities Premium Account	(2.8)	0.0
Capital Redemption Reserve	0.0	-
Foreign Currency Translation Reserve	1.2	(3.1)
General Reserve	-	-
Surplus in the Consolidated Statement of Profit and Loss	0.2	0.1
Closing net worth	**52.5**	**58.6**

Source: Company Annual Report, MOSL

INR3.1b of adverse impact on translation of foreign subsidiaries.

Gains on sale of associate contain exceptional losses

- Exceptional/prior period losses declined to INR0.1b in FY15 v/s INR1.0b in FY14, primarily on account of gain of INR0.6b on sale of stake in Sipcam UPL Brazil—an associate.
- Restructuring and reorganization cost of Latam and European businesses stood at INR0.4b (v/s INR0.5b in FY14).

Restructuring/ reorganization cost of Latam and European operations continued

Exhibit 13: Exceptional and prior period losses decline on sale of associate (INR m)

Particulars	FY14	FY15
Exceptional Items		
Restructuring/reorganization Cost	554.4	427.1
Compounding fees	198.6	-
Provision for diminution in value of Investment	100.0	100.0
Fraudulent withdrawal	-	70.9
Profit on sale of Associates	-	(568.1)
Total	**853.0**	**29.9**
Prior Period Items		
Material cost pertaining to earlier years	126.0	43.3
Others (net)	29.5	5.5
Total	**155.5**	**48.8**

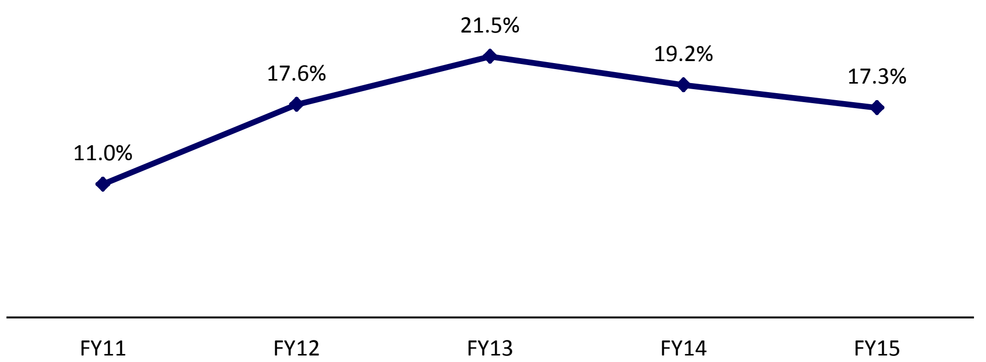
Source: Company Annual Report, MOSL

Effective tax rate remains low on routing exports through low tax countries

- UPLL's consolidated tax rate remained low at 17.3% (FY14: 19.2%) due to (a) investment based tax incentives and dividend income from subsidiaries available at the standalone level leading to an effective tax rate of 20.7%, and (b) routing of exports sales through subsidiaries domiciled in countries with low tax rates.

Exports through countries having low tax rates keep effective tax rate low.

Exhibit 14: Effective tax rate remains low



Source: Company Annual Report, MOSL

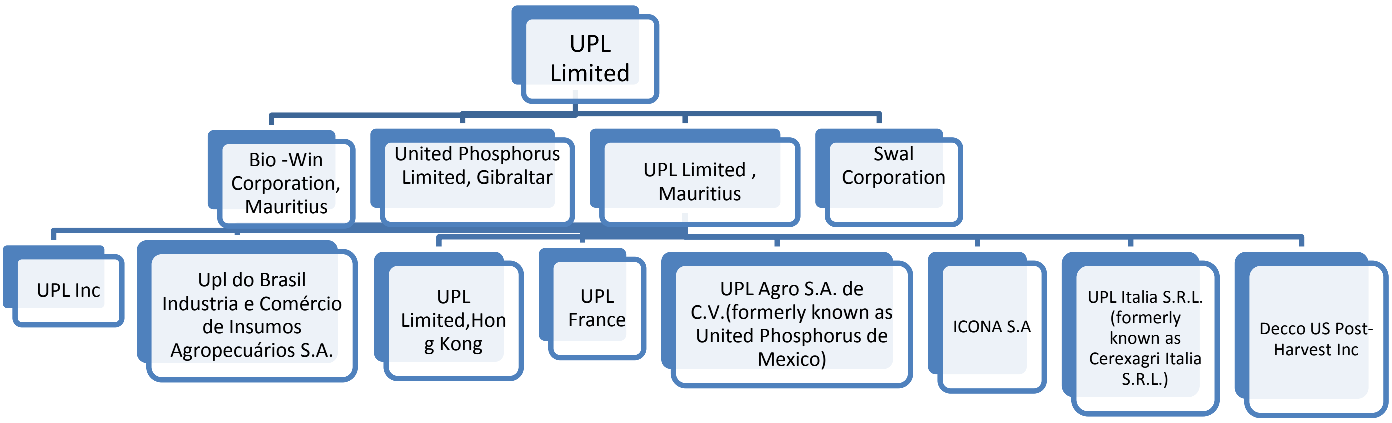
- UPLL routes its exports sales primarily through three subsidiaries (a) UPL Limited, Gibraltar, (b) Bio-win Corp, Mauritius and (c) UPL, Mauritius; the sales from these is primarily to fellow subsidiaries at a significant margin and have low tax rates.
  - UPL, Gibraltar FY15 revenue stood at INR18.5b—of which ~INR15b was to related parties. PAT margin for FY15 stood at 18%—2x consolidated PAT margin.
  - Bio-win Corp. FY15 revenue stood at INR6.5b—of which 95% is to related parties. PAT margin for FY15 was 56%—6x consolidated PAT margin.
  - UPL, Mauritius FY15 revenue stood at INR5.3b—of which INR5b pertains to related parties. PAT margins stood at 41%— ~4.6x consolidated PAT margin.

Exhibit 15: Low tax rates in subsidiaries having high margins (INR b)

	FY14				FY15			
Subsidiary	Net Worth	Revenue	PAT Margin	ETR	Net Worth	Revenue	PAT Margin	ETR
United Phosphorus Inc.	4.2	19.1	3%	27%	5.1	21.1	3%	35%
UPL LIMITED,Gibraltor (Formerly Known as Uniphos Limited,Gibraltor)	8.3	17.2	20%	0%	11.9	18.5	18%	0%
Bio-win Corporation Limited	8.8	5.1	47%	-1%	6.8	6.3	56%	0%
UPL Limited, (formerly known as Uniphos Limited)	3.4	-	0%	0%	4.2	5.3	41%	0%
Upl do Brasil Industria e Comércio de Insumos Agropecuários S.A.	5.5	14.3	1%	23%	4.8	14.7	6%	41%
UPL Europe Limited (formerly known as United Phosphorus Limited)	5.1	9.2	3%	21%	4.9	8.9	1%	22%
SWAL Corporation Limited	0.5	4.1	2%	32%	0.6	4.9	3%	34%
Cerexagri S.A.S.	2.1	6.6	3%	13%	2.0	4.2	6%	-11%
UPL Limited,Hong Kong(Formerly Known as United Phosphorus Limited, Hongkong)	0.4	2.5	6%	0%	0.8	3.4	10%	0%
UPL France (formerly known as Aspen SAS)	0.0	-			0.3	3.4	1%	-19%
UPL Agro S.A. de C.V.(formerly known as United Phosphorus de Mexico, S.A. de C.V.)	0.2	3.0	1%	53%	0.0	3.2	0%	69%
Icona S A	0.1	1.7	32%	36%	0.0	2.5	5%	16%
Decco US Post-Harvest Inc	0.4	1.9	6%	33%	0.7	2.4	9%	38%
UPL Italia S.R.L. (formerly known as Cerexagri Italia S.R.L.)	0.2	2.3	0%	85%	0.2	2.3	0%	75%

Source: Company Annual Report, MOSL

Exhibit 16: Routing exports through counties with low tax regime



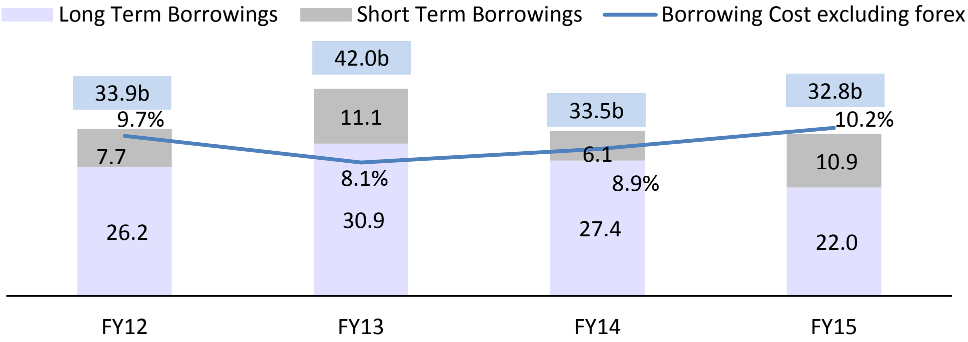
Source: Company Annual Report, MOSL

Debt declines marginally while borrowing cost rises

- Debt declined marginally from INR33.5b in FY14 to INR32.8b in FY15.
- Long-term debt (including current maturities) declined from INR27.4b in FY14 to INR22.0b in FY15. However, short-term loans increased from INR6.1b in FY14 to INR10.9b in FY15.
- A significant proportion of the external debt availed by the standalone entity and Bio-win Corporation (which is guaranteed by the standalone entity).
- Borrowing cost (excluding forex) charged to P&L increased to 10.2% in FY15 from 8.9% in FY14, while borrowing cost including forex increased to 13.6% in FY15 (FY14:11.3%).Part of the high borrowing cost may be on account of seasonality of business & the reported debt position being as of a certain date.

- Finance cost charged to income statement stood at INR5.2b (FY14:INR4.9b); however, interest and finance charges paid stood at INR7.4b (FY14: INR4.3b).

Exhibit 17: Debt declines marginally, shifts from long term to short term (INR b)



Source: Company Annual Report, MOSL

Exhibit 18: Significant external debt availed by standalone entity and Bio-win (INR b)

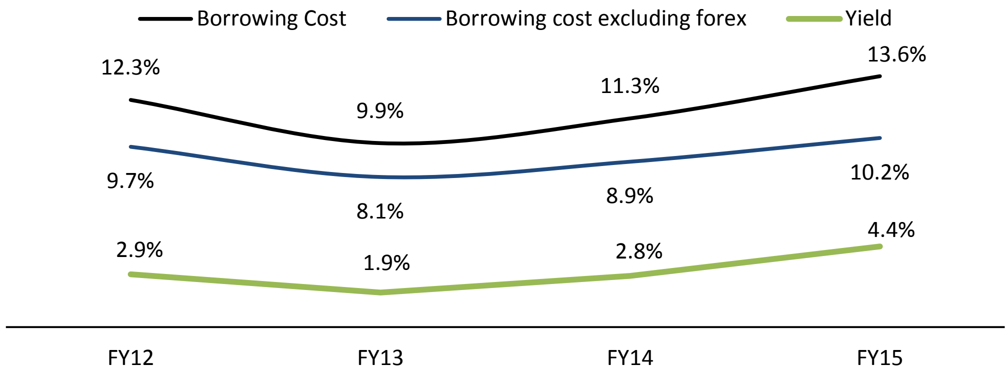
Particulars	FY14	FY15
UPL do Brasil	1.7	2.6
Icona S A	0.6	0.6
Bio-Win Corporation	12.9	11.4
Standalone	14.2	13.8
Others	4.1	4.5
Total	**33.5**	**32.8**

Source: Company Annual Report, MOSL

Cash and investment at 22% of net worth; yields 4.4% returns

- Cash and investment stood at INR13b, 22% of net worth (FY14: INR 16b, 30% of net worth). Yield on investment remained low at 4.4% (FY14: 2.8%).
- Low yield on cash and investments are primarily on account of (a) high current account balance of INR4.3b (FY14: INR6.9b) which may be on account of seasonality in business & the reported cash position being as of a certain date, and (b) INR4.7b (FY14: INR2.8b) of fixed deposits made outside India.

Exhibit 19: Significant gap between borrowing cost and investment yields



Source: Company Annual Report, MOSL

Intangible asset at 43% of net worth

- Intangible assets increased to INR25.1b in FY15 (FY14: INR22.8b). The increase is primarily on account of increase in goodwill on consolidation to INR14.5b in FY15 (FY14: INR12.1b) due to increase in holding of subsidiary UPL DO BRASIL S.A. from 73% to 100%

Goodwill on consolidation rises on account of increasing stake in UPL Do Brasil.

Exhibit 20: Significant proportion of net worth invested in intangibles

Particulars	FY14	FY15
Intangible Assets-Acquired	9.6	8.2
ITUD	1.0	2.4
Goodwill on Consolidation	12.1	14.5
Total	**22.8**	**25.1**
Intangibles % of net worth	43.4%	42.8%

Source: Company Annual Report, MOSL

ART #2

MANAGEMENT SPEAK/KEY PLANS

Global agrochemical industry

- An emerging trend in the global agrochemicals market was the increasing research & development in bio-pesticides to compete with organic farming and integrated pest management.
- Between 2009 and 2014, several molecules went off patent while some are on the verge of patent expiry—opening opportunities for other generic agrochemical players. According to FICCI, the total feasible opportunity is estimated at over USD3b.
- The global crop protection chemicals market is projected to reach USD69.6b by 2019, with an estimated CAGR of 5.5% from 2014 to 2019.

Achievements in FY15

- Used in-house technologies to introduce Glufosinate in India.
- **Adopted an asset-sweating model**: UPL generated higher revenue through a progressively higher asset utilization coupled with value addition (make-or-buy approach).
- **Commissioned two plants within best-in-class timelines:** UPL commissioned two herbicide manufacturing plants at Jhagadia within nine months. The company also established a coal-fired boiler at Jhagadia within 15 months, an industry benchmark.

Outlook

- Under current agricultural policies in India, consumption growth between 2009 and 2050 is likely to be strongest for fruits (246%), vegetables (183%) and dairy products (137%)—which together account for 77% of the total projected rise in food consumption by 2050. While the demand for food has largely been met by domestic products, food imports have also risen.
- UPLL aims to focus on superior supply chain management, smarter procurement as well as comprehensive administration and control at its facilities.
- Capacity expansion in Colombia and Rotterdam is expected to transpire in FY16.
- UPLL is setting up active ingredient manufacturing plants in India, Europe and America to enhance market proximity at a time when China is emerging as a higher cost global player.

Brazil—a key UPL target market

- Brazil is an agricultural powerhouse— total volume of agricultural production in 2014 accounted for 5.8% of GDP. The country is the world's biggest producer and exporter of coffee, sugar and orange juice, the biggest meat exporter, the second-biggest producer and exporter of soy products as well as a major grower of corn. In 2014, Brazil's agricultural exports to China represented 22% of the former's total agricultural exports.
- The national consumption of agrochemicals is equivalent to 5.2 liters of agrochemicals per year per inhabitant. Importantly, the release of transgenic seeds in Brazil was one of the factors responsible for making the it the top

consumer of agrochemicals since the cultivation of these modified seeds requires the use of large quantities of these products.

- Brazil corn production for FY15 was pegged at 75 million tonnes, down 5 million tonnes from last year. The area is estimated at 15 million hectares, down 0.8 million hectares from the previous year. Yield is forecast at 5 tonnes per hectare, down 1.2% from the previous year. A decline in the first season crop estimate was offset by an increase in the second season forecast.

ART #3

GOVERNANCE MATTERS

Directors regular in attending board meetings

- UPLL is regular in calling board meetings as per the prescribed laws. Four board meetings were held in FY15.
- The board comprises 12 directors, out of which 4 are promoter directors, 2 are non-promoter executive directors and 6 are independent directors (out of which 4 have been on the board for more than 10 years).
- All directors attendend more than 50% of the meetings in FY15.

Exhibit 21: Directors regular in attending board meetings

Name of Director	Category	Attendance Particulars: Board Meeting	Attendance Particulars: Last AGM
Mr. R. D. Shroff	Promoter and Executive Chairman and Managing Director	4	Yes
Mrs. S. R. Shroff	Promoter and Non-Executive Vice Chairman	4	No
Mr. J. R. Shroff	Promoter and Non-Executive Director	4	Yes
Mr. V. R. Shroff	Promoter and Non-Executive Director	4	No
Mr. A. C. Ashar	Non-Promoter and Executive Director	4	Yes
Dr. P. V. Krishna	Independent and Non-Executive Director	3	Yes
Mr. Pradeep Goyal	Independent and Non-Executive Director	3	Yes
Mr. K. Banerjee	Non Promoter and Executive Director	3	Yes
Dr. Reena Ramachandran	Independent and Non-Executive Director	4	Yes
Mr. Pradip Madhavji	Independent and Non-Executive Director	4	Yes
Mr. Vinod Sethi	Independent and Non-Executive Director	4	Yes
Mr. Suresh P. Prabhu@	Independent and Non-Executive Director	2/3	No
Mr. Hardeep Singh*	Independent and Non-Executive Director	1/1	N.A.

@ Resigned with effect from 7th November, 2014; *Appointed as an additional Director with effect from 2nd February, 2015; Source: Capital line, Company Annual Report, MOSL

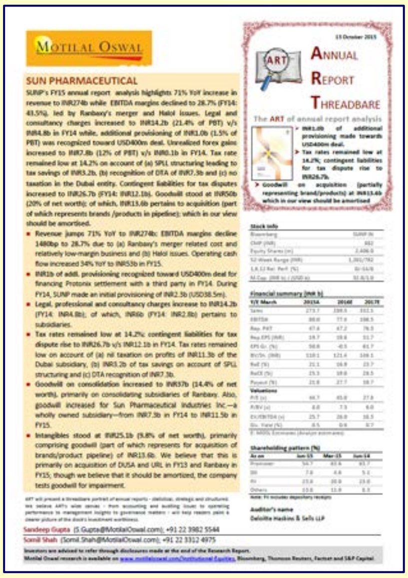
Auditor rotation likely as per the Companies Act 2013

Statutory auditors to be mandatorily changed post FY17, in accordance with the new Companies Act.

- Member firms of Ernst and Young have been the auditors of UPLL since FY04.
- The Companies Act (2013) requires mandatory rotation of auditors for listed entities after serving for 10 consecutive years. The Act further provides a three-year period (from April 1, 2014) to comply with the requirement.

NOTES

ART COMPANIES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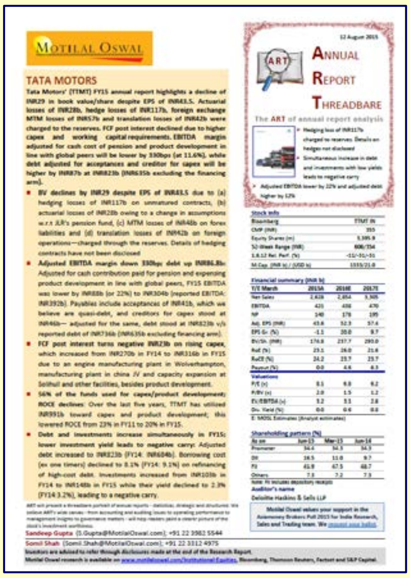
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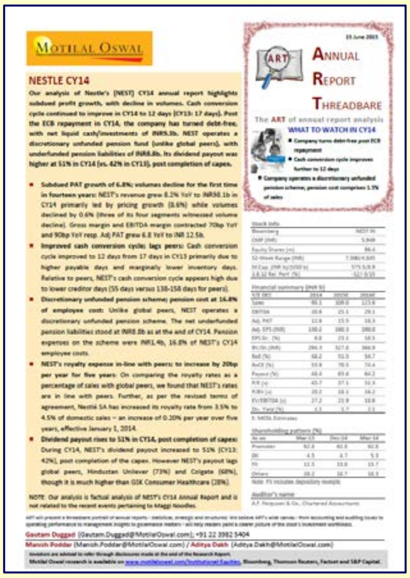
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