

February 8, 2023

Q3FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	5,630		5,630	
Sales (Rs. m)	59,388	65,327	59,919	65,910
% Chng.	(0.9)	(0.9)		
EBITDA (Rs. m)	10,749	12,184	10,725	12,193
% Chng.	0.2	(0.1)		
EPS (Rs.)	175.7	199.5	175.4	199.8
% Chng.	0.2	(0.1)		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	47,344	53,025	59,388	65,327
EBITDA (Rs. m)	8,111	9,545	10,749	12,184
Margin (%)	17.1	18.0	18.1	18.7
PAT (Rs. m)	5,985	6,780	7,887	8,959
EPS (Rs.)	133.3	151.0	175.7	199.5
Gr. (%)	(2.9)	13.3	16.3	13.6
DPS (Rs.)	35.0	100.0	50.0	60.0
Yield (%)	0.8	2.2	1.1	1.3
RoE (%)	23.6	25.7	26.3	25.3
RoCE (%)	29.4	33.4	33.2	32.0
EV/Sales (x)	4.1	3.6	3.1	2.8
EV/EBITDA (x)	23.9	19.9	17.4	14.9
PE (x)	33.7	29.8	25.6	22.5
P/BV (x)	8.0	7.4	6.2	5.3

Key Data

BAYE.BO | BYRCS IN

52-W High / Low	Rs.5,668 / Rs.4,101
Sensex / Nifty	60,286 / 17,722
Market Cap	Rs.202bn / \$ 2,442m
Shares Outstanding	45m
3M Avg. Daily Value	Rs.92.53m

Shareholding Pattern (%)

Promoter's	71.44
Foreign	3.19
Domestic Institution	12.78
Public & Others	12.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.1)	(18.0)	(4.1)
Relative	(5.7)	(20.6)	(8.3)

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Bayer Cropscience (BYRCS IN)

Rating: ACCUMULATE | CMP: Rs4,493 | TP: Rs5,630

Decent performance in challenging scenario

Quick Pointers:

- Corn seed business witnessed better liquidation during the quarter.
- Gross margins remained flat (down 20bps YoY) at 42.7%, led by better product mix coupled with higher realizations.

We broadly keep our estimates unchanged for FY23/24/25E. Bayer Crop Science (BYRCS) reported decent set of numbers in 3QFY23, with revenue up 5% YoY equally split between crop protection (CP) and seeds segment. Growth was largely driven by better performance from Maize hybrid seeds and herbicides (Glyphosate) supported by double digit liquidation growth in CP portfolio. We believe strong growth in Maize hybrid seeds was primarily on the back of better crop acreages in rabi season (up 16% YoY as on 3rd February'23) supported by remunerative maize prices (up 19% YoY to Rs2,240/quintal as on January'23). Better product mix has in-turn resulted into 330bps sequential improvement in gross margins, despite an inflationary RM cost scenario (EBITDA margins up 150bps YoY to 8.2%). In 3QFY22 BYRCS reported exceptional gains of Rs1bn towards sale of environmental science business as against gains of Rs585mn (towards sale of part of Company's seeds distribution business to Crystal crop protection). Adjusting to that, revenue growth would have been 6.7% in 3QFY23 and 11.8% for 9MFY23. Maintain 'Accumulate' rating on the stock with unchanged TP of Rs5,630 based on 30xSeptember24 EPS.

- **Good show, despite adverse climatic conditions:** Bayer reported revenue growth of 5% YoY (equally split between CP and Seeds segment) at Rs10.3bn (PLe Rs11.0bn), led by healthy performance from Maize hybrid seeds and herbicides (Glyphosate) supported by double digit liquidation growth in Crop Protection (CP) portfolio. Decent revenue growth coupled with price hikes taken in the recent past helped to partially mitigate cost inflation and aided margins. Maize acreages during Rabi'23 remained up by 16% YoY till 03rd February'23, primarily led by remunerative corn prices in domestic markets (up 19% YoY as on January'23) that augur well for the company (largest product portfolio).
- **EBITDA margins up 150bps YoY despite volatile RM cost scenario:** Gross margin remained flat (down 20bps YoY) to 42.7%, however is up 330bps on a QoQ basis, largely driven by better product mix- higher contribution of seeds portfolio. Additionally, higher liquidation of maize hybrids during ongoing rabi season aided margin expansion during the quarter. Decent gross margins coupled with lower other expenses down 180bps YoY has in-turn resulted to EBITDA margin expansion of 150bps YoY to 8.2%. Absolute EBITDA was up 29% YoY to Rs854mn (PLe Rs1.1bn). In 3QFY22 BYRCS reported exceptional gains of Rs1bn towards sales of environmental science business as against Rs585mn of exceptional gain (towards sale of part of Company's seeds distribution business to Crystal crop protection). Adjusted PAT came at Rs539mn up 42% YoY (PLe Rs771mn).

Exhibit 1: Q3FY23 Result Overview (Rs mn)

Y/e March	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Revenues	10,379	9,901	4.8	14,519	(28.5)	41,572	37,711	10.2
Raw material	5,950	5,649	5.3	8,803	(32.4)	23,347	21,870	6.8
Staff costs	1,475	1,407	4.8	1,287	14.6	4,023	3,478	15.7
Others	2,100	2,182	(3.8)	2,050	2.4	7,018	6,259	12.1
Total expenditure	9,525	9,238	3.1	12,140	(21.5)	34,388	31,607	8.8
EBITDA	854	663	28.8	2,379	(64.1)	7,184	6,104	17.7
Depreciation	143	142	0.7	152	(5.9)	524	431	21.6
EBIT	711	521	36.5	2,227	(68.1)	6,660	5,673	17.4
Less: Interest Expense	34	26	30.8	75	(54.7)	150	74	102.7
Add: Other income	152	98	55.1	138	10.1	432	389	11.1
Profit Before Tax	829	593	39.8	2,290	(63.8)	6,942	5,988	15.9
Less: Provision for Tax	290	213	36.0	664	(56.4)	1,751	1,530	14.4
Adjusted net profit	539	380	41.9	1,626	(66.8)	5,191	4,458	16.5
Exceptional items	806	468	NA	0	NA	806	468	NA
Reported Profit	1,345	848	58.6	1,626	(17.3)	5,997	4,926	21.7
No. of Diluted shares outstanding (mn)	45	45		45		45	45	
Adjusted Diluted EPS	12.0	8.5	41.9	36.2	(66.8)	115.6	99.3	16.5
As % of net revenues								
Raw material	57.3	57.1		60.6		56.2	58.0	
Staff expenses	14.2	14.2		8.9		9.7	9.2	
Other expenses	20.2	22.0		14.1		16.9	16.6	
EBITDA	8.2	6.7		16.4		17.3	16.2	
Net profit	5.2	3.8		11.2		12.5	11.8	

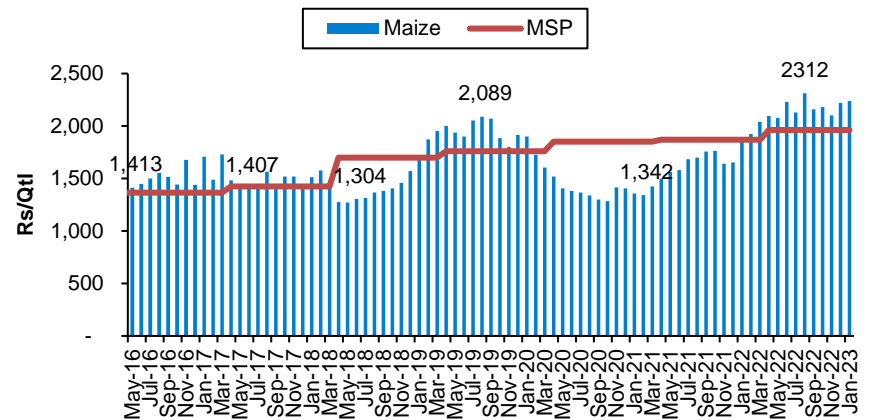
Source: Company, PL

Exhibit 2: Rabi Maize acreages up 16% YoY as on 3rd February'23

Maize Acreages (in lakh/hect)	Rabi 2022-23	Rabi 2021-22	YoY gr.
Bihar	6.5	6.0	9.6%
Maharashtra	3.9	3.2	20.4%
Telangana	2.3	1.2	89.2%
Tamil Nadu	2.0	1.9	3.3%
Andhra Pradesh	1.8	1.8	3.4%
West Bengal	1.7	1.6	6.6%
Karnataka	1.1	0.8	37.3%
Gujarat	1.1	0.9	18.5%
Chattisgarh	1.0	1.2	-19.8%
Uttar Pradesh	0.5	0.1	251.0%
Others	0.9	0.8	8.6%
Total	22.7	19.5	16.3%

Source: PL, Industry

Exhibit 3: Maize prices up 19% YoY to Rs2,240/quintal as on January'23



Source: PL, Industry

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	47,344	53,025	59,388	65,327
YoY gr. (%)	11.1	12.0	12.0	10.0
Cost of Goods Sold	26,642	29,005	32,782	35,995
Gross Profit	20,702	24,020	26,606	29,332
Margin (%)	43.7	45.3	44.8	44.9
Employee Cost	4,631	5,409	6,058	6,663
Other Expenses	7,960	9,067	9,799	10,485
EBITDA	8,111	9,545	10,749	12,184
YoY gr. (%)	(0.1)	17.7	12.6	13.3
Margin (%)	17.1	18.0	18.1	18.7
Depreciation and Amortization	645	755	798	841
EBIT	7,466	8,790	9,951	11,342
Margin (%)	15.8	16.6	16.8	17.4
Net Interest	129	181	172	163
Other Income	546	578	598	610
Profit Before Tax	8,351	9,992	10,378	11,789
Margin (%)	17.6	18.8	17.5	18.0
Total Tax	1,898	2,406	2,491	2,829
Effective tax rate (%)	22.7	24.1	24.0	24.0
Profit after tax	6,453	7,586	7,887	8,959
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,985	6,780	7,887	8,959
YoY gr. (%)	(2.9)	13.3	16.3	13.6
Margin (%)	12.6	12.8	13.3	13.7
Extra Ord. Income / (Exp)	468	806	-	-
Reported PAT	6,453	7,586	7,887	8,959
YoY gr. (%)	30.9	17.6	4.0	13.6
Margin (%)	13.6	14.3	13.3	13.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,453	7,586	7,887	8,959
Equity Shares O/s (m)	45	45	45	45
EPS (Rs)	133.3	151.0	175.7	199.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	8,481	9,281	10,281	11,281
Tangibles	7,588	8,388	9,388	10,388
Intangibles	893	893	893	893
Acc: Dep / Amortization	3,217	3,972	4,770	5,611
Tangibles	3,217	3,972	4,770	5,611
Intangibles	-	-	-	-
Net fixed assets	5,264	5,309	5,511	5,670
Tangibles	4,371	4,416	4,618	4,777
Intangibles	893	893	893	893
Capital Work In Progress	133	133	133	133
Goodwill	-	-	-	-
Non-Current Investments	261	261	261	261
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	385	385	385	385
Inventories	15,120	16,461	18,605	20,428
Trade receivables	10,047	11,253	12,603	13,863
Cash & Bank Balance	7,874	11,056	14,667	19,200
Other Current Assets	2,588	2,588	2,588	2,588
Total Assets	43,456	49,229	56,537	64,312
Equity				
Equity Share Capital	449	449	449	449
Other Equity	24,794	26,974	32,158	37,874
Total Network	25,243	27,423	32,607	38,323
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	1,693	1,693	1,693	1,693
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,198	8,925	10,087	11,076
Other current liabilities	8,322	11,188	12,149	13,220
Total Equity & Liabilities	43,456	49,229	56,537	64,312

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	8,468	9,187	10,378	11,789
Add. Depreciation	645	755	798	841
Add. Interest	-	-	-	-
Less Financial Other Income	546	578	598	610
Add. Other	(254)	228	(598)	(610)
Op. profit before WC changes	8,859	10,170	10,578	12,021
Net Changes-WC	(4,062)	1,047	(1,371)	(1,025)
Direct tax	(2,642)	(2,406)	(2,491)	(2,829)
Net cash from Op. activities	2,155	8,810	6,716	8,167
Capital expenditures	(473)	(800)	(1,000)	(1,000)
Interest / Dividend Income	-	-	-	-
Others	1,115	578	598	610
Net Cash from Invst. activities	642	(223)	(402)	(391)
Issue of share cap. / premium	-	-	-	-
Debt changes	(263)	-	-	-
Dividend paid	(6,728)	(5,406)	(2,703)	(3,244)
Interest paid	(42)	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(7,033)	(5,406)	(2,703)	(3,244)
Net change in cash	(4,236)	3,182	3,611	4,532
Free Cash Flow	1,682	8,010	5,716	7,167

Source: Company Data, PL Research

Key Financial Metrics

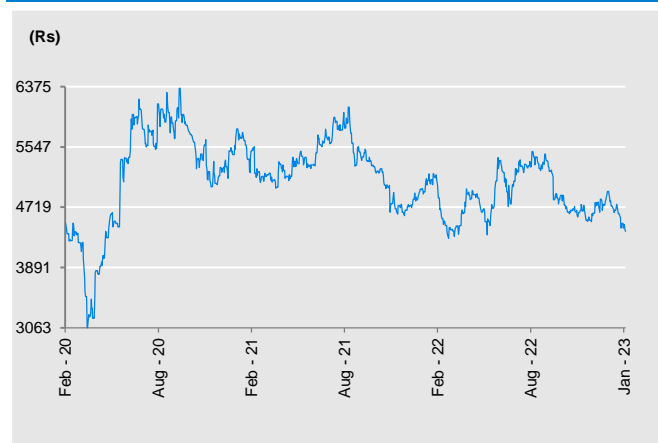
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	133.3	151.0	175.7	199.5
CEPS	147.7	167.8	193.4	218.3
BVPS	562.2	610.8	726.2	853.5
FCF	37.5	178.4	127.3	159.6
DPS	35.0	100.0	50.0	60.0
Return Ratio(%)				
RoCE	29.4	33.4	33.2	32.0
ROIC	33.7	44.8	50.5	54.3
RoE	23.6	25.7	26.3	25.3
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.5)	(0.5)
Net Working Capital (Days)	131	129	130	130
Valuation(x)				
PER	33.7	29.8	25.6	22.5
P/B	8.0	7.4	6.2	5.3
P/CEPS	30.4	26.8	23.2	20.6
EV/EBITDA	23.9	19.9	17.4	14.9
EV/Sales	4.1	3.6	3.1	2.8
Dividend Yield (%)	0.8	2.2	1.1	1.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	9,633	16,674	14,519	10,379
YoY gr. (%)	31.3	17.8	6.4	4.8
Raw Material Expenses	4,772	8,594	8,803	5,950
Gross Profit	4,861	8,080	5,716	4,429
Margin (%)	50.5	48.5	39.4	42.7
EBITDA	2,007	3,951	2,379	854
YoY gr. (%)	142.7	22.6	7.3	28.8
Margin (%)	20.8	23.7	16.4	8.2
Depreciation / Depletion	214	229	152	143
EBIT	1,793	3,722	2,227	711
Margin (%)	18.6	22.3	15.3	6.9
Net Interest	55	41	75	34
Other Income	157	142	138	152
Profit before Tax	1,895	3,823	2,290	1,635
Margin (%)	19.7	22.9	15.8	15.7
Total Tax	368	797	664	290
Effective tax rate (%)	19.4	20.8	29.0	17.7
Profit after Tax	1,527	3,026	1,626	1,345
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,527	3,026	1,626	539
YoY gr. (%)	168.6	19.3	5.5	41.9
Margin (%)	15.9	18.1	11.2	5.2
Extra Ord. Income / (Exp)	-	-	-	806
Reported PAT	1,527	3,026	1,626	1,345
YoY gr. (%)	146.7	19.3	5.5	58.6
Margin (%)	15.9	18.1	11.2	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,527	3,026	1,626	1,345
Avg. Shares O/s (m)	45	45	45	45
EPS (Rs)	34.0	67.4	36.2	12.0

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-23	Accumulate	5,630	4,800
2	10-Nov-22	Accumulate	5,630	4,755
3	04-Oct-22	Accumulate	5,650	4,803
4	05-Aug-22	Accumulate	5,650	5,275
5	04-Jul-22	Accumulate	5,640	5,076
6	03-Jun-22	Accumulate	5,640	5,360
7	08-Apr-22	BUY	5,350	4,823

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,630	4,800
2	Chambal Fertilizers & Chemicals	BUY	410	317
3	Coromandel International	BUY	1,350	905
4	Dhanuka Agritech	BUY	940	700
5	Godrej Agrovet	Accumulate	570	472
6	Insecticides India	Hold	700	715
7	P.I. Industries	BUY	4,350	3,328
8	Rallis India	Hold	240	224
9	Sharda Cropchem	BUY	660	507
10	Sumitomo Chemical India	BUY	590	434
11	UPL	BUY	1,070	757

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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