

February 7, 2022

## Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>5,350</b>		<b>5,700</b>	
Sales (Rs. m)	50,202	55,223	50,624	55,687
% Chng.	(0.8)	(0.8)		
EBITDA (Rs. m)	8,735	10,216	8,910	10,469
% Chng.	(2.0)	(2.4)		
EPS (Rs.)	149.7	178.3	158.4	189.9
% Chng.	(5.5)	(6.1)		

### Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	42,613	45,639	50,202	55,223
EBITDA (Rs. m)	8,117	7,028	8,735	10,216
Margin (%)	19.0	15.4	17.4	18.5
PAT (Rs. m)	6,162	5,129	6,723	8,007
EPS (Rs.)	137.2	114.2	149.7	178.3
Gr. (%)	6.5	(16.8)	31.1	19.1
DPS (Rs.)	115.0	35.0	40.0	45.0
Yield (%)	2.5	0.7	0.9	1.0
RoE (%)	24.1	18.8	21.4	21.9
RoCE (%)	28.8	23.3	25.5	25.9
EV/Sales (x)	4.6	4.2	3.8	3.3
EV/EBITDA (x)	24.4	27.4	21.6	18.0
PE (x)	34.1	41.0	31.3	26.3
P/BV (x)	8.2	7.2	6.2	5.3

### Key Data

### BAYEBO | BYRCS IN

52-W High / Low	Rs.5,973 / Rs.4,507
Sensex / Nifty	57,621 / 17,214
Market Cap	Rs.210bn/ \$ 2,818m
Shares Outstanding	45m
3M Avg. Daily Value	Rs.111.91m

### Shareholding Pattern (%)

Promoter's	71.43
Foreign	2.99
Domestic Institution	12.53
Public & Others	13.05
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(5.1)	(17.2)	(12.5)
Relative	(1.6)	(22.0)	(22.9)

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## Bayer Cropscience (BYRCS IN)

Rating: BUY | CMP: Rs4,684 | TP: Rs5,350

### Yet again a disappointing quarter

#### Quick Pointers:

- Double digit revenue growth in crop protection business.
- Corn seed continues to disappoint; resulting into an overall drag.

**Bayer Crop Science (BYRCS) reported lower than expected results during 3QFY22. Though revenue growth of 8% YoY (9MFY22, +7% YoY) was in-line with our estimate, EBITDA declined 38% YoY to Rs663mn and was lower than ours as well as consensus estimate. Exceptional gain of Rs585mn arising out from sale of company's seed distribution business (Cotton, millet, mustard and sorghum) along with investment property to Crystal crop protection resulted in PAT of Rs848mn (as against loss at PAT in the base quarter). Key highlights are: (a) clocked double digit revenue growth in crop protection business driven by better growth in herbicide category coupled with prudent channel management and demand generation; (b) corn hybrid seeds impacted led by subdued demand in domestic market; (c) gross margins up 230bps YoY to 42.9% which we believe was primarily led by higher price realizations in CP segment partially offset by lower contribution of corn hybrid seeds (higher margin business); (d) EBITDA margin contracted 480bps YoY, impacted by inflated input cost coupled with higher sales return in corn seed business and higher opex in terms of marketing and distribution spends.**

**We trim our FY22/FY23/FY24 EPS by 11%/6%/6% to factor in lower operating performance of 9MFY22. We remain positive on BYRCS business model, riding comprehensive distribution network, innovative products pipeline and healthy balance sheet. Maintain "BUY" with a revised target price of Rs5,350 (earlier Rs5,700), based on 30x FY24E EPS.**

**3QFY22 – Inline revenue, crop protection business shines, corn seeds dragged performance:** Bayer reported revenue growth of 7.8% YoY at Rs9.9bn (PLe- Rs9.9bn). Crop protection business reported healthy double digit revenue growth especially driven by herbicide coupled with prudent channel management and demand generation. However, we believe that underperformance in insecticides category continues due to adverse weather conditions resulting in lower pest infestations and miss of sprays. Corn seed business impacted during 3Q on account of subdued demand in domestic market (lower crop prices and acreages).

**Inferior product mix coupled with higher opex resulted in overall drag of performance:** Gross margin increased by 230bps YoY to 42.9%. We believe improvement in gross margins was primarily led by higher realizations in glyphosate (contributes to ~10% of FY21 consolidated revenues) where there has been a multi-fold jump in realizations as compared to last year. We also anticipate market share gains in Glyphosate for Bayer crop science (one of the major player in domestic market), as higher RM prices have in turn made it unviable for smaller players to pass on this sort of inflated cost.

Absolute EBITDA declined 38% YoY (9MFY22, down 16% YoY) to Rs663mn (PLe Rs1.1bn). Lower than expected EBITDA was primarily on account of higher other expenses (up 330bps YoY) and employee cost (up 390bps YoY). Employee cost inched up led by one-off item i.e non cash actuarial effect towards employee benefits. Further, other expenses surged led by increased marketing expenses to widen market reach. It resulted to EBITDA margin contraction of 480bps YoY to 6.7% (PLe- 11.2%). PBT came in at Rs593mn down 44%YoY. Adjusted PAT came at Rs380mn as against profit of Rs821mn in the corresponding period last year (PLe Rs874mn). For 9MFY22 Revenue/EBITDA/Adjusted PAT stood at +7%/-16%/-20% YoY respectively.

### Exhibit 1 : Q3FY22 Result Overview (Rs mn)

Y/e March (Rs mn)	3QFY22	3QFY21	YoY gr. (%)	2QFY22	QoQ gr. (%)	9MFY22	9MFY21	YoY gr. (%)	FY22E	FY21	YoY gr. (%)
<b>Revenues</b>	<b>9,901</b>	<b>9,182</b>	<b>7.8</b>	<b>13,651</b>	<b>(27.5)</b>	<b>37,711</b>	<b>35,276</b>	<b>6.9</b>	<b>45,639</b>	<b>42,613</b>	<b>7.1</b>
Raw material	5,649	5,453	3.6	8,359	(32.4)	21,870	20,393	7.2	26,699	24,459	9.2
Staff costs	1,407	948	48.4	1,001	40.6	3,478	2,655	31.0	4,244	3,622	17.2
Others	2,182	1,721	26.8	2,073	5.3	6,259	4,938	26.8	7,667	6,415	19.5
Total expenditure	9,238	8,122	13.7	11,433	(19.2)	31,607	27,986	12.9	38,610	34,496	11.9
<b>EBITDA</b>	<b>663</b>	<b>1,060</b>	<b>(37.5)</b>	<b>2,218</b>	<b>(70.1)</b>	<b>6,104</b>	<b>7,290</b>	<b>(16.3)</b>	<b>7,028</b>	<b>8,117</b>	<b>(13.4)</b>
Depreciation	142	143	(0.7)	143	(0.7)	431	519	(17.0)	651	735	(11.4)
<b>EBIT</b>	<b>521</b>	<b>917</b>	<b>(43.2)</b>	<b>2,075</b>	<b>(74.9)</b>	<b>5,673</b>	<b>6,771</b>	<b>(16.2)</b>	<b>6,377</b>	<b>7,382</b>	<b>(13.6)</b>
Less: Interest Expense	26	39	(33.3)	23	13.0	74	91	(18.7)	110	126	(12.7)
Add: Other income	98	183	(46.4)	143	(31.5)	389	479	(18.8)	546	638	(14.4)
<b>Profit Before Tax</b>	<b>593</b>	<b>1,061</b>	<b>(44.1)</b>	<b>2,195</b>	<b>(73.0)</b>	<b>5,988</b>	<b>7,159</b>	<b>(16.4)</b>	<b>6,813</b>	<b>7,894</b>	<b>(13.7)</b>
Less: Provision for Tax	213	240	(11.3)	654	(67.4)	1,530	1,565	(2.3)	1,684	1,732	(2.8)
<b>Adjusted net profit</b>	<b>380</b>	<b>821</b>	<b>(53.7)</b>	<b>1,541</b>	<b>(75.3)</b>	<b>4,458</b>	<b>5,594</b>	<b>(20.3)</b>	<b>5,129</b>	<b>6,162</b>	<b>(16.8)</b>
Exceptional items	468	-1,272	NA	0	NA	468	(1,282)	N.A	468	-1,231	N.A
<b>Reported Profit</b>	<b>848</b>	<b>-451</b>	<b>NA</b>	<b>1,541</b>	<b>(45.0)</b>	<b>4,926</b>	<b>4,312</b>	<b>14.2</b>	<b>5,597</b>	<b>4,931</b>	<b>13.5</b>
No. of Diluted shares outstanding (mn)	45	45		45		45	45		45	45	
<b>Adjusted Diluted EPS</b>	<b>8.5</b>	<b>18.3</b>	<b>(53.7)</b>	<b>34.3</b>	<b>(75.3)</b>	<b>99.3</b>	<b>124.6</b>	<b>(20.3)</b>	<b>114.2</b>	<b>137.2</b>	<b>(16.8)</b>
<b>As % of net revenues</b>											
Raw material	57.1	59.4		61.2		58.0	57.8		58.5	57.4	
Staff expenses	14.2	10.3		7.3		9.2	7.5		9.3	8.5	
Other expenses	22.0	18.7		15.2		16.6	14.0		16.8	15.1	
EBITDA	6.7	11.5		16.2		16.2	20.7		15.4	19.0	
Net profit	3.8	8.9		11.3		11.8	15.9		11.2	14.5	

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>42,613</b>	<b>45,639</b>	<b>50,202</b>	<b>55,223</b>
YoY gr. (%)	18.1	7.1	10.0	10.0
Cost of Goods Sold	24,459	26,699	29,117	31,753
Gross Profit	18,154	18,940	21,085	23,470
Margin (%)	42.6	41.5	42.0	42.5
Employee Cost	3,622	4,244	4,418	4,749
Other Expenses	6,415	7,667	7,932	8,504
<b>EBITDA</b>	<b>8,117</b>	<b>7,028</b>	<b>8,735</b>	<b>10,216</b>
YoY gr. (%)	11.7	(13.4)	24.3	17.0
Margin (%)	19.0	15.4	17.4	18.5
Depreciation and Amortization	735	651	713	760
<b>EBIT</b>	<b>7,382</b>	<b>6,377</b>	<b>8,022</b>	<b>9,456</b>
Margin (%)	17.3	14.0	16.0	17.1
Net Interest	126	110	110	110
Other Income	638	546	819	1,053
<b>Profit Before Tax</b>	<b>6,663</b>	<b>7,281</b>	<b>8,731</b>	<b>10,399</b>
Margin (%)	15.6	16.0	17.4	18.6
Total Tax	1,732	1,684	2,008	2,392
Effective tax rate (%)	26.0	23.1	23.0	23.0
<b>Profit after tax</b>	<b>4,931</b>	<b>5,597</b>	<b>6,723</b>	<b>8,007</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>6,162</b>	<b>5,129</b>	<b>6,723</b>	<b>8,007</b>
YoY gr. (%)	6.5	(16.8)	31.1	19.1
Margin (%)	14.5	11.2	13.4	14.5
Extra Ord. Income / (Exp)	(1,231)	468	-	-
<b>Reported PAT</b>	<b>4,931</b>	<b>5,597</b>	<b>6,723</b>	<b>8,007</b>
YoY gr. (%)	3.9	13.5	20.1	19.1
Margin (%)	11.6	12.3	13.4	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,931	5,597	6,723	8,007
<b>Equity Shares O/s (m)</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>
<b>EPS (Rs)</b>	<b>137.2</b>	<b>114.2</b>	<b>149.7</b>	<b>178.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>7,206</b>	<b>7,706</b>	<b>8,206</b>	<b>8,706</b>
Tangibles	6,504	7,004	7,504	8,004
Intangibles	702	702	702	702
<b>Acc: Dep / Amortization</b>	<b>2,572</b>	<b>3,223</b>	<b>3,936</b>	<b>4,697</b>
Tangibles	2,572	3,223	3,936	4,697
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>4,634</b>	<b>4,483</b>	<b>4,270</b>	<b>4,009</b>
Tangibles	3,932	3,781	3,568	3,307
Intangibles	702	702	702	702
Capital Work In Progress	76	76	76	76
Goodwill	-	-	-	-
Non-Current Investments	300	300	300	300
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	522	522	522	522
Inventories	13,251	14,464	15,775	17,203
Trade receivables	7,549	8,753	9,628	10,591
Cash & Bank Balance	12,095	16,876	20,840	26,117
Other Current Assets	2,277	2,277	2,277	2,277
<b>Total Assets</b>	<b>42,214</b>	<b>49,260</b>	<b>55,198</b>	<b>62,604</b>
<b>Equity</b>				
Equity Share Capital	449	449	449	449
Other Equity	25,054	28,759	33,320	38,894
<b>Total Network</b>	<b>25,503</b>	<b>29,208</b>	<b>33,769</b>	<b>39,343</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	1,184	1,184	1,184	1,184
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,303	9,063	9,884	10,779
Other current liabilities	7,224	9,804	10,360	11,298
<b>Total Equity &amp; Liabilities</b>	<b>42,214</b>	<b>49,260</b>	<b>55,198</b>	<b>62,604</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	7,945	6,813	8,731	10,399
Add. Depreciation	735	651	713	760
Add. Interest	-	-	-	-
Less Financial Other Income	638	546	819	1,053
Add. Other	(114)	(78)	(819)	(1,053)
Op. profit before WC changes	8,566	7,386	8,625	10,106
Net Changes-WC	(74)	924	(809)	(558)
Direct tax	(1,625)	(1,684)	(2,008)	(2,392)
<b>Net cash from Op. activities</b>	<b>6,867</b>	<b>6,627</b>	<b>5,808</b>	<b>7,156</b>
Capital expenditures	(312)	(500)	(500)	(500)
Interest / Dividend Income	-	-	-	-
Others	379	546	819	1,053
<b>Net Cash from Invt. activities</b>	<b>67</b>	<b>46</b>	<b>319</b>	<b>553</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(370)	-	-	-
Dividend paid	(5,160)	(1,892)	(2,162)	(2,433)
Interest paid	(28)	-	-	-
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(5,558)</b>	<b>(1,892)</b>	<b>(2,162)</b>	<b>(2,433)</b>
<b>Net change in cash</b>	<b>1,376</b>	<b>4,781</b>	<b>3,965</b>	<b>5,276</b>
Free Cash Flow	6,555	6,127	5,308	6,656

Source: Company Data, PL Research

## Key Financial Metrics

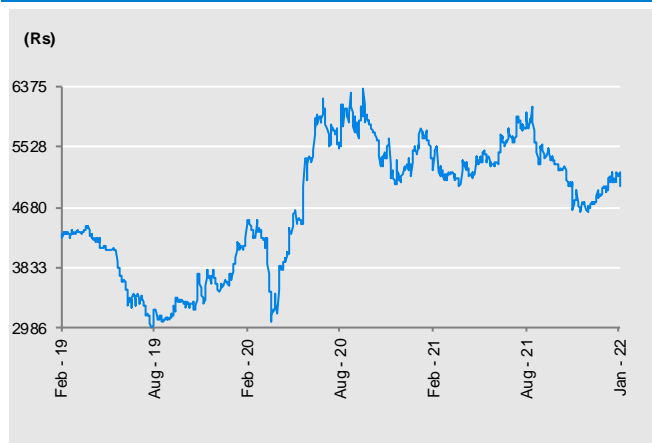
Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	137.2	114.2	149.7	178.3
CEPS	153.6	128.7	165.6	195.3
BVPS	568.0	650.5	752.1	876.2
FCF	146.0	136.4	118.2	148.2
DPS	115.0	35.0	40.0	45.0
<b>Return Ratio(%)</b>				
RoCE	28.8	23.3	25.5	25.9
ROIC	42.0	49.2	61.0	73.4
RoE	24.1	18.8	21.4	21.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.6)	(0.7)
Net Working Capital (Days)	107	113	113	112
<b>Valuation(x)</b>				
PER	34.1	41.0	31.3	26.3
P/B	8.2	7.2	6.2	5.3
P/CEPS	30.5	36.4	28.3	24.0
EV/EBITDA	24.4	27.4	21.6	18.0
EV/Sales	4.6	4.2	3.8	3.3
Dividend Yield (%)	2.5	0.7	0.9	1.0

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>7,337</b>	<b>14,159</b>	<b>13,651</b>	<b>9,901</b>
YoY gr. (%)	60.0	15.3	(1.2)	7.8
Raw Material Expenses	4,066	7,862	8,359	5,649
Gross Profit	3,271	6,297	5,292	4,252
Margin (%)	44.6	44.5	38.8	42.9
<b>EBITDA</b>	<b>827</b>	<b>3,223</b>	<b>2,218</b>	<b>663</b>
YoY gr. (%)	42.1	(0.9)	(25.5)	(37.5)
Margin (%)	11.3	22.8	16.2	6.7
Depreciation / Depletion	216	146	143	142
<b>EBIT</b>	<b>611</b>	<b>3,077</b>	<b>2,075</b>	<b>521</b>
Margin (%)	8.3	21.7	15.2	5.3
Net Interest	35	25	23	26
Other Income	159	148	143	98
<b>Profit before Tax</b>	<b>785</b>	<b>3,200</b>	<b>2,195</b>	<b>1,061</b>
Margin (%)	10.7	22.6	16.1	10.7
Total Tax	166	663	654	213
Effective tax rate (%)	21.2	20.7	29.8	20.1
<b>Profit after Tax</b>	<b>619</b>	<b>2,537</b>	<b>1,541</b>	<b>848</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>569</b>	<b>2,537</b>	<b>1,541</b>	<b>380</b>
YoY gr. (%)	4.6	0.4	(31.4)	(53.7)
Margin (%)	7.7	17.9	11.3	3.8
Extra Ord. Income / (Exp)	50	-	-	468
<b>Reported PAT</b>	<b>619</b>	<b>2,537</b>	<b>1,541</b>	<b>848</b>
YoY gr. (%)	96.5	0.8	(31.4)	(288.0)
Margin (%)	8.4	17.9	11.3	8.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>619</b>	<b>2,537</b>	<b>1,541</b>	<b>848</b>
Av g. Shares O/s (m)	45	45	45	45
<b>EPS (Rs)</b>	<b>12.7</b>	<b>56.5</b>	<b>34.3</b>	<b>8.5</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Jan-22	BUY	5,700	5,035
2	27-Dec-21	BUY	5,700	4,823
3	14-Aug-21	Accumulate	6,506	6,092
4	6-Jul-21	Accumulate	6,506	5,650
5	8-Apr-21	BUY	6,022	5,197
6	12-Feb-21	Accumulate	6,022	5,550

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	5,700	5,035
2	Coromandel International	BUY	960	745
3	Dhanuka Agritech	BUY	870	777
4	Godrej Agrovet	Accumulate	615	528
5	Insecticides India	Hold	680	717
6	P.I. Industries	BUY	3,470	2,887
7	Rallis India	Hold	280	277
8	Sharda Cropchem	BUY	570	438
9	Sumitomo Chemical India	BUY	440	394
10	UPL	BUY	980	777

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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