

August 7, 2023

Q1FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|-------------------|--------|-------------------|--------|
| | FY24E | FY25E | FY24E | FY25E |
| Rating | ACCUMULATE | | ACCUMULATE | |
| Target Price | 4,720 | | 4,720 | |
| Sales (Rs. m) | 56,023 | 61,625 | 56,023 | 61,625 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 10,252 | 11,586 | 10,252 | 11,586 |
| % Chng. | - | - | - | - |
| EPS (Rs.) | 167.0 | 188.7 | 167.0 | 188.7 |
| % Chng. | - | - | - | - |

Key Financials - Standalone

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 47,344 | 51,397 | 56,023 | 61,625 |
| EBITDA (Rs. m) | 8,111 | 9,242 | 10,252 | 11,586 |
| Margin (%) | 17.1 | 18.0 | 18.3 | 18.8 |
| PAT (Rs. m) | 5,985 | 6,752 | 7,498 | 8,471 |
| EPS (Rs.) | 133.3 | 150.4 | 167.0 | 188.7 |
| Gr. (%) | (2.9) | 12.8 | 11.1 | 13.0 |
| DPS (Rs.) | 35.0 | 30.0 | 50.0 | 60.0 |
| Yield (%) | 0.8 | 0.7 | 1.1 | 1.3 |
| RoE (%) | 23.6 | 25.8 | 25.4 | 24.5 |
| RoCE (%) | 29.4 | 32.3 | 31.9 | 30.9 |
| EV/Sales (x) | 4.2 | 3.8 | 3.4 | 3.0 |
| EV/EBITDA (x) | 24.4 | 21.3 | 18.7 | 16.2 |
| PE (x) | 34.5 | 30.5 | 27.5 | 24.3 |
| P/BV (x) | 8.2 | 7.6 | 6.5 | 5.6 |

Key Data

BAYEBO | BYRCS IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.5,533 / Rs.3,920 |
| Sensex / Nifty | 65,953 / 19,597 |
| Market Cap | Rs.206bn/ \$ 2,494m |
| Shares Outstanding | 45m |
| 3M Avg. Daily Value | Rs.95.94m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 71.44 |
| Foreign | 3.18 |
| Domestic Institution | 13.06 |
| Public & Others | 12.32 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|-------|--------|
| Absolute | (1.0) | 2.2 | (16.2) |
| Relative | (2.1) | (6.6) | (25.8) |

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Bayer Cropscience (BYRCS IN)

Rating: ACCUMULATE | CMP: Rs4,593 | TP: Rs4,720

Cost saving initiatives drives performance

Quick Pointers:

- Better liquidation in corn seeds business.
- Pricing pressure in Round-up (Glyphosate) coupled with high cost inventory provisions have resulted into gross margin contraction of 580bps YoY to 42.7%

We broadly keep our FY24/25E estimates unchanged. BYRCS reported decent set of numbers with revenue growth of 4% YoY (adjusted for effect of customer incentive programs growth was 9% YoY), mainly driven by strong sales in Crop Protection (CP) (despite expected moderation in Round-up (Glyphosate) sales due to lower realizations) and strong volume growth in corn hybrid seeds. We believe strong growth witnessed in corn hybrid seeds was largely led by better corn acreages in the ongoing kharif season (up 1% YoY as on 4th August'23) supported by remunerative corn prices (up 8% YoY to Rs2,295/quintal as on July'23). Pricing pressure in Round-up (Glyphosate) coupled with high cost inventory provisions in CP segment likely to have dent gross margins (down 580bps YoY) to 42.7%. However, lower employee cost coupled with lower opex down 220bps and 430bps YoY has resulted into an EBITDA margin expansion of 70bps YoY to 24.4% (PLe 22.8%).

We believe, worst in terms of falling RM cost is largely behind as prices of few RM's have started to witness uptick. However, near term weather challenges coupled with higher channel inventory in domestic market and pricing pressure in Glyphosate is likely weigh on the stock performance. That said, we maintain 'Accumulate' rating on the stock with unchanged TP of Rs4,720 based on 25x FY25 EPS.

- **Decent show, despite adverse climatic conditions:** BYRCS reported revenue growth of 4% YoY led by healthy performance from corn hybrid seeds and strong growth in Crop Protection (CP) portfolio (despite price normalization in Round-up (Glyphosate)). Maize acreages during kharif'23 remained up by 1% YoY till 04th August'23, primarily led by remunerative corn prices in domestic markets (up 8% YoY as on July'23) that augur well for the company (largest product portfolio). While, the company commented that they have proactively managed cost and invest in targeted growth opportunities which in turn had resulted into increased profits during 1QFY24.
- **Gross margins contracted 580bps YoY to 42.7% in 1Q'24:** Gross margin contracted by 580bps YoY to 42.7%, which we believe was largely on account of pricing pressure in Round-up (Glyphosate) coupled with provisions of high cost inventory despite higher liquidation of corn hybrids seeds (higher margin business). Lower gross margins coupled with lower employee cost and other expenses down 220bps and 430bps YoY has in-turn resulted into an EBITDA margins expansion of 70bps YoY to 24.4% (PLe 22.8%). Absolute EBITDA was up 8% YoY to Rs4.2bn (PLe Rs4.0bn). Adjusted PAT came at Rs3.3bn up 9% YoY (PLe Rs3.0bn).

Exhibit 1: 1QFY24 Result Overview (Rs mn)

| Y/e March | 1QFY24 | 1QFY23 | YoY gr. (%) | 4QFY23 | QoQ gr. (%) | FY24E | FY23 | YoY gr. (%) |
|----------------------------------------|---------------|---------------|----------------|--------------|----------------|---------------|---------------|----------------|
| Revenues | 17,396 | 16,674 | 4.3 | 9,825 | 77.1 | 56,023 | 51,397 | 9.0 |
| Raw material | 9,973 | 8,594 | 16.0 | 4,813 | 107.2 | 30,588 | 28,160 | 8.6 |
| Staff costs | 933 | 1,261 | (26.0) | 1,320 | (29.3) | 5,938 | 5,343 | 11.1 |
| Others | 2,244 | 2,868 | (21.8) | 1,634 | 37.3 | 9,244 | 8,652 | 6.8 |
| Total expenditure | 13,150 | 12,723 | 3.4 | 7,767 | 69.3 | 45,771 | 42,155 | 8.6 |
| EBITDA | 4,246 | 3,951 | 7.5 | 2,058 | 106.3 | 10,252 | 9,242 | 10.9 |
| Depreciation | 313 | 229 | 36.7 | 271 | 15.5 | 837 | 795 | 5.2 |
| EBIT | 3,933 | 3,722 | 5.7 | 1,787 | 120.1 | 9,416 | 8,447 | 11.5 |
| Less: Interest Expense | 79 | 41 | 92.7 | 73 | 8.2 | 212 | 223 | (5.0) |
| Add: Other income | 207 | 142 | 45.8 | 207 | 0.0 | 663 | 639 | 3.7 |
| Profit Before Tax | 4,061 | 3,823 | 6.2 | 1,921 | 111.4 | 9,866 | 8,863 | 11.3 |
| Less: Provision for Tax | 776 | 797 | (2.6) | 361 | 115.1 | 2,368 | 2,111 | 12.1 |
| Adjusted net profit | 3,285 | 3,026 | 8.6 | 1,560 | 110.5 | 7,498 | 6,752 | 11.1 |
| Exceptional items | 0 | 0 | NA | 25 | NA | 0 | 830 | NA |
| Reported Profit | 3,285 | 3,026 | 8.6 | 1,585 | 107.3 | 7,498 | 7,582 | (1.1) |
| No. of Diluted shares outstanding (mn) | 45 | 45 | | 45 | | 45 | 45 | |
| Adjusted Diluted EPS | 73.2 | 67.4 | 8.6 | 34.7 | 110.5 | 167.0 | 150.4 | 11.1 |
| As % of net revenues | | | | | | | | |
| Raw material | 57.3 | 51.5 | | 49.0 | | 54.6 | 54.8 | |
| Staff expenses | 5.4 | 7.6 | | 13.4 | | 10.6 | 10.4 | |
| Other expenses | 12.9 | 17.2 | | 16.6 | | 16.5 | 16.8 | |
| EBITDA | 24.4 | 23.7 | | 20.9 | | 18.3 | 18.0 | |
| Net profit | 18.9 | 18.1 | | 15.9 | | 13.4 | 13.1 | |

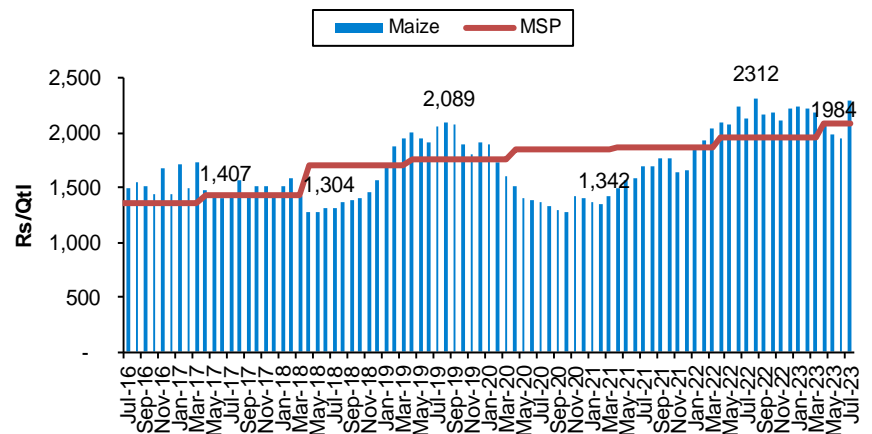
Source: Company, PL

Exhibit 2: Kharif Maize acreages up 1% YoY as on 4th August'23

| Maize Acreages (in lakh/hect) | Kharif FY24 | Kharif FY23 | YoY gr. |
|-------------------------------|-------------|-------------|-------------|
| Madhya Pradesh | 16.6 | 15.6 | 6.7% |
| Karnataka | 13.5 | 13.5 | 0.1% |
| Rajasthan | 9.4 | 9.4 | 0.2% |
| Maharashtra | 8.1 | 8.3 | -2.6% |
| Uttar Pradesh | 6.8 | 6.7 | 1.2% |
| Bihar | 2.9 | 3.1 | -7.4% |
| Gujarat | 2.8 | 2.8 | -0.9% |
| Himachal Pradesh | 2.4 | 2.3 | 3.5% |
| Odisha | 2.0 | 2.2 | -8.6% |
| Jammu Kashmir | 1.9 | 2.0 | -2.5% |
| Others | 9.7 | 9.6 | 1.7% |
| Total | 76.1 | 75.4 | 0.9% |

Source: PL, Industry

Exhibit 3 : Maize prices up 8% YoY to Rs2,295/quintal as on July'23



Source: PL, Industry

Financials

Income Statement (Rs m)

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 47,344 | 51,397 | 56,023 | 61,625 |
| YoY gr. (%) | 11.1 | 8.6 | 9.0 | 10.0 |
| Cost of Goods Sold | 26,642 | 28,160 | 30,588 | 33,586 |
| Gross Profit | 20,702 | 23,237 | 25,434 | 28,039 |
| Margin (%) | 43.7 | 45.2 | 45.4 | 45.5 |
| Employee Cost | 4,631 | 5,343 | 5,938 | 6,471 |
| Other Expenses | 7,960 | 8,652 | 9,244 | 9,983 |
| EBITDA | 8,111 | 9,242 | 10,252 | 11,586 |
| YoY gr. (%) | (0.1) | 13.9 | 10.9 | 13.0 |
| Margin (%) | 17.1 | 18.0 | 18.3 | 18.8 |
| Depreciation and Amortization | 645 | 795 | 837 | 927 |
| EBIT | 7,466 | 8,447 | 9,416 | 10,659 |
| Margin (%) | 15.8 | 16.4 | 16.8 | 17.3 |
| Net Interest | 129 | 223 | 212 | 201 |
| Other Income | 546 | 639 | 663 | 689 |
| Profit Before Tax | 8,351 | 9,693 | 9,866 | 11,147 |
| Margin (%) | 17.6 | 18.9 | 17.6 | 18.1 |
| Total Tax | 1,898 | 2,111 | 2,368 | 2,675 |
| Effective tax rate (%) | 22.7 | 21.8 | 24.0 | 24.0 |
| Profit after tax | 6,453 | 7,582 | 7,498 | 8,471 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 5,985 | 6,752 | 7,498 | 8,471 |
| YoY gr. (%) | (2.9) | 12.8 | 11.1 | 13.0 |
| Margin (%) | 12.6 | 13.1 | 13.4 | 13.7 |
| Extra Ord. Income / (Exp) | 468 | 830 | - | - |
| Reported PAT | 6,453 | 7,582 | 7,498 | 8,471 |
| YoY gr. (%) | 30.9 | 17.5 | (1.1) | 13.0 |
| Margin (%) | 13.6 | 14.8 | 13.4 | 13.7 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 6,453 | 7,582 | 7,498 | 8,471 |
| Equity Shares O/s (m) | 45 | 45 | 45 | 45 |
| EPS (Rs) | 133.3 | 150.4 | 167.0 | 188.7 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 8,481 | 9,443 | 10,443 | 11,443 |
| Tangibles | 7,588 | 8,296 | 9,296 | 10,296 |
| Intangibles | 893 | 1,147 | 1,147 | 1,147 |
| Acc: Dep / Amortization | 3,217 | 4,012 | 4,849 | 5,775 |
| Tangibles | 3,217 | 4,012 | 4,849 | 5,775 |
| Intangibles | - | - | - | - |
| Net fixed assets | 5,264 | 5,431 | 5,594 | 5,668 |
| Tangibles | 4,371 | 4,284 | 4,447 | 4,521 |
| Intangibles | 893 | 1,147 | 1,147 | 1,147 |
| Capital Work In Progress | 133 | 29 | 29 | 29 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 261 | 256 | 256 | 256 |
| Net Deferred tax assets | - | - | - | - |
| Other Non-Current Assets | - | - | - | - |
| Current Assets | | | | |
| Investments | 385 | 411 | 411 | 411 |
| Inventories | 15,120 | 18,072 | 19,630 | 21,554 |
| Trade receivables | 10,047 | 9,756 | 10,634 | 11,697 |
| Cash & Bank Balance | 7,874 | 8,680 | 13,883 | 17,977 |
| Other Current Assets | 2,588 | 2,329 | 2,329 | 2,329 |
| Total Assets | 43,456 | 46,786 | 54,589 | 61,743 |
| Equity | | | | |
| Equity Share Capital | 449 | 449 | 449 | 449 |
| Other Equity | 24,794 | 26,672 | 31,467 | 36,695 |
| Total Network | 25,243 | 27,121 | 31,916 | 37,144 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Other non current liabilities | 1,693 | 1,890 | 1,890 | 1,890 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | 8,198 | 8,732 | 9,485 | 10,414 |
| Other current liabilities | 8,322 | 9,043 | 11,297 | 12,295 |
| Total Equity & Liabilities | 43,456 | 46,786 | 54,589 | 61,743 |

Source: Company Data, PL Research



Cash Flow (Rs m)

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|----------------------------------------|----------------|----------------|----------------|----------------|
| PBT | 8,468 | 9,901 | 9,866 | 11,147 |
| Add. Depreciation | 645 | 795 | 837 | 927 |
| Add. Interest | - | - | - | - |
| Less Financial Other Income | 546 | 639 | 663 | 689 |
| Add. Other | (254) | (799) | (663) | (689) |
| Op. profit before WC changes | 8,859 | 9,897 | 10,040 | 11,384 |
| Net Changes-WC | (4,062) | (1,409) | 571 | (1,060) |
| Direct tax | (2,642) | (2,395) | (2,368) | (2,675) |
| Net cash from Op. activities | 2,155 | 6,093 | 8,243 | 7,649 |
| Capital expenditures | (473) | (726) | (1,000) | (1,000) |
| Interest / Dividend Income | - | - | - | - |
| Others | 1,115 | 1,559 | 663 | 689 |
| Net Cash from Invst. activities | 642 | 833 | (338) | (311) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (263) | (409) | - | - |
| Dividend paid | (6,728) | (5,611) | (2,703) | (3,244) |
| Interest paid | (42) | (112) | - | - |
| Others | - | - | - | - |
| Net cash from Fin. activities | (7,033) | (6,132) | (2,703) | (3,244) |
| Net change in cash | (4,236) | 794 | 5,203 | 4,095 |
| Free Cash Flow | 1,682 | 5,367 | 7,243 | 6,649 |

Source: Company Data, PL Research

Key Financial Metrics

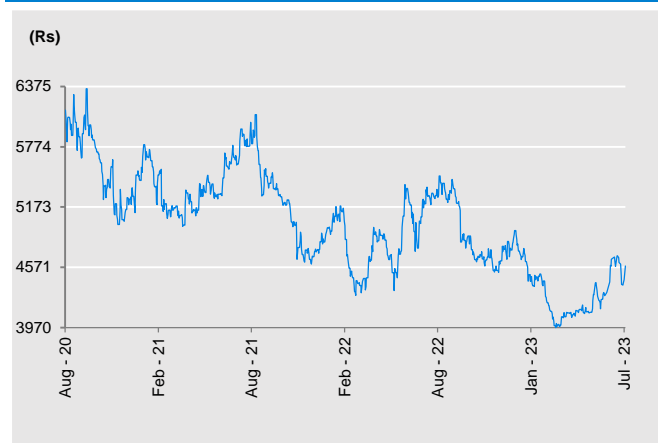
| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 133.3 | 150.4 | 167.0 | 188.7 |
| CEPS | 147.7 | 168.1 | 185.6 | 209.3 |
| BVPS | 562.2 | 604.0 | 710.8 | 827.3 |
| FCF | 37.5 | 119.5 | 161.3 | 148.1 |
| DPS | 35.0 | 30.0 | 50.0 | 60.0 |
| Return Ratio(%) | | | | |
| RoCE | 29.4 | 32.3 | 31.9 | 30.9 |
| ROIC | 33.7 | 38.7 | 47.0 | 50.2 |
| RoE | 23.6 | 25.8 | 25.4 | 24.5 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.3) | (0.3) | (0.4) | (0.5) |
| Net Working Capital (Days) | 131 | 136 | 135 | 135 |
| Valuation(x) | | | | |
| PER | 34.5 | 30.5 | 27.5 | 24.3 |
| P/B | 8.2 | 7.6 | 6.5 | 5.6 |
| P/CEPS | 31.1 | 27.3 | 24.7 | 21.9 |
| EV/EBITDA | 24.4 | 21.3 | 18.7 | 16.2 |
| EV/Sales | 4.2 | 3.8 | 3.4 | 3.0 |
| Dividend Yield (%) | 0.8 | 0.7 | 1.1 | 1.3 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 |
|-----------------------------------|---------------|---------------|--------------|---------------|
| Net Revenue | 14,519 | 10,379 | 9,825 | 17,396 |
| YoY gr. (%) | 6.4 | 4.8 | 2.0 | 4.3 |
| Raw Material Expenses | 8,803 | 5,950 | 4,813 | 9,973 |
| Gross Profit | 5,716 | 4,429 | 5,012 | 7,423 |
| Margin (%) | 39.4 | 42.7 | 51.0 | 42.7 |
| EBITDA | 2,379 | 854 | 2,058 | 4,246 |
| YoY gr. (%) | 7.3 | 28.8 | 2.5 | 7.5 |
| Margin (%) | 16.4 | 8.2 | 20.9 | 24.4 |
| Depreciation / Depletion | 152 | 143 | 271 | 313 |
| EBIT | 2,227 | 711 | 1,787 | 3,933 |
| Margin (%) | 15.3 | 6.9 | 18.2 | 22.6 |
| Net Interest | 75 | 34 | 73 | 79 |
| Other Income | 138 | 152 | 207 | 207 |
| Profit before Tax | 2,290 | 1,635 | 1,946 | 4,061 |
| Margin (%) | 15.8 | 15.7 | 19.8 | 23.3 |
| Total Tax | 664 | 290 | 361 | 776 |
| Effective tax rate (%) | 29.0 | 17.7 | 18.5 | 19.1 |
| Profit after Tax | 1,626 | 1,345 | 1,585 | 3,285 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 1,626 | 539 | 1,560 | 3,285 |
| YoY gr. (%) | 5.5 | 41.9 | 2.2 | 8.6 |
| Margin (%) | 11.2 | 5.2 | 15.9 | 18.9 |
| Extra Ord. Income / (Exp) | - | 806 | 25 | - |
| Reported PAT | 1,626 | 1,345 | 1,585 | 3,285 |
| YoY gr. (%) | 5.5 | 58.6 | 3.8 | 8.6 |
| Margin (%) | 11.2 | 13.0 | 16.1 | 18.9 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,626 | 1,345 | 1,585 | 3,285 |
| Av g. Shares O/s (m) | 45 | 45 | 45 | 45 |
| EPS (Rs) | 36.2 | 12.0 | 34.7 | 73.2 |

Source: Company Data, PL Research

Price Chart

Recommendation History

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 06-Jul-23 | Accumulate | 4,720 | 4,582 |
| 2 | 24-May-23 | Accumulate | 4,720 | 4,118 |
| 3 | 11-Apr-23 | Accumulate | 5,630 | 4,125 |
| 4 | 08-Feb-23 | Accumulate | 5,630 | 4,493 |
| 5 | 05-Jan-23 | Accumulate | 5,630 | 4,800 |
| 6 | 10-Nov-22 | Accumulate | 5,630 | 4,755 |
| 7 | 04-Oct-22 | Accumulate | 5,650 | 4,803 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------|------------|---------|------------------|
| 1 | Bayer Cropscience | Accumulate | 4,720 | 4,582 |
| 2 | Chambal Fertilizers & Chemicals | Hold | 300 | 273 |
| 3 | Coromandel International | BUY | 1,330 | 980 |
| 4 | Dhanuka Agritech | BUY | 950 | 746 |
| 5 | Godrej Agrovet | Hold | 420 | 464 |
| 6 | Insecticides India | Accumulate | 550 | 448 |
| 7 | P.I. Industries | BUY | 4,560 | 3,857 |
| 8 | Rallis India | Reduce | 180 | 221 |
| 9 | Sharda Cropchem | Accumulate | 540 | 481 |
| 10 | Sumitomo Chemical India | BUY | 500 | 413 |
| 11 | UPL | Hold | 650 | 625 |

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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