Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Bayer Cropscience (BYRCS IN)

Rating: ACCUMULATE | CMP: Rs4,755 | TP: Rs5,630

November 10, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	5,630		5,650	
Sales (Rs. m)	59,919	65,910	59,919	67,109
% Chng.	-	*(1.8)*		
EBITDA (Rs. m)	10,725	12,193	11,444	13,019
% Chng.	*(6.3)*	*(6.3)*		
EPS (Rs.)	175.4	199.8	188.5	213.6
% Chng.	*(7.0)*	*(6.5)*		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	47,344	53,499	59,919	65,910
EBITDA (Rs. m)	8,111	9,148	10,725	12,193
Margin (%)	*17.1*	*17.1*	*17.9*	*18.5*
PAT (Rs. m)	5,985	6,646	7,874	8,971
EPS (Rs.)	133.3	148.0	175.4	199.8
Gr. (%)	*(2.9)*	*11.0*	*18.5*	*13.9*
DPS (Rs.)	35.0	100.0	50.0	60.0
Yield (%)	*0.7*	*2.1*	*1.1*	*1.3*
RoE (%)	*23.6*	*25.7*	*27.1*	*26.0*
RoCE (%)	*29.4*	*32.5*	*34.2*	*32.9*
EV/Sales (x)	4.3	3.8	3.3	3.0
EV/EBITDA (x)	25.3	22.2	18.6	16.0
PE (x)	35.7	32.1	27.1	23.8
P/BV (x)	8.5	8.1	6.7	5.7

Key Data	BAYE.BO | BYRCS IN
52-W High / Low	Rs.5,668 / Rs.4,101
Sensex / Nifty	61,034 / 18,157
Market Cap	Rs.214bn/ $ 2,624m
Shares Outstanding	45m
3M Avg. Daily Value	Rs.95.05m

Shareholding Pattern (%)

Promoter's	71.44
Foreign	3.10
Domestic Institution	12.76
Public & Others	12.71
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.2	5.2	(0.8)
Relative	(4.5)	(5.5)	(1.6)

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Decent performance in challenging scenario

Quick Pointers:

- Corn seed business witnessed better liquidation during the quarter
- Gross margins expanded 60bps YoY to 39.4% led by better product mix coupled with higher realizations

Bayer Crop Science (BYRCS) reported better than expected results during 2QFY23 led by strong performance from Crop protection portfolio and product liquidation. While remunerative corn prices in the domestic market has resulted into strong sales of corn hybrids during the kharif season. It reported revenue growth of 6% YoY to Rs14.5bn (PLe Rs14.8bn). EBITDA grew by 7%YoY to Rs2.3bn and was higher than our as well as consensus estimate. We believe, better performance in the Crop protection (CP) business was aided by higher realizations in Glyphosate. While decent revenue growth coupled with price hikes taken in the recent past helped to partially mitigate the cost inflation. Corn seeds business witnessed better liquidation in kharif'22 led by remunerative crop prices. While rice hybrids were impacted due to delay in monsoons and unfavorable weather conditions. Other expenses during 1HFY23 were higher led by A&P spends coming back to pre-Covid levels coupled with continued investment into the strategic initiatives to expand distribution reach. Going forward, company expects challenges to persist in terms of global supply chain and rising cost in the near term. However, they tend to mitigate it with diversified portfolio and alternate business model. We remain positive on BYRCS business model, riding comprehensive distribution network, innovative products pipeline and healthy balance sheet. We trim our EPS estimates for FY23/24E by 4%/7% respectively citing pressure on margins. We introduce and roll forward our valuations to Sept'24 EPS. Maintain 'Accumulate' rating on the stock with revised target price of Rs5,630 (earlier Rs5,650) based on 30xSept24E EPS.

- **Good show despite adverse climatic conditions:** Bayer reported revenue growth of 6% YoY at Rs14.5bn (PLe Rs14.8bn) led by healthy performance from crop protection portfolio and better liquidation. Decent revenue growth coupled with price hikes taken in the recent past helped to partially mitigate cost inflation and aided margins. Although, corn acreages during kharif'22 remained up by 3% YoY till 30th September'22 led by erratic monsoons. However, remunerative corn prices in the domestic market (up 24% YoY as on October'22) augurs well for the company (largest product portfolio). Paddy seeds portfolio were impacted during the quarter due to erratic monsoons in the key growing states which in turn has resulted into lower acreages for paddy in the kharif season.

- **Maintained margins despite volatile RM cost scenario:** Gross margin increased by 60bps YoY to 39.4%. We believe improvement in gross margins was primarily led by higher realizations in glyphosate, where there has been a multi-fold jump in realizations as compared to last year. Additionally, higher liquidation of maize hybrids during the ongoing kharif season aided margin expansion during the quarter. While, decent improvement in gross margins were aided by lower other expenses down 110bps YoY however offset by higher employee cost up 160bps YoY resulting into EBITDA margin expansion of only 20bps YoY to 16.4%. Absolute EBITDA was up 7% YoY to Rs2.3bn (PLe Rs2.1bn). Adjusted PAT came at Rs1.6bn up 6% YoY (PLe Rs1.48bn).

Exhibit 1: Q2FY23 Result Overview (Rs mn)

Y/e March (Rs mn)	2QFY23	2QFY22	*YoY gr. (%)*	1QFY23	*QoQ gr. (%)*	1HFY23	1HFY22	*YoY gr. (%)*
Revenues	**14,519**	**13,651**	***6.4***	**16,674**	***(12.9)***	**31,193**	**27,810**	***12.2***
Raw material	8,803	8,359	*5.3*	8,594	*2.4*	17,397	16,221	*7.2*
Staff costs	1,287	1,001	*28.6*	1,261	*2.1*	2,548	2,071	*23.0*
Others	2,050	2,073	*(1.1)*	2,868	*(28.5)*	4,918	4,077	*20.6*
Total expenditure	12,140	11,433	*6.2*	12,723	*(4.6)*	24,863	22,369	*11.1*
EBITDA	**2,379**	**2,218**	***7.3***	**3,951**	***(39.8)***	**6,330**	**5,441**	***16.3***
Depreciation	152	143	*6.3*	229	*(33.6)*	381	289	*31.8*
EBIT	**2,227**	**2,075**	***7.3***	**3,722**	***(40.2)***	**5,949**	**5,152**	***15.5***
Less: Interest Expense	75	23	*226.1*	41	*82.9*	116	48	*141.7*
Add: Other income	138	143	*(3.5)*	142	*(2.8)*	280	291	*(3.8)*
Profit Before Tax	**2,290**	**2,195**	***4.3***	**3,823**	***(40.1)***	**6,113**	**5,395**	***13.3***
Less: Provision for Tax	664	654	*1.5*	797	*(16.7)*	1,461	1,317	*10.9*
Adjusted net profit	**1,626**	**1,541**	***5.5***	**3,026**	***(46.3)***	**4,652**	**4,078**	***14.1***
Exceptional items	0	0	*NA*	0	*NA*	0	0	*N.A*
Reported Profit	**1,626**	**1,541**	***5.5***	**3,026**	***(46.3)***	**4,652**	**4,078**	***14.1***
No. of Diluted shares outstanding (mn)	45	45		45		45	45	
Adjusted Diluted EPS	**36.2**	**34.3**	***5.5***	**67.4**	***(46.3)***	**103.6**	**90.8**	***14.1***
As % of net revenues								
Raw material	60.6	61.2		51.5		55.8	58.3	
Staff expenses	8.9	7.3		7.6		8.2	7.4	
Other expenses	14.1	15.2		17.2		15.8	14.7	
EBITDA	16.4	16.2		23.7		20.3	19.6	
Net profit	11.2	11.3		18.1		14.9	14.7	

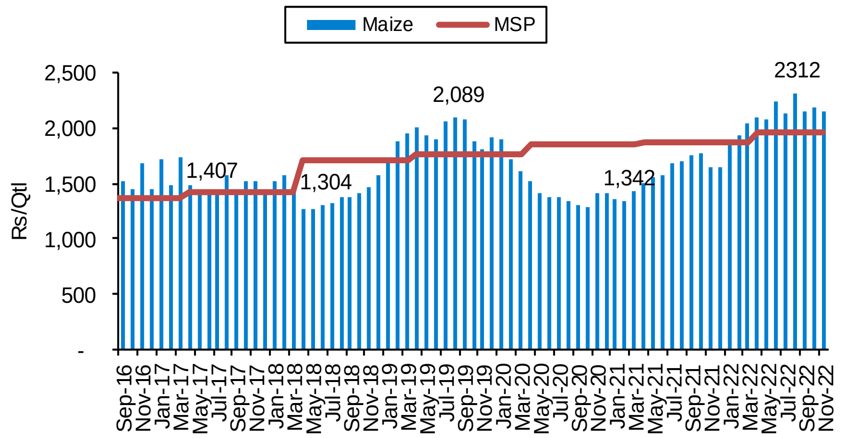
Source: Company, PL

Exhibit 2: Maize Acreages as on 30th September'22

Maize Acreages (in lakh/hec)	Kharif 2022-23	Kharif 2021-22	*YoY gr (%)*
Madhya Pradesh	16.1	15.1	*6.7%*
Karnataka	14.5	14.2	*2.4%*
Rajasthan	9.4	8.4	*12.0%*
Maharashtra	8.8	8.7	*0.8%*
Uttar Pradesh	7.5	7.7	*-2.1%*
Bihar	3.3	3.8	*-13.3%*
Telangana.	3.3	2.9	*14.9%*
Gujarat	2.9	2.9	*-1.7%*
Himachal Pradesh	2.8	2.7	*5.3%*
Odisha	2.5	2.4	*4.1%*
Chattisgarh	2.2	2.1	*9.3%*
Jharkhand	2.1	2.7	*-23.2%*
Jammu Kashmir	2	2.1	*-4.4%*
Others	6.8	6.5	*3.2%*
Total	**84.2**	**82.2**	***2.5%***

Source: PL, Industry

Exhibit 3: Domestic Corn prices continues to trade well above MSP and YoY



Source: PL, Industry

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	**47,344**	**53,499**	**59,919**	**65,910**
YoY gr. (%)	*11.1*	*13.0*	*12.0*	*10.0*
Cost of Goods Sold	26,642	29,424	33,195	36,448
Gross Profit	20,702	24,074	26,724	29,462
Margin (%)	*43.7*	*45.0*	*44.6*	*44.7*
Employee Cost	4,631	5,457	6,112	6,723
Other Expenses	7,960	9,469	9,887	10,546
EBITDA	**8,111**	**9,148**	**10,725**	**12,193**
YoY gr. (%)	*(0.1)*	*12.8*	*17.2*	*13.7*
Margin (%)	*17.1*	*17.1*	*17.9*	*18.5*
Depreciation and Amortization	645	755	798	841
EBIT	**7,466**	**8,393**	**9,927**	**11,352**
Margin (%)	*15.8*	*15.7*	*16.6*	*17.2*
Net Interest	129	174	165	157
Other Income	546	525	598	610
Profit Before Tax	**8,351**	**8,744**	**10,360**	**11,804**
Margin (%)	*17.6*	*16.3*	*17.3*	*17.9*
Total Tax	1,898	2,099	2,486	2,833
Effective tax rate (%)	*22.7*	*24.0*	*24.0*	*24.0*
Profit after tax	**6,453**	**6,646**	**7,874**	**8,971**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**5,985**	**6,646**	**7,874**	**8,971**
YoY gr. (%)	*(2.9)*	*11.0*	*18.5*	*13.9*
Margin (%)	*12.6*	*12.4*	*13.1*	*13.6*
Extra Ord. Income / (Exp)	468	-	-	-
Reported PAT	**6,453**	**6,646**	**7,874**	**8,971**
YoY gr. (%)	*30.9*	*3.0*	*18.5*	*13.9*
Margin (%)	*13.6*	*12.4*	*13.1*	*13.6*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,453	6,646	7,874	8,971
Equity Shares O/s (m)	**45**	**45**	**45**	**45**
EPS (Rs)	**133.3**	**148.0**	**175.4**	**199.8**

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	16,699	18,839	20,685
Trade receivables	10,047	11,353	12,715	13,987
Cash & Bank Balance	7,874	9,996	13,580	18,094
Other Current Assets	2,588	2,588	2,588	2,588
Total Assets	**43,456**	**48,508**	**55,797**	**63,587**
Equity				
Equity Share Capital	449	449	449	449
Other Equity	24,794	26,034	31,204	36,932
Total Networth	**25,243**	**26,483**	**31,653**	**37,381**
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	9,054	10,214	11,216
Other current liabilities	8,322	11,278	12,236	13,298
Total Equity & Liabilities	**43,456**	**48,508**	**55,797**	**63,587**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	8,468	8,744	10,360	11,804
Add. Depreciation	645	755	798	841
Add. Interest	-	-	-	-
Less Financial Other Income	546	525	598	610
Add. Other	(254)	(525)	(598)	(610)
Op. profit before WC changes	8,859	8,974	10,560	12,036
Net Changes-WC	(4,062)	927	(1,384)	(1,055)
Direct tax	(2,642)	(2,099)	(2,486)	(2,833)
Net cash from Op. activities	**2,155**	**7,803**	**6,689**	**8,148**
Capital expenditures	(473)	(800)	(1,000)	(1,000)
Interest / Dividend Income	-	-	-	-
Others	1,115	525	598	610
Net Cash from Invt. activities	**642**	**(275)**	**(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)**	**2,122**	**3,584**	**4,514**
Free Cash Flow	1,682	7,003	5,689	7,148

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	133.3	148.0	175.4	199.8
CEPS	147.7	164.8	193.1	218.5
BVPS	562.2	589.8	705.0	832.5
FCF	37.5	156.0	126.7	159.2
DPS	35.0	100.0	50.0	60.0
Return Ratio(%)				
RoCE	29.4	32.5	34.2	32.9
ROIC	33.7	41.2	50.0	53.8
RoE	23.6	25.7	27.1	26.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)
Net Working Capital (Days)	131	130	130	130
Valuation(x)				
PER	35.7	32.1	27.1	23.8
P/B	8.5	8.1	6.7	5.7
P/CEPS	32.2	28.8	24.6	21.8
EV/EBITDA	25.3	22.2	18.6	16.0
EV/Sales	4.3	3.8	3.3	3.0
Dividend Yield (%)	0.7	2.1	1.1	1.3

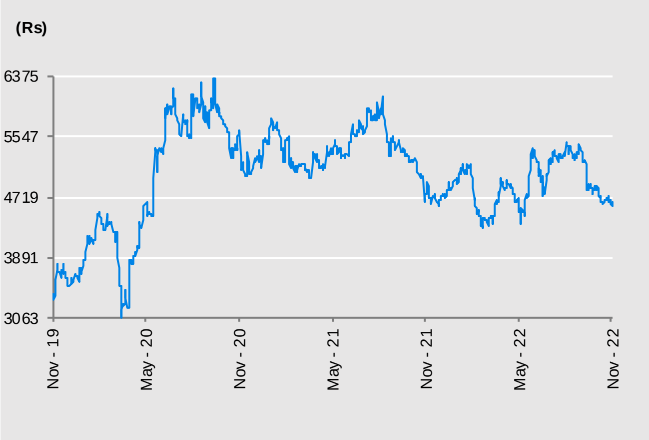
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	**9,901**	**9,633**	**16,674**	**14,519**
YoY gr. (%)	*7.8*	*31.3*	*17.8*	*6.4*
Raw Material Expenses	5,649	4,772	8,594	8,803
Gross Profit	4,252	4,861	8,080	5,716
Margin (%)	*42.9*	*50.5*	*48.5*	*39.4*
EBITDA	**663**	**2,007**	**3,951**	**2,379**
YoY gr. (%)	*(37.5)*	*142.7*	*22.6*	*7.3*
Margin (%)	*6.7*	*20.8*	*23.7*	*16.4*
Depreciation / Depletion	142	214	229	152
EBIT	**521**	**1,793**	**3,722**	**2,227**
Margin (%)	*5.3*	*18.6*	*22.3*	*15.3*
Net Interest	26	55	41	75
Other Income	98	157	142	138
Profit before Tax	**1,061**	**1,895**	**3,823**	**2,290**
Margin (%)	*10.7*	*19.7*	*22.9*	*15.8*
Total Tax	213	368	797	664
Effective tax rate (%)	*20.1*	*19.4*	*20.8*	*29.0*
Profit after Tax	**848**	**1,527**	**3,026**	**1,626**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**380**	**1,527**	**3,026**	**1,626**
YoY gr. (%)	*(53.7)*	*168.6*	*19.3*	*5.5*
Margin (%)	*3.8*	*15.9*	*18.1*	*11.2*
Extra Ord. Income / (Exp)	468	-	-	-
Reported PAT	**848**	**1,527**	**3,026**	**1,626**
YoY gr. (%)	*(288.0)*	*146.7*	*19.3*	*5.5*
Margin (%)	*8.6*	*15.9*	*18.1*	*11.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**848**	**1,527**	**3,026**	**1,626**
Avg. Shares O/s (m)	45	45	45	45
EPS (Rs)	**8.5**	**34.0**	**67.4**	**36.2**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-22	Accumulate	5,650	4,803
2	05-Aug-22	Accumulate	5,650	5,275
3	04-Jul-22	Accumulate	5,640	5,076
4	03-Jun-22	Accumulate	5,640	5,360
5	08-Apr-22	BUY	5,350	4,823
6	07-Feb-22	BUY	5,350	4,684
7	12-Jan-22	BUY	5,700	5,035
8	27-Dec-21	BUY	5,700	4,823

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,650	4,803
2	Chambal Fertilizers & Chemicals	BUY	410	308
3	Coromandel International	BUY	1,200	953
4	Dhanuka Agritech	BUY	940	728
5	Godrej Agrovet	Accumulate	570	520
6	Insecticides India	Hold	700	739
7	P.I. Industries	BUY	4,350	3,624
8	Rallis India	BUY	250	226
9	Sharda Cropchem	BUY	660	446
10	Sumitomo Chemical India	BUY	610	493
11	UPL	BUY	1,070	717

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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