

Bayer Cropscience (BYRCS IN)

Rating: ACCUMULATE | CMP: Rs6,092 | TP: Rs6,506

Tepid seed sales impacted margins

Quick Pointers:

- Seed business impacted by market conditions and supply constraints
- Sales mix and higher cost overheads impacted margins

Bayer Cropscience reported lackluster results, as all benefits of healthy topline growth were eaten away by 286 bps decline in gross margins (to 44.5%) and higher than anticipated rise in other expenses (up 95 bps). Topline growth was driven by strong product liquidation in crop protection segment. Corn seed sales volume were flat, as RM supplies got impacted by delayed availability and acreage shift from maize in current Kharif season, given non-remunerative price and deficit rainfall. Post pick up in rainfall 10th July onwards, maize acreages picked up and is likely to improve seed business in Q2. But improper timing and spatial distribution of rainfall may have a bearing on crop protection sales in Q2, in our view. Maintain 'ACCUMULATE' rating with TP of Rs 6506 (unchanged) based on 38x FY23E EPS of Rs 186.

Seed business impacted by market conditions and supply constraints: Hybrid corn seed sales volume was flat YoY due to decline in demand as a result of acreage shift away from maize, owing to delayed monsoon and non-remunerative price at start of the season. Cotton seed and hybrid rice business was impacted by overall market conditions and supply constraints. Our channel checks indicated seed companies got impacted by huge influx of illegal HTBT variety of cotton seeds.

Crop protection sales driving business: 15% topline growth was driven by crop protection business. The company saw both strong placements and healthy product liquidation. Bayer had launched 3 products in FY21 (Buonos- Tebuconazole; Fenos quick- Flubendiamide + Deltamethrin; and Berdera- Pymetrozine) and also got approval for launching 1 more (Vayego- Tetraniliprole).

Sales mix and higher cost overheads impacted margins: Deteriorating sales mix due to higher share of crop protection sales impacted gross margins which declined by 286 bps to 44.5% (PLe 46%). Other expenses was up 24%, due to resumption of normal travel, marketing activity and higher logistics cost.

Change of CFO: The current ED & CFO of BYRCS, Mr Rolf Hoffmann would be resigning due to change in responsibilities within the group and he would be replaced by Mr Simon Britsch (as WTD & CFO). Mr Simon has been associated with Bayer since 2000 and was leading the global Enterprise Risk Management & Business Continuity Management function in his last role.

August 14, 2021

Q1FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	6,506		6,506	
Sales (Rs. m)	47,727	52,499	47,727	52,499
% Chng.	-	-	-	-
EBITDA (Rs. m)	9,450	10,657	9,450	10,657
% Chng.	-	-	-	-
EPS (Rs.)	161.3	185.9	161.3	185.9
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	36,094	42,613	47,727	52,499
EBITDA (Rs. m)	7,264	8,117	9,450	10,657
Margin (%)	20.1	19.0	19.8	20.3
PAT (Rs. m)	6,047	6,152	7,248	8,355
EPS (Rs.)	134.6	136.9	161.3	185.9
Gr. (%)	37.0	1.7	17.8	15.3
DPS (Rs.)	22.6	115.0	40.3	46.5
Yield (%)	0.4	1.9	0.7	0.8
RoE (%)	25.1	24.0	25.0	22.9
RoCE (%)	27.5	28.8	29.9	26.8
EV/Sales (x)	7.3	6.1	5.4	4.8
EV/EBITDA (x)	36.2	32.2	27.2	23.4
PE (x)	45.3	44.5	37.8	32.8
P/BV (x)	10.6	10.7	8.4	6.7

Key Data

BAYE.BO | BYRCS IN

52-W High / Low	Rs.6,601 / Rs.4,922
Sensex / Nifty	55,437 / 16,529
Market Cap	Rs.274bn/ \$ 3,687m
Shares Outstanding	45m
3M Avg. Daily Value	Rs.297.48m

Shareholding Pattern (%)

Promoter's	71.43
Foreign	2.97
Domestic Institution	11.34
Public & Others	14.26
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.1	17.5	0.6
Relative	1.9	9.2	(30.5)

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Exhibit 1: Sales mix and higher cost overheads impacting margins

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	QoQ gr. (%)
Net Sales	14,159	12,278	15.3	7,337	93.0
Expenditure					
Raw Materials	7,862	6,466	21.6	4,066	93.4
<i>% of Net Sales</i>	<i>55.5</i>	<i>52.7</i>		<i>55.4</i>	
Employee Cost	1,070	938	14.1	967	10.7
<i>% of Net Sales</i>	<i>7.6</i>	<i>7.6</i>		<i>13.2</i>	
Other Expenses	2,004	1,621	23.6	1,477	35.7
<i>% of Net Sales</i>	<i>14.2</i>	<i>13.2</i>		<i>20.1</i>	
Total Expenditure	10,936	9,025	21.2	6,510	68.0
EBITDA	3,223	3,253	(0.9)	827	289.7
<i>Margin (%)</i>	<i>22.8</i>	<i>26.5</i>		<i>11.3</i>	
Depreciation	146	237	(38.4)	216	(32.4)
EBIT	3,077	3,016	2.0	611	403.6
Interest	25	27	(7.4)	35	(28.6)
Other Income	148	149	(0.7)	159	(6.9)
Exceptional	0	0	NA	63	(100.0)
PBT	3,200	3,138	2.0	798	301.0
Tax	663	609	8.9	179	270.4
<i>Tax Rate (%)</i>	<i>20.7</i>	<i>19.4</i>		<i>22.4</i>	
RPAT	2,537	2,529	0.3	619	309.9
APAT	2,537	2,529	0.3	556	356.3
O/S Shares	56.5	56.3	0.3	12.4	356.3
Adj. EPS	14,159	12,278	15.3	7,337	93.0

Source: Company, PL

Exhibit 2: Launch timeline of products in seed segment

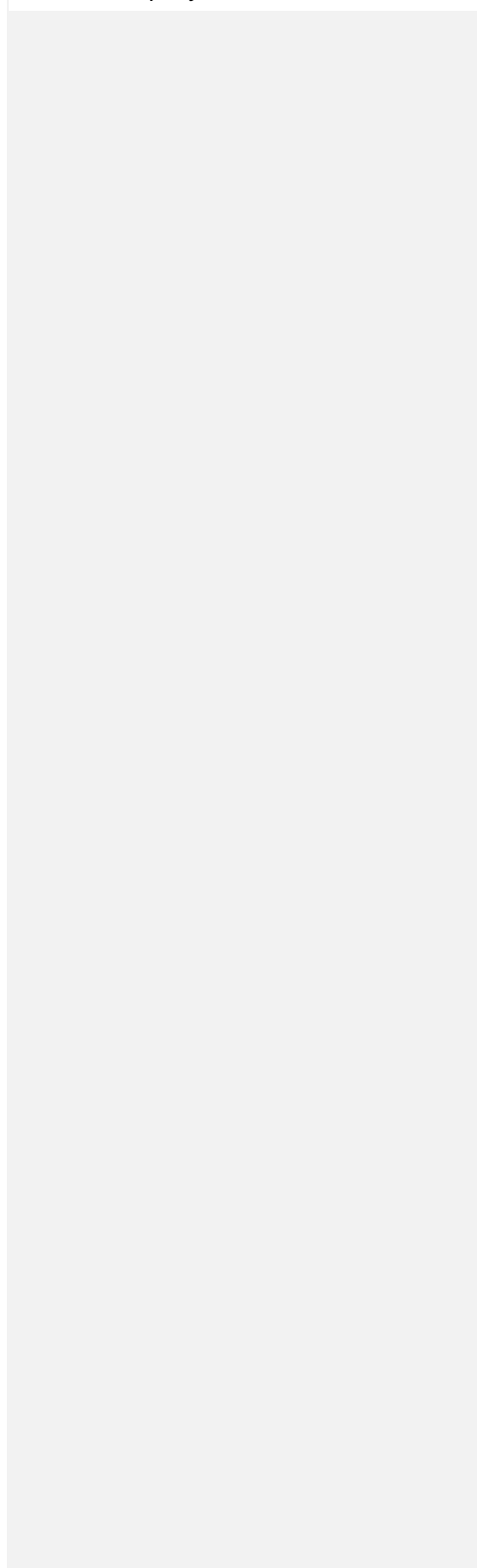
FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Arize 6444 Gold (rice)	ProAgro 5222 (Hybrid mustard)	Arize Swift Gold (Rice)	Arize Diamond (Rice)	Arize AZ 8433 DT (Rice)	Arize AZ 6633 (Rice)	Arize AZ 6741 (Rice)	Arize AZ 6741	Dekalb 9198
ProAgro 5121 (Mustard)		Arize 6201 Gold (rice)	Arize Bold (Rice)	ArizeAZ 6453 (Rice)		Arize AZ 6565 (Rice)	ArizeAZ 6411	Dekalb 9188
ProAgro 7701 Gold (Millet)		ProAgro 5111 (Mustard)	Arize Xpress (Rice)	Arize AZ 6508 (Rice)		Proagro PA 5210 (Mustard)	Proagro PA 9180	
ProAgro 9450 (Millet)			Arize Nano (Rice)	Proagro PA 9072 (Millet)		Proagro PA 9180 (Mustard)	Proagro PA 9285	
Arize 6129 gold (rice)			Arize Idea (Rice)					
SurPass- First Class (cotton)			Arize Tej Gold (Rice)					
ProAgro 9444 Gold (Hybrid millet)			Surpass Superb BGII (Sp 7517 BGII) (Cotton)					
			Proagro Marutej (Millet)					
			Proagro 9001 (Millet)					
			Proagro Kesari Gold (Millet)					

Source: Company, PL

Exhibit 3: Launch timeline of Crop protection products

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E
Nativo	Lesenta	Raxil easy	Profilor	Luna Experience	Sivanto Price	Infinito	Momiji	Buenos	Vayego
Confidor		Luna	Laudis		Movento OD	Velum Prime		Fenos Quick	
Regent	Solomon				Regent Ultra	Evergol Xtend		Berdera	
Fame		Sivanto	Belt expert	Movento Energy	Simbola	Ambition			
					Ernesto Prime	Alion Plus			
						Council Activ			

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	36,094	42,613	47,727	52,499
YoY gr. (%)	14.0	18.1	12.0	10.0
Cost of Goods Sold	19,098	24,459	26,966	28,875
Gross Profit	16,996	18,154	20,761	23,625
Margin (%)	47.1	42.6	43.5	45.0
Employee Cost	3,616	3,622	4,104	4,725
Other Expenses	6,116	6,415	7,207	8,242
EBITDA	7,264	8,117	9,450	10,657
YoY gr. (%)	51.0	11.7	16.4	12.8
Margin (%)	20.1	19.0	19.8	20.3
Depreciation and Amortization	653	735	790	864
EBIT	6,611	7,382	8,660	9,793
Margin (%)	18.3	17.3	18.1	18.7
Net Interest	138	126	100	100
Other Income	660	638	732	1,018
Profit Before Tax	5,831	6,673	9,292	10,711
Margin (%)	16.2	15.7	19.5	20.4
Total Tax	1,086	1,742	2,044	2,356
Effective tax rate (%)	18.6	26.1	22.0	22.0
Profit after tax	4,745	4,931	7,248	8,355
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,047	6,152	7,248	8,355
YoY gr. (%)	79.4	1.7	17.8	15.3
Margin (%)	16.8	14.4	15.2	15.9
Extra Ord. Income / (Exp)	(1,302)	(1,221)	-	-
Reported PAT	4,745	4,931	7,248	8,355
YoY gr. (%)	40.8	3.9	47.0	15.3
Margin (%)	13.1	11.6	15.2	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,745	4,931	7,248	8,355
Equity Shares O/s (m)	45	45	45	45
EPS (Rs)	134.6	136.9	161.3	185.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	6,678	6,975	7,651	8,351
Tangibles	6,574	6,766	7,421	8,100
Intangibles	104	209	230	251
Acc: Dep / Amortization	1,993	2,728	3,518	4,382
Tangibles	1,906	2,534	3,364	4,191
Intangibles	87	194	154	191
Net fixed assets	4,685	4,247	4,133	3,969
Tangibles	4,668	4,232	4,057	3,910
Intangibles	17	15	76	59
Capital Work In Progress	559	763	787	787
Goodwill	-	-	-	-
Non-Current Investments	202	151	239	262
Net Deferred tax assets	270	179	179	179
Other Non-Current Assets	2,497	1,614	2,553	2,809
Current Assets				
Investments	408	522	2,000	2,000
Inventories	9,635	13,251	14,037	15,031
Trade receivables	7,180	7,549	8,892	9,781
Cash & Bank Balance	10,710	12,095	14,810	22,321
Other Current Assets	2,120	1,945	2,482	2,730
Total Assets	38,087	42,214	50,028	59,794
Equity				
Equity Share Capital	449	449	449	449
Other Equity	25,276	25,054	32,002	40,219
Total Network	25,725	25,503	32,451	40,668
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,100	1,043	1,289	1,417
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	15	-	-	-
Trade payables	4,749	8,303	7,757	8,306
Other current liabilities	6,630	7,403	8,543	9,397
Total Equity & Liabilities	38,087	42,214	50,028	59,794

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	5,831	6,673	9,292	10,711
Add. Depreciation	653	735	790	864
Add. Interest	138	126	100	100
Less Financial Other Income	660	638	732	1,018
Add. Other	1,115	(189)	(1,370)	(1,113)
Op. profit before WC changes	7,737	7,345	8,811	10,562
Net Changes-WC	281	(74)	(990)	(224)
Direct tax	(1,359)	(1,625)	(1,022)	(1,178)
Net cash from Op. activities	6,659	5,646	6,799	9,160
Capital expenditures	(279)	(312)	(700)	(700)
Interest / Dividend Income	201	288	732	1,018
Others	(211)	91	(1,621)	(55)
Net Cash from Inv. activities	(289)	67	(1,589)	263
Issue of share cap. / premium	-	-	-	-
Debt changes	15	(15)	-	-
Dividend paid	(1,231)	(5,160)	(1,124)	(1,812)
Interest paid	(24)	(28)	(100)	(100)
Others	(243)	-	-	-
Net cash from Fin. activities	(1,483)	(5,203)	(1,224)	(1,912)
Net change in cash	4,887	510	3,987	7,511
Free Cash Flow	6,246	5,226	6,099	8,460

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	134.6	136.9	161.3	185.9
CEPS	149.1	153.2	178.8	205.1
BVPS	572.4	567.5	722.1	904.9
FCF	139.0	116.3	135.7	188.2
DPS	22.6	115.0	40.3	46.5
Return Ratio(%)				
RoCE	27.5	28.8	29.9	26.8
ROIC	41.5	41.9	55.5	62.4
RoE	25.1	24.0	25.0	22.9
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.5)	(0.6)
Net Working Capital (Days)	122	107	116	115
Valuation(x)				
PER	45.3	44.5	37.8	32.8
P/B	10.6	10.7	8.4	6.7
P/CEPS	40.9	39.8	34.1	29.7
EV/EBITDA	36.2	32.2	27.2	23.4
EV/Sales	7.3	6.1	5.4	4.8
Dividend Yield (%)	0.4	1.9	0.7	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	13,816	9,182	7,337	14,159
YoY gr. (%)	2.6	7.5	60.0	15.3
Raw Material Expenses	8,473	5,453	4,066	7,862
Gross Profit	5,343	3,729	3,271	6,297
Margin (%)	38.7	40.6	44.6	44.5
EBITDA	2,978	1,060	827	3,223
YoY gr. (%)	(2.7)	(33.9)	42.1	(0.9)
Margin (%)	21.6	11.5	11.3	22.8
Depreciation / Depletion	139	143	216	146
EBIT	2,839	917	611	3,077
Margin (%)	20.5	10.0	8.3	21.7
Net Interest	25	39	35	25
Other Income	147	183	159	148
Profit before Tax	2,961	(211)	798	3,200
Margin (%)	21.4	(2.3)	10.9	22.6
Total Tax	714	240	179	663
Effective tax rate (%)	24.1	(113.7)	22.4	20.7
Profit after Tax	2,247	(451)	619	2,537
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,247	821	556	2,537
YoY gr. (%)	(9.6)	(39.2)	(7.5)	0.3
Margin (%)	16.3	8.9	7.6	17.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,247	821	556	2,537
YoY gr. (%)	(9.6)	(39.2)	(7.5)	0.3
Margin (%)	16.3	8.9	7.6	17.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,247	821	556	2,537
Avg. Shares O/s (m)	45	45	45	45
EPS (Rs)	50.0	18.3	12.4	56.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-21	Accumulate	6,506	5,650
2	08-Apr-21	BUY	6,022	5,197
3	12-Feb-21	Accumulate	6,022	5,550
4	11-Jan-21	BUY	6,090	5,747
5	10-Nov-20	Accumulate	6,090	5,680
6	10-Oct-20	BUY	6,421	5,707
7	25-Aug-20	BUY	6,421	6,294

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	6,506	5,650
2	Coromandel International	Accumulate	991	887
3	Dhanuka Agritech	Hold	1,008	949
4	Godrej Agrovet	Hold	639	660
5	Insecticides India	Accumulate	817	763
6	P.I. Industries	Accumulate	3,363	3,317
7	Rallis India	Hold	321	326
8	Sharda Cropchem	BUY	457	350
9	Sumitomo Chemical India	Reduce	376	430
10	UPL	Hold	740	809

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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