

## Bayer Crop Science

*A weak FY24 ending, but outlook stable; maintaining a Buy*

Rating: **Buy**

Target Price: Rs.6,200

Share Price: Rs.5,225

In a seasonally lean period, Bayer Crop Science reported a weak set of figures, far lower than we and the consensus estimated, with Q4 revenue/EBITDA/PAT falling 19/53/39% y/y. Amid hurdles posed by the weather and unfavourable market dynamics, the 19% y/y revenue dip was due to a) lower crop-protection volumes, b) developments in Roundup (glyphosate) and c) proactive channel management in the crop-protection business. The higher-margin corn hybrid business grew y/y in volumes and held a bright spot, leading to the gross margin expanding 140bps y/y. However, inferior operating leverage hurt the EBITDA margin, which came at 12.2%, down 875bps y/y.

**Healthy gross margin expansion marred by higher opex.** The superior product mix pushed up the gross margin 140bps y/y to 52.4%. However, higher employee/other expenses, up 270bps/750bps y/y, led to the EBITDA margin contracting 875bps y/y to 12.2% (ARe 21.5%). Absolute EBITDA was Rs966m, down 53% y/y (ARe Rs2.2bn). PAT fell 39% y/y to Rs960m (ARe Rs1.5bn).

**Product launches on track; likely to reap benefits in FY25.** In 9M FY24, the company launched three brands in its agrochemicals business (Renkil, Curbix Pro, Acerbo). Two products were launched in the corn hybrid business (DKC-9228, DKC-9233) and one in the paddy seeds business (Arize 6555 ST).

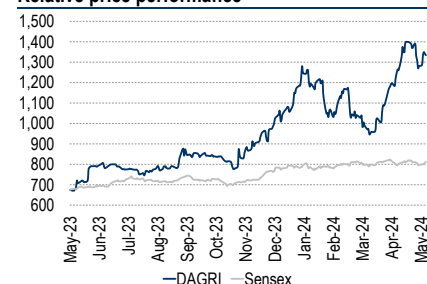
**Guidance.** Citing a brighter domestic demand outlook led by expectations of a normal monsoon, remunerative crop prices and the lower H1 FY24 base, we are enthused about double-digit FY25 revenue growth y/y, with a steady improvement in margins to be led by a greater contribution from corn hybrid seeds. We trim our FY25e/26e EPS 7%/5%. We expect the company to clock 9%/12% revenue/PAT CAGRs over FY24-26. We maintain a Buy, with a revised TP of Rs6,200 (earlier Rs6,500), 30x FY26e EPS. **Risks:** Adverse weather; a complete ban on glyphosate (contributed ~13-14% of overall FY23 revenues).

Key data	BYRCS IN
52-week high / low	Rs.6,202 / 4091
Sensex / Nifty	75410 / 22957
3-m average volume	\$1.4m
Market cap	R.s237bn / \$2,856.2m
Shares outstanding	45m

Shareholding pattern (%)	Mar'24	Dec'23	Sept'23
Promoters	71.4	71.4	71.4
- of which, Pledged	0.0	0.0	0.0
Free float	28.6	28.6	28.6
- Foreign institutions	3.6	3.5	3.3
- Domestic institutions	12.8	12.7	13.2
- Public	12.2	12.3	12.1

Estimates revision (%)	FY25e	FY26e
Sales	-10.6	-10.6
EBITDA	-10.1	-8.8
PAT	-6.6	-5.1

### Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY22	FY23	FY24	FY25e	FY26e
Sales (Rs m)	47,344	51,397	51,032	55,115	60,626
Net profit (Rs m)	6,453	7,582	7,405	8,206	9,300
EPS (Rs)	133.3	150.4	164.9	182.8	207.1
P/E (x)	39.2	34.7	31.7	28.6	25.2
EV / EBITDA (x)	27.9	24.4	23.3	20.0	17.2
P/BV (x)	9.3	8.7	8.2	7.0	5.9
RoE (%)	23.6	25.8	26.6	26.5	25.5
RoCE (%)	22.7	24.7	25.6	25.7	24.9
Dividend yield (%)	0.7	0.6	0.7	1.1	1.1
Net debt / equity (x)	-0.3	-0.3	-0.4	-0.5	-0.6

Source: Company, Anand Rathi Research

**Himanshu Binani**  
Research Analyst

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## Quick Glance – Financial and Valuations(Consolidated)

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Revenues	47,344	51,397	51,032	55,115	60,626
Growth (%)	11.1	8.6	-0.7	8.0	10.0
Raw material	26,642	28,160	29,116	31,140	33,951
Employee & other expen	12,591	13,995	12,376	13,172	14,429
<b>EBITDA</b>	<b>8,111</b>	<b>9,242</b>	<b>9,540</b>	<b>10,802</b>	<b>12,246</b>
EBITDA margins (%)	17.1	18.0	18.7	19.6	20.2
- Depreciation	645	795	740	837	915
Other income	546	639	810	748	780
Interest expense	129	223	196	192	188
PBT	8,351	9,693	9,414	10,521	11,923
Effective tax rates (%)	1,898	2,111	2,009	2,315	2,623
+ Associates / (Minorities)	-	-	-	-	-
Adjusted income	5,985	6,752	7,405	8,206	9,300
Extraord. items (loss)/profit	468	830	-	-	-
Reported PAT	6,453	7,582	7,405	8,206	9,300
WANS	45	45	45	45	45
FDEPS (Rs)	133.3	150.4	164.9	182.8	207.1

**Fig 2 – Balance sheet (Rs m)**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Share capital	449	449	449	449	449
Net worth	25,243	27,121	28,494	33,457	39,513
Debt	-	-	-	-	-
Minority interest	-	-	-	-	-
Deferred tax liability / (asset)	-73	-	-	-	-
<b>Capital employed</b>	<b>25,170</b>	<b>27,121</b>	<b>28,494</b>	<b>33,457</b>	<b>39,513</b>
Net tangible assets	5,264	5,431	5,016	5,179	5,264
CWIP (tang. and intang.)	133	29	64	64	64
Investments (strategic)	261	256	251	251	251
Investments (financial)	385	411	539	539	539
Current assets (excl. C&CE)	29,539	31,979	28,461	30,303	32,832
Cash	7,874	8,680	11,640	17,471	22,730
Current Liabilities	18,286	19,665	17,477	20,350	22,167
Working capital	11,253	12,314	10,984	9,953	10,665
<b>Capital deployed</b>	<b>25,170</b>	<b>27,121</b>	<b>28,494</b>	<b>33,457</b>	<b>39,513</b>

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	8,468	9,901	9,414	10,521	11,923
+ Non-cash items	774	1,018	936	1,029	1,103
Oper. profit before WC changes	9,242	10,919	10,350	11,550	13,026
- Incr./ (decr.) in WC	4,062	1,409	-339	-1,031	712
Others incl. taxes	3,025	3,417	1,173	3,254	3,591
Operating cash-flow	2,155	6,093	9,516	9,327	8,723
- Capex (tangible + intangible)	473	726	394	1,000	1,000
Free cash-flow	1,682	5,367	9,122	8,327	7,723
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	6,728	5,611	6,067	3,244	3,244
+ Equity raised	-	-	-	-	-
+ Debt raised	-263	-409	-418	-	-
- Fin. investments	-1,115	-1,559	-398	-748	-780
- Misc. items (CFI and CFF)	42	112	78	-	-
Net cash-flow	-4,236	794	2,957	5,831	5,259

Source: Company, Anand Rathi Research

**Fig 4 – Ratio analysis**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	39.2	34.7	31.7	28.6	25.2
EV / EBITDA (x)	27.9	24.4	23.3	20.0	17.2
EV / Sales (x)	4.8	4.4	4.4	3.9	3.5
P/B (x)	9.3	8.7	8.2	7.0	5.9
RoE (%)	23.6	25.8	26.6	26.5	25.5
RoCE (%) - after tax	22.7	24.7	25.6	25.7	24.9
RoIC (%) - after tax	26.1	26.3	26.0	27.3	28.7
DPS (Rs)	35.0	30.0	35.0	60.0	60.0
Dividend yield (%)	0.7	0.6	0.7	1.1	1.1
Dividend payout (%)	31.6	24.0	25.6	39.5	34.9
Net debt / equity (x)	-0.3	-0.3	-0.4	-0.5	-0.6
Receivables (days)	68	70	69	66	66
Inventory (days)	194	215	210	187	186
Payables (days)	113	110	93	73	73
CFO : PAT (%)	36	90	129	114	94

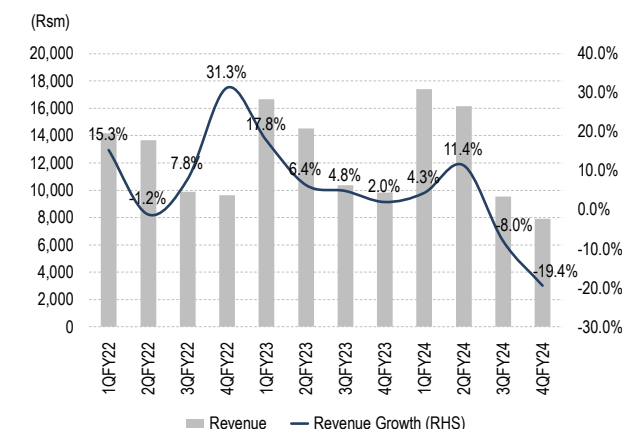
Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 6 – Quarterly revenue and growth trend**



Source: Company

Fig 7 – Quarterly

(Rsm)	Q4 FY24	Q4 FY23	Y/Y (%)	Q3 FY24	Q/Q (%)	FY24	FY23	Y/Y (%)
<b>Revenues</b>	<b>7,915</b>	<b>9,825</b>	<b>(19.4)</b>	<b>9,549</b>	<b>(17.1)</b>	<b>51,032</b>	<b>51,397</b>	<b>(0.7)</b>
Raw material	3,768	4,813	(21.7)	5,284	(28.7)	29,116	28,160	3.4
Staff costs	1,274	1,320	(3.5)	1,139	11.9	4,354	5,343	(18.5)
Others	1,907	1,634	16.7	1,847	3.2	8,022	8,652	(7.3)
Total expenditure	6,949	7,767	(10.5)	8,270	(16.0)	41,492	42,155	(1.6)
<b>EBITDA</b>	<b>966</b>	<b>2,058</b>	<b>(53.1)</b>	<b>1,279</b>	<b>(24.5)</b>	<b>9,540</b>	<b>9,242</b>	<b>3.2</b>
Depreciation	159	271	(41.3)	152	4.6	740	795	(6.9)
<b>EBIT</b>	<b>807</b>	<b>1,787</b>	<b>(54.8)</b>	<b>1,127</b>	<b>(28.4)</b>	<b>8,800</b>	<b>8,447</b>	<b>4.2</b>
Less: Interest expense	49	73	(32.9)	31	58.1	196	223	(12.1)
Add: Other income	296	207	43.0	146	102.7	810	639	26.8
<b>Profit before tax</b>	<b>1,054</b>	<b>1,921</b>	<b>(45.1)</b>	<b>1,242</b>	<b>(15.1)</b>	<b>9,414</b>	<b>8,863</b>	<b>6.2</b>
Less: Provision for tax	94	361	(73.9)	311	(69.8)	2,009	2,111	(4.8)
<b>Adj. net profit</b>	<b>960</b>	<b>1,560</b>	<b>(38.5)</b>	<b>931</b>	<b>3.1</b>	<b>7,405</b>	<b>6,752</b>	<b>9.7</b>
Exceptional items	0	25	NA	0	NA	0	830	NA
<b>Reported Profit</b>	<b>960</b>	<b>1,585</b>	<b>(39.4)</b>	<b>931</b>	<b>3.1</b>	<b>7,405</b>	<b>7,582</b>	<b>(2.3)</b>
No. of diluted shares outstanding (m)	45	45		45		45	45	
<b>Adj. diluted EPS</b>	<b>21.4</b>	<b>34.7</b>	<b>(38.5)</b>	<b>20.7</b>	<b>3.1</b>	<b>164.9</b>	<b>150.4</b>	<b>9.7</b>

**As % of net revenues**

Raw material	47.6	49.0		55.3		57.1	54.8	
Staff expenses	16.1	13.4		11.9		8.5	10.4	
Other expenses	24.1	16.6		19.3		15.7	16.8	
EBITDA	12.2	20.9		13.4		18.7	18.0	
Net profit	12.1	15.9		9.7		14.5	13.1	

Source: Company

## Valuation

**Fig 8 – Change in estimates**

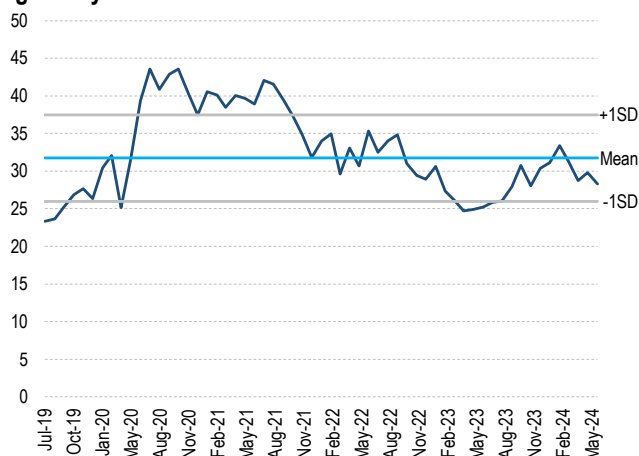
	FY25e			FY26e		
	Old	New	% change	Old	New	% change
Revenue	61,625	55,115	-10.6	67,788	60,626	-10.6
EBITDA	12,017	10,802	-10.1	13,422	12,246	-8.8
PAT	8,788	8,206	-6.6	9,796	9,300	-5.1
EPS	195.7	182.8	-6.6	218.2	207.1	-5.1

Source: Anand Rathi Research

Citing a brighter domestic demand outlook led by expectations of a normal monsoon, remunerative crop prices and the lower H1 FY24 base, we are enthused about double-digit FY25 revenue growth y/y, with a steady improvement in margins, to be led by the higher contribution from corn hybrid seeds.

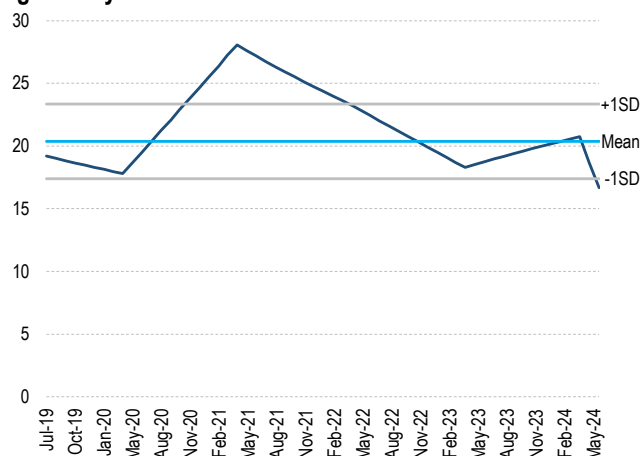
We trim our FY25e/26e EPS 7%/5%. We expect the company to clock 9%/12% revenue/PAT CAGRs over FY24-26. We maintain a Buy, with a revised TP of Rs.6,200 (earlier Rs.6,500), 30x FY26e EPS.

**Fig 9 – 1-yr fwd PE**



Source: Bloomberg, Anand Rathi Research

**Fig 10 – 1-yr fwd EV/EBITDA**



Source: Bloomberg, Anand Rathi Research

## Risks

- Adverse weather in the home market.
- Volatile commodity prices globally.
- Complete ban on glyphosate (~13-14% of FY23 revenue overall).

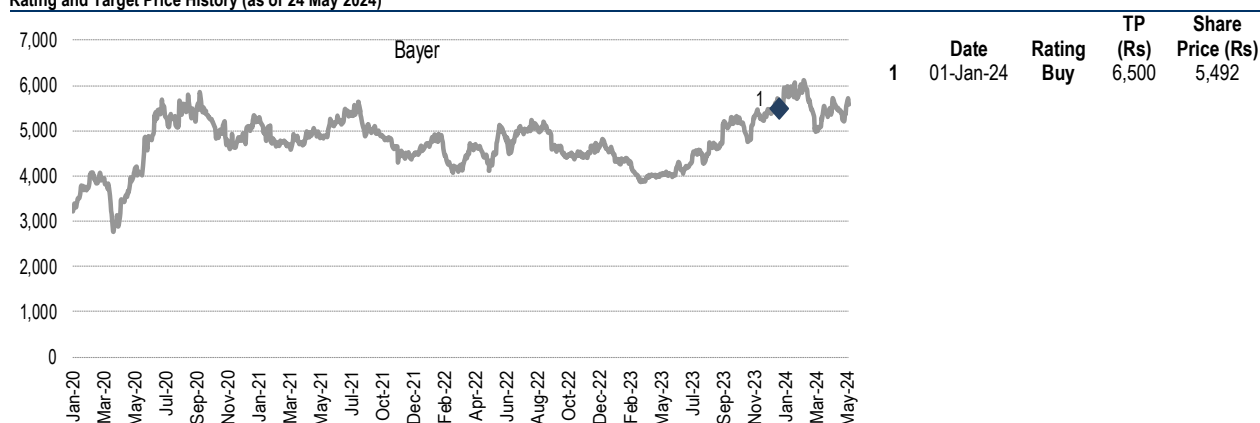
## Appendix

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