

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs8764	36.4	Accumulate	Rs12500	43%

*as on 14th Feb, 2024

About the Company:

The Bharat Rasayan Limited (BRL), the flagship company of the Bharat group, was incorporated in 1985. The company is engaged in the manufacturing of technical grade pesticides, which in turn is used from manufacturing of formulations for agrochemical industry. While the corporate headquarters are in New Delhi, the manufacturing units are located in Bahadurgarh and Rohtak (Haryana), Dahej (Gujarat), Kathua (J&K) and Kala Amb (H.P). Currently, BRL has two manufacturing plants equipped with state-of-art process systems located in the states of Haryana and Gujarat. The Gupta family, Mr. S.N. Gupta, Mr. M.P. Gupta and Mr. R.P. Gupta are the promoters of the company.

Results: Quick Glance:

- The net sales for the quarter under review de-grew by 24.7% to Rs2329mn as compared to Rs3093mn in Q3FY23
- The Ebitda margins for the quarter under review stood at 12.0% as against 16.7% in Q3FY23
- The net profit (considering share of P&L of the JV) for the quarter under review came in at Rs153mn as against Rs338mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs36.85 as compared to Rs81.27 in the corresponding period last year

Financials:

Performance (Q3FY24)									
Q3FY24 Result (Rs mn)	Dec-23	Dec-22	y-o-y	Sept-23	q-o-q	9MFY24	9MFY23	y-o-y	FY24E
Total Revenue	2329	3093	(24.7%)	2629	(11.4%)	7350	9285	(20.8%)	9913
EBITDA	279	517	(46.1%)	146	91.6%	480	1396	(65.6%)	1115
Other Income	36	60	(40.4%)	40	(11.3%)	99	184	(46.1%)	150
Interest	12	16	(24.5%)	5	-	19	47	(59.4%)	29
Depreciation	66	66	0.9%	64	3.0%	194	195	(0.6%)	261
Exceptional Items	0	3	(96.6%)	0	-	0	15	(98.0%)	0.2
Tax	64	127	(50.0%)	39	63.9%	109	341	(68.1%)	244
Net Profit	153	338	(54.6%)	60	-	285	944	(69.8%)	668

Outlook and Recommendations: Optically, the company has reported tepid numbers when compared on a y-o-y basis, with a de-growth of ~24.7% and ~11.4% on a q-o-q basis. However, with the margins coming back with a northward trajectory (since last 4-6 months) and on track for BRL, this indicates that the higher cost inventory has almost or already depleted and the company is working on products with new prices. This development is evident from the operations of the last 3-4 quarters. The gross margins are very much in line with that of the same period of last year, i.e. ~33-34%, however, due to drop in revenues, or lower off take by the customers, the net profit seems to be depressed. The performance for the quarter under review is impacted by various factors such as falling prices, lower global demand, pest infestation and delayed/disproportionate monsoon leading to lower revenues coupled with lower realizable value of inventories which has translated into lower profitability. As far as the future growth of BRL is concerned, the company will continue to be a key CRAMs player and is aptly placed to benefit from the China plus one strategy. The consistent efforts to improve cost efficiencies as well as reducing the debt burden, is very well seen in the PnL. BRL has a strong product portfolio with a wide spread distribution network, good brand equity and strong R&D team. With the right investments to scale-up the business, BRL has been expanding its manufacturing capacities, setting up new capacities (for critical inputs as part of their backward integration efforts), acquiring more product registrations (on a global level) and developing relevant products for key markets. The numbers from the JV have started flowing and the same is expected to gain momentum in the upcoming quarters. Owing to its good customer relations with a number of MNCs, the company has been able to establish a strong presence in domestic as well as international markets.

Outlook and Recommendations (contd.):

The company is in constant dialogue with few large customers like Syngenta and Sumitomo which contribute to both the domestic as well as the export pie of BRL. Going forward, with the turmoil in the chemicals/agrochemicals market gradually fading out, the anticipated pick up will help propel the growth of BRL going forward. The Management of BRL believes in ploughing the surplus cash generation into expansion (which explains the conservative approach towards dividend distribution). The Management is already in the process of setting up the stage for sustainable growth for the next 16-18 quarters and the current planned capex too is estimated to fructify during the same period. All the factors mentioned aim at good value creation for long term investors while we continue to closely watch the developments in the industry as well as the company. We maintain our target price of Rs12500 and advocate to accumulate or SIP.

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