



Impressive background

Heranba Industries Limited (Heranba) was incorporated on May 17, 1992 and is a crop protection chemical manufacturer, exporter and marketing company based out of Vapi, Gujarat. Heranba started its manufacturing activity in the year 1996 with production of an Intermediate product CMAC. By the FY 2001-2002, they forward integrated their company into the manufacturing of various Technicals like metametron, cypermethrin, alpha, permethrin and deltamethrin. By the end of FY05, they further expanded their product range to Formulations, which are final products sold to farmers as Pesticides, Herbicides, Fungicides for crop protection and into public health products in the FY11. The company is present in the entire product value chain of the agrochemicals industry i.e. Intermediates, Technicals and Formulations. Majority of their current Intermediates production is utilized for captive consumption for the manufacturing of Technicals Products. Formulations are produced and packaged in powder and liquid forms and sold to distributors for further sales to farmers.

India has emerged as the largest pyrethroid manufacturer over the years.

More than half of the global demand for Pyrethroids comes from China, after importing intermediates from India, which is used to produce pyrethroid. Yet China's adoption of the 'Blue Sky' program to realize green GDP has led to the shutdown of several chemical plants. This, in turn, is expected to result in higher volumes of Pyrethroids being exported out of India.

Dominant player in India Pyrethroids market

Heranba is one of the leading manufacturers of synthetic pyrethroids in India. Pyrethroids find usage in significant applications across pest protection, environmental health and crop care as well as animal health. In 2019, the Company dominated the India pyrethroids market, accounting for a share of 19.5% of the total Indian pyrethroids production values. The Company manufactures intermediates, technicals and formulations and also exports to more than 60 countries. The company has three manufacturing plants and has over 9,400 dealers.

Business verticals

Manufacturing and selling of Technicals in bulk to domestic companies; exports of Technicals in bulk to customers outside India; manufacturing and selling of formulations under their own brands through their own distribution network in India; export of Formulations in bulk and customer specified packaging outside India; Public Health: manufacturing and selling of general insect control chemicals by participating in public health tenders issued by governmental authorities and selling to pest management companies.

Strong distribution network

As of November 15, 2020, their International Distribution Partners have successfully obtained 371 registrations of their Technicals and Formulations in 41 countries across Middle East, CIS, Asia, South East Asia and Africa. Their International Distribution Partners have presently filed 172 registration applications for their Technicals and Formulations products which are pending before the regulatory authorities in 41 countries.

Exports

Heranba exports their products to various markets of the world in Europe, Middle East, Asia, South East Asia and Africa to countries such as Argentina, Belgium, Egypt, Indonesia, Jordan, Malaysia, Nicaragua, Philippines, South Africa, Tunisia, Ukraine, Australia, Brazil, Hamburg, Iran, Kenya, Mexico, Nigeria, Turkey, Vietnam, China, France, Zimbabwe, Pakistan, Saudi Arabia, Taiwan, Uganda, Thailand, Bangladesh, Colombia, Germany, Peru and Singapore. They are constantly tapping new markets to enter into tie ups with reputed distributors to expand their presence.

Issue date	Feb. 23 – Feb. 25, 2021
Listing date	March 05, 2021
Price Band	Rs. 626 - Rs. 627 (Face value: Rs. 10)
Bid lot	23 equity shares and in multiples thereof
Issue type	Fresh issue: Rs. 60 crores Offer for sale by promoters: Rs. 565.24 crs
Issue size	Rs. 625.64 crores
Issue structure	QIB – 50 %, NIB – 15%, Retail – 35%
Post issue shares	4 crore equity shares
Promoter holding	Pre issue: 98.1%/Post issue: 74.1%
Post issue market cap	Rs. 2,508 crores
BRLM	Emkay Global, Batlivala and Karani
Registrar to the issue	Bigshare Services Private Limited

Particulars (Rs. crores)	H1FY21	FY20	FY19	FY18
Revenue from operations	618	951	1,004	745
EBITDA	100	146	139	93
EBITDA (%)	16.2	15.3	13.8	12.5
Profit after tax	66	98	75	47
PAT margin (%)	10.7	10.2	7.5	6.3
Equity share cap.	39.06	39.06	39.06	7.81
Networth	381.26	320.85	228.18	157.32
Total debt	38	43	50	76
EPS (Rs.)	33.96#	25.03	19.31	12
P/E (x)	18#	25	32	52
RoE (%)	-	30.47	33.05	29.80

Source: RHP, # denotes P/E and ROE on annualised H1FY21 numbers

Investment recommendation and rationale

At the upper end of the price band of Rs. 627, the Company's IPO is valued at P/E of 25x on FY20 EPS of Rs. 25.03 and 18x at H1FY21 annualised EPS of Rs. 33.2 which is reasonable as against its peers considering strong return ratios it enjoys against established peers like Rallis India (P/E: 29x and RoE of 13.11%), Sumitomo Chemical (P/E: 77x and RoE of 16.75%), Bharat Rasayan (27x and RoE of 27.94%), Punjab Chemicals and Crop Protection Limited (P/E - 95x and RoE of 11%). The Company will always enjoy premium post listing owing to its dominance in Pyrethroids market with established brands and considering present secondary market conditions. The COVID-19 crisis impact was minimal on the Company as it deals with Agro Products and the Government gave relaxation to the Agro Products during lockdown.

We recommend "SUBSCRIBE" to the issue due to the following factors:

- a) leading player in India's pyrethroids market, b) presence in a wide range of products across the entire value chain of synthetic pyrethroids, c) product registrations in the domestic and international markets enabling global outreach, d) wide product range and strong distribution network, e) good export opportunity, f) entering the highly regulated markets of USA and Europe, g) new value-added products to improve margins, h) strong Balance Sheet, i) miniscule working capital debt with no long term debt as on H1FY21, and robust return ratios against its peers.

Promoters background

Sadashiv K Shetty is the Promoter, Chairman and Executive Director of the company. He has experience of more than 3 decades in agrochemicals industry. He has been on the Board since September 29, 1994. He has been and is responsible for the overall supervision, direction and management of the company. He is fully involved in day to day affairs of the company and future business strategies. He has been instrumental in new products development and addition of capacities.

Raghuram K Shetty is the Promoter and Managing Director of the company. He has experience of more than 3 decades in agrochemicals industry. He has been on the Board since September 29, 1994 and has been instrumental in developing export business of the company.

Sujata S Shetty is the Whole-time Director of the company. She has experience of more than 18 years in agrochemicals industry. She has been on the Board of Directors since December 27, 2001. She looks after administrative functions of the company. Vanita R. Shetty is the Whole-time Director of the company. She has experience of more than 18 years in agrochemicals industry. She has been on the Board of Directors since December 27, 2001. She looks after human resource related activities in the company. Raunak R Shetty is the Whole-time Director of the company. He has an experience of more than 2 years in the field of accounts and finance. He has been on the Board of Directors since December 4, 2017. He looks after product development and finance function of the company.

Objects of the issue

- 1) **Fresh issue: Rs. 60 crores**
- 2) **Offer for sale: Upto 9,015,000 Equity Shares aggregating to Rs. 565.24 crores**

Offer for Sale	No of Shares
Sadashiv K. Shetty – The Promoter Selling Shareholder	Up to 5,850,000 Equity Shares
Raghuram K. Shetty– The Promoter Selling Shareholder	Up to 2,272,038 Equity Shares
SAMS Industries Ltd. – The Promoter Group Selling Shareholder	Up to 812,962 Equity Shares
Babu K. Shetty - The Investor Selling Shareholder	Up to 40,000 Equity Shares
Vittala K. Bhandary - The Investor Selling Shareholder	Up to 40,000 Equity Shares

Source: RHP



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