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Issue Details

Price Band (Rs)	Rs.626- 627
Face Value (Rs)	10
Issue Size (Rs)	625.24Cr
Issue Type	Book Building
Minimum lot	23
Issue Opens	February 23, 2021
Issue Closes	February 25, 2021
Listing on	BSE, NSE

Indicative Timeline

On or before	
Finalization of Basis of Allotment	March 02, 2021
Unblocking of Funds	March 03, 2021
Credit of shares to Demat Account	March 04, 2021
Listing on exchange	March 05, 2021

Other Detail

Book Running Lead Managers	Emkay Global Financial Services Limited, Batlivala & Karani Securities India Private Limited
Registrar	Bigshare Services Private Limited

HERANBA INDUSTRIES LIMITED

Company Background

Incorporated in 1992, Heranba Industries Limited ("Heranba") is a Gujarat-based crop protection chemical manufacturer. It is one of the leading domestic producers of synthetic pyrethroids like cypermethrin, deltamethrin, lambda-cyhalothrin, etc. The company manufactures different types of pesticides including insecticides, fungicides, herbicides, and other pest control products. Heranba Industries operates in different verticals including Domestic sales of Technicals to companies, Technicals exports, Domestic sales of Branded formulations under its own brand name, Formulations export, and Manufacturing and selling of insect control chemicals. The company has 3 well-equipped manufacturing units in Vapi, Gujarat with an aggregate manufacturing capacity of 14,024 MTPA.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.60Cr and Offer for sale of Equity Shares aggregating upto Rs.565.24Cr

Issue Objectives

- To fund working capital requirements: Rs.50Cr
- General Corporate Purposes: Rs.10Cr

IPO Share Allotment Pattern

Category	Allocation	Number of Shares at Rs.626	Number of Shares at Rs.627	Issue Size (Rs.Cr) *
QIB	50%	49,86,733	49,85,968	312.62
Non-Institutional	15%	14,96,019	14,95,790	93.79
Retail	35%	34,90,713	34,90,178	218.83
Total		99,73,466	99,71,937	625.24

*At upper price band

Outlook and Valuations

Heranba is in the business of manufacturing and marketing crop protection chemicals. Heranba is one of the leading manufacturers of synthetic pyrethroids variants. The company exports its products to more than 60 countries. The company has a diverse and stable client base that provides the required stability. Heranba Industries has been performing well on the financial front, and its operating margins are growing consistently. Considering the company's superior return ratios, strong distribution network, diversified operations and marquee client base, we believe Heranba is well placed to capitalize on domestic and global opportunities. At the upper price band of Rs.627, the stock is valued at 18.92x FY21E EPS of Rs.33.14/-. (based annualize latest earnings and on diluted basis).

We recommend subscribing to the issue from a long-term perspective.

Investment Rationale

Presence in a wide range of products across the entire value chain of synthetic pyrethroids

Heranba manufacture Intermediates, Technicals and Formulations which form part of the entire value chain of synthetic pyrethroids and other active ingredients in the agrochemicals business. They are one of the leading domestic producers of synthetic pyrethroids and started manufacturing of Cypermethric Acid Chloride (CMAC) which is a key pre-cursor required to produce pyrethroids in the FY 1995-96. By the FY 2001-2002,

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they forward integrated their operations to manufacture Technicals like Metametrin, Cypermethrin, Alphacypermethrin, Permethrin and Deltamethrin.

In the FY 2004-05 they further expanded their product line to include Formulations to then move on to launch Formulations under their own brands in the FY 2005-06. This capability of manufacturing Intermediates, Technicals and Formulations and their presence in the entire value chain of synthetic pyrethroids provides them the flexibility to shift between products depending on the demand-supply and pricing dynamics of the domestic and international agrochemicals industry.

Product registrations in the domestic and international markets enabling global outreach

Company's core strength lies in the R&D of Active Ingredients for creating new Formulations, preparing dossiers for national and international registrations of these new Formulations. Their in-house registration team is led by qualified personnel who facilitate the registration process in India with the CIB&RC and their dealers/customers in overseas jurisdictions, including some highly regulated markets like Europe enabling the manufacture and export of a range of Technicals and Formulations in the international markets.

Strong product portfolio and wide distribution network

Heranba manufacture and supply Technicals to leading domestic and multinational agrochemical companies operating in and outside India which are used by them for manufacturing their own products. Their end customers for their Formulations are the farmers who use their products for crop protection and crop care. The company has more than 9,400 dealers/distributors supported by their 21 stock depots spread across 16 states and 1 union territory in the country in order to meet the demand of their products from farmers.

Diversified and stable customer base

Various domestic and multinational agrochemical companies operating in and outside India are company's customers for the Technicals manufactured by them, who use company's products to manufacture their own Formulations and other products. The company also procure certain Technicals and Formulations from other companies depending on demand and supply and pricing dynamics. This diverse and stable base of customers provide the necessary revenue stability to the company as not more than 20.85% and 18.57% of their aggregate sales come from the top 10 customers for FY 2020 and the period ended September 30, 2020, respectively.

Development of new products at the R&D facility at Unit III (Sarigam Unit)

In order to enter the highly regulated markets of USA and Europe the company has further enhanced its R&D facilities and capabilities by establishing a 2,000 sq. ft. R&D facility at Unit III (Sarigam Unit) which has become operational from October, 2020. The new R&D facility has the latest technology and processes required to conduct research on Active Ingredients and Formulations, mainly of the molecules going off-patent in the near future with some of them going off-patent in 2020 itself. The new R&D facility will focus on 3-4 such new molecules which are undergoing R&D tests out of which 2 products are fungicides which will be effective on rice and wheat crops, 2 are herbicides and 1 is an insecticide which will be effective on wheat, rice, cotton and sugarcane, for exclusive sale in the European and USA markets.

Financial Snapshot

Particulars (RsMns)	FY2018	FY2019	FY2020	H1FY21
Equity share capital	78	391	391	391
Net worth	1,573	2,282	3,209	3,813
Net asset value per share	40.29	58.42	82.15	97.62
Revenue from Operations	7,451	10,044	9,514	6,183
EBITDA	931	1,388	1,458	1,001
EBITDA %	12.5%	13.82%	15.33%	16.2%
Net Profit	469	754	978	663
Diluted EPS (Rs)	12	19.31	25.03	16.98
ROE	29.8	33.05	30.47	17.39*

*Not annualized , Source: Company RHP, ACMIIL Research

Comparison With Listed Peers :

Peer Comparison (As on 31st March 2020)

Name of the Company	Consolidated/ Unconsolidated	P/E	EPS	Return on Net Worth (%)	H1FY21
Heranba Industries Limited	Restated	18.92*	33.14	30.47%	82.14
Rallis India Limited	Consolidated	28.77	9.51	13.11%	72.51
Sumitomo Chemical India Limited	Consolidated	77.38	4.1	16.75%	24.48
Bharat Rasayan Limited	Consolidated	26.87	371.03	27.94%	1327.73
Punjab Chemicals and Crop Protection Limited	Consolidated	95.1	8.77	11.00%	79.72

*At Upper Price band of 627, Source: Company RHP, ACMIIL Research

All the financial information for listed industry peers mentioned above is sourced from the Consolidated audited financial statements of the relevant companies for Fiscal 2020. P/E figures for the peers is computed based on closing market price as on February 3, 2021 as available at BSE website.

Risk and Concern

- Raw materials constitute a significant percentage of Company's total expenses. Any increase in prices and any decrease in the supply would materially adversely affect Company's business.
- Any failure to successfully register their products in India or in the international markets may affect Heranba results of operations and financial condition.

ACMIIL Retail Research Products

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RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket
Rollover Analysis	

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