

## Heranba Industries Ltd : Good Issue

**IPO Note : Crop Protection Chemical Manufacturer. Bottom-line grew at a CAGR of 44%. Reasonably Priced. Low Debt. Risk: Statutory warning to promoters in past : Ranking\*\*\***



### Issue details

Price band (Rs)	Rs.626-627
IPO Opening Date	23/02/21
IPO Closing Date	25/02/21
Issue Size	Rs.625.24 Cr.

### Recommendation

Total revenue grew at a **CAGR of 13.57%** from Rs.750.41 Cr for the FY 2018 to Rs.967.90 Cr for FY 2020 and **Net Profit grew at a CAGR of 44.41%** in the same period. Net profit grew from **Rs.46.87 crore** to **Rs.97.75 crore** in this period. For the first half of FY21 ended on September 30, 2020, it has earned a net profit of Rs. 66.31 cr. on a turnover of Rs. 619.21 cr. According to management, thrust for new value-added new products helped the company for earning higher margins in the last two fiscals and such trends will continue going forward. If we annualize latest earnings and attribute it on post-issue fully diluted equity capital, then asking price is at a **P/E of around 18.91 against an industry average of 60+**. As per offer documents, HIL has shown **Rallis India, Sumitomo Chemicals, Bharat Rasayan and Punjab Chemicals and Crop** as its listed peers. They are currently trading at a P/Es of around 25.35, 48.26, 27.37 and 24.96. **The company has NPM at 10.27, low debt and offers at a PE of 18.91, seems reasonable.**

### Highlights

- Heranba Industries is a crop protection chemical manufacturer, exporter and marketing company
- The company manufactures Intermediates, Technicals and Formulations.
- It is one of the leading domestic producers of synthetic pyrethroids.
- HIL's Pesticides range includes insecticides, herbicides, fungicides and public health products for pest control.
- The company exported its products to more than sixty countries in Latin America, CIS, Middle East, Africa, Asia and South East Asia in Fiscal 2020.

### RISKS

- One of the group company Shakti Bio Science Limited's network has fully eroded and the auditor has given qualified opinion
- SEBI issued Administrative warnings to the promoters of the company with regards to irregularities
- Directors were disqualified to act as director in the past

### Company Introduction

Incorporated in 1996, Heranba Industries Limited 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 1. Domestic sales of Technicals to companies 2. Technicals exports, 3. Domestic sales of Branded formulations under its own brand name, 4. Formulations export, and 5. Manufacturing and selling of insect control chemicals. It has a strong network in the domestic as well as the overseas market. In India, it has 8600 dealers across 16 states and 1 union territory



**HERANBA**  
INDUSTRIES LIMITED  
A Govt. Recognised\* Export House

[www.heranba.co.in](http://www.heranba.co.in)

## Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	619.21	967.90	1011.83	750.41
Net Profit	66.31	97.75	75.40	46.87
EPS (Rs)	16.57*	24.43	18.84	11.71

\*EPS not annualized

Source: RHP and ACE Equity

## RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

whereas, in the overseas market, it exports its products to more than 60 countries through international distribution partners. The company has 3 well-equipped manufacturing units in Vapi, Gujarat with an aggregate manufacturing capacity of 14,024 MTPA. It further has an in-house R&D team at Unit I and II that are recognized by the Department of Scientific and Industrial Research (DSIR) and its new R&D facility at Unit III, Sarigam will become operational from December 2020.

## Company Promoters:

Sadashiv K. Shetty and Raghuram K. Shetty are the company promoters.

## Objects of the Issue:

- To meet business working capital requirements.
- To meet general corporate purposes.
- To meet public issue expenses.

## IPO Issue Proceed

To part finance its plans of repayment/prepayment of certain borrowings (Rs. 76 cr.) and general corpus fund needs, SKL is coming out with a maiden combo IPO consisting fresh equity (approx 2467568 shares) issue worth Rs. 95 cr.) as well as offer for sale (8250000 equity shares) to mobilize Rs. 411.55 to Rs. 412.63 cr. based on lower and upper price bands. The company has fixed price band of Rs. 384 - Rs. 385 per share for equity shares having face value of Rs. 10. Minimum application is to be made for 38 shares and in multiples thereon, thereafter. The issue opens for subscription on January 25, 2021, and will close on January 28, 2021. Post allotment shares will be listed on BSE and NSE. Post issue, SKL's current paid-up equity capital of Rs. 30.08 cr. will stand enhanced to Rs. 32.55 cr. Based on the upper price band of the issue, the company is looking for a market cap of Rs. 1253.11 cr. HIL's current paid-up equity capital of Rs. 39.06 cr. will stand enhanced to Rs. 40.01 cr. Based on the upper price band of the issue, the company is looking for a market cap of Rs. 2508.84 cr.

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