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HERANBA INDUSTRIES LTD



About Company

Recommendation: Subscribe for Long Term

Heranba Industries Ltd (Heranba) is a Vapi, Gujarat based company incorporated in 1992. It is mainly into crop protection biz manufacturing chemicals, marketing and exporter of it. They manufacture Intermediates, Technicals and Formulations. In domestic space it is one of the leading producers of synthetic pyrethroids like cypermethrin, alphacypermethrin, deltamethrin, permitherin, lambda cyhalothrin etc. Their Pesticides range includes insecticides, herbicides, fungicides and public health products for pest control. Heranba 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. 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.

Price Band	: Rs. 626 to 627 per share
Bid Lot size	: 23 Shares
Issue size	: Rs. 625 Cr
Issue Opens	: February 23 rd 2021, Tuesday
Issue Closes	: February 25 th 2021, Thursday
Min App Amount	: Rs. 14,421/- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

•**Msearch View:** We believe Heranba IPO gives investors an unique opportunity to invest in govt recognized export house which is present in the entire product value chain of the agrochemicals industry i.e. Intermediates, Technicals, and Formulations. We are optimistic on overall crop protection business having high entry barriers protecting business competitions wherein Heranba ranks No 1 in producing synthetic pyrethroids with 19.5% market share in India. Heranba also stands well to get favourable policy support from focused govt budgetary allocation to drive sustainable business as well as profitable growth in the medium to long term. Considering its competitive strength like the wide range of the product portfolio with entire value chain supported by high product registrations, high export business (Contributing almost 50% of the topline) and strong pan India dealership network adds a catalyst to future business growth. We also believe that an increase in global & domestic food demand would lead to an increase in demand to protect the food produces and Heranba is well placed to reap the benefits. If we also check on few risk aspects like high contingent liabilities of Rs 532 mn on the company's balance sheet which is almost near or equal to H1FY20 profits and increasing preference for organic food produce may act as a concern for the growth. **On valuations parse at upper price band (Rs 627/-), the issue is asking for a market cap of Rs 2509 Cr with PE (annualised FY21) ~18.46x and P/BV stands at ~6x which seems the issue is reasonably priced well below the average industry when compared to its listed peers and assume there is something is left on the table for new investors. Hence, based on all the above aspects we advise investors to "SUBSCRIBE" Heranba Industries IPO with medium to long term perspective as markets always rewards a player who has high visibility and growth potential.**

Kindly Contact Mehta Equities Ltd :
www.mehtagroup.in or Call @ 022-61507123/145

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BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2018	2019	2020	H1 FY20	H1 FY21
Equity Share Capital	8	39	39	39	39
Reserves as stated	150	189	282	237	342
Net worth as stated	157	228	321	276	381
Revenue from Operations	745	1004	951	502	618
Revenue Growth (%)	-	34.81%	(5.28)%	-	23.26%
EBITDA as stated	93	139	145	76	100
EBITDA %	12.50%	13.82%	15.33%	15.21%	16.20%
Profit Before Tax	76	122	129	69	90
Net Profit for the period	47	75	98	53	66
Net Profit (%) as stated	6.29%	7.51%	10.21%	10.61%	10.72%
EPS (₹)	12	19.31	25.03	13.63	16.98

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS ₹ (in Cr)

Companies	FV	EPS	NAV	P/E	RoNW
Heranba Industries Ltd	10	25.03	82.14	18.46	30.47%
Rallis India Ltd	1	9.51	72.51	28.77	13.11%
Sumitomo Chemicals Ind Ltd	10	4.10	24.48	77.38	16.75%
Bharat Rasayan Ltd	10	371.03	1327.73	26.87	27.94%
Punjab chemicals & crop Ltd	20	8.77	79.72	95.10	11%

~Source: RHP; P/E Ratio has been computed based on the closing market price of the equity shares (Source: BSE) on February 3, 2021.

Source: Company RHP