

### Q1-FY22 Result Update

- ❑ The company is a crop protection chemical manufacturer, exporter and marketing company based out of Vapi, Gujarat, with Corporate and Administration Offices in Mumbai. It manufactures Intermediates, Technicals and Formulations & is one of the leading domestic producers of synthetic pyrethroids. Its Pesticides range includes insecticides, herbicides, fungicides and public health products for pest control. The company's business mix include: Domestic Institutional sales of Technicals (42.06%), Technicals Exports (30.69%), Branded Formulations (20.05%) and Formulations Exports (7.20%).
- ❑ The company reported good set of numbers for the quarter under review with revenue increase of 30.6% year-on-year to ₹3,514 million on standalone basis. The company witnessed sharp uptick in its domestic revenues this quarter, domestic revenues formed 62.1% of total revenue from operations. In absolute terms domestic revenue grew by 56.92% in Q1-FY22 on year on year basis and exports grew by 6.96% in Q1-FY22 respectively. Export growth was marginal due to scarcity of containers and backlog exports. In terms of business mix, technical grew revenue this quarter contributing 72.75% of revenue from operations. There has been a growth of 44.56% in technical revenue as compared to Q1-FY21 formulations grew by 10.4% this quarter compared to Q1-FY21 last year.
- ❑ On profitability front, the EBITDA from operations for the quarter increased by 49.2% year-on-year at ₹648 million with an operating margin of 18.4%. The company achieved the reported PAT of ₹474 million, an increase of 65.8% year-on-year with a net margin of 13.5% translating into EPS of ₹11.84 per share for the quarter.
- ❑ The company has started the construction work for its Sarigam expansion will soon reap the benefits of the same. The company intends to capitalize on opportunities generated by various technicals going off patent in the coming years by manufacturing and supplying generic variants of the technicals, in the highest regulated markets of the United States of America and Europe.
- ❑ We are positive on Heranba Industries Ltd, the company has diverse product range, strong margins, strong balance sheet, and further opportunities from off patent products in highly regulated markets. We revise our rating to **HOLD** on the stock with a revised target price of **₹900 per share**.

## Standalone Financials:

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	3M-FY22	3M-FY21	Chg
Net Sales	3,514	2,692	30.6%	3,514	2,692	30.6%
Operating Expense	2,866	2,257	27.0%	2,866	2,257	27.0%
EBITDA	648	435	49.2%	648	435	49.2%
Other Income	43	1	3648.2%	43	1	3648.2%
Depreciation	36	33	7.0%	36	33	7.0%
EBIT	655	402	62.9%	655	402	62.9%
Interest	12	14	-14.7%	12	14	-14.7%
PBT	643	388	65.7%	643	388	65.7%
Tax	169	102	65.5%	169	102	65.5%
Exceptional Items	3	0		3	0	
<b>PAT</b>	<b>477</b>	<b>286</b>	<b>66.6%</b>	<b>477</b>	<b>286</b>	<b>66.6%</b>
Minority /Other Adj.	-	-		-	-	
<b>Consolidated PAT</b>	<b>477</b>	<b>286</b>	<b>66.6%</b>	<b>477</b>	<b>286</b>	<b>66.6%</b>

Margins	Q1-FY22	Q1-FY21	Chg BPS	3M-FY22	3M-FY21	Chg BPS
Operating Margin %	18.4%	16.1%	230	18.4%	16.1%	230
Net Margin %	13.6%	10.6%	293	13.6%	10.6%	293

## Standalone Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	9,514	12,186	13,405	14,746
Operating Expense	8,220	9,973	10,970	12,067
EBITDA	1,293	2,213	2,435	2,678
Other Income	165	70	77	85
Depreciation	82	147	181	199
EBIT	1,377	2,137	2,331	2,564
Interest	88	54	59	64
Misc. items	-	-	-	-
PBT	1,288	2,083	2,272	2,500
Tax	311	541	590	649
Minority Interest	-	-	-	-
PAT	<b>978</b>	<b>1,542</b>	<b>1,683</b>	<b>1,851</b>

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	-5.3%	28.1%	10.0%	10.0%
Operating Margin %	13.6%	18.2%	18.2%	18.2%
Net Margin %	10.3%	12.7%	12.6%	12.6%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<b>Liabilities</b>				
Equity Share Capital	391	400	400	400
Reserves & Surplus	2,818	4,881	6,564	8,415
Total Shareholder's Funds	3,208	5,281	6,964	8,815
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	70	101	101	101
Deferred Tax Liability	16	-	-	-
Short-term Liabilities	2,953	3,051	3,356	3,692
<b>Total</b>	<b>6,248</b>	<b>8,433</b>	<b>10,421</b>	<b>12,608</b>
<b>Assets</b>				
Net Fixed Assets	1,332	1,431	1,561	1,526
Long-Term L&A	118	-	-	-
Non Current Investments	37	101	101	101
Other Non-Current Assets	47	349	349	349
Current Asset	4,713	6,552	8,410	10,632
<b>Total</b>	<b>6,248</b>	<b>8,433</b>	<b>10,421</b>	<b>12,608</b>

Key Ratios	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	24.4	38.5	42.1	46.3
P/E (x)	32.2	20.4	18.7	17.0
P/B (x)	9.8	6.0	4.5	3.6
ROE	30.5%	29.2%	24.2%	21.0%

Source: Company, Anand Rathi Research

## Key Risks:

- Market & Industry Risk.
- Liquidity Risk.
- Credit Risk.
- Logistic Risk.

## Rating and Target Price history:

### HERANBA's rating history & price chart



### HERANBA's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
5-Jul-2021	Buy	877	703
26-Aug-2021	Hold	900	786

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 26 August 2021 close.

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