

CMP: INR 717

Target Price: INR 1,073

Rating: BUY

Stock Info

BSE	543266
NSE	HERANBA
Bloomberg	HERN:IN
Reuters	HERN.NS
Sector	Agrochemicals
Face Value (INR)	10
Equity Capital (INR Mn)	400.1
Mkt Cap (INR Mn)	29,330
52w H/L (INR)	945 / 603
Avg. Yearly Volume (in 000')	415

Shareholding Pattern %

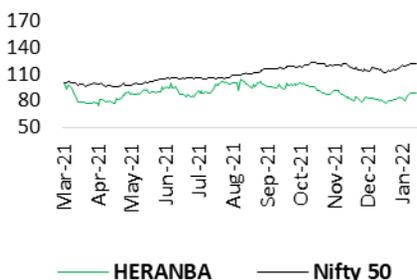
(As on December, 2021)

Promoters	74.77
FII	2.62
DII	1.39
Public & Others	21.22

Stock Performance (%)

	1m	6m	YTD
Heranba Industries	4.7%	-11%	4.7%
Nifty 50	-1.6%	9.2%	-1.6%

Heranba Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022 67114872

Yogesh Tiwari

yogesh.tiwari@arihantcapital.com
022 67114834

Heranba Industries Ltd. is a crop protection chemical manufacturer, exporter and marketing company. The manufacturing facilities are located in Vapi and at Sarigam near Vapi. It is currently expanding its capacity at Sarigam and also possess additional land bank at Saykha, Dahej for future capacity expansion.

The company announced its Q3FY22 results which were largely in-line with our estimates. Operating margins recovered during the quarter and is trending in the guidance band of the management, which is a key positive for the company. Also, inventory and receivables management improved during the quarter compared to Q2FY22.

Q3FY22 Result Highlights:

- In Q3FY22, Revenues from operations increased by 18.9% YoY/11.9% QoQ to INR 3,954 Mn, marginally above our estimates of INR 3,923 Mn.
- Domestic business continue to be the dominant segment, contributing 59% of overall sales in 9MFY22. Within the Export segment, Technicals was the major component, contributing about 78% of revenues in 9MFY22.
- EBITDA increased by 10.7% YoY/16.4% QoQ to INR 712 Mn, which was slightly lower than our estimate of INR 721 Mn.
- EBITDA margin stood at 18% which expanded by 70 bps QoQ but contracted by 135 bps YoY, due to raw material cost inflation.
- Other Expenses largely remained under control with rise of 4.5% YoY/1.1% QoQ.
- Effective Tax Rate stood at 25% in Q3FY22 compared to 25.7% in Q2FY22 and 26% in Q3FY21.
- PAT increased by 19.6% YoY/17.3% QoQ to INR 535 Mn, which was in-line with our estimate of INR 537 Mn. However, Other Income contributed significantly to the bottom-line on YoY basis (up 527%) but was flat on QoQ basis.
- Net Profit Margin expanded marginally by 7 bps YoY/up 62 bps QoQ to 13.5% in Q3FY22.

Outlook & Valuations: At the CMP of INR 717 per share, the stock is trading at a P/E multiple of 12.2x/10.0x its FY23E/FY24E EPS of INR 58.8/INR 71.6 respectively. It has already acquired another land bank and possess necessary infrastructure for future expansion if required. The company is penetrating into higher margin export market. We believe that these drivers will facilitate the company's topline to grow by 18-20% going forward while maintaining the margins in the 18-20% range. Considering the future growth drivers, we continue to value the company at a P/E multiple of 15x its FY24E EPS of INR 71.6 and maintain our Target Price of INR 1,073 per share. Accordingly, we reiterate our BUY rating on the shares of Heranba Industries Ltd.

Financial Highlights

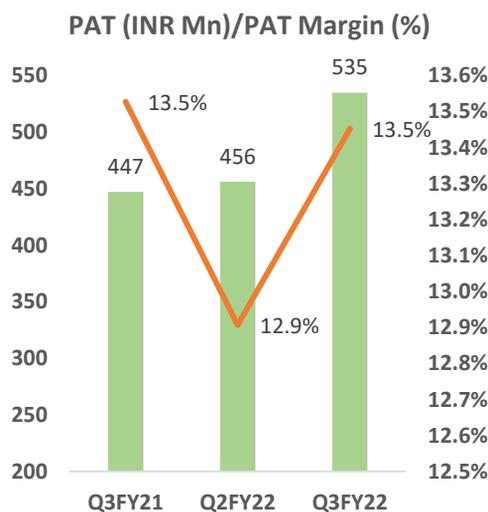
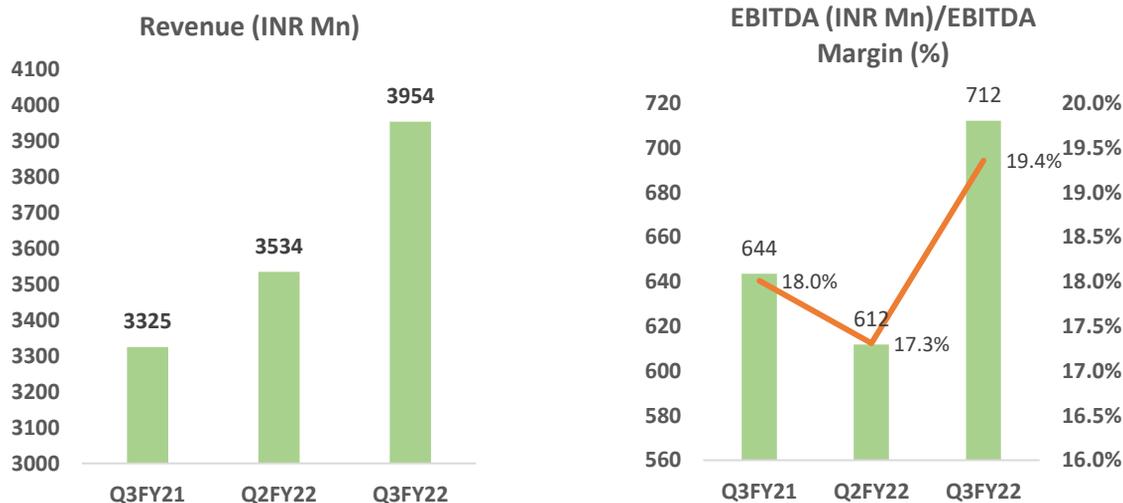
in INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	9,514	12,186	14,186	16,739	20,087
EBITDA	1,293	2,213	2,744	3,290	4,033
EBITDA Margin (%)	13.6	18.2	19.3	19.7	20.1
PAT	977	1,542	2,019	2,352	2,863
PAT Margin (%)	10.1	12.6	14.1	13.9	14.2
EPS	25.0	38.5	50.5	58.8	71.6
PE(x)	28.7	18.6	14.2	12.2	10.0

Source: Company, Arihant Research

Quarterly Result

INR Mn	Q3FY22	Q2FY22	Q3FY21	QoQ	YoY
Revenue from Operations	3954	3534	3325	11.9%	18.9%
Material Cost	2529	2257	2009	12.0%	25.9%
Employee benefit expense	191	150	173	27.6%	10.5%
Other Expenses	521	515	499	1.1%	4.5%
EBITDA	712	612	644	16.4%	10.7%
<i>EBITDA Margin</i>	<i>18.0%</i>	<i>17.3%</i>	<i>19.4%</i>	<i>70.26</i>	<i>-134.56</i>
Depreciation and Amortization Expense	42	38	38	11.5%	11.4%
EBIT	670	574	606	16.7%	10.6%
Finance Costs	9	12	9	-25.5%	-8.4%
Other Income	51	52	8	-0.8%	526.9%
Exceptional Items	0	0	0		
PBT	713	614	604	16.1%	17.9%
PBT Margin	18.0%	17.4%	18.2%	64.99	-15.71
Tax Expense	178	158	157	12.6%	13.1%
Effective Tax Rate	25.0%	25.7%	26.0%	-76.73	-105.95
PAT	535	456	447	17.3%	19.6%
PAT Margin	13.5%	12.9%	13.5%	62.11	7.47
EPS (INR)	13.4	11.4	11.5	17.3%	16.7%

Source: Company, Arihant Research



Source: Company, Arihant Research

Key Financials

Income Statement (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	10,044	9,514	12,186	14,186	16,739	20,087
Total Operating Expenses	6,978	6,374	7,795	8,993	10,880	13,056
Employee Cost	380	465	522	596	668	748
Other Expenses	1,373	1,381	1,656	1,853	1,901	2,249
Operating Profit	1,314	1,293	2,213	2,744	3,290	4,033
Depreciation	60	82	147	175	232	306
PBIT	1,255	1,211	2,067	2,569	3,058	3,727
Other income	74	165	70	124	136	150
Interest	107	88	54	48	49	49
PBT	1,221	1,288	2,083	2,644	3,145	3,828
Profit before tax (post exceptional)	1,221	1,288	2,083	2,644	3,145	3,828
Provision for tax	467	312	541	625	792	965
Reported PAT	754	977	1,542	2,019	2,352	2,863
MI	-	-	-	-	-	-
Net Profit	754	977	1,542	2,019	2,352	2,863

Source: Company, Arihant Research

Balance Sheet (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity capital	391	391	400	400	400	400
Reserves	1,891	2,818	4,881	6,792	8,996	11,672
Net worth	2,282	3,208	5,281	7,192	9,396	12,072
Non Current Liabilities	103	86	101	121	126	131
Current Liabilities	3,220	2,953	3,051	4,647	5,323	6,199
TOTAL LIABILITIES	5,604	6,248	8,433	11,961	14,845	18,401
Non Current Assets	1,088	1,534	1,881	2,342	3,064	3,973
Fixed Assets	671	1,332	1,431	1,869	2,553	3,421
Goodwill	-	-	-	-	-	-
Non Current Investments	0	37	101	101	101	101
Deferred Tax Asset	1	-	10	-	-	-
Other Financial Assets	71	84	242	266	292	322
Other Non Current Assets	345	81	97	107	117	129
Current Assets	4,516	4,713	6,552	9,618	11,781	14,429
Current investments						
Inventories	1,139	1,455	1,660	2,138	2,522	3,027
Trade Receivables	2,533	2,585	3,418	3,964	4,678	5,613
Cash and Bank Balances	210	32	848	2,827	3,823	4,954
Short Term Loans and Advances	15	26	20	22	24	27
Other Current Assets	619	615	607	667	734	807
TOTAL ASSETS	5,604	6,248	8,433	11,961	14,845	18,401

Source: Company, Arihant Research

Key Financials

Cash Flow St. (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Profit	754	977	1,542	2,019	2,352	2,863
Add: Dep. & Amort.	60	82	147	175	232	306
Cash profits	814	1,059	1,689	2,194	2,585	3,169
(Inc)/Dec in						
-Sundry debtors	(502)	(52)	(833)	(547)	(714)	(936)
-Inventories	(199)	(316)	(205)	(478)	(385)	(504)
-Loans/advances	-	(9)	9	-	-	-
- Other Current Assets	(109)	253	(168)	(97)	(106)	(117)
-Current Liab and Provisions	102	97	170	44	47	52
Sundry Creditors	568	(227)	(169)	1,542	630	825
Change in working capital	(140)	(255)	(1,196)	465	(527)	(680)
CF from Oper. activities	674	804	493	2,659	2,057	2,490
CF from Inv. activities	(257)	(780)	(310)	(612)	(917)	(1,174)
CF from Fin. activities	(326)	(202)	632	(67)	(145)	(184)
Cash generated/(utilized)	92	(178)	816	1,980	996	1,131
Cash at start of the year	118	210	32	848	2,827	3,823
Cash at end of the year	210	32	848	2,827	3,823	4,954

Source: Company, Arihant Research

Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
OPM	13.08%	13.60%	18.16%	19.34%	19.65%	20.08%
NPM	7.45%	10.09%	12.58%	14.11%	13.94%	14.15%
Tax Rate	38.26%	24.20%	25.95%	23.63%	25.20%	25.20%

Growth Ratios (%)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	35.51%	-5.28%	28.09%	16.40%	18.00%	20.00%
Operating Profit	49.66%	-1.57%	71.12%	23.95%	19.92%	22.59%
PBIT	60.04%	5.50%	61.66%	26.94%	18.94%	21.73%
PAT	60.86%	29.52%	57.93%	30.92%	16.49%	21.73%

Per Share (INR)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Earnings (EPS)	19.3	25.0	38.5	50.5	58.8	71.6
Cash Earnings (CPS)	20.8	27.1	42.2	54.8	64.6	79.2
Dividend	1.0	1.0	1.7	2.7	3.7	4.7
Book Value	58	82	132	180	235	302
Free Cash Flow	281	(562)	125	1,919	989	1,155

Valuation Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
P/E(x)	38.0	29.3	19.0	14.5	12.5	10.2
P/B(x)	12.5	8.9	5.6	4.1	3.1	2.4
EV/EBIDTA(x)	22.0	22.4	13.0	9.8	7.9	6.1
Div. Yield(%)	0.14%	0.14%	0.23%	0.37%	0.50%	0.64%

Return Ratios (%)	FY19	FY20	FY21	FY22E	FY23E	FY24E
ROE	33.05%	30.44%	29.20%	28.07%	25.03%	23.72%
ROCE	45.12%	33.29%	35.73%	33.38%	30.89%	29.64%

Source: Company, Arihant Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880