

12 September 2022

CMP: ₹ 574

Q1-FY23 Result Update

Target: ₹ 745

- ❑ 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 (35%), Technicals Exports (32%), Domestic Formulations (23%) and Formulations Exports (10%).
- ❑ The company reported disappointing set of numbers for the quarter under review with revenue growth of 3.0% year-on-year to ₹3,619 million on standalone basis due to challenging macro-economic developments and late onset of monsoon in the domestic market. However, the management highlighted that the company's products are experiencing a pickup in demand due to good rainfall across India and a healthy reservoir level, setting a positive sentiment for the agro chemical industry.
- ❑ On profitability front, the EBITDA from operations for the quarter declined by 28.6% year-on-year at ₹463 million with an operating margin of 12.8%. The company achieved the reported PAT of ₹337 million, a decline of 28.9% year-on-year with a net margin of 9.3% translating into EPS of ₹8.42 per share for the quarter.
- ❑ The company's construction work for its Sarigam expansion is ongoing and 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. The company's management gave an annual revenue growth guidance for FY23 of ~16% and EBITDA margins of ~17%.
- ❑ We are positive on Heranba Industries Ltd, the company has diverse product range, strong margins, strong balance sheet, capacity expansion and further opportunities from off patent products in highly regulated markets. We maintain **BUY** rating on the stock with a revised target price of **₹745 per share**.

Standalone Financials:

(In ₹ mn)	3M-FY23	3M-FY22	Chg
Net Sales	3,619	3,514	3.0%
Operating Expense	3,156	2,866	10.1%
EBITDA	463	648	-28.6%
Other Income	44	43	
Depreciation	53	36	
EBIT	455	655	-30.6%
Interest	12	12	
PBT	443	643	-31.2%
Tax	106	169	
Exceptional Items	-	-	
PAT	337	474	-28.9%
Minority /Other Adj.	-	-	
Consolidated PAT	337	474	-28.9%

Margins	3M-FY23	3M-FY22	Chg BPS
Operating Margin %	12.8%	18.4%	-565
Net Margin %	9.3%	13.5%	-417

Standalone Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	12,186	14,504	15,954	18,347
Operating Expense	9,973	11,906	14,131	15,101
EBITDA	2,213	2,598	1,823	3,246
Other Income	70	194	213	245
Depreciation	147	198	190	219
EBIT	2,137	2,593	1,845	3,272
Interest	54	41	44	50
Misc. items	-	-	-	-
PBT	2,083	2,553	1,801	3,222
Tax	541	662	467	835
Minority Interest	-	-	-	-
PAT	1,542	1,891	1,334	2,386

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	28.1%	19.0%	10.0%	15.0%
Operating Margin %	18.2%	17.9%	11.4%	17.7%
Net Margin %	12.7%	13.0%	8.4%	13.0%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	400	400	400	400
Reserves & Surplus	4,881	6,744	8,079	10,465
Total Shareholder's Funds	5,281	7,145	8,479	10,865
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	149	156	156	156
Deferred Tax Liability	(10)	(28)	(28)	(28)
Short-term Liabilities	3,003	3,386	3,724	4,283
Total	8,423	10,658	12,331	15,277
Assets				
Net Fixed Assets	1,431	2,077	1,774	1,977
Long-Term L&A	165	135	135	135
Non Current Investments	101	21	21	21
Other Non-Current Assets	43	38	38	38
Current Asset	6,683	8,387	10,362	13,106
Total	8,423	10,658	12,331	15,277

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	38.5	47.2	33.3	59.6
P/E (x)	14.9	12.1	17.2	9.6
P/B (x)	4.3	3.2	2.7	2.1
ROE	29.2%	26.5%	15.7%	22.0%

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 (₹)
2-Jul-2021	Buy	877	703
26-Aug-2021	Hold	900	786
08-Feb-2022	Buy	900	674
12-Sep-2022	Buy	745	574

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 12 September 2022 close.

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