



HERANBA INDUSTRIES LIMITED

Issue highlights

- ❑ **Heranba Industries Limited (Heranba[™])** was incorporated on May 17, 1992. Heranba is a crop protection chemical manufacturer, exporter and marketing company based out of Vapi, Gujarat. They manufacture Intermediates, Technicals and Formulations.
- ❑ Heranba is one of the leading domestic 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.
- ❑ The business verticals includes:
 - **Domestic institutional sales of Technicals:** manufacturing and selling of Technicals in bulk to domestic companies;
 - **Technicals exports:** exports of Technicals in bulk to customers outside India;
 - **Branded Formulations:** Manufacturing and selling of Formulations under their own brands through their own distribution network in India;
 - **Formulations Exports:** export of Formulations in bulk and customer specified packaging outside India; and
 - **Public Health:** manufacturing and selling of general insect control chemicals by participating in public health tenders issued by governmental authorities and selling to pest management companies.
- ❑ The company 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.
- ❑ The company exported their products to more than 60 countries in Latin America, CIS, Middle East, Africa, Asia and South East Asia in Fiscal 2020.
- ❑ 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. Their International Distribution Partners have presently filed 172 registration applications for their Technicals and Formulations products which are pending before the regulatory authorities in 41 countries.

Brief Financial Details*

(₹ In Cr)

	As at Sep'30,		As at Mar' 31,		
	2020(06)	2019(06)	2020(12)	2019(12)	2018(12)
Equity Share Capital~	39.06	39.06	39.06	39.06	7.81
Reserves as stated~	342.20	237.04	281.79	189.12	149.51
Net worth as stated	381.26	276.10	320.85	228.18	157.32
Revenue from Operations	618.34	501.65	951.37	1,004.44	745.10
Revenue Growth (%)	23.26%	-	(5.28)%	34.81%	-
EBITDA as stated	100.14	76.30	145.88	138.81	93.13
EBITDA (%) as stated	16.20%	15.21%	15.33%	13.82%	12.50%
Profit Before Tax	90.08	68.87	128.84	122.12	76.31
Net Profit for the period	66.31	53.24	97.75	75.40	46.88
Net Profit (%) as stated	10.72%	10.61%	10.21%	7.51%	6.29%
EPS (₹)	16.98^	13.63^	25.03	19.31	12.00
RoNW (%)	17.39^	19.28%^	30.47	33.05	29.80
NAV(₹)~	97.62	70.69	82.15	58.42	40.29

Source: RHP *Restated Summary, ^not annualized.

Issue Details

Fresh Issue of Equity Shares aggregating upto ₹ 60 Crore and Offer for sale of upto 9,015,000 Equity Shares

Issue size: ₹ 624.34 – 625.24 Cr

No. of shares: 9,973,466 - 9,971,938

Face value: ₹ 10

Price band : ₹ 626 – 627

Bid Lot: 23 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 2,505 – 2,509 Cr

BRLMs: Emkay Global Financial, Batlivala & Karani Securities

Registrar: Bigshare Services Pvt. Ltd.

Issue opens on: Tuesday, 23th Feb'2021

Issue closes on: Thursday, 25th Feb'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	02-03-2021
Refunds/Unblocking ASBA Fund	03-03-2021
Credit of equity shares to DP A/c	04-03-2021
Trading commences	05-03-2021

Issue break-up

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	4,986,732 – 4,985,968	312.17-312.62	50%
NIB	1,496,020 – 1,495,791	93.65 – 93.79	15%
Retail	3,490,714 – 3,490,178	218.52-218.83	35%
Total	9,973,466 – 9,971,937	624.34 -625.24	100%

Listing : BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue^	Post issue#
39,056,530	40,014,996	40,013,468

^@Lower price Band #@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	98.85%	74.15%
Public	1.15%	25.85%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as 'Heranba Industrial Chemicals Private Limited' on May 17, 1992. The company was promoted by Sadashiv K Shetty and Raghuram K Shetty.

The pre-Issue shareholding

Name	No. of Equity Shares held	% of the pre-Issue paid- up Equity Shares capital
Promoters & Promoters Group		
Sadashiv K Shetty	13,051,796	33.42%
Raghuram K Shetty	14,121,984	36.16%
Member of Promoter Group	11,432,750	29.27%
Total for Promoter & Promoter Gr.	38,606,530	98.85%
Public	4,50,000	1.15%
Total	39,056,530	100.00%

Brief Biographies of Directors

Sadashiv K Shetty is the Promoter, Chairman and Executive Director of the company. He has experience of more than 3 decades in agrochemicals industry. He has been on the Board since September 29, 1994. He has been and is responsible for the overall supervision, direction and management of the company. He is fully involved in day to day affairs of the company and future business strategies. He has been instrumental in new products development and addition of capacities.

Raghuram K Shetty is the Promoter and Managing Director of the company. He has experience of more than 3 decades in agrochemicals industry. He has been on the Board since September 29, 1994 and has been instrumental in developing export business of the company.

Sujata S Shetty is the Whole-time Director of the company. She has experience of more than 18 years in agrochemicals industry. She has been on the Board of Directors since December 27, 2001. She looks after administrative functions of the company.

Vanita R. Shetty is the Whole-time Director of the company. She has experience of more than 18 years in agrochemicals industry. She has been on the Board of Directors since December 27, 2001. She looks after human resource related activities in the company.

Raunak R Shetty is the Whole-time Director of the company. He has an experience of more than 2 years in the field of accounts and finance. He has been on the Board of Directors since December 4, 2017. He looks after product development and finance function of the company.

Kaushik H Gandhi is the Independent Director of the company. He has more than 12 years of experience in audit, project finance, taxation, secretarial and accounting.

Mulky V Shetty is the Independent Director of the company. He has over 2 decades of experience in chemical industry in different fields such as product development, setting up plant and manufacturing operations.

Anil Kumar M. Marlecha is the Independent Director of the company. He has over 5 years of experience in legal practice.

Ganesh N. Vanmali is the Independent Director of the company. He has over 4 decades of experience in banking industry.

Nimesh S Singh is the Independent Director of the company. He has over 10 years of experience in accounting, taxation and financial advisory.

Key Managerial Personnel

Maheshwar V. Godbole is the Chief Financial Officer of the company and has been associated with the company since November 16, 2009. He was appointed as Chief Financial Officer (CFO) of the company with effect from September 24, 2018. He has several years of industry experience in the field of accounts, corporate finance and management information systems. Currently, he is responsible for the overall finance and accounting, risk management and audit compliance in the company.

Abdul Latif is the Company Secretary and Compliance Officer of the company appointed with effect from December 21, 2018. He has several years of experience in the field of secretarial matters, company law related matters and corporate compliances. He is currently responsible for the secretarial compliances in the company.

OBJECTS OF THE ISSUE

(₹ In Cr)	
Objects	Amount
To fund working capital requirements	50.00
General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	
Fresh Issue (₹ 60 Cr)	Upto 958,466 [^] - 956,937 [~] Equity Shares <i>([^] at upper price band and [~] lower price band)</i>
* Offer for sale by:	Upto 9,015,000 Equity Shares
Sadashiv K. Shetty – The Promoter Selling Shareholder	<i>Up to 5,850,000 Equity Shares</i>
Raghuram K. Shetty – The Promoter Selling Shareholder	<i>Up to 2,272,038 Equity Shares</i>
SAMS Industries Ltd. – The Promoter Group Selling Shareholder	<i>Up to 812,962 Equity Shares</i>
Babu K. Shetty - The Investor Selling Shareholder	<i>Up to 40,000 Equity Shares</i>
Vittala K. Bhandary - The Investor Selling Shareholder	<i>Up to 40,000 Equity Shares</i>

BUSINESS OVERVIEW

Heranba Industries Limited (“Heranba”) is a crop protection chemical manufacturer, exporter and marketing company based out of Vapi, Gujarat. They manufacture Intermediates, Technicals and Formulations. They are one of the leading domestic 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.

Their business verticals include:

Domestic Institutional sales of Technicals	Manufacturing and selling of Technicals in bulk to domestic companies;
Technicals Exports	Exports of Technicals in bulk to customers outside India;
Branded Formulations	Manufacturing and selling of Formulations under their own brands through their own distribution network in India;
Formulations Exports	Export of Formulations in bulk and customer specified packaging outside India; and
Public Health	Manufacturing and selling of general insect control chemicals by participating in public health tenders issued by governmental authorities and selling to pest management companies.

Heranba started their manufacturing activity in the year 1996 with production of an Intermediate product CMAC. By the FY 2001-2002, they forward integrated their company into the manufacturing of various Technicals like metametron, cypermethrin, alpha, permethrin and deltamethrin. By the end of the FY 2004-2005, they further expanded their product range to Formulations, which are final products sold to farmers as Pesticides, Herbicides, Fungicides for crop protection and into public health products in the FY 2010-11.

The company is present in the entire product value chain of the agrochemicals industry i.e. Intermediates, Technicals and Formulations.

Heranba has diversified their business from manufacturing and selling of Intermediates to manufacturing, marketing and selling of Technicals and Formulations. Majority of their current Intermediates production is utilized for captive consumption for the manufacturing of Technicals Products. Formulations are produced and packaged in powder and liquid forms and sold to distributors for further sales to farmers.

Their manufacturing process mainly includes chemical reactions of ammonolysis, esterification, hydrolysis, condensation, favorski reaction, isomerisation, cyanation, friedel crafts, methoxylation, cyclisation and halogenation. They have their in-house R&D team for product development and improvisation which is well supported by their product registration team. Their R&D facilities at Unit I and II are recognized by the Department of Scientific and Industrial Research, Ministry of Science & Technology, GoI (DSIR). Their new R&D facility at Unit III, Sarigam has become operational from October, 2020.

The company exported their products to more than 60 countries in Latin America, CIS, Middle East, Africa, Asia and South East Asia in Fiscal 2020. 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. Their International Distribution Partners have presently filed 172 registration applications for their Technicals and Formulations products which are pending before the regulatory authorities in 41 countries. Their International Distribution Partner in Europe has already received registration for Deltamethrin Technical. Their other International Distribution Partner has incorporated a company, Heranba Europe S.L. wherein registration of Alpha Cypermethrin Technical has been recently received. Applications for registration of Lambda Cyhalothrin Technical, and Metribuzin Technical filed by their International Distribution Partners are in process before the relevant authority in EU. Their International Distribution Partner in the USA has also applied for registration of Lambda Cyhalothrin Technical manufactured by the company as another source of supply to their existing registration for this product. **They are in process of developing 2 products of Fungicides, 2 products of Herbicides and 1 product of Insecticides, for which research and development tests have been initiated**, for exclusive sale to the European markets after registration with the regulatory authority in EU.

India has emerged as the largest pyrethroid manufacturer over the years. More than half of the global demand for Pyrethroids comes from China, after importing intermediates from India, which is used to produce pyrethroid. Yet China's adoption of the 'Blue Sky' program to realize green GDP has led to the shutdown of several chemical plants. This, in turn, is expected to result in higher volumes of Pyrethroids being exported out of India.

Heranba has an extensive distribution network in India supported by a skilled sales force. They have more than 9,400 dealers having access to 21 depots of the company across 16 states and 1 union territory in India supporting the distribution of their products. The company participated in various international & domestic agrochemical exhibitions and industry conferences to market their products.

Heranba exports their products to various markets of the world in Europe, Middle East, Asia, South East Asia and Africa to countries such as Argentina, Belgium, Egypt, Indonesia, Jordan, Malaysia, Nicaragua, Philippines, South Africa, Tunisia, Ukraine, Australia, Brazil, Hamburg, Iran, Kenya, Mexico, Nigeria, Turkey, Vietnam, China, France, Zimbabwe, Pakistan, Saudi Arabia, Taiwan, Uganda, Thailand, Bangladesh, Colombia, Germany, Peru and Singapore. They are constantly tapping new markets to enter into tie ups with reputed distributors to expand their presence.

They also educate farmers regarding the benefits of using their products by conducting farmer training camps, participating in village level programmes and exhibitions to establish a direct relationship with farmer communities all over India.

BUSINESS IMPACT – COVID 19

The Agrochemical industry was categorized under essential commodities and allowed to operate during the lockdown. At Factory, steps were initiated to monitor and control the operations including the travel ban, thermal screening, sanitation and awareness campaigns have been conducted through video, mailers, posters, etc. The initial period (about a week) of lockdown operations were at a slow pace due to streamlining of processes by the Government authorities for movement of materials and personnel. Post this, operations were started improving on a week by week basis. Sales of goods were almost normal even in the initial period of lockdown. Heranba Team has exhibited very good teamwork to maintain and accelerate operations during these toughest days. **There is no significant impact on the operations of Heranba and the Company is poised to generate growth in the operations.**

The impact of the Lock down to the Company was minimal as the Company deals with Agro Products and the Government gave relaxation to the Agro Products. All factory of the Company is in operation though with less manpower. Laptops/ Computers have been made available to Employees at their Home with EPS connectivity so that they could do the Work from Home without any problem. The company continue to closely monitor the economic conditions and the effect of COVID-19 and have outlined certain measures to combat the pandemic situation and to minimize the impact on their business.

Revenue from Operations: Business Segment-wise

Particulars	6 Months ended Sept'30		Year Ended March 31,					
	2020		2020		2019		2018	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Domestic Institutional sales of Technicals	204.02	32.99%	301.00	31.64%	331.46	33.00%	196.36	26.35%
Technicals exports	198.94	32.1%	347.09	36.48%	396.57	39.48%	300.78	40.37%
Formulations Exports	57.35	9.27%	122.06	12.83%	95.20	9.48%	66.74	8.96%
Branded Formulations	141.00	22.80%	120.58	12.67%	145.85	14.52%	167.07	22.42%
Public Health	17.04	2.76%	60.64	6.37%	35.37	3.52%	14.15	1.90%
Total for Revenue from operations	618.35	100.00%	951.37	100.00%	1,004.45	100.00%	745.10	100.00%

Revenue from Operations: Geographical segment-wise

(₹ in Cr)

	For the Period Ended 30 th September,		For the Year Ended 31 st March,		
	2020	2019	2020	2019	2018
India	362.06	261.83	482.22	512.68	377.58
Overseas	256.29	239.82	469.15	491.77	367.52
Total	618.34	501.65	951.37	1,004.44	745.10

PRODUCT REGISTRATION IN THE DOMESTIC AND INTERNATIONAL MARKETS

	Hold Registration	Filed with the CIB&RC and are in the process of evaluation.
Technicals manufacture and sale in India	18	14
Formulations registered for manufacturing and sale in India	169	
Technicals & Formulations for manufacture and sale in the export markets	103	7

In addition to this, their International Distribution Partners, with their product and technical support, have obtained registrations for 371 Technicals and Formulations in 41 countries across Middle East, CIS, Asia, South East Asia and Africa. Further 172 Technicals and Formulations filed for registration by their International Distribution Partners before regulatory authorities in 41 overseas jurisdictions, excluding Europe.

MANUFACTURING UNITS

The company has 3 manufacturing and packaging facilities in and around the industrial belt of Vapi, Gujarat having 174 reactors with an aggregate manufacturing capacity of 14,024 MTPA. These facilities manufacture Intermediates like cypermethric acid chloride, cypermethric acid and MPBD and Technicals like Cypermethrin, Alphacypermethrin, Deltamethrin, Permethrin and Lambda cyhalothrin amongst others and a range of Insecticides, Herbicides and Fungicides Formulations. From 4 facilities earlier, they have now integrated a facility with Unit I for operational purposes which will exclusively manufacture Intermediates and Technicals and Unit II will continue to manufacture Intermediates and Technicals. Facilities which have been mainly producing Formulations in liquid and powder forms, which are then packed in various sizes as per the required dosage for each crop on a per acre basis dismantled and shifted to Unit III at Sarigam.

As a part of their expansion plans, they have in the year 2018 acquired on lease from GIDC around 55,000 sq. mtrs. of land at Sarigam, near Vapi, Gujarat out of which around 22,300 sq. mtrs. is used for Formulations facility, which will streamline their production by some new reactors and establishing an automated facility for packaging the Formulations. Their new R&D facility at Unit III at Sarigam has become operational from October, 2020. The remaining land shall be utilized at a later stage for manufacturing Intermediates, Technicals and for establishing other administrative facilities. The Sarigam Unit III also has a rooftop solar plant generating 266,590 units-kWh p.a. for captive consumption. Their manufacturing facilities have been/are being installed with well-balanced effluent treatment systems for solid, liquid and gaseous effluents and emission generated from their processes.

Installed Production Capacity and Capacity Utilization:									
Unit	Fiscal 2020			Fiscal 2019			Fiscal 2018		
	Installed Capacity in TPA	Actual Production in Tonns	% Utilization	Installed Capacity in TPA	Actual Production in Tonnes	% Utilization	Installed Capacity in TPA	Actual Production in Tonnes	% Utilization
Unit – I (Intermediates and Technicals)	4,944.00	4,524.10	91.50%	4,944.00	4,449.60	90.00%	4,944.00	4,202.40	85.00%
Unit – II (Intermediates and Technicals)	4,080.00	3,610.80	88.50%	4,080.00	3,549.60	87.00%	4,080.00	3,388.00	83.00%
Unit – III (Formulations)	5,000.00	2,928.00	58.56%	3,764.00	2,634.00	70.00%	3,764.00	2,559.52	68.00%
Total	14,024.00	11,062.90	78.89%	12788.00	10,633.20	83.15%	12,788.00	10,149.92	79.37%

Note: The capacity of Unit I has increased due to the merger of operations of a unit situated at Plot No. 1503, Phase III, G.I.D.C, Vapi, Taluka-Pardi, District- Valsad and The capacity of Unit III (Sarigam Unit) has increased due to the merger of operations of a unit situated at Plot No. 1409, Phase III, Vapi, Taluka-Pardi, District- Valsad.

COMPANY PRODUCT PORTFOLIO

Technical Grade Pesticides/Technicals:

Product	Particulars
Insecticides	Insecticides are substances used to kill insects. They include ovicides and larvicides used against insect eggs and larvae, respectively. Insecticides are majorly used in agriculture. They manufacture the following insecticides: <i>Cypermethrin, Deltamethrin, Alpha Cypermethrin, Acephate, Dichlorvos, Lambda Cyhalothrin, Methamidophos, Permethrin, Profenophos, Temephos, Theta Cypermethrin, Thiamethoxam and Imidacloprid.</i>
Fungicide	Fungicides are biocidal chemical compounds or biological organisms used to kill parasitic fungi or their spores. A fungistatic inhibits their growth. Fungi can cause serious damage to crops, resulting in critical losses of yield, quality and profit. They manufacture the following Fungicides: <i>Tricyclazole and Hexaconazole</i>
Herbicides	Herbicides also commonly known as weed killers, are substances used to control unwanted plants while leaving the crop relatively unharmed. They manufacture the following Herbicide: <i>Glyphosate, Metribuzin & Clodinofof.</i>
Intermediates	An intermediate is a molecule that is formed from two or more reactants and then reacts further to give products. Most chemical reactions require more than one step and an intermediate is the product of each step, except for the last one, after which the final products are produced. They manufacture the following Intermediates: <i>Cypermethric Acid Chloride (CMAC), High CIS CMA, High CIS CMAC, High Trans CMA, High Trans CMAC, Bromobenzenes, Metaphenoxy Benzaldehyde (MPBD) and Metaphenoxy Benzyl Alcohol (MPBAL).</i>
Formulations	A pesticide formulation is a mixture of chemicals which effectively control a pest. Formulating a pesticide involves processing it to improve its storage, handling, safety, application, or effectiveness. Formulations and branding of formulations is a forward integration to their Technicals business.

Usage of company's Key Technicals:

Product	Indicative Use
Cypermethrin	This is a wide spectrum insecticide to control crop damaging insects in all range of fruits, vegetables, cotton and other crops. It is also used to control flies and other insects in animal houses. It has application in public health against mosquitoes, cockroaches, houseflies, etc.
Alphacypermethrin	This is non-systemic insecticide used for the control of a wide range of chewing and sucking insects in agricultural crops like cotton rice, potatoes, oilseeds, etc. used in public health for the control of harmful insects.
Permethrin	An insecticide effective against broad range of pests. Used as preservation against insects and pests.
Deltamethrin	This is a highly effective insecticide used in low dosages. It has both crop protective usages like the above and also effective in the Public Health segment. It is used as a preservative in grain storage and is effective against wood pests.
Lambda Cyhalothrin	A wide range pesticide used in agricultural crops.

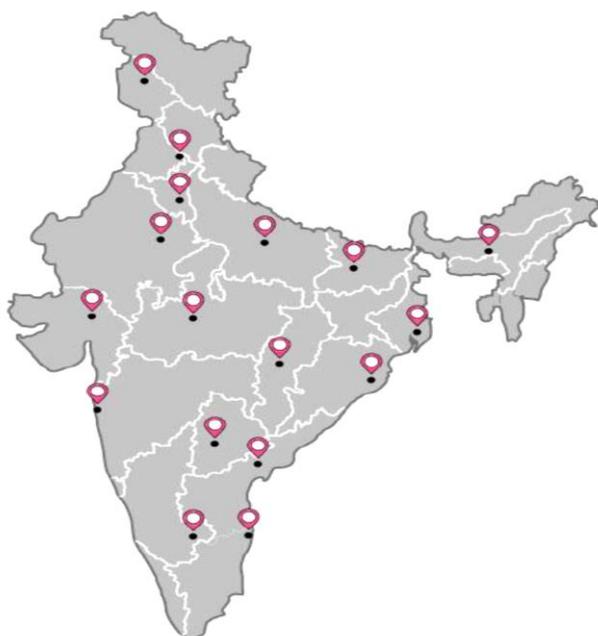
MAJOR PRODUCTS AND CLIENTELE

Various domestic and multinational agrochemical companies operating in and outside India are company's customers for the Technicals manufactured by them.

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Sumitomo Chemical India Ltd., ▪ Sulphur Mills Ltd., ▪ Biostadt India Ltd., ▪ Crystal Crop Protection Ltd., ▪ NACL Ltd. (Formerly Nagajuna Agrichem Ltd.), ▪ Sharda Cropchem Ltd., | <ul style="list-style-type: none"> ▪ Meghmani Organics Ltd., ▪ PI Industries Ltd., ▪ Krishi Rasayan Group ▪ Agro Life Science Corporation ▪ Shanghai Agricare Chemical Co. Ltd., China |
|--|---|

SALES & DISTRIBUTION NETWORK

Distribution network across the country



State-wise Sales from the sale of formulations:

Name of the State	Sales for the period ended Sep' 30, 2020	% of Total Sales	Sales for the Fiscal 2020	% of Total Sales
Maharashtra	28.59	16.83%	30.00	15.60%
Andhra Pradesh	14.97	8.81%	25.53	13.27%
Uttar Pradesh	10.31	6.07%	15.95	8.29%
Gujarat	11.97	7.05%	15.90	8.27%
Rajasthan	16.05	9.44%	14.53	7.55%
Telangana	9.04	5.32%	13.11	6.81%
Madhya Pradesh	18.18	10.70%	13.08	6.80%
West Bengal	10.24	6.02%	12.74	6.62%
Punjab	9.62	5.66%	9.40	4.89%
Odisha	7.36	4.33%	8.79	4.57%
Karnataka	6.97	4.10%	7.00	3.64%
Chhatisgarh	7.95	4.68%	6.87	3.57%
Haryana	6.89	4.06%	5.73	2.98%
Tamilnadu	3.98	2.34%	5.07	2.63%
Bihar	3.20	1.88%	4.37	2.27%
Assam	4.61	2.71%	4.31	2.24%
Total	192.36	100.00%	169.92	100.00%

COMPETITIVE STRENGTHS

- **Presence in a wide range of products across the entire value chain of synthetic pyrethroids**

Heranba manufacture Intermediates, Technicals and Formulations which form part of the entire value chain of synthetic pyrethroids and other active ingredients in the agrochemicals business. They are one of the leading domestic producers of synthetic pyrethroids and started manufacturing of Cypermethric Acid Chloride (CMAC) which is a key pre-cursor required to produce pyrethroids in the FY 1995-96. By the FY 2001-2002, they forward integrated their operations to manufacture Technicals like Metameton, Cypermethrin, Alphacypermethrin, Permethrin and Deltamethrin.

In the FY 2004-05 they further expanded their product line to include Formulations to then move on to **launch Formulations under their own brands in the FY 2005-06**. This capability of manufacturing Intermediates, Technicals and Formulations and their presence in the entire value chain of synthetic pyrethroids provides them the flexibility to shift between products depending on the demand-supply and pricing dynamics of the domestic and international agrochemicals industry.

- **Product registrations in the domestic and international markets enabling global outreach**

Company's core strength lies in the R&D of Active Ingredients for creating new Formulations, preparing dossiers for national and international registrations of these new Formulations. Their in-house registration team is led by qualified personnel who facilitate the registration process in India with the CIB&RC and their dealers/customers in overseas jurisdictions, including some highly regulated markets like Europe enabling the manufacture and export of a range of Technicals and Formulations in the international markets.

- **Strong product portfolio and wide distribution network**

Heranba manufacture and supply Technicals to leading domestic and multinational agrochemical companies operating in and outside India which are used by them for manufacturing their own products. Their end customers for their Formulations are the farmers who use their products for crop protection and crop care. The company 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. Their sales & marketing teams travel extensively to maintain and strengthen existing relationships with customers and to explore new relationships with potential customers. They educate farmers on the care and protection extended by their products over their crops by conducting farmer training camps, participating in village level programmes and district exhibitions to establish a direct relationship with farmer communities all over India.

- **Diversified and stable customer base**

Various domestic and multinational agrochemical companies operating in and outside India are company's customers for the Technicals manufactured by them, who use company's products to manufacture their own Formulations and other products. The company also procure certain Technicals and Formulations from other companies depending on demand and supply and pricing dynamics. This diverse and stable base of customers provide the necessary revenue stability to the company as not more than 20.85% and 18.57% of their aggregate sales come from the top 10 customers for FY 2020 and the period ended September 30, 2020, respectively.

- **Experienced Promoters and Management Team**

Company's Promoters have more than 30 years of individual experience in the agrochemicals sector and are adequately qualified to manage the operations of the company from manufacturing, exports and marketing. Their Promoters are completely involved in the day to day affairs of the company and future business strategies. They are also instrumental in the development of new products and markets, both domestic and international. The second generations of the Promoters are also fully involved and taking active interest in the business activities and have become a part of the management and operations. With the right mix of youth and experience the company is poised for growth and evolution in the near future.

KEY BUSINESS STRATEGIES

- **Enhancing and streamlining production capacities and operations**

The company has 3 manufacturing and packaging facilities in and around the industrial belt of Vapi which manufacture Intermediates, Technicals and a range of Insecticides, Herbicides and Fungicides Formulations. They have streamlined their production by adding some new reactors and establishing an automated facility for packaging the Formulations at Unit III. Their new R&D facility at Unit III Sarigam has become operational from October, 2020. They now have Unit I which is a dedicated facility for manufacturing Technicals, Unit II for derivatives of CMAC and Unit III for liquid and powder Formulations and packaging of Formulations in various sizes and materials.

Their Unit III land parcel of around 55,000 sq. mtrs. is more than 3 times the land parcel of around 17,500 sq. mtrs. at Vapi. The availability of land for expansion and streamlining of operations will further enhance their revenues and profitability in the near future. In addition to the Sarigam land, they have another parcel of land admeasuring around 34,600 square metres at Saykha, at GIDC – Dahej extension which can be used for further expansion, when required.

- **Development of new products at the R&D facility at Unit III (Sarigam Unit)**

In order to enter the highly regulated markets of USA and Europe the company has further enhanced its R&D facilities and capabilities by establishing a 2,000 sq. ft. R&D facility at Unit III (Sarigam Unit) which has become operational from October, 2020. The new R&D facility has the latest technology and processes required to conduct research on Active Ingredients and Formulations, mainly of the molecules going off-patent in the near future with some of them going off-patent in 2020 itself. The new R&D facility will focus on 3-4 such new molecules which are undergoing R&D tests out of which 2 products are fungicides which will be effective on rice and wheat crops, 2 are herbicides and 1 is an insecticide which will be effective on wheat, rice, cotton and sugarcane, for exclusive sale in the European and USA markets.

- **Entering the highly regulated markets of USA and Europe**

Various Technicals will be going off-patent in the near future and some of them are going off-patent in the year 2020 itself, which may lead to a good demand for the generic versions of these molecules across the world, especially in the highly regulated markets of USA and Europe. To exploit these opportunities, Heranba will have to enhance their ability and capabilities with respect to R&D and registrations of the generic versions of these molecules and related formulations in USA and Europe. There is significant growth potential in these markets with higher margins for their existing and new line of products. Their knowledge of the generic agrochemical markets, existing dossiers and registrations across the world will enable new registrations in these highly regulated markets.

Their International Distribution Partner in Europe has already received registration for Deltamethrin Technical. The other International Distribution Partner has incorporated a company, Heranba Europe S.L. wherein registration of Alpha Cypermethrin Technical has been recently received. Applications for registration of Lambda Cyhalothrin Technical, and Metribuzin Technical filed by their International Distribution Partners are in process before the relevant authority in EU. The International Distribution Partner in the USA has also applied for registration of Lambda Cyhalothrin Technical manufactured by the company as another source of supply to their existing registration for this product.

- **Enhancing Formulations & Technicals business in the international markets**

Sales in the international markets require registrations of their Formulations with the respective regulatory authorities in various overseas jurisdictions. **Wider range of Formulations and higher number of registrations is the mantra for increased international sales.** Typically, sales of Formulations in the international markets is undertaken by way of tie-ups with International Distribution Partners who import company's Formulations, in bulk or final packages, after registration with the local regulatory authority, and sell them mostly under their own brands in their markets.

The manufacture and supply of Technicals is mostly based on demand and supply dynamics in the international markets. Their International Distribution Partners present in these markets regularly provide the company the information on the demand and supply situation and place orders accordingly.

- **Branded Formulations and Public Health products segment**

As part of their further growth strategy Heranba intend to focus on manufacturing and sales of Formulations under their own brands in India and the manufacturing and marketing of Public Health products. On the Public Health side, their products include general insect control, termiticide, larvicide, indoor residual spray, rodenticide and cockroach gels which are Formulations of synthetic pyrethroids. Public Health products are supplied to municipal corporations and government bodies/agencies for public health purposes like controlling the spread of malaria, filaria, dengue and such other parasitic diseases. These products are also supplied to pest control companies. The company has been able to successfully bid for government tenders issued by central and state governments agencies and municipal corporations. **They normally supply these products under their own brands like "Temper" and "Rat Kill"** or in bulk form as maybe required by them.

COMPETITION

The Indian agrochemicals market is highly fragmented in nature with many formulators. The competition is fierce with large number of organized sector players and spurious pesticide manufacturers.

Name of the company	% of Indian Pyrethroids Maker share (in the year 2019)
Heranba Industries Ltd	19.5%
Competitors	
Tagros Chemicals India Ltd.	14.8%
Hemani Industries Ltd.	9.9%
Dhanuka Agritech Ltd.	8.7%
Insecticides (India) Ltd.	7.9%
Syngenta India Ltd.	6.2%
Excel Crop Care Ltd.	5.8%
UPL Ltd.	4.2%
Bayer CropScience Ltd.	3.9%
Rallis India Ltd.	3.6%
Sumitomo Chemical India Ltd.	3.4%
others	12.1%

Comparison with Listed Industry Peers (as on 31st March 2020)

Name of the Company	Consolidated/ Standalone	Face Value	EPS (Basic)	NAV [^]	P/E [~]	RoNW (%)
Heranba Industries Ltd	Restated	10	25.03	82.14	[•]	30.47%
Peer Group						
Rallis India Ltd	Consolidated	1	9.51	72.51	28.77	13.11%
Sumitomo Chemical India Ltd	Consolidated	10	4.10	24.48	77.38	16.75%
Bharat Rasayan Ltd	Consolidated	10	371.03	1,327.73	26.87	27.94%
Punjab Chemicals and Crop Protection Ltd	Consolidated	10	8.77	79.72	95.10	11.00%

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

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