



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
022 4225 4871

Yogesh D. Tiwari  
[yogesh.tiwari@arihantcapital.com](mailto:yogesh.tiwari@arihantcapital.com)  
022 4225 4834

**Capacity expansion and newer market penetration to drive growth**

**CMP: INR 733**  
**Target Price: INR 1,073**  
**Rating: BUY**

**Stock Info**

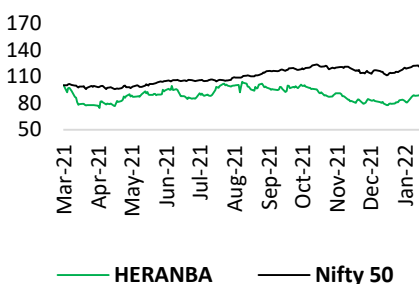
BSE	543266
NSE	HERANBA
Bloomberg	HERN:IN
Reuters	HERN.NS
Sector	Agrochemicals
Face Value (INR)	10
Equity Capital (INR Mn)	400.1
Mkt Cap (INR Mn)	29,330
52w H/L (INR)	945 / 603
Avg. Yearly Volume (in 000')	415

**Shareholding Pattern %**

(As on December, 2021)

Promoters	74.77
FIs	2.62
DIs	1.39
Others	21.22

**Heranba Industries Vs Nifty**



**Abhishek Jain**  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
022 4225 4871

**Yogesh Tiwari**  
[yogesh.tiwari@arihantcapital.com](mailto:yogesh.tiwari@arihantcapital.com)  
022 4225 4834

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. We initiate coverage on the company given its leadership position in the pyrethroids market, upcoming facility expansion and entry into newer geographies.

**Capacity expansion to drive volume growth**

In November 2021, the company added 1,200 MTPA to its original capacity of 14,024 MTPA. The new capacity will be gradually ramped up and the revenue potential is about INR 1,000 Mn at 100% capacity utilization. Additionally, it is expanding its capacity at Sarigam near Vapi, in a phased manner. About 5,000 MTPA will come on board by September 2022. The margin profile of the expanded product portfolio is similar to the current margin.

**Penetration into higher margin export markets**

In FY21, export markets contributed about 48% of the overall revenues of the company. Exports enjoy higher margin compared to domestic markets and the differential is about 3%-4%. The company is targeting to increase its presence in the export markets which augurs well to support higher margin growth. Management expects to maintain operating margin in the 18%-20% range going forward. We believe that higher exposure to exports will facilitate margins to remain in the higher range of the guidance band.

**Increase in product registration to strengthen product portfolio**

The company has about 375 registrations today and around 160 odd registrations are in pipeline. It plans to introduce about 4-5 products each year with majority of them directed towards export markets. Also, the company is diversifying into products other than insecticides. The new upcoming facility at Sarigam will include fungicide. Overall, we believe that the company will benefit from robust and diversified product portfolio as well as enhanced margin profile from export markets.

**Diversified and marquee clientele**

The company has a strong product portfolio mix comprising of technical and formulations. This gives the company a strategic advantage to diversify its customer base and cater to different regions. The contribution of top 10 clients to its overall revenues is less than 25% which reduces its dependency on any particular client.

**Valuation & Outlook**

At the CMP of INR 733 per share, the stock is trading at a P/E multiple of 14.5x/12.5x its FY22E/FY23E EPS of INR 50.5/INR 58.8 respectively. The company generated INR 12,186 Mn revenue in FY21 with 18.2% EBITDA margins. The company is currently undertaking an expansion exercise and is confident of growing its topline by 18-20% going forward and maintaining healthy operating margins in the range of 18-20%. It has further acquired land bank and possess infrastructure for future expansion if required. The entry into higher margin export geographies presents an upside potential to expand the operating margins even further. Also, the company will periodically introduce new products every year. Factoring in its sinewy growth, we value the company at a P/E multiple of 15x its FY24E EPS of INR 71.6 and arrive at a Target Price of INR 1,073 per share. Accordingly, we recommend a BUY rating on the shares of Heranba Industries Ltd.

## Investment Rationale

### Capacity expansion to drive volume growth

The company has three main manufacturing and packaging facilities in and around Vapi, Gujarat. The aggregate manufacturing capacity is 14,024 MTPA. These facilities manufacture intermediates like cypermethric acid chloride, cypermethric acid and MPBD and technicals like cypermethrin, alphacypermethrin, deltamethrin, permitherin and others.

Unit 1 and Unit 2 manufactures Intermediates and Technicals. Unit 3 manufactures Formulations and is located at Sarigam. Heranba Industries recently commissioned additional capacity of 1,250 MTPA in November 2021 and the facility can generate revenues of about INR 1,000 Mn at full capacity ramp-up. The company has excess land at Sarigam and is currently expanding its capacity. The first phase will be completed by September 2022 and will add about 5,000 MTPA. The company has the ability to further scale up this new capacity to 12,000 to 15,000 MTPA depending upon market condition. The overall revenue potential from this enhanced capacity would be about INR 8,000 Mn.

Moreover, the company has a large land bank measuring 34,600 square metres at Saykha at GIDC (Gujarat Industrial Development Corporation), Dahej Extension and can be used for further expansion if required.

Below is the detailed break-up of the initial capacity of Heranba Industries Ltd.:

#### Unit I

##### (Intermediates and Technicals)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Installed Capacity (MTPA)	4,944.0	4,944.0	4,944.0
Total Production (tonnes)	4,524.1	4,449.6	4,202.4
Capacity Utilization (%)	91.5%	90.0%	85.0%

#### Unit II

##### (Intermediates and Technicals)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Installed Capacity (MTPA)	4,080.0	4,080.0	4,080.0
Total Production (tonnes)	3,610.8	3,549.6	3,388.0
Capacity Utilization (%)	88.5%	87.0%	83.0%

#### Unit III

##### (Formulations)

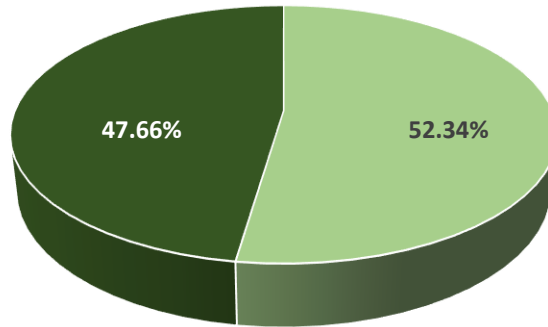
Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Installed Capacity (MTPA)	5,000.0	3,764.0	3,764.0
Total Production (tonnes)	2,928.0	2,634.8	2,559.5
Capacity Utilization (%)	58.6%	70.0%	68.0%

Source: Company filings, Aриhant Research

**Penetration into higher margin export markets**

The company sells Technicals and Formulation products in Indian and International markets. In FY21, exports contributed about 48% of the total sales of the company. Within exports, Technicals are a dominant product compared to Formulations.

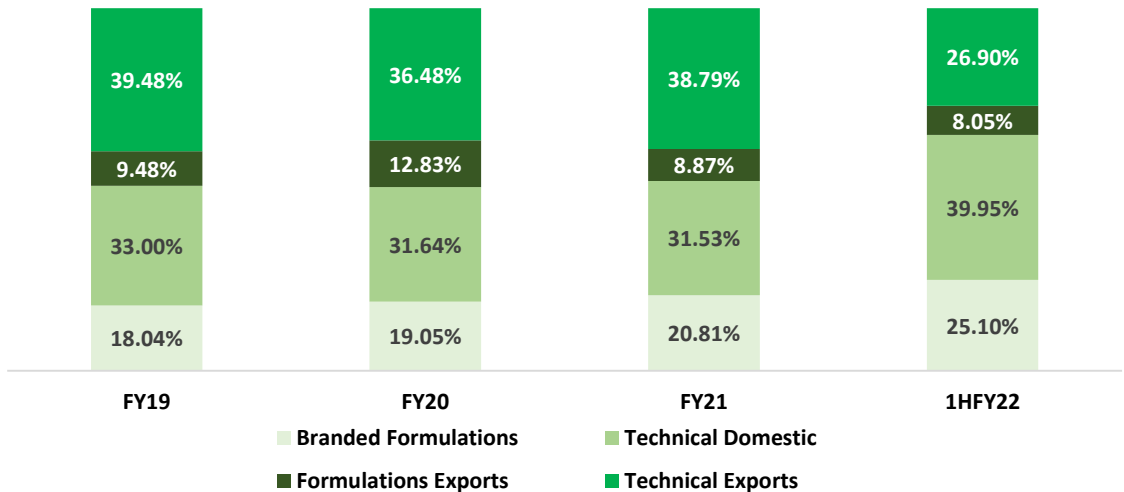
FY21 – Revenue Split



■ Domestic ■ Exports



**Revenue from Technicals and Formulations**



Source: Company filings, Aриhant Research

Export markets contribute higher margins to the company compared to domestic markets. The margin differential between the two markets is about 4%. The company is looking to expand and penetrate into more export markets.

In FY21, export markets contributed about 48% of the overall revenues of the company. Exports enjoy higher margin compared to domestic markets and the differential is about 3%-4%. The company is targeting to increase its presence in the export markets which augurs well to support higher margin growth. Management expects to maintain operating margin in the 18%-20% range going forward. We believe that higher exposure to exports will facilitate margins to remain in the higher range of the guidance band.

in INR Mn	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>10,044</b>	<b>9,514</b>	<b>12,186</b>	<b>14,186</b>	<b>16,739</b>	<b>20,087</b>
<b>EBITDA</b>	<b>1,314</b>	<b>1,293</b>	<b>2,213</b>	<b>2,744</b>	<b>3,290</b>	<b>4,033</b>
EBITDA Margin (%)	13.1	13.6	18.2	19.3	19.7	20.1
<b>PAT</b>	<b>754</b>	<b>977</b>	<b>1,542</b>	<b>2,019</b>	<b>2,352</b>	<b>2,863</b>
PAT Margin (%)	7.5	10.1	12.6	14.1	13.9	14.2
<b>EPS</b>	<b>19.3</b>	<b>25.0</b>	<b>38.5</b>	<b>50.5</b>	<b>58.8</b>	<b>71.6</b>
PE(x)	38.0	29.3	19.0	14.5	12.5	10.2

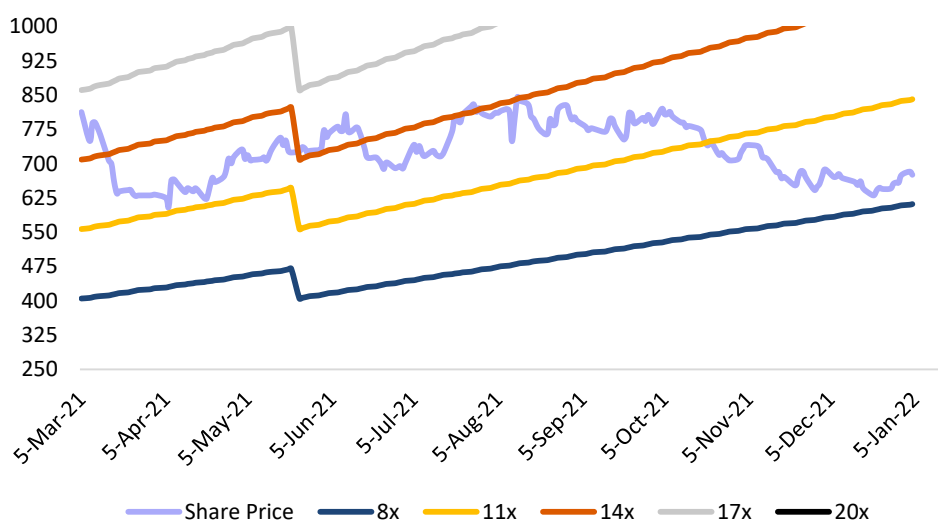
Source: Company, Arihant Research

### Outlook & View

At the CMP of INR 733 per share, the stock is trading at a P/E multiple of 14.5x/12.5x its FY22E/FY23E EPS of INR 50.5/INR 58.8 respectively. The company generated INR 12,186 Mn revenue in FY21 with 18.2% EBITDA margins. The company is currently undertaking an expansion exercise and is confident of growing its topline by 18-20% going forward and maintaining healthy operating margins in the range of 18-20%. It has further acquired land bank and possess infrastructure for future expansion if required. The entry into higher margin export geographies presents an upside potential to expand the operating margins even further. Also, the company will periodically introduce new products every year. Factoring in its sinewy growth, we value the company at a P/E multiple of 15x its FY24E EPS of INR 71.6 and arrive at a Target Price of INR 1,073 per share. Accordingly, we recommend a BUY rating on the shares of Heranba Industries Ltd.

### Valuation Plot

The market has noticed the growth prospects of the company and is factoring the value creation through its market capitalization. The company is on the completion of its major capital expenditure and expansion plans and its positive impact will be seen in strong growth in topline and bottom-line in the near future. This will be the major catalyst for price appreciation of the company.



Source: Company filings, Arihant Research



**Industry Overview:**

**Global Agrochemicals Market:**

The global agrochemical market stood at USD 65.59 Billion in 2019, growing at a CAGR of 0.87% during 2014-2019. Going ahead, the industry is estimated to expand at double the previous growth rate and increase to USD 73.39 Billion in 2025, growing at a CAGR of 1.89% during 2019-2025. (Source: Phillips McDougall and IMARC Group)

Regionally, Asia Pacific was the largest market in 2019, comprising about 30% of the global agrochemical market, followed closely by Latin America. Asia Pacific is estimated to be the fastest growing region by 2025, expanding at a CAGR of 3.78% between 2019-2025.

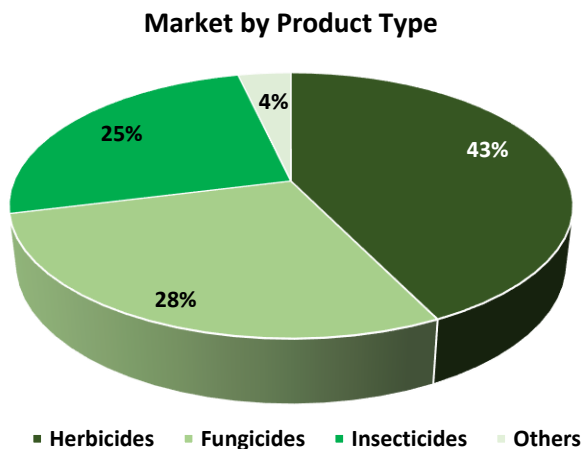
Market by Region	2019 (USD Bn)	2025 (USD Bn)	CAGR 2019-2025
Asia-Pacific	19.53	24.39	3.78%
Latin America	18.93	21.46	2.12%
Europe	12.78	10.83	-2.73%
North America	11.83	13.87	2.69%
Middle East and Africa	2.53	2.85	2.01%
<b>Total</b>	<b>65.59</b>	<b>73.39</b>	<b>1.89%</b>

(Source: Phillips McDougall and IMARC Group)

The drivers influencing the growth in the Asia Pacific market are as follows:

- Growing population in the region, particularly in India and China, and the rising need for achieving food grain self-sufficiency have stimulated the agrochemicals market growth.
- Rapid urbanization and the resultant negative impact on land availability has put pressure to increase yield per hectare which can be achieved through increased usage of productivity-enhancing inputs, such as crop protection products.
- The share of off-patent molecules compared to patented molecules and proprietary off-patent molecules have been increasing over the years. This provides improved export opportunities for Asian companies (especially India and China) that possess expertise in the off-patent segment.

The agrochemicals market can be further split into Herbicides, Fungicides, Insecticides and Others.



■ Herbicides ■ Fungicides ■ Insecticides ■ Others  
(Source: Phillips McDougall and IMARC Group)

Herbicide, Fungicide and Insecticide markets are estimated to grow at a CAGR of 1.01%, 1.47% and 1.60% respectively during the period 2019-2025.

**Indian Agrochemicals Market:**

The Indian agrochemical market stood at USD 2.76 Billion in 2019, growing at a CAGR of 6.5% during 2014-2019. Going ahead, the industry is estimated to expand further and increase to USD 3.80 Billion in 2025, growing at a CAGR of 5.5% during 2019-2025. (Source: IMARC Group). Insecticides is the dominant market within the Indian Agrochemical space, comprising about 54% of the domestic industry.

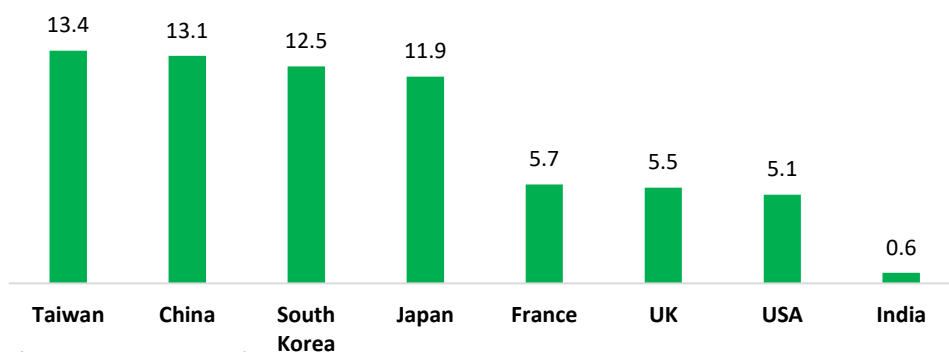
Market by Product Type	2019 (in USD Million)	2025 (in USD Million)	CAGR (2019-2025)
Insecticides	1,493	2,017	5.1%
Herbicides	643	899	5.7%
Fungicides	516	727	5.9%
Others	108	155	6.2%
<b>Total</b>	<b>2,760</b>	<b>3,798</b>	<b>5.5%</b>

(Source: IMARC Group)

The factors driving the growth in the Indian Agrochemicals Industry are as follows:

- With the estimated growth of population to 1.7 Billion by 2050, Indian food grain demand is estimated to reach a volume of 355 Million Tons by 2030. On account of reducing arable land, small land holdings and low consumption of pesticides per hectare, the requirement for increasing farming productivity is being witnessed, which is crucial for improving the overall outputs. This can be further achieved through optimum usage of farm productivity-enhancing inputs like agrochemicals.
- Fruits and vegetables account for nearly 90% of total horticulture production in the country. Due to rapid urbanization and a shift towards nutritious and healthy diets, the demand for fruits and vegetables is likely to increase by 141% (from 268 Million Tons to 647 Million Tons in 2050). Hence, in order to reduce the post-harvest loss in fruits and vegetables, the demand for fungicides is expected to increase significantly.
- Pesticides worth USD\$ 4.1 Billion are expected to go off-patent by 2020. This is anticipated to provide significant export opportunities for Indian companies to develop generic molecules. Further, the implementation of stringent regulations by the Chinese government pertaining to environmentally polluting industries is also projected to offer numerous opportunities for the Indian manufacturers in the form of off-patent molecules for effectively increasing exports from India.
- The Indian exports of agrochemicals reached a value of US\$ 3.37 Billion in 2019, growing at a CAGR of 11.6% during 2014-2019. The Indian government has set an agricultural export policy to expand the exports to USD\$ 60 Billion by 2022. This is expected to boost the Indian export of agrochemicals in the coming years. Apart from this, the government is also targeting cluster-based developments, which will boost the competitiveness of exports and domestic sales by reducing logistics costs.
- Globally, the bio-pesticides market is growing at a CAGR of 10-15%, whereas the bio-pesticides segment in India constitutes only 3% of the Indian crop protection market. However, growing awareness regarding numerous eco-friendly approaches and the increasing use of integrated pest management (IPM) method for crop protection is providing lucrative opportunities for the growth of bio-pesticides in the Indian agrochemical industry.
- India has one of the lowest pesticide consuming country in the world. India's per hectare consumption of pesticide is 0.6 Kg is lower when compared to the US (5-7 Kg/ha) and Japan (11-12 Kg/ha). Thus, an immense potential for the growth of the agrochemical industry in India is anticipated. This lower per capita consumption of pesticides has positively impacted the agrochemicals market growth over the past few years.

**Per Capita Pesticide Consumption (Kg/Ha), 2019**



(Source: FICCI Report)

**Pyrethroids:**

Pyrethroids are synthetic chemical compounds that are procured from chrysanthemum cinerariaefolium flowers. They are used to control pest insects in farms, homes, communities, restaurants, hospitals and schools.

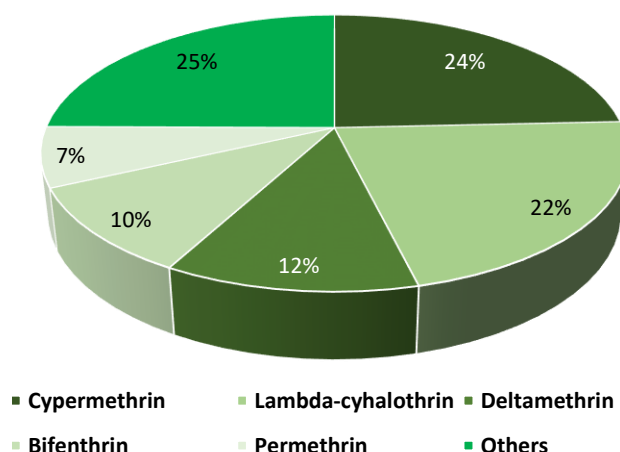
The global pyrethroids market consumption stood at USD 3.24 Billion in 2019, growing at a CAGR of 3.9% during 2019-2025. Regionally, Asia Pacific was the largest market in 2019, comprising about 39% of the global pyrethroids market consumption, followed closely by Latin America. Asia Pacific market is estimated to expand at a CAGR of 3.43% between 2019-2025.

Market by Region	2019 (USD Mn)	2025 (USD Mn)	CAGR 2019-2025
Asia-Pacific	1,278	1,564	3.43%
Latin America	796	1,011	4.07%
North America	573	731	4.14%
Europe	385	495	4.27%
Middle East and Africa	204	267	4.62%
<b>Total</b>	<b>3,235</b>	<b>4,068</b>	<b>3.89%</b>

(Source: IMARC Group)

Cypermethrin represented the most popular type in the global Pyrethroids market, accounting for 24.3% of total market in 2019. Cypermethrin was followed by lambda-cyhalothrin (21.9%), deltamethrin (11.8%), bifenthrin (10.2%), permethrin (7.0%) and others (24.9%). Growth of lambda-cyhalothrin market is driven by the rise in concerns toward diseases transferable by insects, awareness about disease prevention and rapid growth of commercial pest management services. The development of advanced and efficient technologies, a rise in the demand for home pest control, increasing government initiatives to enhance agriculture yield are among the key the factors driving the growth of deltamethrin market. Cypermethrin used in long-lasting insecticidal nets is widely used to protect people from mosquitoes that carry malaria, dengue, and yellow fever diseases. Permethrin, cypermethrin, and deltamethrin are mainly used as active ingredients in nets. DDT and pyrethroids have the same mode of action. Bifenthrin is the type of synthetic pyrethroid used in the control of pests and insects, such as mosquitoes, ticks, fleas, termites, and cockroaches. It is available in different forms, such as sprays and granules. It is included in one of the recommendations from the CDC to fight mosquito-borne diseases such as malaria, West Nile, and Zika. With the increase in the production of food crops, the demand for insecticides such as bifenthrin has increased. The factor driving the permethrin market is the toxicity of permethrin for mites, and other insects are triggering its demand from various insecticidal applications. The pharmaceutical use of permethrin which includes head lice treatment is also increasing its demand. The pharmaceutical applications of permethrin are increasing, owing to growing health awareness among consumers.

**Breakup by Product Type, (2019)**



(Source: IMARC Group)

Globally, pesticides are mostly Organophosphate-based. Within Organophosphate, Chlorpyrifos is a dominant product. However, European and US regulators have banned use of Chlorpyrifos, which will benefit pyrethroids manufacturer like Heranba Industries. There are other organophosphate compounds under the radar of the regulators and we believe that pyrethroids can substitute a substantial market share of organophosphate going forward owing to regulatory scrutiny.



## Company Overview:

### Business Model

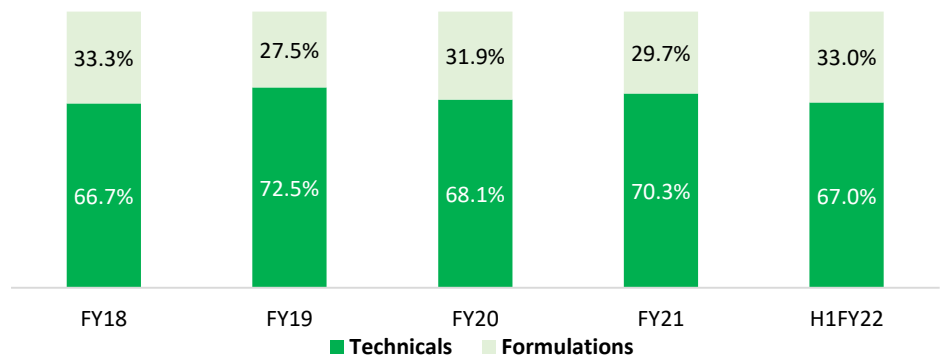
Heranba Industries Ltd. is a crop protection chemical manufacturer, exporter and marketing company based out of Vapi, Gujarat. The company manufactures Intermediates, Technicals and Formulations. It is amongst the leaders in the manufacture of pyrethroids in India.

### Product Portfolio

Intermediates	Technicals	Formulations
Cypermethric Acid Chloride (CMAC)	<b>Insecticides</b>	<b>Insecticides</b>
High CIS CMA	Cypermethrin	Jayam
High CIS CMAC	Deltamethrin	Progress Plus
High Trans CMA	Alpha Cypermethrin	Param
High Trans CMAC	Acephate	Cypraplus
Bromobenzenes	Lambda Cyhalothrin	Dyken
Metaphenoxy Benzaldehyde (MPBD)	Permethrin	Mantra
	Profenophos	Astron
	Temephos	Signor
	Theta Cypermethrin	Prompt
	Thiamethoxam	Cypra
	Imidacloprid	Heraban
		Alpha Shakti
	<b>Herbicides</b>	Henoxa
	Glyphosate	
	Metribuzin	<b>Herbicides</b>
	Clodinofop	Glory, Glory 71
		Chakde, Shera
	<b>Fungicides</b>	Heraquat, Pendant
	Tricyclazole	Zinta, Atria
	Hexaconazole	
		<b>Fungicides</b>
		Macamba, Propizole
		Sulphy, Vintage
		Mask, Exort
		Mandy, Tulip
		Silicon Plus

In H1FY22, Technicals contributed about 67% of total sales, while Formulations constituted the remaining 33%.

### Product Mix



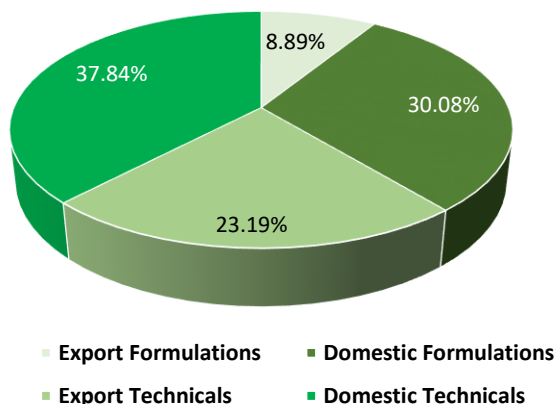
Source: Company Filings, Arihant Research

**Raw Material Sourcing**

The company sources different raw materials like Lambda- cyhalothrin, Meta Phenoxy Benzaldehyde (MPBD), Caustic Soda Lye, etc. About 15% of the raw materials are imported, particularly from China. Suppliers include Jebagro – China, Gujarat Alkalies & Chemicals, Balaji Amines, etc. The company is continuously trying to reduce its dependency to one particular region or suppliers for procuring raw material.

**Geographic Mix**

In Q2FY22, domestic business contributed about 68% of total sales, while exports constituted the remaining 32%. The company exports to about 60 countries through International Distribution Partners. China is the major market within the exports business and contributed about 35% of revenues in FY20.

**Q2FY22 - Domestic/Export Split**


Source: Company Filings, Arihant Research

**Manufacturing Facilities**

Initially, the company had 3 manufacturing facilities, located at Vapi and nearby Sarigam. In November 2021, it commissioned another small facility, Unit-IV opposite Unit I & II with installed capacity of 1,200 MTPA. The current aggregate installed capacity is 15,224 MTPA. Additionally, the company has land bank at Saykha for future capacity expansion. The details of the manufacturing facilities are as follows.

**Unit I (Intermediates and Technicals)**

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Installed Capacity (TPA)	4,944.00	4,944.00	4,944.00
Total Production (Tonnes)	4,524.10	4,449.60	4,202.40
Capacity Utilization (%)	91.51%	90.00%	85.00%

**Unit II (Intermediates and Technicals)**

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Installed Capacity (TPA)	4,080.00	4,080.00	4,080.00
Total Production (Tonnes)	3,610.80	3,549.60	3,388.00
Capacity Utilization (%)	88.50%	87.00%	83.04%

**Unit III (Formulations)**

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Installed Capacity (TPA)	5,000.00	3,764.00	3,764.00
Total Production (Tonnes)	2,928.00	2,634.80	2,559.52
Capacity Utilization (%)	58.56%	70.00%	68.00%

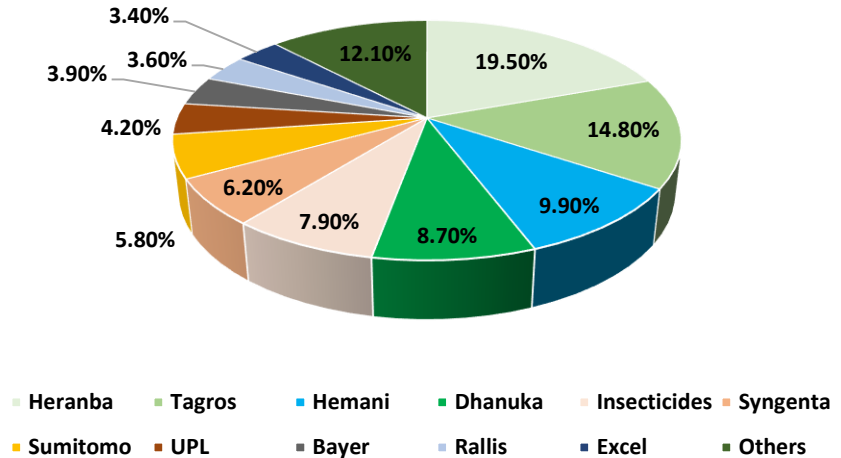
Recently commissioned Unit-IV has an installed capacity of 1,200 MTPA with revenue potential of INR 1,000 Mn at peak utilization level.

**Company Market Share**

In 2019, Heranba Industries Limited dominated the Indian pyrethroids market, accounting for a share of 19.5% of the total Indian pyrethroids production values. Heranba Industries was followed by Tagros Chemicals India Ltd., Hemani Industries Ltd., Dhanuka Agritech Ltd., Insecticides (India) Ltd., Syngenta India Ltd., Sumitomo Chemical India Ltd., UPL Ltd., Bayer CropScience Ltd., Rallis India Ltd., Excel Crop Care, and Others.

**Pyrethroids Market - India**

Key Players Share (in %), 2019



Source: Company Filings, IMARC Group, Arihant Research

**Recent Developments**

In December 2021, the company acquired additional Industrial Plot, admeasuring ~57,248 sq.mt. at Saykha Industrial Estate. This is in addition to 34,600 sq.mt. of land which the company holds at Saykha. The acquired land will be utilized by the company for future expansion.

We believe that the newly acquired land can increase their aggregate manufacturing capacity by atleast 10,000 MTPA, factoring in their previous execution plans. However, the newly acquired land is expected to be utilized in FY24 and beyond as the company is currently executing its expansion on other available land banks previously acquired.

**Company Board:**

Personnel	Designation	Description
Sadashiv K. Shetty	Promoter, Chairman and Executive Director	He holds a Master's (chemistry) degree in science from University of Mysore. He has experience of more than three decades in agrochemicals industry. He is responsible for the overall supervision, direction and management of the Company. He is fully involved in day to day affairs of our Company and future business strategies. He has been instrumental in new products development and addition of capacities. He has been previously associated with Sudarshan Chemical Limited, Gharda Chemical Limited, Hoechst Pharmaceuticals and Nirlon Limited.
Raghuram K. Shetty	Promoter and Managing Director	He holds a bachelor's degree in economics from University of Mysore. He has pursued government commercial diploma from the Department of Education, Bureau of Government Examinations, Maharashtra. He has also done diploma in export and import management from the India International Trade Centre, Mumbai. He has experience of more than three (3) decades in agrochemicals industry. He has been on our Board since September 29, 1994 and has been instrumental in developing export business of our Company.
Raunak R. Shetty	Whole-time Director	He holds a bachelor's degree in commerce from University of Mumbai and is an associate member of the Institute of Chartered Accountants of India. He has an experience of more than two (2) years in the field of accounts and finance. He has been on our Board of Directors since December 4, 2017. He looks after product development and finance function of our Company.
Rajkumar Bafna	Chief Financial Officer	He is a Chartered Accountant from the Institute of Chartered Accountants of India. He is a Bachelor of Commerce from MDS University. Earlier, he worked with Hamilton Housewares as G.M. Accounts & Finance and Alkem Laboratories as GM – Finance..
Rajesh Ohri	Vice President (Procurement & Business Development)	He holds a bachelor's degree in engineering (production) from Shivaji University, Kolhapur. He has several years of experience in field of supply chain management and procurement of raw materials. He looks after procurement department along with business development function of our Company. In the Fiscal 2020, he received a total remuneration of INR 2.80 million.
Mopidevi V. Rao	General Manager (R&D)	He holds a bachelor's and master's degree (organic chemistry) degree in science from Andhra University. He has done Ph.D. in chemistry from GITAM University. He has experience of more than two (2) decades in field of agro formulations of insecticides, fungicides and herbicides. He looks after development of new products & has control over the R&D activities in our Company. Prior to joining our Company, he was associated with Insecticides (India) Limited, Nagarjuna Agrichem Limited and Solaris Chemtech Limited. In the Fiscal 2020, he received a total remuneration of INR 3.01 million.
Abdul Latif	Company Secretary and Compliance Officer	He holds a bachelor's degree in law from Sambalpur University. He is an associate member of the Institute of Company Secretaries of India. 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 our Company. Prior to joining our Company, he has worked with Unimark Remedies Limited, Provogue (India) Limited and Aadhaar Retailing Limited. In the Fiscal 2020, he received a gross compensation of ₹ 2.04 million.

Source: Company, Aриhant Research

**Financials**

<b>Income Statement (INR Mn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
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
<b>Operating Profit</b>	<b>1,314</b>	<b>1,293</b>	<b>2,213</b>	<b>2,744</b>	<b>3,290</b>	<b>4,033</b>
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	-	-	-	-	-	-
<b>Net Profit</b>	<b>754</b>	<b>977</b>	<b>1,542</b>	<b>2,019</b>	<b>2,352</b>	<b>2,863</b>

Source: Company, Aриhant Research

<b>Balance Sheet (INR Mn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Equity capital	391	391	400	400	400	400
Reserves	1,891	2,818	4,881	6,792	8,996	11,672
<b>Net worth</b>	<b>2,282</b>	<b>3,208</b>	<b>5,281</b>	<b>7,192</b>	<b>9,396</b>	<b>12,072</b>
<b>Non Current Liabilities</b>	<b>103</b>	<b>86</b>	<b>101</b>	<b>121</b>	<b>126</b>	<b>131</b>
<b>Current Liabilities</b>	<b>3,220</b>	<b>2,953</b>	<b>3,051</b>	<b>4,647</b>	<b>5,323</b>	<b>6,199</b>
<b>TOTAL LIABILITIES</b>	<b>5,604</b>	<b>6,248</b>	<b>8,433</b>	<b>11,961</b>	<b>14,845</b>	<b>18,401</b>
<b>Non Current Assets</b>	<b>1,088</b>	<b>1,534</b>	<b>1,881</b>	<b>2,342</b>	<b>3,064</b>	<b>3,973</b>
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
<b>Current Assets</b>	<b>4,516</b>	<b>4,713</b>	<b>6,552</b>	<b>9,618</b>	<b>11,781</b>	<b>14,429</b>
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
<b>TOTAL ASSETS</b>	<b>5,604</b>	<b>6,248</b>	<b>8,433</b>	<b>11,961</b>	<b>14,845</b>	<b>18,401</b>

Source: Company, Aриhant Research



<b>Cash Flow St. (INR Mn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Profit	754	977	1,542	2,019	2,352	2,863
Add: Dep. & Amort.	60	82	147	175	232	306
<b>Cash profits</b>	<b>814</b>	<b>1,059</b>	<b>1,689</b>	<b>2,194</b>	<b>2,585</b>	<b>3,169</b>
<b>(Inc)/Dec in</b>						
-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)
<b>CF from Oper. activities</b>	<b>674</b>	<b>804</b>	<b>493</b>	<b>2,659</b>	<b>2,057</b>	<b>2,490</b>
<b>CF from Inv. activities</b>	<b>(257)</b>	<b>(780)</b>	<b>(310)</b>	<b>(612)</b>	<b>(917)</b>	<b>(1,174)</b>
<b>CF from Fin. activities</b>	<b>(326)</b>	<b>(202)</b>	<b>632</b>	<b>(67)</b>	<b>(145)</b>	<b>(184)</b>
<b>Cash generated/(utilised)</b>	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

<b>Ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
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%

<b>Growth Ratios (%)</b>						
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%

<b>Per Share (INR)</b>						
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

<b>Valuation Ratios</b>						
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%

<b>Return Ratios (%)</b>						
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: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> 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	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

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