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HERANBA[®]
INDUSTRIES LIMITED

February 27, 2025

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001,

Scrip Code: 543266

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor
Plot no. C/I, G Block,
Bandra - Kurla Complex,
Bandra(E), Mumbai - 400 051.

Symbol: HERANBA

Dear Sir/Madam,

Sub: Transcript of Earning Conference Call held on February 24, 2025 with Analysts / Investors on Financial Results for the quarter ended December 31, 2024

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find enclosed herewith the Transcript of Earning Conference Call held on February 24, 2025 with Analysts / Investors on Financial Results for the quarter ended December 31, 2024

You are requested to kindly take the above information on record.

Thanking You,
Yours faithfully,
For Heranba Industries Limited

Abdul Latif

Company Secretary and Compliance Officer

Membership No.: A17009

Encl. as above

Heranba Industries Limited
Q3 & 9 Months FY25 Earnings Conference Call
February 24, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 months FY25 Results Conference Call of Heranba Industries Limited.

We have with us today Mr. Raghuram K. Shetty – Managing Director; Mr. Raunak R. Shetty – Executive Director and Mr. Rajkumar Bafna – Chief Financial Officer.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raghuram K. Shetty, Managing Director from Heranba Industries Limited. Thank you, and over to you, sir.

Raghuram K. Shetty: Thank you, madam. Good evening and thank you everyone for taking your valuable time for Heranba's Q3 and 9 months FY25 Earnings Call.

The company's 9 months FY25 revenues stood at Rs. 1,075 crores, impacted by challenging global macros and slowdown in demand. The export technical business witnessed lower demand due to challenging market conditions coupled with higher inventory. The EBITDA margins were suppressed during 9 months FY25 due to lower realization of our products and increase in other expenditures. The ongoing CAPEX at our Sarigam and Saykha facility is shaping up well. During Q2, we have started our Phase 1 commercial production in Sarigam facility and Phase 2 we expect to start by the end of Q4 FY25.

The Saykha facility, we are expecting to start the commercial production in Q4 FY25. The company looks forward to add new product registration thereby expanding its diverse customer base by driving Heranba's next wave of growth. The company is well poised to be on the strong operational competencies developed over the last few years.

I am hopeful that the company will continue to grow and surpass new milestones in the coming years. We look FY25 as transitional year for Heranba and are optimistic for the future. I will now hand over to Mr. Raj Bafna, our CFO to take you through the financials. Thank you.

Rajkumar Bafna: Thank you, sir. Good evening, everyone. I would like to briefly touch upon the key performance highlights for the nine months ended 31st December 2024. And then we'll open the floor for question and answer. Now moving towards financial highlights for quarter ended 31st December 2024.

Revenue from operation stood at Rs. 1,075 crores in 9 months ended FY25 as compared to Rs. 1,000 crores in FY24. EBITDA stood at Rs. 117 crores during the 9 months with EBITDA margin at 11%. Profit after tax stood at Rs. 44 crores in 9 months ended FY25 compared to Rs. 35 crores in FY24. The sector fundamentals remain challenging for the short term; however, it continues to remain strong for a long term basis. That concludes update on the financials.

Now we can open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Manish Jain from Fortune Wealth Advisors. Please go ahead.

Manish Jain: Thank you for the opportunity sir. Sir, my first question was regarding the pricing. The prices have been affected in formulations or in technicals or in both the segments. And what the pricing is basically on quarter-on-quarter basis in the second quarter to the third quarter?

Raunak R Shetty: So basically, in terms of pricing, if you see the major effects have come on the technical side. So formulation usually goes in tandem with technical. Q2, because it was a major India based agriculture market, we had good support. But then in Q3, which is an export oriented quarter, because of inventory and global macro situations, the overall sales were less across the segment, across industry, and that is why there was a dip in the prices that we saw in our agrochemical products. But in Q4, we are seeing a slight revival in the prices, as we are again heading towards an Indian business kharif period and from Q1, we will see a good revival in the pricing as well as in the order offtakes.

Manish Jain: So sir, basically the hit in the pricing was maximum in the export market?

Raunak R Shetty: Yes.

Manish Jain: So sir, was it across the products or was it was deeply in some products or was it across the products in the export market?

Raunak R Shetty: It was across the products, across the products. Mainly for us in export market we are very strong in insecticide portfolio. With our new facilities coming up, we will become more diversified into fungicides and herbicides. So across insecticide portfolio, we saw a dip in the price in Q3, which we are also seeing a revival now in Q4 because again the season is coming back for insecticides.

Manish Jain: Sir, basically the competition was from Chinese players?

Raunak R Shetty: No, India as well as China, I'll say.

Manish Jain: So Indian people who are exporting outside also?

Raunak R Shetty: Yes.

Manish Jain: So sir, has the prices started to bottom out or it is still the same in this quarter in the current quarter?

Raunak R Shetty: Yes, Q4, we have already started seeing good demand coming in and because of demand we are also seeing price improvements in the product.

Manish Jain: In the export market sir?

Raunak R Shetty: No, in domestic as well as export.

Manish Jain: Sir, another question was regarding the formulation and technical contribution. If you have seen that formulation contribution has steadily has come up in the last 3, 4 years whereas previously, technical was far bigger contributor. This was basically because of the price reduction?

Raunak R Shetty: No, I'll say one, not just because of price reduction because we have been consciously focusing more on formulations as it is a value addition on our technical. So we use our own technicals to make these formulation which gives an additional margin at the end. So that is one of the reasons why our formulation business is going up. But the technical is from our own production basket.

Manish Jain: And in this current quarter, what we have seen is that a lot of companies have reported losses in the agrochemical sector. And the feedback is that the pricing has to bottom out, otherwise it will not be sustainable and the CAPEX can't be maintained at these prices. Is it right or the situation will remain the same because of the international as well as domestic new CAPEX coming in the next 1 to 2 years?

Raunak R Shetty: It is right. Every company has their own product basket. Similarly, we have our own product list and that will, we will be able to take that advantage based on the CAPEX only. And once when

we see better demand coming in from domestic and exports, we will see that prices also there will be a revision, there will be an upward movement in the pricing. So yes, I'll agree to your point that it's a bottom and now again things have started moving up.

Manish Jain: Okay, thank you sir, I'll rejoin the queue. Thank you for answering all the questions.

Raunak R Shetty: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, you may press '*' and '1' to ask a question. The next question is from the line of Karan from Keynote Capital. Please go ahead.

Karan: Thank you for the opportunity. The first question is, what are our current utilization rates for the production facility?

Raunak R Shetty: Current utilization phase in our existing facility is like around 85%. But in the new sites, it is just commenced. So utilization is much lower. And in fact, we are coming up with two new sites, two blocks which will be commissioned by March end. So exact percentage for the new size, it will be very difficult for me to say. We can get back to you on that, on the exact percentage. But it is low today, it is low.

Karan: Okay, and the related question is, how is the current demand environment shaping up? So how do you see the ramp up of utilizations taking place in FY26 and FY27?

Raunak R Shetty: So we have started doing the registration activities for the products that we were planning to come in. Since two years, so there'll be some registration that we will get in the current year, some registration that we will get in the next year. So slowly there'll be a ramp up. Immediately we'll be starting, we'll be pushing our product in India and in few markets where we already have registration or in case of markets that are open.

Karan: Okay, and what will be our blended realizations currently on a per ton basis?

Raunak R Shetty: Blended realization?

Karan: Yes.

Rajkumar Bafna: No, it is not right way to look at the per ton realization basis because we have a different product and a different volume also in that. So exactly numbers, we can't comment on that because the product portfolio are different because some are volume based and some are the price variance based. Per ton is not a good criteria to look into that.

Karan: Understood. And my last question is, what is the current demand scenario in China, and how do you see it evolving in the near term?

Raunak R Shetty: I think demand scenario in China, it's very difficult to answer that question. But now, because for a month, the whole Chinese operations were down due to their Chinese New Year. I think even there the production more or less is low I would say because of the gap. And a lot of inventory movement at distribution level we have seen in the last six months also in countries where inventory, there was a lot of inventory like the West. I think this year should be better that way.

Karan: Okay, thank you.

Moderator: Thank you. The next question is from the line of Vipul Shah from RW Equities. Please go ahead.

Vipul Shah: Thank you for the opportunity, sir. My question was, sir, if we were to understand from your perspective that December being the export heavy quarter and because of the fact that there is a challenge in the export market, you can't compare it with the previous quarter. But if we were to analyze last year same quarter, company actually clocked the margin which was actually more than EBITDA margin, which was more than double this quarter. So just wanted to understand in September quarter we actually did so much better. Suddenly what has happened that the margins have actually gone from, have become so adverse?

Raunak R Shetty: So basically what happens is a lot of our products, new products that we have we have come up with are towards the India market. So whether our formulations or the technicals that we have launched a lot of those registrations we have received in India. So a lot of business that we do today is in the Q2 season. That's why you'll see a big, you'll see better realizations and better product profile in Q2. But in Q3, usually it is the products that we are, we have been selling over the years where registration we have not received for a few of those products. Once we start getting in those registrations, we'll see that sales also in the export market which we are not able to take advantage of today.

Vipul Shah: No, sir, my question was that in December 2023, I mean, it would have been the same, right sir? It would have been an export driven quarter where most of your sales have been in the export quarter. So I'm saying year-over-year, if I were to compare December 24 versus December 23, although, we've expanded our revenues really well, our margins have actually dropped. On percentage basis, they've actually halved. We just failed to understand what is such a drastic, adverse movement which has happened, sir?

Rajkumar Bafna: There are two, three reasons behind that. One is the reason is our gross margins has come down to around 2-3 basis also, so 200-300 basis points due to lower realization of some of our technical products also. Second one reason is our new plant capacity is commencing in October which is not proper utilization because it was a very new commencement of production. So there are fixed expenditures for this quarter in the profit and loss account. You can look into our salary cost and other expenses has increased so much in that. That's why the topline has not been come but the expenditure comes to our accounts.

Vipul Shah: No, sir, that's perfect. But if I were to ask sir what is the quantum of expenditure which there is an under absorption because of the plant which just got operational last quarter. That can be quantified, then it will be actually helpful, sir.

Rajkumar Bafna: Almost, you can say around Rs. 15 to Rs. 20 crore also in that.

Vipul Shah: That is significant, sir. Sir, if I may ask one more, based on the plant which went operational and the two new facilities which we see are going to be operational in the quarter in March 25. What is the forecast revenue which you can see in the coming year?

Rajkumar Bafna: In the coming year, we anticipated that the growth will be around 35% to 40% in the 25-26 and EBITDA margin will be in the range of around 12% to 14%.

Vipul Shah: All right, sir. Thank you so much, sir. Thank you.

Moderator: Thank you. The next follow-up question is from the line of Manish Jain from Fortune Wealth Advisors. Please go ahead.

Manish Jain: Sir thank you for the opportunity, sir. Basically in the export market, we are competing with which countries, sir?

Raunak R Shetty: Competing with which countries?

Manish Jain: From products from which countries we are competing?

Raunak R Shetty: The basic question is from Indian suppliers and in some products from Chinese players. So these are the major competing countries.

Manish Jain: So basically it is Indian and Chinese players, that's all?

Raunak R Shetty: Yes.

Manish Jain: Sir, and the pricing pressure is basically coming from China? It starts from China, what I have heard?

Raunak R Shetty: India as well as China. For our product list, India as well as China.

Manish Jain: So sir, my question was regarding the prices because the prices have fallen continuously from the last 2 years and it is seeming like there is no bottom at all. Have these prices lot of players in the domestic as well in the Chinese market or whatever I have heard they are reporting losses and just now you told that in the last month some production was closed because due to holidays and all that in China. So quarter-on-quarter like in the January 2025, the prices have

increased or it is by what quantum can you just tell and in the foreseeable future what can you see sir?

Raunak R Shetty: So I will say prices have not dropped a lot in Q3 also and in Q4 that price for some products has increased, for some products it is yet stable. So as it was earlier mentioned, there is a gross margin dip of around 2% to 3% that we have seen in Q3 and we have seen that in some products there has been a jump in price of around 7% to 10%, but for some it has been stable yet which may be once the season comes in, we will be able to see some price revision in those products as well. When it comes to why the prices went down. It is because of the demand scenario. So production has not been halted by the other competitors also. But when the demand scenario is low, you cannot keep holding onto this inventory. That's why you have no choice but to sell it at whatever price so that we do not see a situation where the price falls even further. Now things have revised, so we'll get some advantage of it to some extent, I will not say a big advantage or anything, we will see some advantage we will get in the price in this current quarter. Mainly, we will be able to see better realization maybe in Q1.

Raghuram K. Shetty: The revenue remains intact.

Manish Jain: Okay sir, so volume growth is there?

Raghuram K. Shetty: Yes, volume growth.

Rajkumar Bafna: That is why revenue remains intact, but the EBITDA is less due to other reasons.

Manish Jain: Sir, in the next 1 to 2 years, what is our CAPEX?

Raghuram K. Shetty: See for the last 2 years we have deployed approximately Rs. 425 crores. May be another 75, 50 to 100 crores may be deployed further to separate the things in two sides. Both the sides it is half way now. One side will be Sarigam side. Out of the two blocks one is just started, the other block will be completed in this present quarter. That is Sarigam. Saykha is a new site, Greenfield. There the plant will be commenced. The production will be commenced in this quarter.

Manish Jain: And just now you gave us a guidance that in the FY25-26, you are targeting somewhere about 35% to 40% as a topline growth?

Raghuram K. Shetty: Yes.

Manish Jain: So, I think you should be hitting somewhere about 1650-1700 crores on the topline?

Raghuram K. Shetty: Around 1850.

Manish Jain: 1850 crores?

Rajkumar Bafna: No, addition of that, addition will be around 600 crores as you rightly said. The total turnover will be around 1850 to 1950 crores in the range.

Manish Jain: For the next year, you are telling?

Raghuram K. Shetty: Next year, FY25-26.

Manish Jain: And you had given a guidance of somewhere about 12% to 14% as EBITDA margin?

Raghuram K. Shetty: Yes.

Manish Jain: Sir, just to ask the question that does the ground at present looks okay that the pricing will stay so that you can give that 12% to 14% guidance?

Rajkumar Bafna: At the current prices, we are evaluating that. For the current products which we are planning to come in also, considering those products we are considering, we are saying 12% to 14%. In case there is any revision in the price, it could go up or down.

Manish Jain: Okay, sir. Another last question was regarding the overall Indian agrochemical companies going for aggressive CAPEX in the last 2, 3 years. Whatever commentary I have heard that all the companies are going into CAPEX and lot of capacity is coming in the next 1 to 2 years. It will be dependent upon the products also. So, sir, if the pricing is very soft or not stable, then what do you think about the industry, sir? Will the capacity gets absorbed in the domestic or in the export market?

Raghuram K. Shetty: All these CAPEX started two years back by most of the companies and one has to complete the project which is half way, now no new CAPEX will be coming up, that's what we feel. So it will be the existing capacity, whatever it has come, it will be absorbed because new CAPEX, new venture won't be started by anybody that is what we feel.

Manish Jain: That's right, that's right.

Raghuram K. Shetty: It started two year back and it is completing. That's right, that's right sir.

Manish Jain: And sir in the export markets are the Indian companies as well as Heranba gaining some traction in the China Plus One strategy in the export market? Do you see something like that? Is it possible?

Raunak R Shetty: Because of these new sites, we have also started putting in a lot of registrations. Unfortunately, registration takes its own time. Once we see these registrations coming in, we will see good growth coming from the export market as well.

Manish Jain: And sir, regarding the export pricing, what do you think sir, realistically, is it the bottom or how can we because it's very tough for a person like us to understand. So I think you would be far better to give an answer sir, about the export pricing?

Raghuram K. Shetty: If you see the balance sheet of all other companies, peers, it is all in red mark, negative. So definitely, there won't be any downward pricing now because all are suffering now. So we also feel that it is in the bottom. And if you see last one month prices slightly, it is an upward for few products, not all the products, but few products.

Manish Jain: But this is even true for the Chinese exporters?

Raghuram K. Shetty: From everybody. Because all are facing, internationally this is the situation either in India or China, that it is the bottom price. Because you can see it in the balance sheet, all are facing the same problem.

Manish Jain: Because I think a company like Bayer Crop Science also has given very bad results in the agrochemical segment.

Raghuram K. Shetty: Yes, mostly. The exception is always there in everything, but mostly it is the situation.

Manish Jain: Yes, mostly it is down, sir.

Raghuram K. Shetty: Yes.

Manish Jain: Yes. Thank you, sir. Best of luck for the ensuing quarter, sir.

Raghuram K. Shetty: Thank you, Mr. Manish.

Moderator: Thank you. A reminder to all the participants that you may press '**' and '1' to ask a question. The next follow-up question is from the line of Vipul Shah from RW equities. Please go ahead.

Vipul Shah: Just wanted to check, what is the company's plan for the Daikaffil? In the last quarter, there was a mention that, the company just started production. So any outlook you can give on Daikaffil will be very helpful, sir.

Raghuram K. Shetty: Sir, Daikaffil was a sick unit. Of course, we started our production in the last quarter. Last quarter our topline revenue was 3.5 crores with some contract manufacturing of our existing products. And we also started our earlier products there in a small way, but we will ramp up in the coming months. So also we are planning for a R&D setup, as we mentioned earlier, for our internal group companies as well as for outside companies.

Vipul Shah: Alright, sir. Thank you.

Moderator The next question is from the line of Karan from Keynote Capital. Please go ahead.

Karan: Thanks again for the opportunity. Sir, what will be the volume growth in Q3 and 9 month FY25?

Rajkumar Bafna: Can you repeat your question?

Vipul Shah: Yes, what was the volume growth in Q3FY25 and 9 month FY25?

Raunak R Shetty : It should be around 3% to 4%.

Vipul Shah: Okay, thank you.

Moderator: Thank you. The next question is from the line of Anilkumar Sharma, who is an Individual Investor. Please go ahead.

Anilkumar Sharma: Good afternoon, sir. Sir, my question is regarding, this year, you have mentioned earlier in your calls that our H2 will be almost equal to plus minus 5%-10% of the H1. But due to some, as you explained export is the problem. So what do you think of the total H2, the figure of revenue and this bottomline? Number one. Number two, what will be the net profit margins in the, you are saying 12% to 14% EBITDA margin but what will be net profit margins in the next year and expectation?

Raunak R Shetty: Expectation of what?

Anilkumar Sharma: Net profit margins?

Raunak R Shetty: Net profit margin, should be around 5% to 6% in the next year considering an EBITDA of 12% to 14%.

Anilkumar Sharma: Alright.

Rajkumar Bafna: And for this year you said H1 is equal to H2, that is what you were asking, right?

Anilkumar Sharma: Yes. Earlier calls you have mentioned plus minus 5%-10%.

Rajkumar Bafna: Yes, it should be in that range only. Even after this quarter We yet feel that first half would be equal to second half Plus minus 5%-10%

Anilkumar Sharma: And regarding EBITDA margin in the fourth quarter. Third quarter we have seen some drop.

Raunak R Shetty: Your voice is not clear actually. Could you repeat your question?

Moderator: Mr. Anil, I would request you to please use your handset.

Anilkumar Sharma: Yes. Sir, my question is regarding the EBITDA margin in the H2, total.

Rajkumar Bafna: H2 EBITDA margins are around 13% to 14%. But due to this quarter addition of the compared to nine months so we reached up to 11% for the nine months.

Anilkumar Sharma: Okay. Great. Thank you. Wish you a good luck. And hope our next two years we will be able to just compensate this loss. Thank you.

Raghuram K. Shetty: Yes, sure.

Moderator: Thank you. Ladies and gentlemen, you may press '*' and '1' to ask a question. The next question is from the line of Harshal from Rashi Fincorp. Please go ahead.

Harshal: Thank you for the opportunity. Can you tell me about the current borrowings of the company?

Rajkumar Bafna: Total borrowing is around 300 Cr.

Harshal: Okay. So can you tell me about the US and China business scenario? Like what is the demand there? And how are you doing in that market?

Raunak R Shetty: Even today China consists of around 10% of our total business and the US is slowly growing. We're one of the late entrants into US market and it takes a longer time to get a registration. But we've applied few registrations. In fact, we've got a registration also in the last quarter which will help us in the next year. However, because there are inventory issues and lot of inventory with the distribution and the distribution segment that is why the season has been slow this year in the US for us. However, next year we expect that there will be one to more registration coming in and that will definitely help us scale our business in the next year.

Harshal: That is it from me. Thank you.

Moderator: Thank you. The next question is from the line of Maitri Shah from Sapphire Capital. Please go ahead.

Maitri Shah: The margins for this year, will they be in the same range as 12% to 14% or will we stick to the same nine-month margins of 11% for the full year basis?

Rajkumar Bafna: This year we are guided around 10% to 12%. But next year we'll have a substantial turnover coming from our expanded units also in that. But we are seeing the improvement is around 200 to 300 basis points from there.

Maitri Shah: Okay. And the two facilities that are going to start through the Sarigam phase II will start by when?

Raunak R Shetty: By March end.

Maitri Shah: March 25?

Raunak R Shetty: Yes, March 25.

Maitri Shah: And the Saykha facility?

Raunak R Shetty: They are also similar, March end.

Raghuram K. Shetty: This quarter both will be commencing.

Maitri Shah: So both of them will add to the revenue for the next year, right?

Raunak R Shetty: Yes. But because the phase-I is just commenced, there will be some issues in the facility that we'll have to take into consideration. If everything goes well, we'll be able to immediately ramp it up. But if there are issues from that particular site, we'll see some slowdown for the initial one or two quarters and then we'll see a better turnover from that particular new site.

Maitri Shah: Okay, and for the whole year FY25, are we still on the track to reach the Rs. 1,400 crore revenue?

Raunak R Shetty: We are expecting to.

Raghuram K. Shetty: Yes.

Maitri Shah: Okay. Thank you.

Moderator: Thank you. The next follow up question is from the line of Manish Jain from Fortune Wealth Advisors. Please go ahead.

Manish Jain: Thank you for the opportunity. Sir, in the current quarter, the domestic market, how is it going on, sir, in the current quarter?

Raghuram K. Shetty: In quarter, it is better now. Q4 is better for domestic also. We are seeing better demand from domestic in this quarter.

Manish Jain: Compared to quarter three, it is better or?

Raunak R Shetty: Yes.

Manish Jain: Or compared to quarter three it is better? So is it channel filling or the demand will go spill over to the first quarter of the next year, sir?

Raghuram K. Shetty: Yes, it is preparation for the next quarter. It is mostly B2B. But last quarter is always it is a downward, but export is better in this last quarter.

Manish Jain: OK, sir. Thank you, sir.

Moderator: Thank you. A reminder to all the participants that you may press ‘*’ and ‘1’ to ask a question. There are no further questions from the participants. We will take that as the last question. Ladies and gentlemen, on behalf of Heranba Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Raghuram K. Shetty: Thank you so much, everyone, for the participation and questions.