



# Heranba Industries Limited

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Q2 & H1 FY25 results

Earning Conference Call

Friday, November 15, 2024

**MANAGEMENT:** Mr. Raghuram K. Shetty (Managing Director)  
Mr. Raunak R. Shetty (Executive Director)  
Mr. Raj Kumar Bafna (Chief Financial Officer)

**Heranba Industries Limited**  
**Q2 & H1 FY'25 Earnings Conference Call”**  
**November 15, 2024**

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**Moderator:** Ladies and gentlemen, Good Day and Welcome to the Q2 & H1 FY'25 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 participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. 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:** Good afternoon, everybody. Thank you everyone for taking your valuable time for Heranba's Q2 FY'25 Earnings Call.

The company registered a revenue growth of 4% year-on-year to Rs.738 crores in H1 FY'25. We have maintained our growth momentum in first half of FY'25 by reporting a strong set of numbers. However, the company products are experiencing a pickup in demand moving to good rainfall across India with a healthy reservoir level setting a positive sentiment for the agrochemical industries.

The ongoing CAPEX at our Sarigam and Saykha facility is shaping up well.

During Q2, we have started our phase-I commercial production in Sarigam facility and phase-II, we expect to start by the end of Q4 FY'25. The Saykha phase-one we are expecting to start the commercial production in Q3 FY'25. The company looks forward to add new product registration, thereby expanding its diverse customer base and driving Heranba's next wave of growth.

The company is well poised to build on the strong operational competencies developed over the last few years. I am hopeful the company will continue to grow and surpass new milestone in the coming years. We continue to see FY'25 as an important year in Heranba's trajectory and are optimistic in future.

This concludes my opening remarks and I now hand over to Mr. “Raj Bafna, our CFO, to take you through the Financials.” Thank you.

**Rajkumar Bafna:**

Thank you, sir. Good afternoon, everyone. I would like to “Briefly touch upon the Key Performance Highlights for the Half Year ended 30th of September 2024” and then we will open the floor for “Question and Answer.”

Now, moving towards financial highlights for the year ended, September 30th, 2024. Revenue from operation stood at 730 crores in H1 FY'25 as compared to 707 crores H1 FY'24. Revenue from operation stood at 441 crores in Q2 FY'25 as compared to 426 crores in Q2 FY'24. EBITDA stood at 104 crores with EBITDA margin at 14% in H1 FY'25 as compared to 48 crores with EBITDA margin of around 7% in H1 FY'24. Profit after stood at 54 crores in H1 FY'25 as compared to 21 crores in H1 FY'24 with growth of around more than 250%. The company domestic to export mix stood at 77:23 in H1 FY'25. The complete technical formulation mix stood at 47 to 53 in H1 FY'25.

That concludes the “Update on Financial” and we can now open the floor for question and answer.

**Moderator:**

We will now begin the question and answer session. The first question is from the line of Damodar Baliga from BB Investments. Please go ahead.

**Damodar Baliga**

**BB Investments:**

I had a few questions. Sir, one is on the raw material side, how is the pricing, the availability and other issues if you can throw some light?

**Raghuram K Shetty:**

See, raw material availability, there is absolutely no problem because most of the raw materials are indigenous, especially since our factories are located in India around Gujarat, it is available in and around Gujarat only and our export component is very, very minimal. As far as the price is concerned, it is almost bottom and it is available at a reasonable price and there are absolutely no problem in availability of raw material in most of the products.

**Damodar Baliga**

**BB Investments:**

Sir, my second question is how is the current demand situation for our product, which geographies are doing well, and is the destocking in the Europe and the US for our company products are over, what is the current scenario?

**Raghuram K Shetty:**

The current situation when you compare last year, it was very bad. This year it is moderate. It is picking up well. And within India also, if you see this current monsoon was very good and till today it is raining in many parts of the Indian major states. So, the groundwater level is good and the reservoir is full. So Indian agriculture now till next rainy season it is going to be good as far as groundwater level is concerned. If you see international market also, it is picking up, last year it was not good. Especially, there was problem in China in Latin America, in European continent and now it is becoming better and better now.

**Damodar Baliga**

**BB Investments:** Are we getting good demand from these regions also outside India?

**Raghuram K Shetty:** Yes, it is picking up and we have almost booked for one or two months order booking is there for majority of our products. So it is better now.

**Damodar Baliga**

**BB Investments:** Sir, my third question is I think we had applied for 4th Grade for registration in America. So just wanted to know how many we have received out of that and how much sales we can expect in US for FY'25?

**Rajkumar Bafna:** At present we have two registrations in the US and we are expecting two in this year itself. So one is a herbicide and the rest are insecticide.

**Damodar Baliga**

**BB Investments:** Are we expecting any sales during the current financial year?

**Rajkumar Bafna:** So from the two registrations that we already have, we'll be expecting sales from those two products in this financial year. But for the other two, I think we'll be a little late. So that revenue would come in the next financial year. We will not get that registration benefits for this year.

**Damodar Baliga**

**BB Investments:** Sir, I think we had a target of achieving around 100 million sales from U.S. market by '27 or so. So the delay in getting registration and all this, do you feel it's still possible to achieve that?

**Rajkumar Bafna:** We'll try our best. Actually, thing is, we apply our registrations well in time, but these are all governmental issues. So the timelines in US for one registration addition has now increased. That is the reason for the delay. But yet, we are working towards that goal only and there is yet lot of time, I think we can yet achieve that target.

**Damodar Baliga**

**BB Investments:** Sir, is it possible to share how much we can expect in the current financial year FY'25?

**Rajkumar Bafna:** It is very difficult to put a number because the season has now started, some orders and some enquiries are in place. So, it will be tough to give a figure, but we could say maybe around \$2 to \$2.5 million worth of revenues we can expect in this year.

**Damodar Baliga**

**BB Investments:** My next question is about sales to China. See, China, I think was contributing more than 10% to our sales. But for the last two years, it has gone down drastically and situation we do not know. I think from Q4 their season starts. So how is it looking in this year and how much we can expect the sales in Q4 and Q1 from Chinese market?

**Rajkumar Bafna:** So now slowly, actually the business for China will start now. So, actually, if you see last year they had a severe drought in China and this year because of inventory issues, a lot of time went on destocking, the already available inventory. So you'll see new demand coming in for Q4 in the next month or so. Already, we've started getting some demand for China, but the major pickup we will see from the next month or so.

**Damodar Baliga**

**BB Investments:** Sir, based on whatever the information you have received from the feed, how much it can contribute, any idea, sir, for this season?

**Rajkumar Bafna:** For this season, around 8% to 10% of our revenues.

**Damodar Baliga**

**BB Investments:** The margins would be stable and better or is it still a low level?

**Rajkumar Bafna:** It is stable only. Can't say better because it's a moderate situation today. But maybe because the number of players for China market is less, that would be an advantage. So, we could get a stable business in China for the current year.

**Damodar Baliga**

**BB Investments:** Sir, regarding the commissioning of the new capacity, now this new CAPEX were delayed for various reasons. So, just wanted to know whether it was delayed for want of some approvals or is it because demand was not there, hence it was delayed?

**Rajkumar Bafna:** Yes, both. See, one is Saykha and both the plants, it is a Greenfield project. So many hurdles, one is it's a new industrial area, you see Saykha is in new industrial area, entire set of your infrastructure is dependent on the government there, especially JDC, EDC is there in their purview plus, there was heavy rainfall that also delayed our construction activities. So, all this put together, it is delayed and the Saykha site in another one month we should get the permission to start our production in Saykha phase-I. For Sarigam, one plant has already started out of the two plants. There is two phase. First phase already started in this quarter and the second plant also should be completed before March, that is fourth quarter. So there not much of delay but Saykha being a Greenfield area got some just there due to various reasons. But it is going smoothly. Some delay, yes, we accept it.

**Damodar Baliga**

**BB Investments:** Sir, whatever now you have given the latest target date, so would you expect anymore further delay or you are confident of doing it within that?

**Rajkumar Bafna:** 100% confident that there won't be any delay in both the sites because it's going smoothly and one already started, the second plant starting in Sarigam is easier because the basic infrastructure, everything is ready, the license and everything permission is in place. Saykha also it is in the last stage. In another one month, we should get the permission.

**Damodar Baliga**

**BB Investments:** Sir, would it be possible to share us how much capacity we are commissioning in these three different CAPEX that you're commissioning, phase wise if you can give Sarigam, phase-I is how much sir?

**Rajkumar Bafna:** Sarigam phase-I will be around 6,000 to 7,000 tons and Sarigam-II will be around 3,000 to 4,000 tons. Almost total capacity for Sarigam will be around 9,000 to 10,000 tons. Saykha first phase will be having a capacity around 4,000 to 5,000 tons.

**Damodar Baliga**

**BB Investments:** Now in Saykha, we are doing only the Phase-I. So it means that we may have enough space for future expansion. Would it be possible to give us some ballpark figure how much capacity we can add in future as and when it is required?

**Rajkumar Bafna:** Capacities in our segment actually, it all depends on the product. So sometimes it depends how backward we go. So capacity would differ, but we can yet say around 5,000 tons worth of capacity could be expected from phase-II Saykha. So once that phase-II is over, we would be completely utilizing the land parcel at Saykha?

**Rajkumar Bafna:** Yes.

**Damodar Baliga**

**BB Investments:** Sir, I know in these three different capacities, you are also introducing lot of new products as well as some backward integrated and existing products also. Based on the current demand, would it be possible to give us, one, how much revenue we can expect from these three capacities, plus what could be the approximate timeline to achieve that?

**Rajkumar Bafna:** So currently we are expecting in a period of two years, we should be able to touch around 60% to 70% of our capacity utilization. Currently, a lot of registrations we've already put in and we have started receiving these registrations also, especially in India we had applied long back, we've received registrations in India, and for export markets also in some geographies we have received, in some it is in pipeline. So the initial phase we have already in this current year, we have introduced two products in our existing site and then next year we are planning around

five new products from the new site from Saykha and Sarigam and around 15 products are already in pipeline at R&D stage where we are exploring those from registration perspective as well. So, you can expect anywhere around 2 to 2.5 times asset turns depending on how much backward we go for these products.

**Damodar Baliga**

**BB Investments:** So when you say 2.5 times asset turnover, you have the total CAPEX we will be spending for all these three capacities increasing sir?

**Rajkumar Bafna:** It is around 425 to 450 by the end of this financial year.

**Damodar Baliga**

**BB Investments:** So once this is done so we may not have to do anymore major CAPEX I presume, is that understanding correct?

**Rajkumar Bafna:** Yes. For the next year, I think as it was already mentioned, there's around 50 to 60 crores worth of CAPEX will be done in the next financial year, that is FY'26. After that there will be no CAPEX, only maintenance related CAPEX.

**Damodar Baliga**

**BB Investments:** This 50, 60 crores is for what purpose? That is for the R&D now that –

**Rajkumar Bafna:** For Saykha phase-II minor, Sarigam, Saykha phase-one requirements.

**Damodar Baliga**

**BB Investments:** And my last question is it's about the Daikaffil that we have acquired. So we were to come up with the R&D center there plus the pilot plant. So, if you could share what is the current status and how much time it will take and any other information you're comfortable sharing?

**Raghuram K Shetty:** Yes, this we have acquired a few months back. There is a plant there. There is a closed unit plus there is enough space, it's a two acre plot. Our aim is to convert it into a pilot plant and R&D center there or our own purpose as well as for CDMO.

**Damodar Baliga**

**BB Investments:** So how much we would be spending there?

**Raghuram K Shetty:** Exactly it is difficult to tell now, but definitely around 10, 20 crores in one or two years.

**Damodar Baliga**

**BB Investments:** And how much time it will take?

**Raghuram K Shetty:** Maybe one, one and a half year.

**Damodar Baliga**

**BB Investments:** So after that only you will be able to run those pilot plant and all that, right?

**Raghuram K Shetty:** But there is a ready plant there. Of course it was closed for last 3-4 years before our takeover. But we will be revamping and starting some production existing whatever they were making, plus some products in those lines. We will be producing and this quarter will be starting some production and by end of the year there will be some production to take care of the cost and some profit.

**Damodar Baliga**

**BB Investments:** Lastly, can we expect around 1,500 crores size of turnover and whatever the margins you're maintaining in H2 also?

**Raghuram K Shetty:** This financial year?

**Damodar Baliga**

**BB Investments:** Yes, sir.

**Raghuram K Shetty:** This financial year, it is difficult to touch 1,500 crores, we are aiming around 1,400 crores this year.

**Damodar Baliga**

**BB Investments:** And the margins you will be able to maintain?

**Rajkumar Bafna:** EBITDA would be at similar lines only.

**Damodar Baliga**

**BB Investments:** Sir, but assuming that the things would be either remains the same or it may go for a better in FY'26, so how much we can expect both in top line and bottom line, sir?

**Rajkumar Bafna:** The top line, we can expect around 25% to 30% growth for the next financial year. The bottom line, again, we will say, we'll maintain the current bottom line.

**Damodar Baliga**



**BB Investments:** That is even in spite of increase in depreciation and interest. So you would be able to maintain around 14% EBITDA margin?

**Rajkumar Bafna:** Yes, we'll try our best to maintain current EBITDA margin.

**Moderator:** The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta**

**Bamboo Capital:** Sir, first question was on the formulations front -

**Raghuram K Shetty:** Your voice is not audible.

**Ankit Gupta**

**Bamboo Capital:** So I was asking about the formulations segment. So, in this H1, we have seen decent growth there. So, if you can talk about how is the overall industry doing and how do you see our growth in the formulations segment over the next two to three years?

**Raghuram K Shetty:** In the formulations basically we've grown well over the last two years. One major reason for it is because we've launched a new domestic brand called Mikusu. So this is the second whole year for Mikusu, and there we have seen almost 40% growth in formulations sales in the current year as well. So, that is why the skew has turned more towards formulations as compared to what it was three years back. So from a 70:30 technical formulations ratio, we have now touched a 47:53 where formulations is 53 and technical sales is 47.

**Ankit Gupta**

**Bamboo Capital:** How do you see growth in this segment over the next two, three years?

**Raghuram K Shetty:** We see good growth in this segment and our focus also is slowly changing towards formulations both in B2B as well as B2C.

**Ankit Gupta**

**Bamboo Capital:** Like on our overall formulations sales, how much will be in our own brand and how much will be B2B?

**Raghuram K Shetty:** Around 25% should be our own brand, the rest are B2B.

**Ankit Gupta**

**Bamboo Capital:** Sir, on the technicals front, we have seen the industry going through a tough time over the past two years, and even now the commentary of some of the larger global innovators, as well as some of the local technical players, isn't that great. So, where do we see this industry now given

we have like a lot of companies have been expecting revival since last year, but it seems that even H2 is going to be tough. So, what is your view on the revival of the industry? And second question is on the technical side was we have done the large primary deal with a Pyrethroids player and I think what I understand is like Pyrethroids product continue to remain under pricing pressure. So with our new CAPEX coming up at Sarigam and Saykha, any product mix change that we are doing to diversify a bit away from Pyrethroids and what are your views on the same?

**Raghuram K Shetty:**

Market situation if I say currently because of global issues, if I consider India as a market, India is doing well. But when I consider the global situation, majorly issue is because of the demand from multiple geographies, maybe because of the geopolitical issue, because of the slowdown in multi-areas like how we earlier mentioned, China also was under slowdown like six months back and there were inventory issues, there are inventory issues in US, in Latin America and in some countries where there are demand, you have currency issues. So, all this when brought together, there's a lot of demand issue that companies are seeing, but production is running, that is one of the reasons why people are facing the issue. When it comes to Heranba, we are coming up with a lot of new products and that is why we see there is a growth possibility for us because we are not focusing on just one or two products where we face volume issues. We are targeting multiple products in a moderate way and we'll plan to grow them over the years based on our registrations. And in case of Pyrethroids, we yet feel Pyrethroids has a very good future, because it's yet a newer and required set of product basket in the agrochemicals space. A lot of older generation molecules are getting out or getting banned in many countries and that will definitely be taken over by Pyrethroids as a segment. So, we are focused on it, but when all the new sites like Sarigam and Saykha comes in, our current proportion for Pyrethroids to others already is at 50:50, and over the years with the new sites coming in and with new products coming in, it will go down even further to around maybe 40:60 if I say over the next two years. That is not because we are not focused on Pyrethroids, but it is because we are coming up with a lot of new products. I hope I've clarified your question.

**Moderator:**

The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri**

**Crown Capital:**

Sir, just wanted to ask in terms of our interest cost and depreciation. So just wanted to know with the new plants coming in, how would they be moving -- will the Q2 run rate remain or will that be a bit higher in the H2, sir?

**Raghuram K Shetty:**

Because we have borrowed around 200 crores odd of things also. So the next phase of the growth will be finished both by the internal accruals and the debt also in that. So, we may see in the financial year close around 250, 260 crores of the total borrowing. We can take the interest cost will be around 10 to 12 crores in this financial year.

**Darshil Jhaveri**

**Crown Capital:** I think in H1 only we are at 10, 11 crores.

**Raghuram K Shetty:** 10, 11 crores and another 10, 11 crores.

**Darshil Jhaveri**

**Crown Capital:** The same level nearly. Sir, what I think our three phases plants that are coming up, so how much we spent and our depreciation also will increase similarly?

**Raghuram K Shetty:** Because the next you can say Saykha phase-I will be capitalized during this quarter, the depreciation would certainly increase also in that and the next quarter Sarigam two facilities because so Sarigam-I and II both will be capitalized in next quarter also. So depreciation will definitely increase according to their portion you can say usable plant and machinery.

**Darshil Jhaveri**

**Crown Capital:** So how much CAPEX you've done for these three plants combined, sir?

**Raghuram K Shetty:** Total Sarigam CAPEX will be around 180 crores and Saykha will be around 220 crores. So almost 400 CAPEX will be done.

**Darshil Jhaveri**

**Crown Capital:** Just wanted to know like Q2 is usually our best quarter and in H1 I think combined we've done around 730 crores. So in H2, we're confident of doing another 700 crores or this would -?

**Raghuram K Shetty:** See, usually what happens is, as compared to other agrochemical companies, if you see in the past also we have had very stable business across corners, a little plus and minus maybe 10% to 15%, but we do not see that H1 is the best quarter for us and then there's a big slack in our H2. So usually it is in that range only; H1 and H2 are more or less similar, maybe 10% plus/minus based on the situation. So, we expect similar run rate in the next half as well.

**Moderator:** The next question is from the line of Anik Mitra from Finnomics Solution Private Limited. Please go ahead.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Sir, my first question is related to the ongoing price erosion in the entire chemicals space. So, what is the current situation and is there any contraction of the price erosion what was happening for like quite long time?

**Raghuram K Shetty:** So last year there was price erosion for sure, but over the last year, if I consider YoY, prices have improved this year, because last year there was acute demand issue, but now demand have picked up and that's why prices have also gone up. And at present, we see prices are stable, it's not going down, maybe some product that is tight, some product that is a little soft now. But otherwise, overall, if you see our product lines, we are seeing stable at present and even our raw material prices are more or less in line, there is no negative impact that we are seeing at present.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Sir, is it the fact in the international market or both in domestic and the international market?

**Raghuram K Shetty:** Actually it usually runs parallel only. It's not like one market is way low and one market is very high. It's more or less in the range maybe 2% plus/minus. Accordingly, we change our strategy as well. We push more in the markets where we get better realization.

**Rajkumar Bafna:** Revenue has not gone up, but the margin has gone up compared to last year.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Sir, my next question is if you can throw some light like what we are doing in the CRAMS part, so that will be really helpful?

**Raghuram K Shetty:** CRAMS, so currently what happened is our whole plan is for now actually we have been more focused towards our own registrations because our current facilities were more or less completely utilized, we were at almost 85%, 90% capacity utilization, so there was no major CRAMS expectation that we had from our current sites. But we are coming up with a lot of new sites and currently we are already in talks. In fact, we have already got two orders. Maybe next year we may start in a small way executing those two contracts. And as it was already mentioned in the last question, the Daikaffil company that we have acquired, we are setting up a new R&D center and also the thought process is from a CDMO perspective, because in the current site, our team thought process is more towards B2B and the companies also when multinationals they approach, they expect a different thought process, a different company or a different setup. So that is a reason we may focus more on Daikaffil R&D center for our next level CDMO perspective.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Sir. Is it for technicals or formulations, what kind of opportunity is it?

**Raghuram K Shetty:** Currently, the contracts that we have which we may execute in the next year is for technicals only. For now, we have not planned any formulations on that.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Sir, relative to your existing product basket, which crops we are mainly catering to?

**Raghuram K Shetty:** Our products are not very crop-specific because if I say a little about Pyrethroids, it's a contact insecticides. And if I talk about other products also, if you see the whole basket today around 70% to 75% of our business comes from insecticides and these insecticides majorly cater to many of the crops. So whether Pyrethroids, it goes in multi-crops, the other insecticides that we make also goes in multiple crops. So, I will not say it depends on crops, it depends on the country and whichever major crop it is registered. If I say fungicides, there are some fungicides which are multi-crops and we have a few products which are very specific like we have a product which goes only in apples and there are some products that we have which is very specific to public health. So it only goes as a larvicide for vector control. So, very few products are such which are crop-specific, but most of them are multi-crops.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Sir, as far as Pyrethroids is concerned, so what is the contribution of Pyrethroids in your overall portfolio?

**Raghuram K Shetty:** Pyrethroids contribution is around 50% only which earlier used to be around 65% to 70%.

**Anik Mitra**

**Finnomics Solution P. Ltd.:** Is this ratio going to be maintained going forward or -?

**Raghuram K Shetty:** Volumes are the same. Maybe it may increase a little over the period, but because the newer sites are coming up are for new products. Based on the overall quantity, considering similar volumes, the percentage will go down.

**Moderator:** The next question is from the line of Shorya from Azure Partners. Please go ahead.

**Shorya**

**Azure Partners:** You said that in your H1 your margin was 14% compared to 7% last year. So, what was the reason for such big expansion?

**Rajkumar Bafna:** The expansion was because the last year was very great for all the agrochemical companies in that. The prices were you can say somewhat basically down. This year prices are normalized. So if you say compared to around last four, five years we have a EBITDA margin of around 15% to 18% in the range. That's why you can say we normalize our margins in that.

**Moderator:** The first question is from the line of Pujan Shah from Molecule Ventures. Please go ahead.

**Pujan Shah**

**Molecule Ventures:** I just wanted to understand about the organophosphorus chemistry. We have been witnessing some price hike in DETC specific. So can you just help me as to how we have been looking at that part?

**Rajkumar Bafna:** Can you say what do you want to understand?

**Pujan Shah**

**Molecule Ventures:** The DETC prices have been increasing recently. So, we have witnessed that part. So –

**Raghuram K Shetty:** It is stable and maybe reducing in a reducing trend at present.

**Pujan Shah**

**Molecule Ventures:** Because like recently we have got to know that the price has been witnessing something. 10%, 20%.

**Raghuram K Shetty:** It increased and now it is stable at present, but we see there would be a decrease in the prices going forward.

**Rajkumar Bafna:** We are also available in this product.

**Pujan Shah**

**Molecule Ventures:** Can you help me with the reason why we are feeling that there could be a correction in the prices and how it can be moved forward?

**Raghuram K Shetty:** That is very difficult for us to say because we don't really track DETC much. We do make organophosphorus products so which we require DETC. And based on the products that we make and our discussion with the supplier, we have a feeling that the product prices will come down.

**Moderator:** The next question is from the line of Chirag Shah from Dalal & Broacha. Please go ahead.

**Chirag Shah**

**Dalal & Broacha:** Sir, I feel that full year also given that there was low demand, you obviously had some pricing pressure, but have some capacities been shut down globally, are you aware in our line of business say in China or other places?

**Raghuram K Shetty:** In our line of business?

**Chirag Shah**

**Dalal & Broacha:** Trying to understand is that means this margins which we are seeing, the spreads which we are seeing, are they sustainable now and the last year was just a blip?

**Raghuram K Shetty:** See, if you consider last year for any agrochemical company, I would say, last year was a very one-off situation for everyone globally, not just in India, but global companies in many cases for them also first time in their lifetime kind of a situation, because there was no demand from a lot of countries, but now this year we've seen that demand coming in and because of that the pricing also improved over the period.

**Chirag Shah**

**Dalal & Broacha:** Sir, any idea, any capacities been shut down because of the low prices or nothing like that?

**Raghuram K Shetty:** There's no capacity shut down.

**Chirag Shah**

**Dalal & Broacha:** Sir, given that we are now starting new facilities where we are increasing our capacities, do we feel that we stand to gain out of operating leverage also, because I think so we will be adding in the next one year, maybe around 6,000 to 7,000 tons given the utilization which you just mentioned 60% to 70%. So now –

**Raghuram K Shetty:** We hope to touch 60% to 70% in the next two years. I don't think operating leverage we would have in the initial phase, because they are new plants, we are trying to ramp up many products on these sites at the same time and we would face some teething issues in the initial phase. So scaling up over the period definitely there will be operating leverage. But in the next financial year also, we should not consider operating leverage to come in.

**Chirag Shah**

**Dalal & Broacha:** Whenever the operating leverage plays out, maybe it will be about of percentage?

**Raghuram K Shetty:** Yes, it should be. That is what we have seen in our existing sites, in our existing financials also if you see. We've always played on operating leverage. So over the period that benefit we'll definitely get. We'll try to have better capacity utilization over the period in the current financial year.

**Chirag Shah**

**Dalal & Broacha:** Combined current production would be how much roughly?

**Raghuram K Shetty:** Current is around 85% to 90%, almost completely utilized.

**Chirag Shah**

**Dalal & Broacha:** It will be about 8,000, 9,000 tons?

**Raghuram K Shetty:** Our current capacity is around 15,000 to 16,000 tons.

**Rajkumar Bafna:** And we are adding maybe another 10,000 over the next two years.

**Raghuram K Shetty:** Again, we mentioned on this as well. Quantities cannot be considered like that because a few of our sites are multiple sites and the moment we change our product basket, the quantities will change. We'll have to consider salable volumes also.

**Raunak R Shetty:** That will give a correct picture because there is a Rs.300 product also, for Rs.5,000 per kilo product also, wherein Rs.300 the volume is high and in Rs.5,000 the volume is less. So volume will not give a correct picture in agrochemicals, it is only for registration purposes.

**Chirag Shah**

**Dalal & Broacha:** I understand the product mix will differ. There will be some value addition etc.,

**Moderator:** The next question is from the line of Anik Mitra from Finnomics Solutions Private Limited. Please go ahead.

**Anik Mitra**

**Finnomics Solutions P. Ltd.:** Among your global export destinations, I think Bangladesh is a significantly one big part. So, what is the current situation of Bangladesh as they are not accepting Indian products, that sort of anti-Indian sentiment was very proliferant over there, so what is your take on this?

**Raghuram K Shetty:** So currently we don't see such issues. Of course, we are cautious for Bangladesh sales because of the issues that India is having with Bangladesh. But our customers are fairly old and we know them very well and we are only doing business with the customers that we are comfortable with. And considering Bangladesh on our total sales, it's around 1%, 1.5%.

**Anik Mitra**

**Finnomics Solutions P. Ltd.:** Negligible?

**Raghuram K Shetty:** Very negligible.

**Raunak R Shetty:** That's what, financial terms is on the advance basis.

**Anik Mitra**

**Finnomics Solutions P. Ltd.:** Sir, for the Pyrethroids business, there is like ban in certain geographies especially in Europe and all. So I have also raised somewhere like probably by 2030 like in Europe, many other countries also will come up to ban the product. So how do you look at it?



**Raghuram K Shetty:** In Europe, if you see insecticide usage itself is very less and the expense for re-registration is very high. So, you will have to consider why the ban happened? Is it because of the toxicity or is it because they did not want to go ahead with the registration? So even today, Deltamethrin is yet registered alpha, your Cypermethrin and Permethrin is yet registered in Europe. But as a market insecticide is not a major market for you. And if you see overall across the globe, Pyrethroids is yet not banned in most of the countries. There will be some like Europe you say, there will be some, I don't know which product you're talking of. Because it's not a big market and because the expense is very high, that is why the multinational does not go ahead with the re-registration process. It's not because of the toxicity.

**Anik Mitra**

**Finnomics Solutions P. Ltd.:** So, is the Latin America the biggest contributor to your export portfolio?

**Raghuram K Shetty:** No, no, currently it is Asia Pacific, Africa and Middle East, but we are working on Latin America and the North American region.

**Moderator:** The next question is from the line of Aditya Mutha, an individual investor. Please go ahead.

**Aditya Mutha:** The two CRAMS project which we are doing currently, are we doing that in Daikaffil or Heranba?

**Raghuram K Shetty:** Heranba.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Raghuram K Shetty:** Thank you very much all the participants for your time and it's very valuable questions and the questions I hope we have answered well and still in future if you have any questions, again you can contact us for any doubt.

**Moderator:** On behalf of Heranba Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.