



SMC Ranking
★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Active Pharmaceutical Ingredient
Fresh Issue (Shares)	10,890,000
Net Offer to the Public	10,890,000
Issue Size (Rs. Cr.)	144-153
Price Band (Rs.)	133-140
Offer Date	27-Sep-23
Close Date	3-Oct-23
Face Value	10
Lot Size	105

Issue Composition

	In shares
Total Issue for Sale	10,890,000
QIB	5,445,000
NIB	1,633,500
Retail	3,811,500

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	74.94%
QIB	0.00%	12.53%
NIB	0.00%	3.76%
Retail	0.00%	8.77%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company intends to utilize the net proceeds from the issue towards the funding of the following objects:

Investment in its wholly-owned subsidiary, Valiant Advanced Sciences Private Limited (VASPL) for part-financing its capital expenditure requirements in relation to the setting up of a manufacturing facility for specialty chemicals at Saykha Industrial Area, Bharuch, Bharuch, Gujarat (Proposed Facility).

Investment in VASPL for funding its working capital requirements.

General corporate purposes.

Book Running Lead Manager

- UNISTONE CAPITAL PRIVATE LIMITED

Name of the registrar

- LINK INTIME INDIA PRIVATE LIMITED

About the company

Incorporated in 1980, Valiant Laboratories Limited is a pharmaceutical ingredient manufacturing company in India having focuses on manufacturing Paracetamol. The company's manufacturing unit is located in Palghar, Maharashtra, spread across 2,000 sq. mts. of land with an aggregate annual total installed capacity of 9,000 MT per annum. Valiant Laboratories also has an R&D Facility, equipped with an analytical laboratory and infrastructure for developmental activities in existing products. Valiant Laboratories Limited imports Para Amino Phenol, being the raw material for the manufacture of Paracetamol from China and Cambodia. As of April 30, 2023, Valiant Laboratories has 86 employees.

Strength

Strong financial performance: The company strives to maintain a strong financial position with emphasis on having a strong balance sheet and increased profitability. For the Fiscal 2023, Fiscal 2022 and Fiscal 2021, its revenue from operations were Rs. 333.91 Crore, Rs. 291.52 Crore and Rs. 182.37 Crore, respectively. Its revenue from operations grew at a CAGR of 23.90% between Fiscal 2017 and Fiscal 2023. For the Fiscal 2023, Fiscal 2022 and Fiscal 2021, its restated profit after tax was Rs. 28.99 Crore, Rs. 27.50 Crore and Rs. 30.60 Crore, respectively. Its restated profit after tax, grew at a CAGR of 26.81% between Fiscal 2017 and Fiscal 2023. In Fiscal 2023, Fiscal 2022 and Fiscal 2021, had strong cash flows from operations. Its net cash flow from operations was Rs. 9.11 Crore, Rs. 2.25 Crore and Rs. 22.96 Crore, respectively, reflecting its strong financial operations. Its RONW for equity shareholders in Fiscal 2023, Fiscal 2022 and Fiscal 2021 was 28.86%, 38.48% and 34.54%, respectively while its ROCE (Average of beginning and end of year) was 70.86%, 35.75% and 22.76%, respectively.

Reducing dependence on import of raw materials: The company imports Para Amino Phenol, being raw material for manufacture of Paracetamol from China and Cambodia. The below table shows decreasing trend of import of said raw material and purchasing the same through its promoter group company i.e. Valiant Organics Limited which leads to better coordination, competitive pricing, eliminating hefty transportation and reduced delivery transit time:

Period	% of imports to total purchase
FY 2023	11.87
FY 2022	31.17
FY 2021	74.86

Strategically located Manufacturing Facility: Its Manufacturing Facility is strategically located at a distance of about 150 Kms. from JNPT (Nhava Sheva) Port, Navi Mumbai, Maharashtra and approximately 110 kms from its registered office at Mulund West, Mumbai, Maharashtra, which ensures that it has ready access to port facilities and are able expediently import its raw materials and export its products thereby providing it with a cost and logistical advantage. Further, it proposed Facility will be located close to the southern and western regions of India, where some of the major pharmaceutical manufacturers are located.

Strategy

Diversification into new chemistries and industry: The company, through its wholly owned subsidiary Valiant Advanced Sciences Private Limited, intends to establish a greenfield project at Saykha Industrial Area, Bharuch, Gujarat, which shall be spread over an aggregate parcel of land admeasuring about 57,766 sq. mts ("Proposed Facility") which shall venture into the speciality chemicals industry by manufacturing ketene and diketene derivative products. Speciality.

Increase in market share: The paracetamol API industry (Domestic consumption+ exports) grew from Rs. 22 billion in Fiscal 2017 to Rs. 39 billion in Fiscal 2023. The boost in export demand due to supply restrictions in China gave opportunities for Indian manufacturers to tap the potential export market. Going forward the paracetamol API industry is expected to clock a CAGR of 5-7% between fiscal 2023 and fiscal 2027, largely driven by the demand from domestic formulation manufacturers as well as export markets.

Improve operational efficiencies through backward integration of Proposed Facility: In order to improve its operational efficiencies, it intends to implement backward integration measures by manufacturing ketene and diketene derivative products. The Company will consume one of such derivative products as a raw material i.e. acetic anhydride which is used in the process of manufacturing paracetamol. Remaining products which will be manufactured at proposed Facility will be sold to external customers, include agrochemical, pharma intermediary, dyes, pigments, food and fragrance industries. These backward integration measures will allow it to gain competitive advantage by reducing in product costs, control over supply of raw materials, minimising supply failure risk and reduce its dependency on third parties. With backward integration, it will have greater control on the manufacturing process, quality standards and benefit from cost efficiencies. As a result, it expects to fulfil its customers' needs in a timely manner, increase its sales per customer and improve its working capital and supply chain processes.

Increase its penetration into international markets including regulated markets: It seeks to enhance its presence in international geographies, including regulated markets where its strategy is primarily to become the preferred supplier of Paracetamol API to pharmaceutical companies. It intends to obtain approvals to be able to sell in the regulated markets. Its growth strategy will vary from country to country depending on applicable regulatory norms. It has relationship with its existing customers; it would work to strengthen its relationship further with these companies. Its existing Manufacturing Facility at Tarapur Industrial area, Palghar, Maharashtra operates a management system in accordance with the requirements of ISO 9001:2015. It will continue to evaluate additional markets and relationships which it believes will be beneficial to increase its presence in domestic markets as well as export markets.

Risk factor

- The company operates out of a single Manufacturing Facility which is located at Palghar, Maharashtra.
- The company has a limited number of suppliers for its raw materials who are highly concentrated in the western region of India.
- The majority of its operative income is derived from the domestic market and any adverse developments in this market could adversely affect its business.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Alkyl Amines	1618.73	196.52	38.46	62.46	10.50	228.75	2.00	2402.25	12275.65
Jagsonpal Pharma	236.27	31.27	11.94	34.88	6.87	60.65	5.00	416.45	1091.02
Granules India	4477.88	436.94	17.60	18.37	2.83	114.20	1.00	323.25	8026.06
Laxmi Organic	2773.61	98.48	3.71	77.09	5.38	53.16	2.00	286.00	7595.50
Valiant Laboratories Limited	333.91	29.00	6.67	20.98	2.40	58.22	10.00	140.00	608.30

*Peer Comparison company financials are based on TTM.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.140, the stock is priced at pre issue P/E of 15.72x on FY23 EPS of Rs.8.91. Post issue, the stock is priced at a P/E of 20.98x on its EPS of Rs.6.67. Looking at the P/B ratio at Rs.140, pre issue, book value of Rs. 30.86 of P/Bvx 4.54x. Post issue, book value of Rs. 58.22 of P/Bvx 2.40x.

Considering the P/E valuation, on the lower end of the price band of Rs.133, the stock is priced at pre issue P/E of 14.93x on FY23 EPS of Rs.8.91. Post issue, the stock is priced at a P/E of 19.93x on its EPS of Rs.6.67. Looking at the P/B ratio at Rs.133, pre issue, book value of Rs. 30.86 of P/Bvx 4.31x. Post issue, book value of Rs. 58.22 of P/Bvx 2.28x.

Industry Outlook

The pharmaceutical API industry in India is ranked third-largest globally in terms of volume. The paracetamol API industry (Domestic consumption+ exports) grew from Rs. 22 billion in fiscal 2017 to Rs. 39 billion in fiscal 2023. Going forward the paracetamol API industry is expected to clock a CAGR of 5-7% between fiscal 2023 and fiscal 2027, largely driven by the demand from domestic formulation manufacturers as well as export markets.

Outlook

Valiant Laboratories is an Active Pharmaceutical Ingredient (API) / Bulk Drug manufacturing company having focuses on the manufacturing of Paracetamol. Paracetamol is one of the most commonly taken analgesics worldwide and is recommended as the first-line therapy in pain conditions by the World Health Organization (WHO). Its manufacturing Facility employs modern machinery and equipment to ensure a smooth flow of operations. However, the Company has a limited number of suppliers for its raw materials who are highly concentrated in the western region of India. A long term investor may opt the Issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	27-September-23
BID/ISSUE CLOSSES ON	03-October-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	05-October-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	06-October-23
Credit of Equity Shares to demat accounts of Allottees	06-October-23
Commencement of trading of the Equity Shares on the Stock Exchanges	09-October-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	333.91	291.52	182.37
Total expenditure	298.82	249.21	132.37
Operating Profit	35.09	42.32	50.00
OPM%	10.51	14.52	27.42
Other Income	4.86	1.95	1.41
PBDIT	39.95	44.27	51.41
Depreciation	1.56	2.49	2.61
PBIT	38.39	41.78	48.81
Interest	0.25	0.07	1.78
Profit before tax	38.14	41.70	47.02
Tax expense	9.14	14.21	16.43
PAT	29.00	27.50	30.59

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-23	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	29.14	21.77	19.57
Capital work-in-progress	0.05	1.45	0.00
Right of Use Asset	0.83	0.45	0.22
Financial Assets			
Investment in Subsidiaries	0.01	0.00	0.00
Other Financial Assets	0.70	0.61	0.60
Other non-current assets	0.07	0.73	0.04
Total Non-Current assets	30.80	25.02	20.42
Current assets			
Inventories	13.04	15.80	6.07
Financial Assets			
Investments	34.02	0.40	0.00
Trade Receivable	88.57	110.77	42.51
Cash and Cash Equivalents	0.38	0.13	3.94
Bank Balances Other than Cash & Cash Equivalents	0.08	20.00	15.00
Loans	32.40	0.00	0.02
Other Financial Assets	0.72	0.73	0.00
Other Current assets	10.86	7.36	18.35
Current Tax Assets (Net)	1.90	1.60	0.00
Total Current assets	181.96	156.80	85.89
Total Assets	212.76	181.81	106.31
Liabilities			
Non-Current liabilities			
Financial Liabilities			
Borrowings	59.40	59.40	0.27
Lease Liabilities	0.64	0.27	0.06
Other financial liabilities	0.96	0.96	0.96
Provisions	0.08	0.00	0.00
Deferred tax liabilities (net)	0.67	0.30	0.55
Total non-current liabilities	61.75	60.92	1.84
Current Liabilities			
Financial Liabilities			
Borrowings	0.00	1.28	0.08
Lease liabilities	0.18	0.18	0.20
Trade payables			
Total outstanding, dues of Micro and Small Enterprises	0.01	0.02	0.00
Total outstanding, dues of creditors other than Micro and Small Enterprises	47.29	46.42	12.29
Other financial liabilities	2.02	1.31	0.86
Other current liabilities	0.91	0.07	0.11
Provisions	0.12	0.16	0.13
Current tax liabilities (net)	0.00	0.00	2.22
Total current liabilities	50.52	49.43	15.89
Total Liabilities	112.27	110.35	17.73
NET Worth	100.49	71.46	88.58
Net worth represented by:			
Equity Share Capital	32.56	16.28	10.50
Other Equity	67.93	55.18	78.08
Net Worth	100.49	71.46	88.58

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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