

IPO Details		Company Background			
Opening Date	Sept 27, 2023	<ul style="list-style-type: none"> Valiant Laboratories Limited was originally incorporated in the year 1980 and has its registered office in Mumbai, Maharashtra. The Company is an Active Pharmaceutical Ingredient ("API") / Bulk Drug manufacturing company having focus on manufacturing of Paracetamol. The manufacturing facility is located at Maharashtra, India which is spread over an aggregate parcel of land and measuring about 2,000 sq. mts. The company also has an in-house R&D infrastructure equipped with analytical laboratory and infrastructure for developmental activities. As of 31st July 2023, the Company has 91 employees on its payroll. 			
Closing Date	Oct 03, 2023				
Stock Exchange	BSE, NSE				
Lot Size	105 Shares				
Issue Price	₹ 133 to ₹ 140 per share				
Issue Size	Aggregating up to 152.46 Cr.				
Fresh Issue	Aggregating up to 152.46 Cr.				
Offer for Sale	-				
Application Amount	Min. Inv. - ₹ 14,700 (105 shares) Max. Inv. - ₹ 1,91,100 (1,365 shares)				
IPO Objective					
Investment in its wholly owned subsidiary, for part- financing its capital expenditure (setting up of a manufacturing facility).					
Working Capital Requirements.					
General Corporate Purpose.					
Pre-Issue Shareholding					
Category	No. of Shares	% of Total Shares			
Promoter & Promoter Group	3,25,60,000	100.00%			
Public	-	-			
Promoter of the Company					
1	Shantilal Shivji Vora				
2	Santosh Shantilal Vora				
3	Dhanvallah Ventures LLP (DVL)				
Competitive Strengths					
1	Reducing dependence on import of raw materials.				
2	Strong Financial Performance				
3	Strategically located Manufacturing Facility				
4	Experienced promoters and management.				
			Market Capitalization (In Cr.)		
			Pre-Issue	Post-Issue	
			₹ 456	₹ 608	
			Financial Summary (In Lacs)		
For the Period Ended	Mar-21	Mar-22	Mar-23		
Total Assets	10,631.40	18,181.20	21,275.70		
Net Assets	8,858.20	7,146.00	10,049.00		
Total Borrowings	35.10	6,068.10	5,940.00		
Total Revenue	18,378.10	29,347.20	33,877.30		
Profit After Tax	3,059.30	2,749.70	2,899.90		
			Tentative Timeline		
Opening Date		Sept 27, 2023			
Closing Date		Oct 03, 2023			
Basis of Allotment		Oct 05, 2023			
Initiation of Refunds		Oct 06, 2023			
Credit of Shares to Demat		Oct 06, 2023			
Listing Date		Oct 09, 2023			

Company Background and Analysis

The Company was originally incorporated in the year 1980. The company is an Active Pharmaceutical Ingredient (“API”) / Bulk Drug manufacturing company having focus on manufacturing of Paracetamol. Bulk drugs/Active Pharmaceutical Ingredients (API) serve as raw materials for manufacturing finished dosage forms or formulations. Paracetamol (Scientific name: Acetaminophen or para-hydroxyacetanilide - C₈H₉N₂O₂), is one of the most taken analgesic worldwide and is recommended as the first-line therapy in pain conditions by the World Health Organization (WHO).

The company’s manufacturing facility is located at Plot nos. L-13 and L-30, Tarapur Industrial Area, Boisar, Palghar - 401506, in the state of Maharashtra, India which is spread over an aggregate parcel of land and measuring about 2,000 sq. mts. (“Manufacturing Facility”) with an aggregate annual total installed capacity of 9,000 MT per annum. With the Manufacturing Facility located at Tarapur Industrial Area, Palghar, Maharashtra the company also has an in-house R&D infrastructure (“R&D Facility”). The R&D Facility is equipped with analytical laboratory and infrastructure for developmental activities in existing product.

Company manufactures single product i.e., Paracetamol which has several applications like treatment of conditions such as headache, muscle ache, arthritis, back ache, tooth ache, cold and fever. The company manufactures paracetamol in various grades and sizes as per the specifications of the customers like powder, fine powder, dense, free flowing, etc. The company manufactures paracetamol as per the required pharmacopeia like IP/BP/USP/EU as per the requirement of the customers. The company sell the products through the existing set of customers and new customers acquired by either the management or the sales and marketing team.

Product-wise revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
From sale of manufactured Products	18,055.10	99.00%	28,928.90	99.23%	33,174.80	99.35%
Other Income	181.80	1.00%	223.40	0.77%	216.20	0.65%
Total	18,236.90	100.00%	29,152.30	100.00%	33,391.00	100.00%

To conclude, the company was originally incorporated in the year 1980. The company is an Active Pharmaceutical Ingredient (“API”) / Bulk Drug manufacturing company having focus on manufacturing of Paracetamol. The company is manufacturing only paracetamol for now and is increasing its production towards speciality chemicals industry by manufacturing ketene and diketene derivative products. The company is raising gross proceeds of Rs. 152.46 Cr.

Business Strategies

1. Diversification into new chemistries and industry.

The company 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. This Proposed Facility at Saykha Industrial Area, Bharuch, Gujarat shall be undertaken by their own wholly owned subsidiary which would help them to diversify the customer portfolio and mitigate risk of being a single product manufacturer.

2. Increase in market share.

The Company intends to increase the market share in paracetamol API industry and the focus will remain on acquiring new customers and retaining existing customers.

3. Improve operational efficiencies through backward integration of Proposed Facility.

The company intends to implement backward integration measures by manufacturing ketene and diketene derivative products. 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.

4. Increase the penetration into international markets including regulated markets.

The company seeks to enhance the presence in international geographies, including regulated markets where the strategy is primarily to become the preferred supplier of Paracetamol API to pharmaceutical companies. The company intends to obtain approvals to be able to sell in the regulated markets.

Competitive Scenario and Peer Mapping

Competition

The pharmaceutical industry in which the company operates in is highly competitive with several major pharmaceutical companies present. The company competes with large multinational pharmaceutical companies and smaller regionally based competitors. The company operates in a very concentrated market. The barrier to entry in such sector is high. The bargaining power with the customers is low and the bargaining power with the suppliers is high.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

Particulars	Valiant Laboratories Limited	Granules India Limited	Jagsonpal Pharmaceuticals Limited	Alkyl Amines Chemicals Limited	Laxmi Organic Industries Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	8.68%	11.46%	11.39%	13.61%	4.47%
EBITDA Margin	10.51%	20.28%	14.77%	20.63%	8.87%
Return on Capital Employed	20.67%	23.66%	20.24%	24.39%	10.53%
Return on Equity	28.86%	18.24%	16.98%	19.59%	8.85%
EPS (INR)	6.77	20.81	10.20	44.75	4.70

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below -

Particulars	Valiant Laboratories Limited	Granules India Limited	Jagsonpal Pharmaceuticals Limited	Alkyl Amines Chemicals Limited	Laxmi Organic Industries Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	9.43%	10.97%	8.72%	14.59%	8.33%
EBITDA Margin	14.52%	19.31%	11.93%	21.14%	12.03%
Return on Capital Employed	30.09%	19.78%	18.46%	27.93%	22.59%
Return on Equity	38.48%	15.96%	14.29%	22.73%	19.92%
EPS (INR)	10.47	16.64	7.20	44.04	9.76

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below -

Particulars	Valiant Laboratories Limited	Granules India Limited	Jagsonpal Pharmaceuticals Limited	Alkyl Amines Chemicals Limited	Laxmi Organic Industries Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	16.78%	16.95%	9.04%	23.75%	7.18%
EBITDA Margin	27.42%	26.44%	10.11%	34.62%	12.44%
Return on Capital Employed	52.41%	27.76%	14.52%	46.41%	14.69%
Return on Equity	34.54%	25.25%	13.93%	37.25%	12.27%
EPS (INR)	8.53	22.18	6.51	57.91	4.82

Based on the above analysis, the company's profitability margins are lower when compared to its peer companies for FY 2023. RoCE (Slightly High) and ROE are higher when compared to the peer companies and the EPS is lower when compared to its peer companies on an average basis for FY 2023.

Industry Overview

Exhibit 1: Indian Pharmaceutical Market (US\$ billion)

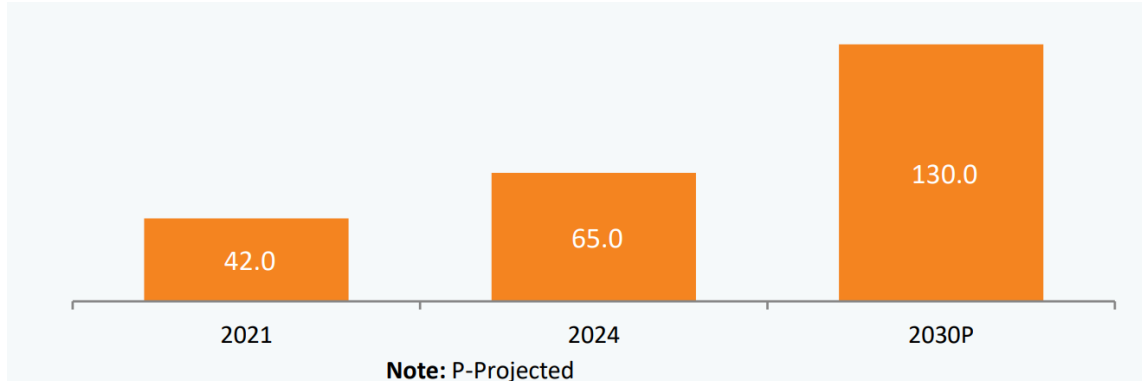


Exhibit 2: Market Size of Indian Chemical Sector (US\$ billion)

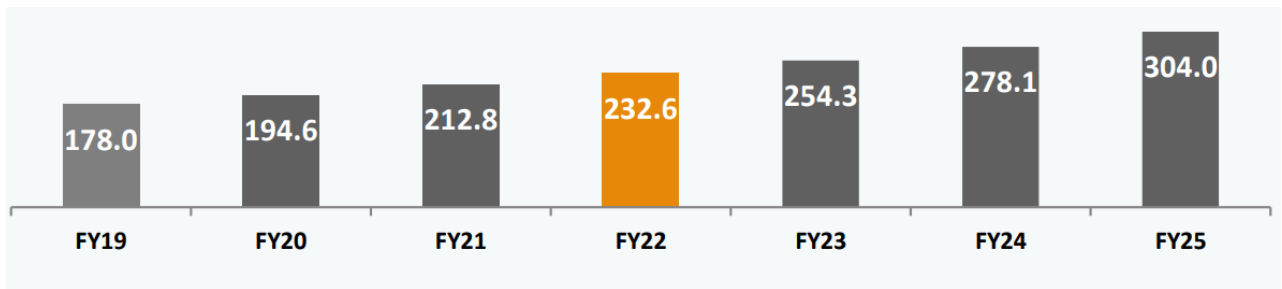
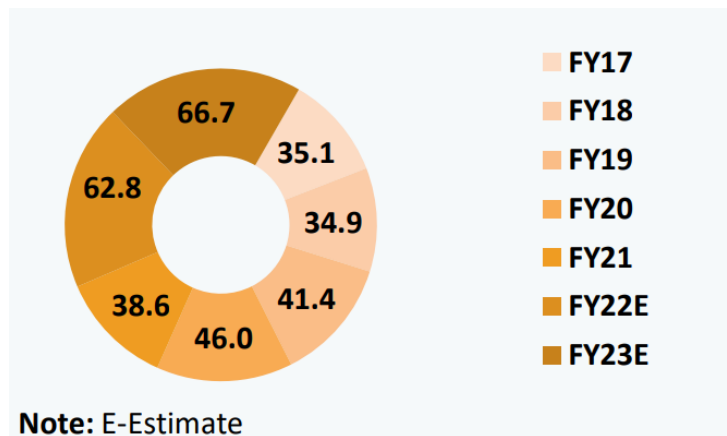


Exhibit 3: Government Expenditure on Health in India (US\$ billion)



(Source: ibef.com)

Overview of Indian Pharmaceutical API Industry -

The pharmaceutical API industry in India is ranked third largest globally in terms of volume, behind China and Italy – About 35 per cent of API and intermediaries produced in India are exported and the remaining API and intermediaries are sold in the domestic market, including captive consumption by several large formulation players. India is the largest provider of generics drugs globally contributing to ~20% in global supply by volume of generics drugs.

Bulk drugs are exported either under a contract manufacturing service between Indian manufacturers and global innovator companies or are merely supplied on a trading basis. The latter method is generally followed when exporting to semi-regulated markets or while supplying bulk drugs for manufacture of off-patent drugs in regulated markets.

Typically, regulated markets offer higher profits than semi-regulated markets. Exports to regulated markets also occur in the nature of contract manufacturing for on-patent and off-patent drugs. Besides, bulk drugs are also supplied (in smaller quantities) during drug development to innovator companies. Players operating in this segment earn higher margins as compared to other exporters.

The margins vary according to the player's area of expertise; for example, custom synthesis carries very high margins compared to supply for manufacture of off-patent drugs. In terms of imports, Indian API industry still relies on imports for specific products. High dependence on Chinese imports is a concern for the domestic pharmaceuticals industry. The covid outbreak has been detrimental in revealing the consequences of a supply disruption from China and its potential impact.

Therefore, the central government has earmarked ~Rs 100 billion for the bulk drug industry, including Rs 30 billion for promotion of bulk drug parks (for next five years) and Rs 69.4 billion towards production linked incentive scheme for promotion of domestic manufacturing of critical KSMs/Drug Intermediates and APIs in the country (for next eight years).

Indian Chemical and Speciality Chemicals Industry -

The Indian chemical industry is a key constituent of the country's economy, accounting for 2.28% of the GVA (including pharmaceuticals) for all economic activities in fiscal 2020 compared with 2.23% in fiscal 2015. In 2020, it ranked sixth in the world in terms of revenue (excluding pharmaceuticals) and accounted for 2.7% of the global chemical industry compared with 2.5% in fiscal 2010. The Indian chemical industry is expected to double at 9.3% CAGR over fiscals 2019-25.

The Indian speciality chemicals industry, accounting for ~26% of the overall chemicals industry (excluding pharmaceuticals), was worth \$29 billion in fiscal 2020. The industry expanded at 6.7% CAGR over fiscals 2015-20, driven by an increase in domestic offtake from various end-user industries and rising exports. However, in fiscal 2021, the industry declined 3.4% on-year because of a slowdown in economic activity and the consequent decline in demand from end-user industries. The industry exhibited recovery in fiscal 2022 with an estimated worth of \$33.5 billion. The Indian speciality chemical industry is expected to reach \$51 billion by fiscal 2026, growing at 11.1% CAGR over 2022-26.

(Source: prospectus)

Key Managerial Personnel

Santhosh Shantilal Vora, aged 29, is one of the Promoters and Managing Director of the company. He holds a bachelor's degree in commerce and Post Graduate Programme in Management. He has experience of over 7 years in the chemical industry. He has been associated with the company since 2016. He handles the responsibility of looking after new product development, infusion, and upgradation of technology in operations and production process of the Company.

Shanthilal Shivji Vora, aged 71, is one of the Promoters, and Non-Executive Director of the company. He has completed his secondary education and has been associated with the Company since 1998. He has a rich experience in the chemical and pharma industry.

Paresh Shashikant Shah, aged 63, is the Executive Director, and Chief Financial Officer of the company. He holds a bachelor's degree in chemical engineering, and degree of Master of Science in Chemical Engineering. He has experience of over four decades in the chemical industry. He is also one of the founding members of the Company. He looks after the new product development, factory operations, financial matters including budgeting and forecasting of the Company.

Velji Karamshi Gogri, aged 71, is the Independent, and Non-Executive Director of the company. He holds a Bachelor of Technology in Chemical Engineering. He has experience of more than 45 years in the Chemical Industry involved in setting up and operating bulk drugs intermediates and fine chemicals manufacturing units and handling different chemical processes and equipment of the company.

Sonal Amit Vira, aged 41, is the Independent Director of the Company. She is a Commerce graduate, and qualified Chartered Accountant. She has experience of over 15 years in corporate banking having handled clients across from large domestic conglomerates to MNCs.

Sandeep Gupta, aged 52, is the Non-Executive Director of the company. He is a Chemical Engineer with Masters in Polymer Science and Engineering. He has over two decades of experience of working in the chemical industry. His experience spans across business development, engineering, and market research.

Other Promoters –

Dhanvallah Ventures LLP (DVL) – engaged in the business of manufacturing and dealing in chemicals, chemical compounds (organic and inorganic) in all forms, chemical products and all by-products and joint products.

To conclude, the company has 3 promoters, out of which 2 of them are individual promoters and one of them has vast experience, and the other has good experience in the fields in which the company operates. The remaining promoter is an LLP engaged in the business of manufacturing and dealing in chemicals. The remaining directors have good knowledge, and experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	18,236.90	29,152.30	33,391.00
Other Income	141.20	194.90	486.30
Total Income	18,378.10	29,347.20	33,877.30
Expenses			
Cost of material consumed	12,087.30	23,643.00	27,727.70
Changes in inventories of finished goods and work-in-progress	-12.70	-197.40	-24.10
Purchase of stock in trade	1.10	36.00	28.30
Employee benefits expense	270.80	306.40	461.30
Finance costs	178.40	7.30	25.40
Depreciation and Amortization expense	260.70	249.00	156.30
Other expenses	890.20	1,132.40	1,688.70
Total Expenses	13,675.80	25,176.70	30,063.60
Earnings Before Interest, Taxes, Depreciation & Amortization	5,000.20	4,231.90	3,509.10
EBITDA Margin	27%	15%	11%
Profit/(Loss) before tax	4,702.30	4,170.50	3,813.70
Tax Expense			
Current Tax	1,646.00	1,446.80	880.00
Deferred Tax charge / (credit)	-3.00	-26.00	33.80
Total Tax Expense	1,643.00	1,420.80	913.80
Profit/(Loss) for the year	3,059.30	2,749.70	2,899.90
Net Profit Margin	17%	9%	9%

Balance Sheet			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1,957.00	2,177.30	2,914.10
Capital Work-in-progress	-	144.50	4.60
Right-of-use-assets	21.90	45.40	82.80
Goodwill	-	-	-
Other Intangible assets	-	-	-
Financial assets	-	-	-
i) Investments	-	-	1.00
ii) Other financial assets	59.60	61.00	70.20
Other non-current assets	3.90	73.30	6.80
Total Non-Current assets	2,042.40	2,501.50	3,079.50
Current Assets			
Inventories	607.30	1,580.40	1,304.20
Investments	-	40.20	3,401.90
Trade Receivables	4,251.20	11,076.90	8,856.80
Cash and Cash Equivalents	393.70	13.10	37.60
Bank balances other than above	1,500.00	2,000.00	8.00
Loans	2.10	0.10	3,240.30
Other financial assets	-	73.00	72.20
Other current assets	1,834.70	736.10	1,085.70
Current Tax Assets (Net)	-	159.90	189.50
Total Current assets	8,589.00	15,679.70	18,196.20
Total Assets	10,631.40	18,181.20	21,275.70
EQUITY AND LIABILITIES			
Equity			
Share Capital	1,050.00	1,628.00	3,256.00
Other Equity	7,808.20	5,518.00	6,793.00

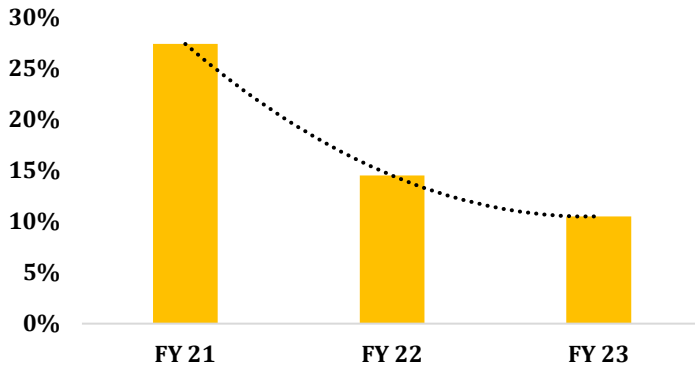
Balance Sheet			
	(In Lacs)		
Total Equity	8,858.20	7,146.00	10,049.00
Liabilities			
Non-current liabilities			
Borrowings	27.40	5,940.00	5,940.00
Lease Liabilities	5.80	26.70	64.20
Other Financial Liabilities	96.10	96.10	96.10
Provisions	-	-	7.80
Deferred Tax Liabilities (Net)	55.10	29.60	66.60
Total Non-current liabilities	184.40	6,092.40	6,174.70
Current liabilities			
(i) Short Term Borrowings	7.70	128.10	-
ii) Lease liabilities	19.50	17.80	17.50
(iii) Trade Payables	-	-	-
i) Due to micro and small enterprises	-	1.80	0.60
ii) Due to other than micro and small enterprises	1,229.20	4,641.90	4,729.00
Other Financial Liabilities	86.20	130.70	201.80
Other Current liabilities	11.40	6.80	91.10
Short Term Provisions	12.60	15.60	11.80
Current tax liabilities (net)	222.10	-	-
Total Current liabilities	1,588.70	4,942.70	5,051.80
Total Liabilities	1,773.10	11,035.10	11,226.50
Total Equity and Liabilities	10,631.30	18,181.10	21,275.50

Cash Flow Statement			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	910.90	225.10	2,295.60
Net Cash Flow from Investing Activities	1,666.90	1,223.80	2,117.70
Net Cash Flow from Financing Activities	1,143.00	618.10	-153.40

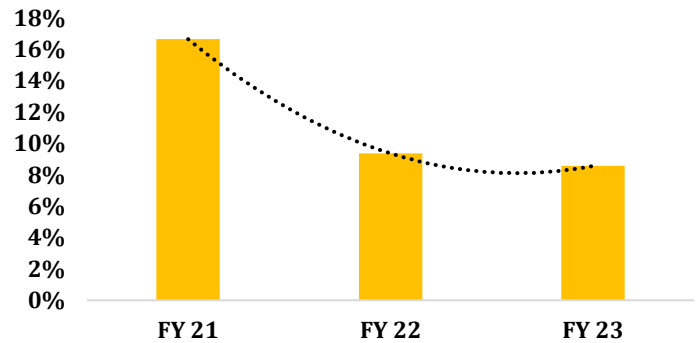
Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	10.83	9.52	8.91
BV per share	20.39	16.45	23.13
Operating Ratios (%)			
EBITDA Margins	27%	15%	11%
PAT Margins	17%	9%	9%
Inventory days	12.15	19.79	14.26
Debtor days	85.09	138.69	96.81
Creditor days	36.49	69.31	62.87
Return Ratios (%)			
RoCE	52%	30%	21%
RoE	35%	38%	29%
Valuation Ratios (x)			
EV/EBITDA	1.70	3.12	4.55
Market Cap / Sales	3.34	2.09	1.82
P/E	12.93	14.71	15.71
Price to Book Value	6.87	8.51	6.05
Solvency Ratios			
Debt / Equity	0.00	0.85	0.59
Current Ratio	5.41	3.17	3.60
Quick Ratio	5.02	2.85	3.34
Asset Turnover	1.72	1.60	1.57
Interest Coverage Ratio	26.57	545.60	132.00

Financial Charts

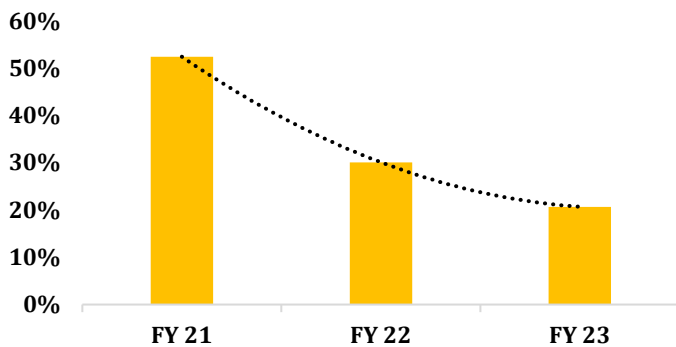
EBITDA Margin



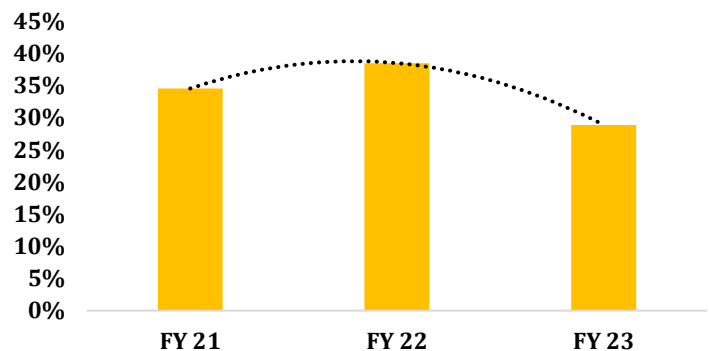
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. The company's top 10 suppliers contributed to 96.76%, 93.97%, and 99.62% for the financial year ended 2021, 2022, 2023 respectively. Dependence on few suppliers for raw materials may require them to procure them from other suppliers at higher cost and cause operational interruptions and affect the delivery capacity leading to loss of production and under-utilization of capacity.
2. There are certain legal proceedings against the promoters, and directors amounting to Rs. 9.3 lakhs, and Rs. 62.60 lakhs respectively for tax proceedings cases.

Track Record of Lead Manager

The lead manager to the issue is Unistone Capital Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ratnaveer Precision Engineering Limited	165.03	98.00	September 11, 2023	114.00
2.	Mono Pharmacare Limited	14.84	28.00	September 07, 2023	31.70
3.	Sangani Hospitals Limited	15.17	40.00	August 17, 2023	38.30
4.	Sahana System Limited	32.74	135.00	June 12, 2023	273.00
5.	MOS Utility Limited	49.97	76.00	April 18, 2023	90.5
6.	Global Surfaces Limited	154.98	140.00	March 23, 2023	180.00
7.	All E Technologies Limited	48.20	90.00	December 21, 2022	146.00
8.	Integrated Personnel Services Limited	12.74	59.00	November 11, 2022	120.00
9.	HP Adhesives Limited	125.96	274.00	December 27, 2021	461.00
10.	Sigachi Industries Limited	125.43	163.00	November 15, 2021	398.00

*CMP for the above-mentioned companies is taken as of 26th September 2023.

As per the offer document, For Unistone Capital Private Limited the company has had 12 mandates in the last three fiscal years. For Unistone Capital Private Limited from the above-mentioned mandates, all the mandates have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 1980 and has vast experience in the industry. The company has seen an increase in the top line of its financials but has seen a decreasing trend in the bottom line of its financials over the years.

The PE on an annualised and post-IPO basis is 20.98 times which seems to be fairly priced by looking at the performance of the peer company. The Sector PE is 27.9 times.

The company operates in a competitive segment. The management outlook of the company is satisfactory. The financials of the company are good with an increase in the operating cashflow for the company but has seen a decrease in the margins which may or may not sustain going forward. With the increase in the manufacturing process and products the company can be looking at a decent growth in the future. Thus, we recommend one can **APPLY** to this IPO.

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