

# Valiant Organics Ltd.

Call: **BUY** at CMP **620**

Target Price: **837 (upside 35%)**

**Unleashing a future of unwavering growth and steadfast margins: 22% to 25%**

## Dyes & pigments demand improves, but overall market subdued year-on-year.

- ✓ In Q4-FY23, there was a notable enhancement in revenue and margins attributed to increased orders from the Sarigam unit, which had been in the process of recovering from a fire incident. The unit's recovery efforts resulted in a significant improvement in performance. Moreover, there was a modest improvement in demand for dyes & pigments compared to the previous quarter. However, it is important to highlight that the overall demand, when compared to the previous year, remains subdued.
- ✓ The pharmaceutical sector is anticipated to experience growth as there has been an increase in the production of active pharmaceutical ingredients (APIs). Additionally, the agrochemical sector is expected to grow since the Sarigam unit, which plays a significant role in this sector, is now operational again. However, the dyes and pigments sector continues to face subdued conditions. Furthermore, the hydrogenation segment witnessed a decline in volume compared to the previous quarter.
- ✓ Valiant Laboratories upholds a consistent capex standard of INR 100-110 crores annually to foster its growth trajectory. As part of its strategic planning, Valiant Laboratories is currently devising an INR 100-110 crores capex plan to facilitate maintenance, redevelopment, and brownfield expansion initiatives. By leveraging its existing facilities and without any additional capex plans, the company foresees the potential to generate revenue ranging from INR 1,300-1,500 crores. However, with growth opportunities, this revenue figure could further escalate to INR 1,450-1,500 crores. Furthermore, Valiant Laboratories' subsidiary, Valiant Advanced Sciences, aims to broaden its horizons by venturing into a distinct product category and has outlined plans to raise funds through a public issue.
- ✓ There has been a correction in prices across all products, although the correction is not significant for chlorination products. Specifically, prices for PAP are undergoing a correction, and the company anticipates them to remain stable or correct by approximately 10%. The company has high expectations for PAP, projecting it to reach a value exceeding INR 300 crores at full capacity, with an estimated range of INR 250-300 crores for the current year. Additionally, Valiant Laboratories is currently developing new products, including OAP and several chlorination products, with further details to be disclosed at a later time. Notably, the company has commenced the sale of patented products to Aarti Pharma Labs and has the potential to sell these products to other entities as well.

## Valuation: Signs of recovery emerge as Sarigam facility recommences operations.

- ✓ We maintain an optimistic outlook on the company, setting a target price of INR 837 with a P/E of 15x, based on a projected EPS of INR 55.8 (FY24E). The company's guidance instills confidence in robust revenue growth, complemented by an expanding EBITDA margin.

### Key Stock Data

Bloomberg	VORG:IN
Sector	Chemical
Mkt Cap. (INR. bn)	16.94
CMP	620
NIFTY	18488
O/s Shares (mn)	27.15
52 Week High / Low (INR.)	869/366
Face Value (INR.)	10

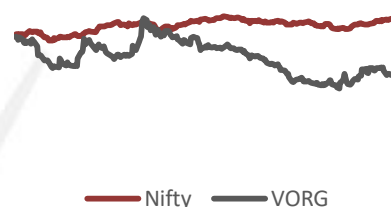
### Shareholding (%)

	Q4FY23
Promoters	38.41
DII's	0.89
FII's	0.18
Others	60.52

### Financial Ratios

	FY22A	FY23A	FY24E
ROE %	18.6%	16.8%	22.83%
ROCE%	18.4%	16.0%	22.6%
P/E (x)	17.6x	13.4x	11.5x

### 1 Year Relative Price Chart



Contact us on:

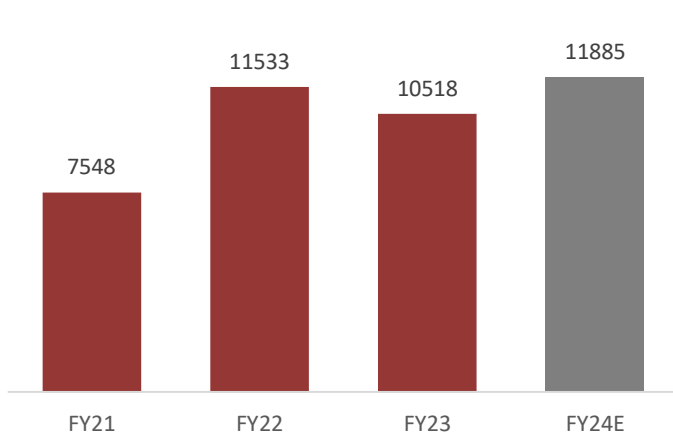
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## Financial Snapshot

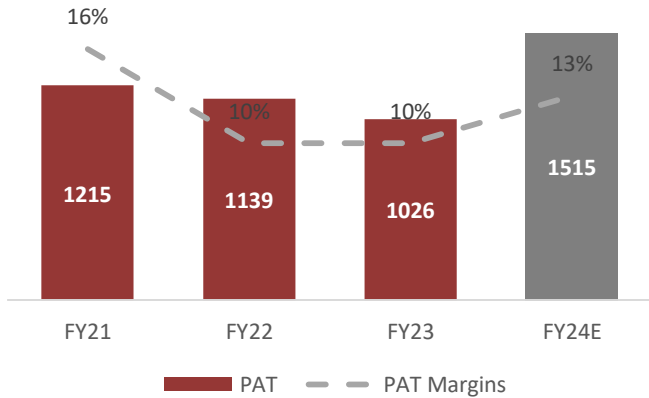
Figures (in mn)	Q4FY23	Q4FY22	Y-o-Y(%)	Q3FY23	Q-o-Q(%)	FY22	FY23A	FY24E
Revenues	2,714	3,476	-22%	2,504	8%	11,533	10,518	11,885
EBITDA	523	570	8%	382	37%	2,148	1,642	2,614
EBITDA Margins %	19%	16%	286bps	15%	400bps	19%	16%	22%
PAT	340	371	-8%	261	30%	1,133	1026	1,515
PAT Margins %	13%	11%	186bps	10%	211bps	10%	10%	13%
EPS	10.96	11.45		8.09		41.72	32.45	55.8

**Exhibit 1: Valiant Organics' revenue is projected to exhibit a steady and consistent growth trajectory. (INR mn).**



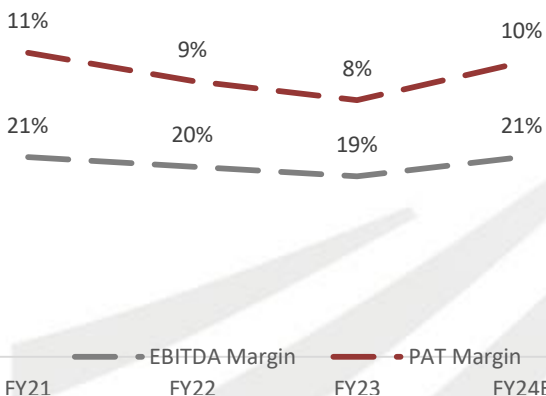
Source: Company, ULJK Research

**Exhibit 3: Anticipated improvements in EBITDA margins and enhanced realization are expected to drive an increase in both PAT and PAT margins.**



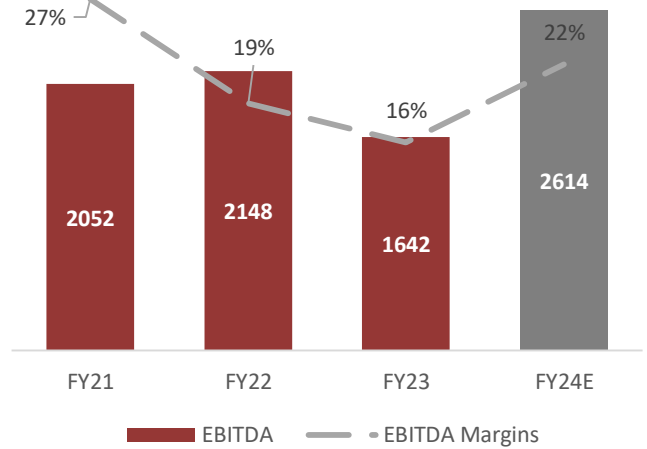
Source: Company, ULJK Research

**Exhibit 5: Anticipated future growth, as indicated by the company's guidance, is expected to contribute towards the recovery of historical EBITDA and PAT margins from their recent lows.**



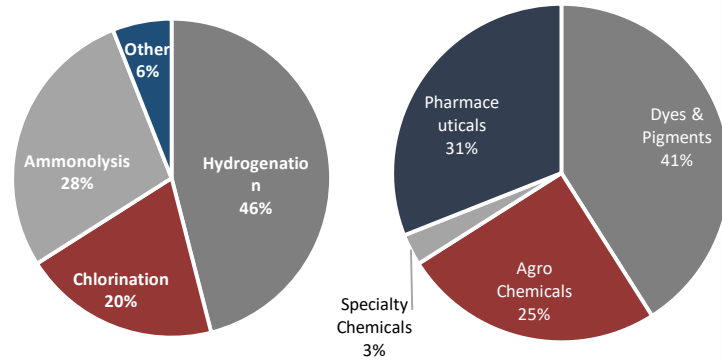
Source: Company, ULJK Research

**Exhibit 2: EBITDA and EBITDA margin to rebound to 20-25% considering ease in raw material prices improving efficiencies.**



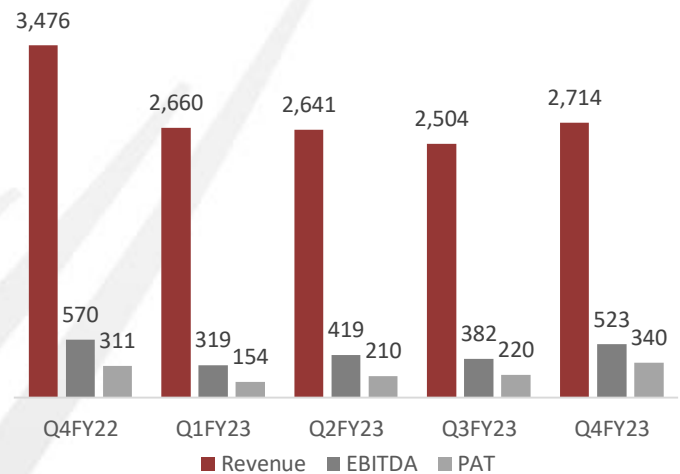
Source: Company, ULJK Research

**Exhibit 4: The revenue mix is segmented according to both chemistries and end-user industries.**



Source: Company, ULJK Research

**Exhibit 6: The trend of revenue, EBITDA, and PAT over the past five quarters has exhibited instability.**



Source: Company, ULJK Research

## Company Overview

Valiant Organics is a prominent player in the chemical industry, renowned for its high-quality chemical products and commitment to innovation. The company operates with a focus on serving various industries, including pharmaceuticals, dyes and pigments, agrochemicals, and more. With a rich history and a strong presence in the market, Valiant Organics has established itself as a reliable supplier of chemicals. The company's dedication to producing top-notch products that meet stringent quality standards has earned it a reputation for excellence. Valiant Organics constantly explores new opportunities for growth and expansion, seeking to stay at the forefront of advancements in the chemical sector. Valiant Organics places a strong emphasis on research and development, striving to develop innovative solutions to address the evolving needs of its customers. By investing in cutting-edge technologies and collaborations with industry experts, the company consistently delivers products that cater to specific market demands. Additionally, Valiant Organics actively engages in sustainable practices, recognizing the importance of environmental stewardship. They implement eco-friendly initiatives and adhere to stringent safety regulations to minimize their ecological footprint. Customer satisfaction lies at the core of Valiant Organics' operations. The company maintains long-term relationships with its clients by delivering superior products, providing efficient customer support, and ensuring timely delivery. By understanding their customers' unique requirements and challenges, Valiant Organics customizes its offerings to meet their specific needs. Driven by a strong leadership team and a dedicated workforce, Valiant Organics continues to expand its business and strengthen its market presence. The company's financial performance reflects its growth trajectory, with consistent revenue generation and a commitment to generating sustainable value for its stakeholders.

## Sector Overview

India holds the position of being the world's fourth-largest producer of agrochemicals, following China, Japan, and the United States. The country also contributes around 16% to the global production of dyestuffs and dye intermediates. With a substantial market share of 15% in the colorants sector, India has emerged as a significant participant. In terms of chemical trade, India ranks eighth in global imports and fourteenth in exports (excluding pharmaceuticals), giving it a dominant position in both markets. The domestic chemicals industry, particularly small and medium-sized businesses, is expected to witness revenue growth of 18-23% in FY22. This growth can be attributed to improved domestic demand and higher realizations driven by elevated chemical prices. Looking ahead, the Indian chemical market is projected to reach a value of US\$ 304 billion by 2025, with an annual growth rate of 9.3%. Additionally, the demand for chemicals is expected to rise by 9% per year by 2025. Investments in the Indian chemicals and petrochemicals sector are set to reach INR 8 lakh crore (US\$ 107.38 billion) by 2025. In December 2021, chemical production reached 903,002 metric tons, while petrochemical production reached 1,877,907 metric tons. Notable quantities of chemicals such as soda ash, caustic soda, liquid chlorine, formaldehyde, herbicides, and insecticides were produced during that period. The Indian market for chemicals and petrochemicals consists of 22% specialized chemicals. The demand for specialty chemicals is projected to grow at a compound annual growth rate (CAGR) of 12% between 2019 and 2022. India's share of the global market for specialized chemicals increased from 3% to 4% from FY15 to FY21, with Indian producers achieving a CAGR of 11%. Expenditure by specialized chemical manufacturers is expected to rise by 50% YoY to INR 6,200 crore in FY22, driven by recovering domestic demand and robust exports. In the Union Budget for 2022-23, the government allocated INR 209 crore (US\$ 27.43 million) to the chemical sector, emphasizing the significance of this industry in India's economic development.

## Key Concall Highlights – Q4FY23

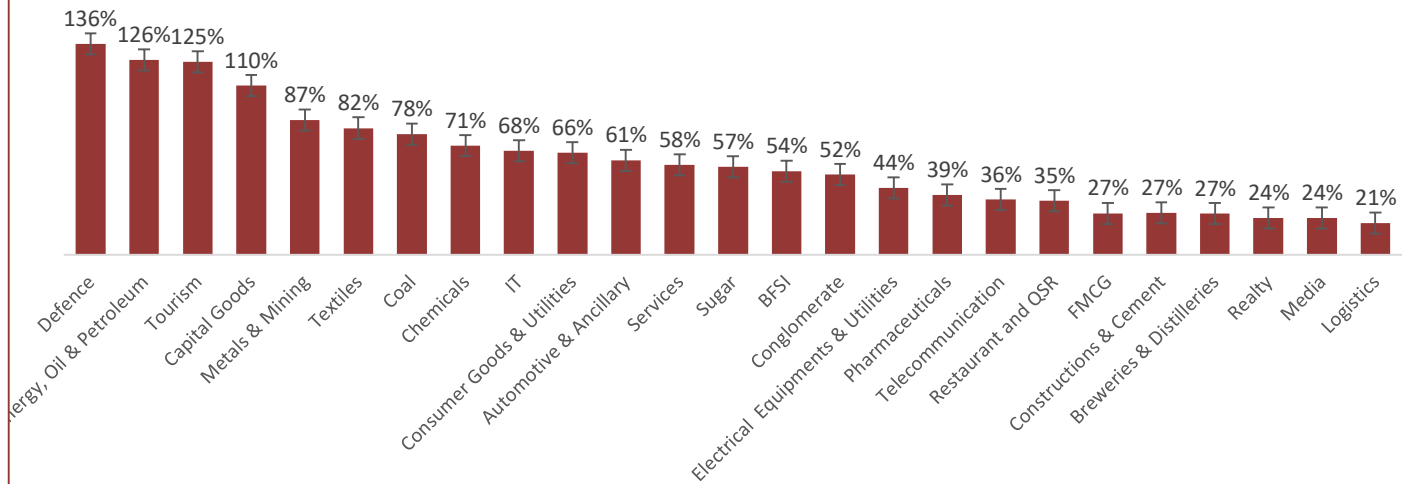
- ✓ PAP prices are undergoing a self-correction, and the company anticipates them to either stabilize or experience a downward correction of approximately 10%.
- ✓ By implementing debottlenecking measures, the chlorophenol capacity of the Sarigam plant can be augmented by a minimum of 15%. Additionally, the plant plans to introduce two new molecules in the chlorination process.
- ✓ The company is encountering difficulties in establishing OAP operations, and there is uncertainty regarding when it will achieve stability.

## Key things to look out for:

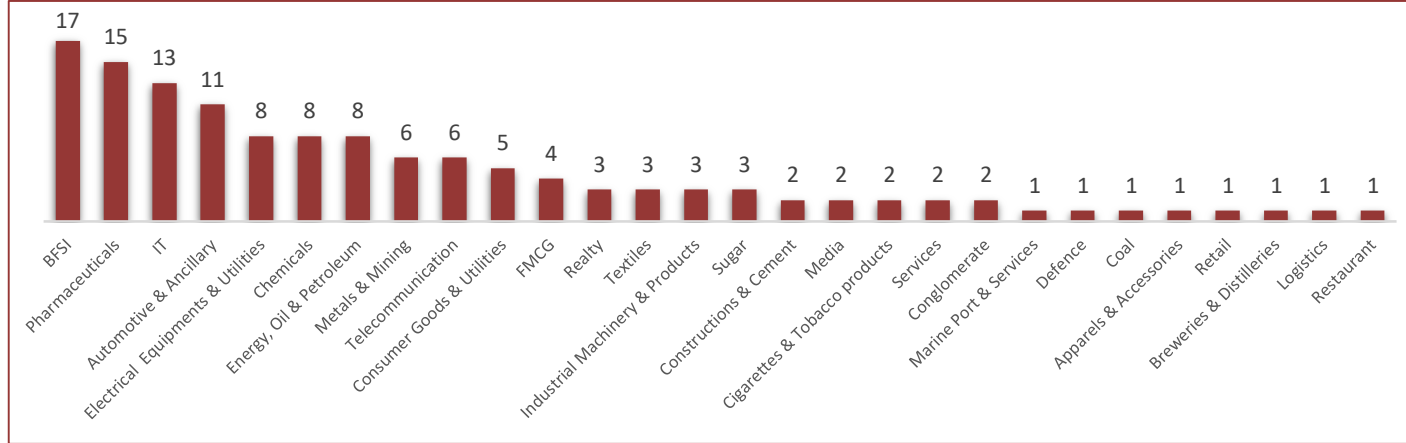
- ✓ Government regulations significantly impact the profitability of the inorganic chemicals business. Adverse policy changes can strain profitability, leaving entities in this segment vulnerable to cyclicalities in end-user industries in the medium term.
- ✓ VORG has moderate working capital needs, with gross current asset (GCA) days of 159 as of March 31, 2022. This is mainly influenced by debtors and inventory, which account for 102 and 44 days, respectively. The company effectively manages its working capital requirements, with support from creditors and bank limits. GCA days are projected to remain within the range of 150-160 days in the medium term.

## ULJK's Performance Tracker

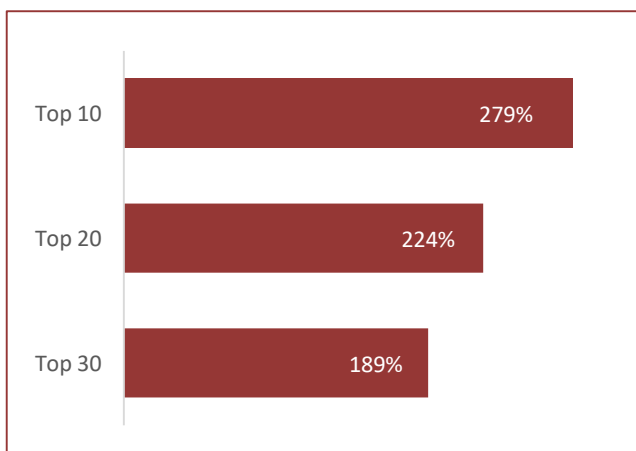
### ULJK's Average Returns - Sector wise



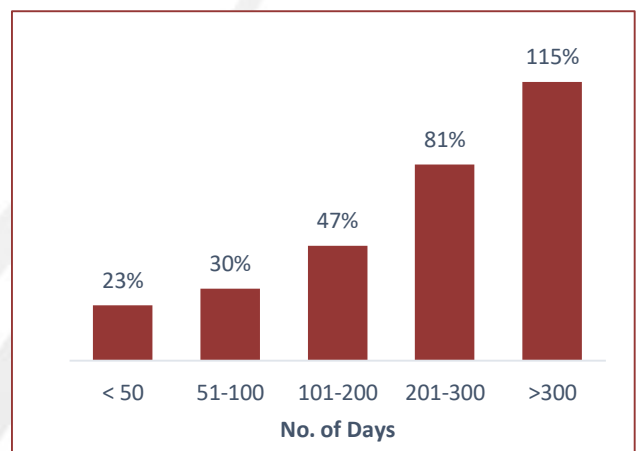
### ULJK's Open Calls – Sector wise



### Average Returns of Top Performing Stocks



### Time wise (Days) to % Average Returns



Source: Bloomberg

## ULJK returns compared to peers

Period (months)	ULJK Average Return %	Peers Average Return %	Outperformance/Underperformed compared to peers
1	-2.1%	-1.2%	NA
3	0.6%	0.3%	100%
6	11.9%	6.3%	88.9%
12	-0.1%	-1.1%	NA
24	33.8%	29.7%	13.8%
36	52.3%	34.7%	50.7%

### ULJK's 210 Companies Under Coverage

Aavas Financiers Ltd	Century Textiles and Industries Ltd	Himadri Speciality Chemical Ltd	Mahanagar Gas Ltd	Shree Renuka Sugars Ltd
ABB India Ltd	Chemplast Sanmar Ltd	Himatsingka Seida Ltd	Mahindra & Mahindra Ltd	Siemens Ltd
ABB Power Products and Systems Ltd	Cipla Ltd	Hindalco Industries Ltd	Mahindra Holidays and Resorts India Ltd	SP Apparel Ltd
ACC Ltd	City Union Bank Ltd	Hindustan Oil Exploration Co. Ltd	Man Infraconstruction Ltd	SRF Ltd
Adani Ports and Special Economic Zone	Coal India Ltd	Hindustan Petroleum Corporation Ltd	Mangalore Chemicals & Fertilizers Ltd	State Bank Of India
Adani Power Ltd	Coforge Ltd	Home First Finance Company	Marksans Pharma Ltd	Steel Authority Of India Ltd
Affle (India) Ltd	Container Corporation Of India Ltd	HT Media Ltd	Maruti Suzuki India Ltd	Stove Kraft Ltd
Amber Enterprises India Ltd	Cummins India Ltd	ICICI Bank Ltd	Mazagon Dock Shipbuilders Ltd	Sun Pharmaceuticals Ltd
Ambuja Cements Ltd	Data Patterns Ltd	ICICI Lombard GIC Ltd	Minda Corporation Ltd	Sun TV Network Ltd
AMI organics	Devyani International Ltd	IDBI Bank Ltd	Mintree Ltd	Sunteck Realty Ltd
Anupam Rasayan India Limited	Dhampur Sugar Mills Ltd	IDFC First Bank Ltd	Monte Carlo Fashion Ltd	Syngene International Ltd
APL Apollo Tubes Ltd	DLF Ltd	India Pesticides Ltd	Motherhood Sumi Systems Ltd	Tata Chemicals Ltd.
Apollo Tyres Ltd	Dr Reddy's Laboratories Ltd	Indiabulls Housing Finance	Nath Industries Ltd	Tata Communications Ltd
Arvind Ltd	Dynatomic Technologies Ltd	Indiabulls realestate Ltd	Nelco Ltd	Tata consultancy services Ltd
Asahi India Glass Ltd	Eclerx Services Ltd	Indian Bank Ltd	NMDC Ltd	Tata Motors Dvr Ltd
Ashok Leyland Ltd	Eris Lifesciences Ltd	Indian Hotels Company Ltd	NTPC Ltd	Tata Motors Ltd
Atul Ltd	Eveready Industries India Ltd	Indian Oil Corporation Ltd	New India Assurance	Tata Power Co. Ltd
Au Small Finance Bank Ltd	Everest Kanto Cylinder Ltd	Indian Railway Catering and Tourism Corporation Ltd	Oil and Natural Gas Corporation Ltd	Tata Steel Ltd
Aurobindo Pharma Ltd	Exide Industries Ltd	Indo Count Industries Ltd	Oriental Carbon & Chemicals Ltd	Tech Mahindra Ltd
Axis Bank Ltd	Expleo Solutions Ltd	Indoco Remedies Ltd	Parag Milk Foods Ltd	Technocraft Industries (India) Ltd
Bajaj Healthcare Ltd	Federal Bank Ltd	Indus Tower Ltd	Parsvnath Developers	Tejas Network Ltd
Balrampur Chini	Filatex India Ltd	Infibeam Avenues Ltd	Parsvnath Developers Ltd	Torrent Power Ltd
Bandhan Bank Ltd	Firstsource Solution Ltd	ITC Ltd	Pennar Industries Ltd	Triveni Engineering & Industries Ltd
Bank of Baroda	Fortis Healthcare Ltd	ITD Cementation Ltd	Pfizer Ltd	TVS Motor Company Ltd
Bank of India	Gail (India) Ltd	Jaiprakash Power Venture Ltd	Piramal Enterprises Ltd	Ujjivan Financial Services Ltd
BASF India Ltd	GE Power India Ltd	Jindal Steel & Power Ltd	Poonawalla Fincorp Ltd	United Drilling Ltd
Bata India Ltd	GE T&D India Ltd	JSW Steel Ltd	Power Finance Corporation Ltd	United Spirits Ltd
BF Utilities Ltd	GHCL LTD	Jubilant Ingrevia Ltd	Power Grid Corporation Of India	UPL Ltd
Bharat Bijlee Ltd	Gland Pharma Ltd	Jubilant Pharmova Ltd	Praj Industries Ltd	Varroc Engineering
Bharat Electronics Ltd	Glenmark Pharmaceuticals Ltd	Just Dial Ltd	Prestige estates Projects Ltd	Vedanta Ltd
Bharat Forge Ltd	Godfrey Phillips India Ltd	Jyothy Labs Ltd	Punjab National Bank	V-guard industries Ltd
Bharat Heavy Electricals Ltd	Graphite India Ltd	Kajaria Ceramics	PVR Ltd	Varun Beverages Ltd
Bharat Petroleum Corp Ltd	Greaves Cotton Ltd	KEC INTERNATIONAL LTD	Quess corp Ltd	Voltas Ltd
Bharti Airtel Ltd	Gujarat Fluorochemicals Ltd	Kotak Bank Ltd	Quick Heal Technologies Ltd	Vinati Organics Ltd
Birla Corporation Ltd	General Insurance Corporation of India	L&T finance holdings Ltd	Railtel Corpoartaion Of India	Welspun Corp Ltd
Blue Star Ltd	Happiest Minds Technologies Ltd	L&T Financial Holdings Ltd	RBL Bank Ltd	Welspun India Ltd
BSE Ltd	HBL POWER SYSTEMS LTD	larsen & Toubro Ltd	Reliance Industries Ltd	Yes Bank Ltd
Cadila Healthcare Ltd	HCL Technologies Ltd	Larsen & Tourbo Infotech Ltd	Sadbhav Infrastructure Project Ltd	Zee Entertainment Enterprises Ltd
Can Fin Homes Ltd	HDFC bank Ltd	Laurus Labs Ltd	SAKSOFT Ltd	Zensar Technologies Ltd
Canara Bank	HDFC Ltd	LIC Housing Finance Ltd	Schneider Electric	ZF Steering Gear India Ltd
Care Ratings Ltd	HEG Ltd	Lupin Ltd	Shilpa Medicare Ltd	Zomato Ltd
CDSL Ltd	Heranba Industries Ltd	Life Insurance Corporation of India	Shree Cement Ltd	Zydus Wellness Ltd

Total Calls review: Closed Calls: 171 ; Average return: 62%; Average period: 209 days

Stocks	Sector	Type	Call Date	Call Price	Target	Exit Date	No of Days	Total Return %
Adani Power Ltd	Energy, Oil & Petroleum	BUY	19-11-2020	40	200	01-04-2022	498	400%
JSW energy Ltd	Energy, Oil & Petroleum	BUY	09-04-2021	88	388	30-09-2021	174	341%
TATA Motors Ltd	Automotive & Ancillary	BUY	07-07-2020	103	448	13-10-2021	463	335%
SAIL Ltd	Metals & Mining	BUY	09-07-2020	35	140	30-04-2021	295	300%
Dynatomic Technologies Ltd	Capital Goods	BUY	16-02-2021	868	3175	13-09-2021	209	266%
Filatex India Ltd	Textiles	BUY	09-12-2020	38	135	14-01-2022	401	255%
GHCL Ltd	Chemicals	BUY	07-09-2020	164	557	22-03-2022	561	240%
IRCTC Ltd	Tourism	BUY	19-11-2020	1,375	4470	06-11-2021	352	225%
Ashok Leyland Ltd	Automotive & Ancillary	BUY	27-06-2020	52	165	03-09-2022	798	217%
Nelco Ltd	IT	BUY	18-01-2021	208	643	28-09-2021	253	209%
Monte Carlo Fashions Ltd	Apparels & Accessories	BUY	21-12-2020	256	752	04-07-2022	560	194%
Bank Of Baroda Ltd	BFSI	BUY	11-03-2020	58	162	09-11-2022	973	179%
First source solutions Ltd	IT	BUY	10-08-2020	54.2	150	03-06-2021	297	177%
Eclerx Services Ltd	IT	BUY	28-12-2020	894	2455	16-09-2021	262	175%
Tata Chemicals Ltd	Chemicals	BUY	19-11-2020	352	949	05-10-2021	320	170%
Mangalore Chemicals Ltd	Chemicals	BUY	09-12-2020	42	112	08-04-2022	485	167%
Indian Bank Ltd	BFSI	BUY	20-08-2020	64	170	18-10-2021	424	166%
State Bank of India Ltd	BFSI	BUY	07-07-2020	185	470	17-09-2021	437	154%
Canara bank Ltd	BFSI	BUY	28-12-2020	120	303	07-11-2022	679	153%
NMDC Ltd	Metals & Mining	BUY	01-07-2020	81	203	12-05-2021	315	151%
Bharat Electronics Ltd	Defence	BUY	27-05-2021	148	350	15-09-2022	476	136%
HEG Ltd	Capital Goods	BUY	23-12-2020	865	2010	02-04-2021	100	132%
Greaves Cotton Ltd	Capital Goods	BUY	27-08-2020	86	197	10-01-2022	501	129%
Larsen & Toubro Ltd	Conglomerate	BUY	03-07-2020	941	2092	25-11-2022	875	122%
Graphite India Ltd	Capital Goods	BUY	23-12-2020	285	630	03-04-2021	101	121%
Tata steel Ltd	Metals & Mining	BUY	28-12-2020	634	1391	29-07-2021	213	119%
Stove Kraft Ltd	Consumer Goods & Utilities	BUY	14-05-2021	490	1052	28-09-2021	137	115%
ONGC Ltd	Energy, Oil & Petroleum	BUY	19-10-2020	72	154	05-11-2021	382	114%
Minda Corp Ltd Ltd	Automotive & Ancillary	BUY	21-08-2020	80	170	01-11-2021	437	113%
Wockhardt Ltd Ltd	Pharmaceuticals	BUY	19-11-2020	332	685	19-05-2021	181	106%

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Disclosure Appendix

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