Veritas [India] Limited

38^{TH} ANNUAL REPORT 2022-2023

VERITAS (INDIA) LIMITED

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ABOUT VERITAS(INDIA) LIMITED

VERITAS (INDIA) LIMITED (VIL) is focused on International Trade & Distribution of Chemicals - Petrochemicals / Polymers / Paper & Paper Boards / Rubber / Heavy Distillates. A brief perspective hereunder will provide a better understanding of our business model.

VIL believes in one constant i.e., Change; Change through Evolution. We have evolved our business model from trading to services to International Trade & Distribution, to present day business model, we refer to as "Enterprise Partnership".

VIL enjoys prominent market presence in each of the key industry verticals and has several successful business associations with both, its national and international long-term partners. Our business is a healthy balance between the independence of each industry vertical and geographical location rather than over dependence of any one single industry / location.

It is our belief that commitment and principles are the foundation of a solid business and we have always adhered to the same and never compromised on ethics. This we believe has been the key to our consistent growth & success.

Vision:

"Nurturing the present and aspiring for a better Future”

VIL aims to empower communities and enrich lives by creating a wealth of opportunities for 'all', while consistently setting benchmarks for value addition, environmental awareness and corporate governance. Through a process of continuous improvement, we aspire to leave an indelible mark by earning the utmost faith and goodwill of people and society in all our endeavors.

Mission:

"Invest in quality and deliver the very best, whether products, services or people"

VIL has always believed that there is no substitute for "BEST" hence it has always been our endeavour to provide the Best Product, Best Services and hiring the Best People.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Nikhil Merchant
Additional Director from February 07,2023
Chairman & Managing Director
From April 06,2023

Mr. Nitinkumar Didwania
Chairman & Non-executive Director
Upto February 07,2023

Mr. Praveen Bhatnagar
Whole-time Director
Upto February 07,2023

Mr. Kunal Sharma
Non-Executive Director

Mr. Vivek Merchnat
Additional Non-Executive Director
From February 07,2023

Ms. Kamala Aithal
Independent Director
Upto April 26,2023

Ms. Purvi Matani
Independent Director

Mr. Rohinton Shroff
Independent Director
From February 23,2023

Mr. Vijay Shah
Independent Director

Chief Financial Officer (CFO)
Mr. Rajaram Shanbhag

Vice President - Legal
and Company Secretary
Mr. Lalitmohan Sharma
Up to December 30,2022

Mr. Amrit Suthar
From February 23,2023 to June 09,2023

Registered Office
CIN: L23209MH1985PLC035702
Veritas House, 3rd Floor,
Mint Road, Fort,
Mumbai – 400 001,
Maharashtra
Tel. no.: 022- 2275 5555 / 6184 0000
Fax no.: 022-2275 5556 / 6184 0001
E-mail: corp@veritasindia.net

Statutory Auditors
M/s Shabbir & Rita Associates LLP
Chartered Accountants

Secretarial Auditor
M/s JMJA & Associates LLP
Company Secretaries

Bankers
Axis Bank Limited

Registrars & Share Transfer Agents
Universal Capital Securities Pvt. Ltd.
C 101, 247 Park,
LBS Road, Vikhroli West,
Mumbai – 400083.
Tel Nos: (022) 28207203-05
Fax No.: (022) 28207207
Email id: info@unisec.in

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

- **Global Economic Outlook**

Global economy is struggling with inflationary pressure and impact of continued geopolitical conflict between Russia and Ukraine. Geopolitical tension between China and Taiwan and unstable Covid-19 situation in China continue to cause worry. A series of interest rate hikes by the US Federal Reserve to curb inflation – emulated by central banks of all other nations – has led to slowdown of global economic growth.

The global economy saw a muted F.Y.2023 with 2022 global growth estimated at ~ 3.6%. F.Y.2024 is estimated to see a slower growth with F.Y.2023 global growth being estimated at ~ 2.9%.

- **Indian Economic Outlook**

In F.Y.2023 the Indian economy witnessed a 7.2% growth with the GDP touching USD 3.75 trillion mark. Currently, India is the fifth largest economy in the world after the USA, China, Japan and Germany. While manufacturing sector grew at 8.6%, the services sector grew at 8.8% in F.Y.2023.

The outlook for F.Y.2024 is muted given the global slowdown and recession worries. However, the strong domestic consumption could absorb some of the shocks. Private consumption in the country is already back to pre-pandemic levels. Estimates for F.Y.2024 Indian economic growth stand at about 6.3%.

- **Higher Energy and Food Prices**

Ukraine and Russia are major exporters of wheat, corn, and sunflower oil. Russia is a major supplier of Oil and Gas, especially to continental Europe. The war disrupted the global food and energy markets, leading to higher prices for these commodities, straining business and household budgets and adding to the increasing inflation. Wheat prices have increased by about 50% since the start of the war while the oil prices rose to a high of USD 130 per barrel before starting to come down. Oil prices in May 2023 were at USD 75 per barrel with an estimate of price increases likely amidst reducing production.

- **Inflation**

Globally, inflation has been on the rise in F.Y.2023. The Euro area saw the steepest rise with inflation reaching 10.6% in October 2022 before correcting sharply to 6.9% in March 2023. The large correction was due to the drop in energy prices. As of May 2023, the Eurozone inflation is at 6.1%, the lowest since February 2022 but the underlying price pressures remain strong. The US annual inflation rates increased to the highest in this century in June 2022 at 9.1% before starting to correct and reaching 5.0% in March 2023. As of May 2023, the US annual inflation rate was at 4.0%, lowest since April 2021 but like the Eurozone, the price pressures remain a worry for policy makers.

- **Financial Market Volatility**

The Russia – Ukraine conflict and the rising inflation made investors exceptionally risk averse leading to significant market volatility and liquidity tightening. Stock markets have experienced sharp declines (S&P lost about 10% since April 2022), and bond yields have risen too (US 10-year Government bond yields increase over 25% since April 2022 with monthly changes in single digits for 3 consecutive months for the first time since December 2021). The interest rates across the world remain at levels which are probably the highest in recent years.

- **Energy prices in India**

India's consumption of petroleum products increased 10.2% YoY in F.Y.2023. As global oil prices saw a rise, India felt the impact too. However, this impact was absorbed by the share of Russian imports increasing to almost 20% from a mere 2% YoY. India's demand of petrol and diesel like products is expected to increase at about 7.7% in 2023. Indian coal imports increased 23% YoY led by a 28.5% increase in steam / thermal coal. With the Russia Ukraine conflict impacting commodity prices, average landed priced of imported coal was 58% higher in H1FY23 before moderating slightly in H2FY23. The coal demand in India is likely to continue to grow in FY24. The trend on electricity consumption is also upwards driven also by the climate change impact resulting in much hotter summer. The electricity prices on IEX saw a 35% increase YoY driven by demand supply mismatch. The estimates of electricity consumption indicate an increase of demand growth of 5.5% - 6.0% with the IEX prices not declining as of May 2023.

- **Interest Rates**

Repo rates increased at the fastest pace in recent years in FY23, ending at 7.5% in March 2023 vs 4% in April 2022. The increase rate hikes have been necessitated by the higher than RBI threshold inflation and the US Fed's interest rates hike. While the domestic inflation seems to have slowed, the US interest rates continue to increase having increased from 0.25% in April 2022 to 3.75% in May 2023. The RBI has also thus, in line, indicated that it controls to monitor the situation closely and take the most appropriate measures going forward.

- **Global Chemical Sector**

2022 was a challenging year for the global chemical industry, especially in Europe where the energy prices were the most impacted. As 2023 set in, while energy prices saw softening the overall global economic situation remained depressed. In 2022 the growth of chemical industry (both bulk and speciality chemicals) was the lowest in Europe while the US and Asia fared better. Given the slower anticipated global economic growth, higher prices born of inflation and higher inventory in the chemical industry supply chain, a softer patch for the industry is the likely outcome in 2023 with estimates of a 2.9% increase in global production. Beyond 2023, as the global economy recovers there should be further expansion in demand for chemistry products. The biggest risk to the outlook is persistent inflation and continued increases in interest rates that will prolong and deepen the coming downturn.

For 2023, Fitch ratings estimates that while demand for speciality chemicals will vary by markets and industry, given the higher interest rates, the largest sector that will see demand impact will be construction. The demand on the other extreme is likely to improve for the automotive sector benefitting from the greater chip availability. 45% of the specialty sector demand that goes into Pharmaceuticals and Agrochemicals is likely to see demand flattish through the year.

On the supply side, the US production that saw a strong YoY growth of ~ 4% in 2022 is expected to see a YoY drop of 1.2% in 2023. The situation in Europe seems to be more uncertain with the larger European producers looking to control and cut costs in Europe and the industry feeling that conditions continue to be "persistently difficult". However, the American Chemistry Council, a US trade group, predicts that chemical production in Western Europe will grow by 0.8% in 2023 after declining 3.2% in 2022.

While the demand and supply side outlooks remain cautious, the global chemical industry's investment is going to be strong especially driven by the focus on innovation, sustainability, and digitalization. Innovation across the industry is on finding new product and process alternatives that are sustainable, resilient, and efficient. Sustainability being front and center for the world now, the chemical industry is leading with investments in emissions-reducing technologies and solutions for its own production and the broader economy. In the last five years global chemical companies have invested heavily in information technology to convert most if not all of operations to digital platforms. Enterprise-wide impact is expected to be seen rather than just proof of concept implementations especially in increasing supply chain resilience and transparency and monitoring of operations and emissions.

The chemical industry has seen many changes in technology, operations, and business models over the last hundred years since it started. The pace of change that has accelerated in the 2020s, however, this is like never before. While demand, supply and R&D will continue to be important across the industry, the future of the exceptional players will be defined by innovation and digitalisation and that is where the industry transformation and consolidation are likely to head.

- **Indian Chemical Sector**

India's chemical industry has been a global outperformer in demand growth and shareholder wealth creation over the last decade. It now stands poised to play an increasingly dominant role across both consumption and manufacturing in the global arena. Over recent years, changing geopolitical scenarios have led to many countries focusing on domestic self-sufficiency and localized supply chains. However, benchmarking India's manufacturing competitiveness reveals that India has a strong starting point vs other key global chemical cluster that could translate into India becoming the next chemicals manufacturing hub.

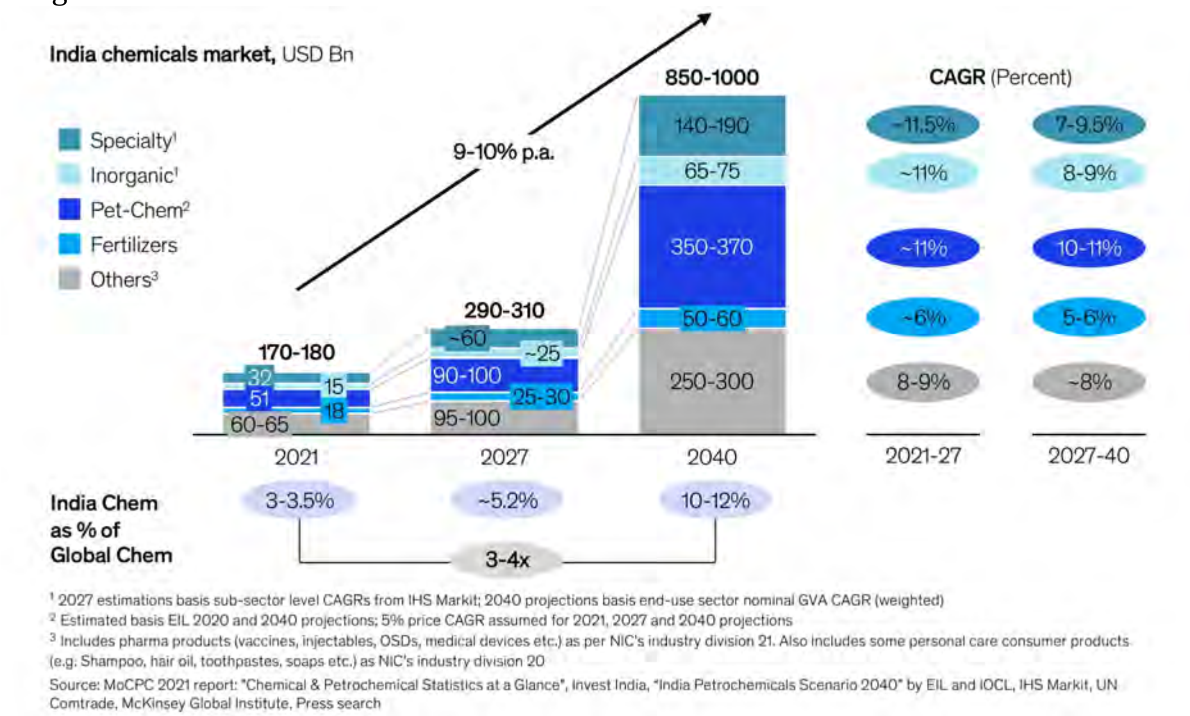
Domestic consumption in India is set to grow at a 9-10 percent CAGR in the coming years as illustrated in Exhibit 1, on the back of rising disposable incomes, a favorable demographic dividend, increasing global preference for biofriendly alternatives, and growing diversification of global chemical supply chains.

Many sub-segments in India's chemicals sector offer opportunities for building at-scale businesses. Winning plays exist across Specialty Chemicals (agrochemicals, flavors & fragrances, cosmetic chemicals, etc.), Inorganic Chemicals (caustic, fluorine, etc.) and petrochemicals (C4, C6 and C8 derivatives). These sub-segments score high on both cost competitiveness which includes function of domestic feedstock availability, trade balance, capacity utilization, scope of process and tech innovation, etc. and market attractiveness, an indicator of market size, demand growth, export potential, etc.

The future of Indian chemical sector looks promising, and the country could potentially become the driving force of the demand & supply of the world chemical market.

Exhibit 1

India is expected to become a $890-1000 Bn chemicals market by 2040, taking 10-12OZo share of the global chemicals market



Your Company is focused on International Trade & Distribution of **Chemicals** - Petrochemicals / Polymers / Paper & Paper Boards / Rubber / Heavy Distillates. The company has expanded globally reducing its dependence on a particular region. The company has established overseas subsidiaries and offices. Our unique and distinct models of International Trade and Distribution hubs in India, and U.A.E affords us to serve our partners in cross country/continent trade across our Business Verticals duly integrated with the various Industry Verticals. This distinct model not only mitigates risk but also creates opportunities to capitalise on products, volumes and volatility.

- **OPPORTUNITIES & THREATS**

***Opportunities*:**
Chemical industry offers several opportunities to build at-scale businesses across several Specialty, Inorganic and Petrochemical segments. Identifying these opportunities calls for the right balance between market attractiveness and cost competitiveness. While cost competitiveness is generally a function of feedstock availability, trade balance, and scope of value addition via process or tech innovation, market attractiveness is a composite of current market size, expected CAGR and macro trends.

Threats:
One of the key issues facing the chemical industry is sustainability. From being an economic and an environmental issue, it has also acquired strong socio-political overtones, which already have a deep impact on the industry, and this impact will only deepen in the coming years. The main issues the industry will have to address actively in the next two decades are related to water, environmental impact, raw materials, and energy use in the Indian chemical industry.

- **OUTLOOK**

The management is quite confident that the market and business would be positive in the coming financial year. India's existing good business relations with foreign countries and efforts for developing relations with the few other foreign countries would prove beneficial in the interest of various industries including chemical industry. The government recognizes the Chemical Industry as a key growth element of the Indian Economy, thus giving boost to the chemical sector.

The Company is open for new opportunities and may grow sizably in the coming future.

- **RISK AND CONCERNS**

As like any other business, the company is prone to various risks and concerns including but not limited to fluctuating foreign exchange, increase in operational cost, etc. The Company evaluates and monitors all risks associated with various areas of operations such as procurement, sales, marketing, inventory management, debtor's management, operational management, insurance, supply chain management, legal and other issues having a material impact on the financial health of the company on a regular basis with a view to mitigate the adverse impact of the risk factors.

- **INTERNAL CONTROL SYSTEMS**

The Company has an adequate internal control system in place which is commensurate with its size and nature of its business, which is periodically evaluated by the management. The internal control system ensures that all the assets of the company are safeguarded from loss, damage or unauthorized disposition. Checks and controls are in place to ensure that transactions are adequately authorised and recorded and reported correctly to the concerned personnel.

- **REVIEW OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

A summary of major performance indicators is given below, while the detailed and physical performance may be viewed from the Balance Sheet and Profit & Loss account and the annexure thereto.

(Amount in Rs.)

Year	2022-2023	2021-2022	% Increase /(Decrease)	Remarks
Revenue from Operations (Sales)	2,27,93,44,247	3,538,966,841	-35.59%	Sales Turnover reduced In Absolute Terms rise in inflation the last financial year. Therefore, the Turnover has reduced due to slow down of the economy.
PBT	4,67,69,679	7,29,10,520	-35.85%	Reduction in PBT is largely due to slow down of the economy
PAT	3,96,87,086	6,19,91,869	-35.98%	PAT is consequently reduced due to slow down of the economy
Change in Inventories (Inventory Turnover Ratio)	3.51	8.64	-59.38%	Calculated on Cost of Goods Sold Reason for variation is due to purchase done in last quarter
Debtors Turnover Ratio	1.34	1.71	-21.67%	As per industry norms
Interest Coverage Ratio	91.70	27.75	230.45%	-
Operating Margin (%)	2.05	2.06	-0.39%	-
Net profit margin (%)	1.74	1.74	0.07%	-
Return on Net worth	2.10	3.35	-37.30%	-