



Valiant Organics
Limited

**Persistent.
Confident.
Resilient.**



Annual Report
2019-20

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FORWARD-LOOKING STATEMENTS

This Report and statements made in this annual report may contain forward-looking statements that set out anticipated results based on the management's plans, assumptions, and on currently available information. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Actual results may vary materially from those anticipated, estimated or projected if known or unknown risks or uncertainties materialise or underlying assumptions prove inaccurate. Readers should bear this in mind that we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

FY 2019-20 in Numbers

REVENUES

₹584 Crores

EXPORTS

₹85 Crores

EBITDA

₹193 Crores

PROFIT AFTER TAX

₹139 Crores

NET WORTH

₹372 Crores

EBITDA MARGIN

33 %

Persistent. Confident. Resilient.

We are one of the most competitive producers of Chlorination, Ammonolysis, Acetylation, Hydrogenation and Methoxylation-based specialty products in India. Amidst the current economic uncertainties, we remain on course of our objective to achieve a higher growth path. We are persistently expanding our capacities, integrating manufacturing operations and processes, and delivering growth to all our stakeholders.

What gives us confidence is our ability to forward integrate by adding high-margin and high-value products to maximise growth. We continue to develop in-house process technology to broaden our product value chain and by way of backward integration, we aim to reduce our dependence on suppliers. We are fostering our resilience by enhancing our production capacities through organic and inorganic growth, establishing our market leadership and gaining strength to cater to the rising demand. By implementing operational efficiencies, tackling cost efficiencies and improving our supply chain management, we continue to gain financial strength.





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As we continue to gain superior positioning in the market, we are bringing resilience to scale. We hope to benefit from the changing industry dynamics and take advantage of the growing opportunities to increase the size of our chemical manufacturing business. By delivering profitable growth and by making noteworthy progress on initiatives we had set out to accomplish, we are not only securing our today, but also shaping our tomorrow.



We are Valiant Organics Limited

With a humble beginning as a single product manufacturing company in 1984, Valiant Organics Limited has grown to become a prominent specialty chemicals manufacturing company in India.

Backed by 35 years of experience and an unwavering focus on innovation, we have developed an extensive domain expertise in multiple process chemistries including Chlorination, Ammonolysis, Acetylation, Hydrogenation, Sulphonation and Methoxylation. We offer a range of high-quality products that are used as intermediates in diverse industries. Commitment to business excellence has cemented our reputation as a preferred supplier of choice for our marquee customers.

Our Key Differentiators



DOMAIN EXPERTISE

Backed by our domain expertise and extensive process know-how in multiple chemistries, we continually meet the constantly evolving business demands. The management team comprises first generation technocrats with a combined experience of more than 50 years.

RESILIENT BUSINESS MODEL

Our robust business model is backed by a wide product portfolio, domain expertise in multiple chemistries, and a client base spread across multiple industries and countries, which lowers our product, industry and geographical concentration risk.

INTEGRATED OPERATIONS

Our multipurpose plants enable us to manufacture a wide array of products and customise them as per clients' varying needs, technical specifications, batch sizes, and delivery schedules.

UNIQUE PRODUCT PORTFOLIO

We manufacture a wide portfolio of products used as intermediates in several end-user industries, and also several value-added products.

STRATEGICALLY LOCATED PLANTS

Our manufacturing plants are strategically situated near the ports, providing a locational advantage, significant logistical cost efficiencies and better delivery timelines.

ENDURING CLIENT RELATIONSHIPS

High-quality products, sophisticated manufacturing capacities, and innovation-driven value-added capabilities have led us to develop multi-year relationships with our customers in the domestic as well as overseas markets.

ESTABLISHED SUPPLY CHAIN

Our extensive and diverse supply chain, coupled with backward-integrated operations, ensures availability of adequate and quality raw materials and uninterrupted production.



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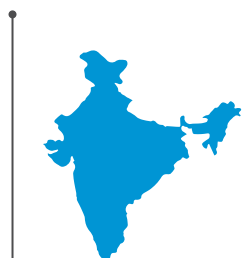


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Revenue Break-up

Domestic



85%

Exports



15%

OUR PROCESS & PRODUCT PORTFOLIO

Chlorination



- Para Chloro Phenol
- Ortho Chloro Phenol
- 2,4 Di Chloro Phenol
- 2,6 Di Chloro Phenol
- 2,4,6 Tri Chloro Phenol

Ammonolysis



- Para Nitro Aniline
- Ortho Chloro Para Nitro Aniline

Acetylation



- 6 Acetyl OAPSA
- OA Acetanilide
- PA Acetanilide

Hydrogenation



- Ortho Anisidine
- Para Anisidine
- Ortho Toluidine
- Para Toluidine
- IPPCA
- FI Aniline
- Meta Chloro Aniline

Sulphonation



- OT5SA
- 4B Acid
- 2B Acid

Methoxylation



- Ortho Nitro Anisole
- Para Nitro Anisole

Our Quality Certifications

ISO 9001:2015

ISO 14001:2015



OHSAS 18001:2007

Zero Liquid Discharge Units



Managing Director's Message

Dear Shareholders,

We write to you amidst the pandemic, even as we celebrate internally to be amongst the world's most competitive producers of Chlorophenols, products of Ammonolysis and Acetylation, and hydrogenated products. Our cutting-edge technology and automated plants are well capacitated to satiate the growing demand for speciality chemicals in India, and makes us well positioned to leverage the changing market dynamics.

The year that passed by was one of hope amidst despair. We share with pride that we managed to record a 15% increase in bottom line, even in an otherwise challenging year as far as the operating environment was concerned. More so, we have secured a place among the coveted BSE-500 list. This is a testament to our business resilience demonstrated by a robust operational and financial performance, even amidst the challenging economic conditions, further accentuated by the outbreak of the novel Coronavirus pandemic towards the end of the year. We made notable progress in our export business, which balanced the decline in domestic revenue.

We faced these turbulent times with positivity and spent the year in fostering resilience across our business

processes – capacities, capabilities, expertise, human capital, culture and customer-centricity. In addition to strengthening our core fibre, we utilised the opportunity to foray into newer industries and add more clients – even as we maintained a stricter control on operational overheads.

HOW WE PERFORMED

We had a satisfactory year across all business parameters, generating outstanding returns for our shareholders, despite having lost out on 10 full days of revenue during the month of March 2020, on account of the nationwide COVID-induced lockdown. We achieved a top line of ₹ 584 Crores as compared to ₹ 606 Crores in the previous year. Our Net Profit stood at ₹ 139 Crores, compared to ₹ 121 Crores earlier, which is higher by 15%. EBITDA increased 5% at ₹ 193 Crores, compared to ₹ 184 Crores in the previous year. Our Earnings Per Share stood at ₹ 114.02 as compared to ₹ 99.82 in the previous year.

TACKLING THE COVID-19 CRISIS

As we are all aware, the already prevalent broad-based slowdown in the Indian economy and the ongoing trade war snowballed further with the advent of COVID-19, and led to an extended nationwide lockdown and disrupted economic activities. It led to a temporary shutdown of our manufacturing facilities, and we also faced logistical constraints in movement of goods and manpower. However, we swiftly resumed operations in mid-April post regulatory approvals, and worked towards effective plant utilisation as well as complete well-being of our employees.

To safeguard the health and well-being of our employees, we established standard operating protocols and procedures as we commenced our manufacturing operations. This included daily sanitisation of all our facilities, temperature scanning, wearing of safety gear, and ensuring social distancing amongst the employees. Additionally, we also proactively adopted the “Work-from-Home” culture by providing adequate connectivity and deploying relevant data-security measures to our employees, ensuring seamless continuity of our business operations.

LEVERAGING A DE-RISKED BUSINESS MODEL

In the current challenging times, it is our strong and de-risked business model that is providing us with creative survival strategies. We cater to diverse sectors and end-user industries through our broad product portfolio. Our extensive domain expertise in multiple process chemistries has lowered our dependence on a single chemistry and further widened our customer base. Not only this, we have also widened our global footprint by increasing our exports. Today, we export our products to various geographies across the globe, which contributes 15% to our revenues. This accords us with a superior ability to withstand industry and country-wise specific shocks.

The synergistic acquisition of Amarjyot Chemical Limited during the previous year, has made us one of the leading manufacturers



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and suppliers of chemicals. It helped us attain increased manufacturing capacities and also provided significant depth to our product offering with a wide spread of value-added products. Today, we can command a niche and value-added product portfolio that find applications in dye, pigments, pharma and agro-chemical intermediates industries. Backed by a strong portfolio of high-quality and innovative products, coupled with our competitive cost advantages, we are confident of maintaining stability and sustainability in our operations and profitability, as we move forward.

BUILDING OUR CORE FIBRE

We support the government's "Make in India" initiative with the objective of job creation and nation-building initiatives and to transform India into a global manufacturing hub. To actively participate in this, we maintain a stringent focus on expanding and augmenting our manufacturing strengths and capacities. In light of the growing demand, we increased Chlorophenol capacity to 18,000 MT per annum by completing the expansion at the Sarigam plant. We added Ortho Nitro Anisole and Para Nitro Anisole to our portfolio. We also undertook expansion at the Jhagadia plant for hydrogenation. Backward integration will enable us in manufacturing key raw materials in-house and in providing significant cost savings and better profit margins.

We have increased the capacities of our hydrogenation products from the earlier 18,000 MT per annum to 26,000 MT per annum. Further, we are increasing the Ammonolysis capacity at Tarapur and Vapi plants from ~13,000 MT per annum to 16,000 MT per annum. We are likely to commence operations of Para Amino Phenol (PAP) and Ortho Amino Phenol (OAP), which are import substitutes, in the second half of FY 2020-21. PAP has been identified as key intermediates of pharma products by the government, which is to be incentivised under recently announced PLI Scheme. The management is considering to set up a plant for Paracetamol with other drug intermediates and APIs in future.

All these are expanding our capabilities and helping us cater to the growing addressable market and heightened demand for our intermediates in end-user industries. Improvement in capacities is leading us to become a significant player with robust financials and a healthy bottom line, turning us into a reliable and long-term, high-quality supply chain partner and improve our profitability.

Further, to improve operational yield, cost efficiencies, and safety, our constant endeavour is to automate our operations and reduce human intervention. Today, our Tarapur, Vapi and Jhagadia plants are in the process of being automated.

TOWARDS CONSOLIDATION

During the year, we continued our emphasis on consolidating our operations by integrating the processes and moving up the value chain. Today, our multi-purpose plants enable us service the diverse needs of our customers, while achieving economies of scale

and improving our cost efficiency. Our increased manufacturing capacities, coupled with R&D strengths and integrated operations, are constantly enabling us to develop high value and margin accretive downstream products and value-added import substitutes, providing increased growth opportunities and superior revenue visibility. With all these strategies, we are on the constant path of achieving sustainable growth as we deliver enhanced value creation capabilities, and strengthen our resilience to face the challenging times, yet come out unscathed.

BENEFITING FROM INDUSTRY DYNAMICS

China's competitive position in the global markets has been diminishing in the past few years on account of stringent environmental and safety norms imposed and led to the shutdown of several chemical plants. With a significant increase in compliance costs, many chemical plant operations have become unviable. India, with its low-cost advantage, is emerging as an alternative manufacturing and supply chain hub for major global economies.

Being among India's leading specialty chemical manufacturers, we, at Valiant Organics Limited, are well positioned to capitalise on these emerging business opportunities by significantly leveraging our operations, expanding capacities and extensive domain knowledge. We remain confident of growing our market share in the domestic and international markets by virtue of our strong and niche product portfolio, enhanced capacities and R&D capabilities. Adding to this, our competent and highly-qualified Board with deep domain expertise and vast cumulative experience, enables us well to undertake the advantages posed by changing industry dynamics.

OUTLOOK

We are well prepared to take advantage of the growing opportunities in specialty chemicals, as India's specialty chemicals market sets itself on the growth path for the coming years, and with a rising need for specialty chemicals in the end-use domestic markets. As we add specialty chemicals to our portfolio and continually update our product mix, we remain well positioned to capture this growth and become a leading specialty chemicals player in India, delivering sustainable stakeholder growth.

I would like to thank all our key stakeholders for their continued support and faith in the Company. I would like to especially appreciate all our employees for their extended efforts post-lockdown, as we re-started our plants and resumed operations.

Moving forward, we will continue our commitment to achieve sustainable growth by building a resilient business model and ensuring inclusive growth for all our stakeholders.

With regards,

Arvind Kanji Chheda
Managing Director

Board of Directors



Chairman Emeritus **SHRI CHANDRAKANT V. GOGRI**

Mr. Gogri is a stalwart in the Indian chemical industry and the founder of the Aarti Group of Companies. He possesses expertise in the areas of projects, operations, process development and local & international marketing. His keen business acumen and over five decades of experience has helped the Aarti Group scale new heights of success. We believe that under his valuable guidance, the Company will keep touching newer peaks.