Ratings
CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL
An S&P Global Company

Rating Rationale

March 04, 2022 | Mumbai

Valiant Organics Limited

Long-term rating upgraded to 'CRISIL A/Stable'; 'CRISIL A1' assigned to short-term bank debt; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.277.5 Crore (Enhanced from Rs.217.5 Crore)**
Long Term Rating	**CRISIL A/Stable (Upgraded from 'CRISIL A-/Positive')**
Short Term Rating	**CRISIL A1 (Assigned)**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the long-term bank facilities of Valiant Organics Limited (VOL) to '**CRISIL A/Stable**' from 'CRISIL A-/Positive'; 'CRISIL A1' was assigned to the short-term bank loan ratings.

The upgrade reflects the improved and strong business risk profile which remained resilient to Covid-19 pandemic. Company achieved an operating income of Rs 757 crore during fiscal 2021, a 12% y-o-y growth from Rs 675 crore in fiscal 2020, and the same has also been higher-than CRISIL Ratings' previous expectations. The performance has been supported by diversity in products, customers and geography and increased sales from paracetamol. There has been a healthy demand in current fiscal which has resulted in higher volumetric sales and this coupled with improved realizations (on account of increasing crude oil prices) has resulted in a healthy revenue of Rs 806 crore during 9M FY22.

Operating margin too remained healthy at 27.5% during fiscal 2021. Although, operating margin has moderated to 18.3% during 9M FY22, the same is on account of the rise in crude oil prices. The integrated operations, order backed sales, and ability to pass on of increase in raw material prices to customers, will continue to support VOL's business risk parameters. The company continues to undertake capital expenditure for capacity enhancement for introduction of new products and for backward and forward integration which will enable VOL to improve its operating efficiencies.

The financial risk profile metrics continue to remain strong, with a robust networth expected to be around Rs 628 crore and low gearing expected at around 0.42 time, as on March 31, 2022. Debt protection metrics are strong, with interest cover and net cash accruals to adjusted debt ratios (NCAAD) expected to be around 23 times and 0.6 time, respectively in fiscal 2022.

The ratings reflect VOL's established market position, healthy financial risk profile and sound operating efficiencies. These rating strengths are partially offset by VOL's exposure to volatile commodity prices, cyclicality in domestic end-user industries and moderately high working capital requirements.

Analytical Approach

To arrive at the ratings on VOL, CRISIL Ratings has combined the business and financial risk profiles of VOL and its subsidiaries Dhanvallabh Ventures LLP (VOL has 73.15% ownership interest), Valiant Speciality Chemical Limited (VOL has 100% ownership interest) and Bharat Chemicals (VOL has 50.1% ownership interest).

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position backed by extensive experience of promoters:** VOL's promoters have been engaged in the chemical intermediates business for over three decades which has enabled them to develop strong understanding of market dynamics and establish healthy relations with customers and suppliers. VOL has a diversified business profile with diversity at product, geography, customer and end-use industry level. The established market position and global competitiveness is also reflected in a healthy operating income of Rs 757.32 crore in fiscal 2021; healthy topline growth at a CAGR of 90% over the last four fiscals due to the inorganic growth by way of acquisitions and healthy demand offtake for products.

- **Healthy financial profile:** The financial risk profile metrics continue to remain strong, with a robust networth expected to be around Rs 628 crore as on March 31, 2022. This supports the financial flexibility of the company. Supported by a robust networth and low dependence on external debt, the capital structure is comfortable with gearing expected at around 0.42 time as on March 31, 2022. This is expected to remain comfortable going forward, despite on-going capex for capacity enhancement and backward & forward integration. Debt protection metrics are strong, with interest cover