



WORKING CAPITAL ASSESSMENT TOWARDS OBJECTS OF THE ISSUE

To,

The Board of Directors
Valiant Laboratories Limited
104, Udyog Kshetra, 1 st Floor,
Mulund Goregaon Link Road,
Near D-Mart, Mulund (W),
Mumbai – 400 080

And

UNISTONE CAPITAL PRIVATE LIMITED
A/305,DYNASTY BUSINESS PARK,
ANDHERI - KURLA ROAD, ANDHERI (EAST),
MUMBAI - 400 059, INDIA

Dear Sirs,

Reference: Proposed initial public offering of equity shares of face value of ₹ 10 each (the “Equity Shares”) by Valiant Laboratories Limited (the “Company”, and such offering, the “Issue”)

Subject: Certificate on Working Capital assessment towards Objects of the Issue

We, Raman S Shah & Co., Chartered Accountants, are the statutory auditor of Valiant Laboratories Limited. We have been requested by the Company to verify the estimated working capital and funding requirements of its wholly owned subsidiary Valiant Advanced Sciences Private Limited (VASPL).

Accordingly, we have obtained and verified the projected working capital requirements calculation prepared and obtained on the basis of certain assumptions such as commissioning of the plant of VASPL, products of VASPL, capacity of VASPL, proposed revenue, profit before tax, profit after tax and profit margins in % of VASPL, peers for trends observed in the Companies operating in the similar line of business as of VASPL

Below are the detailed set of assumptions prepared by the Company and verified by us on the basis of Chartered Engineer certificate

i. Assumptions with respect to commissioning of the plant

As certified by the Chartered Engineer M/s Orbit Consultants & Valuers, Independent Chartered Engineer by their certificate dated August 28, 2023, commercial operations are expected to commence by the end of last quarter of Fiscal 2024 i.e. From January 2024 to March 2024.

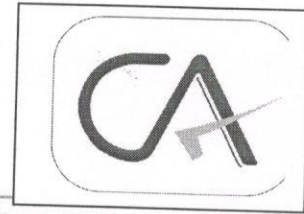
ii. Assumptions with respect to products

As certified by the Chartered Engineer M/s Orbit Consultants & Valuers, Independent Chartered Engineer by their certificate dated August 28, 2023, initially, VASPL intend to introduce 5 derivative products of ketene and diketene chemistry.

iii. Assumptions with respect to capacity

Fiscal 2024

As certified by the Chartered Engineer M/s Orbit Consultants & Valuers, Independent Chartered Engineer by their certificate dated August 28, 2023, since the manufacturing plant is expected to commence commercial



production by the end of last quarter of Fiscal 2024 i.e. From January 2024 to March 2024, VASPL expect only 30% utilization of its plant capacity in Fiscal 2024

Fiscal 2025

As certified by the Chartered Engineer M/s Orbit Consultants & Valuers, Independent Chartered Engineer by their certificate dated August 28, 2023, from the 2nd year onwards, VASPL expect to gradually increase the capacity utilization of its plant. Below mentioned is the capacity utilization of its plant in terms of % capacity utilization on a quarterly basis:

Products	For the quarter ended			
	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025
Derivative product 1	50.00%	65.00%	75.00%	80.00%
Derivative product 2	50.00%	65.00%	75.00%	80.00%
Derivative product 3	50.00%	65.00%	75.00%	80.00%
Derivative product 4	50.00%	65.00%	75.00%	80.00%
Derivative product 5	50.00%	65.00%	75.00%	80.00%

From the beginning of the last quarter of Fiscal 2025, VASPL expects to reach its plant capacity utilisation at 80.00%

iv. Assumptions with respect to revenue, profit before tax, profit after tax and profit margins in %

Based on the above capacity utilization, below are VASPL's assumptions with respect to revenue, profit before tax, profit after tax and profit margins in % as estimated by the Company

Particulars (₹ in millions)	Fiscal 2024	Fiscal 2025
Revenue from operations	530.35	4,935.54
Profit before tax (PBT)	19.49	844.66
Profit after tax (PAT)	16.14	699.38
Margins		
PBT Margin (%)	3.68%	17.11%
PAT Margin (%)	3.04%	14.17%

v. Assumptions with respect to peers for trends observed in the Companies operating in the similar line of business

For assumptions with respect to peers i.e. players in similar line of industry, VASPL have assumed below players with parameters such as revenues & margins, average working capital days, P/E multiple and total installed capacity





○ Revenues

Particulars (Rs. in millions)	ABC_1 Ltd.	ABC_2 Ltd*	ABC_3 Ltd.	ABC_4 Ltd.	ABC_5 Ltd.
FY 2023 (Consolidated)					
Revenue	54,280	16,820	20,770	20,850	27,970
Profit Before Tax (PBT)	6,880	3,090	4,960	6,150	1,730
Profit After Tax (PAT)	5,070	2,290	3,750	4,580	1,250
PBT Margin (%)	12.68%	18.37%	23.88%	29.50%	6.19%
PAT Margin (%)	9.34%	13.61%	18.05%	21.97%	4.47%
FY 2022 (Consolidated)					
Revenue	50,810	15,420	14,530	16,160	30,840
Profit Before Tax (PBT)	8,100	3,020	3,440	4,490	3,180
Profit After Tax (PAT)	6,050	2,250	2,630	3,470	2,560
PBT Margin (%)	15.94%	19.58%	23.68%	27.78%	10.31%
PAT Margin (%)	11.91%	14.59%	18.10%	21.47%	8.30%
FY 2021 (Consolidated)					
Revenue	37,310	12,420	11,790	9,540	17,680
Profit Before Tax (PBT)	8,820	4,010	3,580	3,350	1,580
Profit After Tax (PAT)	6,600	2,950	2,580	2,690	1,270
PBT Margin (%)	23.64%	32.29%	30.36%	35.12%	8.94%
PAT Margin (%)	17.69%	23.75%	21.88%	28.20%	7.18%
Average PBT Margin for last 3 years	17.42%	23.41%	25.97%	30.80%	8.48%
Average PAT Margin for last 3 years	12.98%	17.32%	19.35%	23.88%	6.65%
Average PBT Margin of all peers	21.22%				
Average PAT Margin of all peers	16.03%				

* Figures of ABC_2 Ltd are on a standalone basis

Note:- Company names are not disclosed due to their confidentiality, All numbers are intact based on their publications.

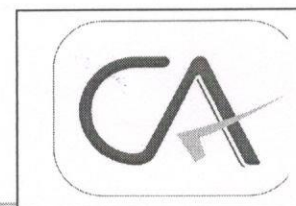
○ Average working capital days

Particulars	ABC_1 Ltd.	ABC_2 Ltd*	ABC_3 Ltd.	ABC_4 Ltd.	ABC_5 Ltd.
FY 2023 (Consolidated)					
Debtor Days	57	56	99	82	74
Inventory Days	101	82	-	64	58
Trade Payable Days	69	84	-	40	92
Cash Conversion Cycle	89	53	99	106	40
FY 2022 (Consolidated)					
Debtor Days	71	66	90	104	79
Inventory Days	122	76	149	75	65
Trade Payable Days	90	105	85	49	123
Cash Conversion Cycle	103	37	154	130	21
FY 2021 (Consolidated)					
Debtor Days	72	67	88	106	90
Inventory Days	128	91	129	115	63
Trade Payable Days	121	133	77	62	148
Cash Conversion Cycle	79	25	140	159	5
Average Debtor days for last 3 years	67	63	92	97	81
Average Inventory days for last 3 years	117	83	93	85	62
Average Trade Payable days for last 3 years	93	107	54	50	121
Average Cash Conversion Cycle days for last 3 years	90	38	131	132	22
Average Debtor days for all peers	80				
Average Inventory days for all peers	88				
Average Trade Payable days for all peers	85				
Average Cash Conversion Cycle days for all peers	83				

* Figures of ABC_2 Ltd are on a standalone basis

Note:- Company names are not disclosed due to their confidentiality, All numbers are intact based on their publications.





Assumptions of no. of days of VASPL

Particulars	FY 2024	FY 2025
Inventory Days	15	15
Trade receivables	60	73
Trade payables	90	110

The peers stated above are closest possible peers; however, they are well matured companies offering a wide array of products.

Considering the points above, VASPL have made certain assumptions that seem more realistic based on our experience and relationships in the industry. Moreover, the operations are in the ramp up stage throughout FY'25 with maximum capacity in Q4'25. Hence, the parameters are on the higher side, which will eventually stabilise. As for inventory days, please note, since this is a greenfield project and into a newer product, VASPL intend to maintain lower inventory for the initial years. Even for Valiant Laboratories Limited's existing paracetamol business, inventory days as on 31-Mar-23 was 17 days.

○ *P/E multiple*

Company	Result	Market Cap (? in million) (as on July 4, 2023)	P/E multiple (TTM) (as on July 4, 2023)
ABC 1	Consolidated	2,04,331.10	39.75
ABC 2	Standalone	1,37,905.40	60.31
ABC 3	Consolidated	2,25,637.70	60.14
ABC 4	Consolidated	1,88,337.80	41.16
ABC 5	Consolidated	68,598.50	55.07
Average P/E			51.29

Note:- Company names are not disclosed due to their confidentiality, All numbers are intact based on their publications.

○ *Installed capacity*

As mentioned in the earlier point, there are no peers that are fully/directly comparable. VASPL believe that comparing the total installed capacity of any listed peers with VASPL will not yield accurate calculations. The above peer group is known for their large size, pricing, significant presence in the industry, with an extensive product portfolio. Specialty chemicals are low volume high value products with a very different working capital cycle. Additionally, there is a limitation in obtaining precise data on product-wise installed capacity for these large companies. Due to the above stated limitations, a direct comparison with installed capacities will not yield accurate results.

The details of VASPL's estimated working capital requirements for the Fiscals 2024 and 2025 are as provided below:

Particulars	Estimated as at	
	March 31, 2024	March 31, 2025
Current Assets		
Inventories	65.70	150.75
Trade receivables	353.57	990.89
Cash, cash equivalents and bank balances	185.85	1,101.51



Particulars	Estimated as at	
	March 31, 2024	March 31, 2025
Total current assets (A)	605.11	2,243.15
Current liabilities		
Trade payables	394.19	1,104.71
Other financial liabilities	0.21	0.21
Other current liabilities	0.68	0.68
Total current liabilities (B)	395.07	1,105.60
Net working capital requirements (A-B)	210.05	1,137.55
Source of funds		
Borrowings from banks and financial institutions	46.05	656.85
Internal accruals / Networth	8.85	185.85
Proceeds from the issue	155.14	294.86

Assumptions for our estimated working capital requirements:

Provided below are details of the holding levels (days) for Fiscals 2024 and 2025:

Particulars	March 31, 2024*	March 31, 2025
Inventories	15	15
Trade receivables	60	73
Trade payables	90	110

* Since commercial operations of VASPL are expected to begin in the last quarter of financial year March 31, 2024, 90 days period is considered for deriving the holding levels (days)

Key justification for holding levels:

Particulars	Assumptions*
Inventories	The inventory has a correlation with the storage capacities and plans. We have planned for inventory holding of 15 days in FY 2024 & FY 2025 for consumption of raw materials based on management experience and assumptions
Trade receivables	We are commencing our business activities in the last quarter of Fiscal 2024, a significant portion of our sales during that period will be realized and received in the subsequent financial year i.e. Fiscal 2025, therefore we have considered our trade receivables days as 60 days in Fiscal 2024. As our business is growing in a phased manner, the trade receivable days aligned to 73 days for Fiscal 2025
Trade payables	As we commence our business operations in the last quarter of Fiscal 2024, the entire purchase done by us is shown as trade payables as on March 31, 2024, therefore we have considered our trade payables days as 90 days in Fiscal 2024. As our business is growing in a phased manner, the trade payables days aligned to 110 days for Fiscal 2025, which is closely in line with industry standards.

The estimates of working capital requirements for the years ended March 31, 2024 and March 31, 2025, have been prepared by the management of the Company. The same is based on the estimates of future financial performance as projected by the management of the Company which represents their view of reasonable expectations at the point of time when they were prepared, but such information and estimates are not issued as assurances that the same will be achieved or events will occur as predicted. The projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, users are cautioned that this projection may not be appropriate for purposes other than that described herein.

We confirm that the information in this letter is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this letter misleading in its form or context and will enable investors to make a well-informed decision.





This letter is issued for the purpose of the Issue, and can be used, in full or part, for inclusion in the draft red herring prospectus, red herring prospectus, prospectus and any other material used in connection with the Issue (together the "Issue Documents"). We hereby consent to the aforementioned details being included in the Issue Documents and consent to the submission of this letter as may be necessary, to the Securities and Exchange Board of India, any regulatory / statutory authority, stock exchange where the Equity Shares are proposed to be listed, Registrar of Companies or any other authority as may be required and/or for the records to be maintained by the BRLM in connection with the Issue and in accordance with applicable laws, and for the purpose of any defense the BRLM may wish to advance in any claim or proceeding in connection with the contents of the Issue Documents.

This letter can be relied on by the Company, the BRLM and the Legal Counsel to the Issue and to assist the BRLM in conducting and documenting their investigation of the affairs of the Company in connection with the Issue. We hereby consent to this letter being disclosed by the BRLMs if required (i) by reason of any law, regulation, order or request of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.


We undertake to immediately update you, in writing, of any changes in the abovementioned information until the date the Equity Shares issued pursuant to the Issue commences trading on the Stock Exchanges. In the absence of any such communication, you may assume that there is no change in respect of the matters covered in this letter until the date on which the Equity Shares commence trading on the Stock Exchanges.

All capitalized terms used but not defined herein shall have the meaning assigned to them in the Issue Documents.

Yours faithfully,

For Raman S Shah & Co.,
Chartered Accountants
FRN: 111919W




CA RAMAN S SHAH

Proprietor

Membership No: 033272

Place: Mumbai

Date: 04-09-2023

UDIN: 23033272BGUQDB6813