An atomic bond of traders

Global trading house Valency International sees the current economic downturn as an opportunity to expand

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The word “valency” in chemistry is a measure of an atom’s ability to form bonds with other atoms. At Valency International Pte Ltd, this word holds significant meaning.

It represents the collective strength and power of unity, a concept which Praveen Kumar Jain, the founder and managing director of Valency, embraces dearly.

“You don’t look too big (when alone), but when you collectively and strongly work together, it is very powerful,” he said.

Driven by his entrepreneurial spirit, Mr Jain started Valency in 2007. During its first year, the company hit its first turnover milestone of nearly US$100 million and was conferred the Global Trader Programme (GTP) status by Enterprise Singapore, the first of many trading accomplishments for the company since then.

Within a short span of 13 years, Valency has seen tremendous growth and expansion under Mr Jain’s leadership.

To date, it has an established presence in 15 different countries across Asia and Africa, with its headquarters based in Singapore. The company also has a cashew kernel products under its own brands in Singapore, India and Africa.

Valency has set its sight on developing its own cashew sourcing and processing capabilities. It has invested heavily in world-class drying facilities and warehouse logistics in Vietnam, Nigeria and India, giving the company a combined production capacity of nearly 98 million tonnes of raw cashews nuts a day.

Apart from dealing with products within the agricultural space, Valency has also established itself as an important player in both the fertilizers and industrial industry. A notable achievement was the acquisition of exclusive distribution rights in India for the largest soda ash mine in Wyoming in the United States.

Valency’s remarkable expansion came without without challenges. As Mr Jain explained, “Finance is the heart of the trading business. Now, if the heart is not pumping, you can’t survive.”

Despite the initial challenge of raising capital for its expansion plans, the company eventually managed to find the right financing partners. This boiled down to the strong trust and confidence that stakeholders have in the company due to its firm core values and commitment.

“Our success in this trade lies in the confidence and trust that our stakeholders have in us,” Mr Jain said.

While most commodity trading houses focus solely on the trading of commodities, Valency has modified this traditional trading model by actively pursuing both forward and backward integration, taking up positions as manufacturer, trader and retailer.

Despite impassable terrain, Valency has taken pains to ensure that warehouses and logistics facilities are built near farmers to support them in the ease of transporting goods. Building operations around African farming communities also helps create employment opportunities for their families.

“Attaining control over the entire supply chain is no easy feat. However, this provides Valency a unique competitive advantage in terms of its effective risk management abilities, while yielding sustainable profits across its operations in the long term.”

As Valency expands rapidly, sustainability practices continue to remain one of its top priorities.

While generated from cashew processing is recycled to burn boilers, helping the company save about 700 million tonnes of coal a year.

Supply chain processes are also re-designed to reduce plastic waste while meeting regulatory requirements for repackaging needs.

Apart from environmental initiatives, Valency has been consistently educating its farmers on the best harvesting practices.

Skills upgrading and training programmes are also provided to women in the African communities, who make up a large proportion of the company’s workforce.

Like many companies, Valency finds itself in a tight situation from disruption to its business operations due to the Covid-19 pandemic.

The company has been improving its digitisation process to allow staff to telecommute, while also ensuring uniformity in safety measures across all its factories and offices globally.

“We have been engaged all this while, troubleshooting issues to ensure that the business can run smoothly with minimal adverse impact,” Mr Jain said.

As volatility and instability is expected to peak, Valency has also re-framed from overly aggressive trading behaviour.

“We are reducing our market exposure and choosing to work only with very strong counterparties,” Mr Jain explained.

Nevertheless, this does not create a dent in Valency’s expansion plans for the coming years.

Having already achieved turnovers of at least US$500 million in each of the last 12 years, the company is ambitiously looking to double this amount in the next five years.

Apart from constructing “a very large, state-of-the-art processing facility” in the Ivory Coast to increase its current production capacity of cashew nuts, Valency is also ramping up its production of steel.

It has been proactively working with strategic partners to merge or acquire firms.

“Our objective is to be the first three or five players in the commodity or geography spaces which we have obtained,” said Mr Jain, stressing on the importance of a first mover advantage in crucial markets.

Even as the commodity trading landscape becomes increasingly competitive, Valency continues to adapt readily to challenges and look for opportunities to deepen its presence across major value chains.