



Press Release

Vishnu Chemicals Ltd (VCL)

October 06, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Facility – Fund Based – Term Loan	66.92	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Long Term Fund Based Facility – Cash Credit	100.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
3.	Long Term Fund Based Facility – CELC*	7.35	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
4.	Short Term Fund Based – Standby Line of Credit	8.45	IVR A3 (IVR A Three)
5.	Short Term Non Fund Based Facility – Bank Guarantee	5.00	IVR A3 (IVR A Three)
6.	Short Term Non Fund Based Facility – Letter of Credit	57.39	IVR A3 (IVR A Three)
7.	Short Term Facility – Non Fund Based – Letter Credit/Bank Guarantee	7.61	IVR A3 (IVR A Three)
8.	(Proposed) Short Term/Long Term Facility	4.15	IVR BBB-/Stable Outlook; IVR A3 (IVR Triple B Minus; IVR A Three)
	Total	256.87	

*CELC stands for Common COVID-19 Emergency Credit Line

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their extensive experience of promoters and reputed promoter group, diversified product basket having multi-industry applications with wide geographical presence, improving capital structure and adequate liquidity position. However, moderate working capital cycle coupled with high working capital utilisation, foreign exchange fluctuation risk and susceptibility to volatility in raw material prices are the rating constraints.



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Key Rating Sensitivities

Upward factors:

- Substantial & sustained improvement in revenue backed by volume growth while maintaining the Profitability & debt protection metrics.

Downward factors:

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Further delay and cost overruns in construction of CO₂ gas recovery plant would warrant a rating review.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters and reputed promoter group

Mr. Ch. Krishna Murthy (CMD), along with his family members, laid the foundation of the VCL and has been instrumental in helping VCL establish itself in the industry. He started the company in 1989 and over the years the group has established itself as one of the leaders in the speciality and fine chemicals industry. The strategy and international marketing efforts of the group is led by Mr Ch. Siddhartha, the Joint Managing Director. He holds a B. Tech in industrial biotechnology and has completed MBA from USA and is having an experience of over 15 years in the industry.

Diversified product basket having multi-industry applications with wide geographical presence

The major products of the group which includes Barium Compounds and Chromium Compounds have varied applications across industries such as pharmaceuticals, leather, automobile, ceramics, glass, pigments and dyes, metallurgy and in the steel industry. The group has diversified revenue profile with presence in both domestic and export markets. As of 31st March 2020, the group's total exports accounted for ~48% of total revenues and the balance 52% was from the domestic market. Majority of the exports are to Mexico, Belgium, Uganda, Brazil, Italy, China, Korea etc.



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Improving capital structure and adequate liquidity position

The capital structure indicated by the overall gearing ratio has improved from 1.00x in FY19 to 0.92x in FY20, largely owing to reduction in long term debt from INR88.17 crore in FY19 to INR85.40 crore in FY20. The group's liquidity profile is also adequate, marked by gross cash accruals of INR43.24 crore and against an interest outlay of INR35.77 crore in FY20. Moreover, the current ratio stands at 1.05x and the quick ratio stands at 0.45x, the adjusted current ratio (excluding the current portion of long term debt) stands at 1.09x in FY20.

Key Rating Weaknesses

Moderate working capital cycle coupled with high working capital utilisation

The consolidated working capital cycle of the group increased to 103 days in FY2020 as against 82 days in FY19 mainly on account of higher inventory holding days. The average working capital utilisation levels was high at 99.5% for the past 12 months period ended Aug. 2020.

Foreign Exchange fluctuation risk

The company imports a portion of their raw material requirements, 27% of their total raw materials were imported in FY20. The company has an internal Hedging Policy duly approved by the Board for managing Foreign Currency Fluctuation Risk and monitors the Forex Exposure of the Company based on the same on a continuous basis. Further, being a Net Exporter, the company has a natural hedge against the 100% of the Imports. As on March 31, 2020, the total unhedged exposure for VCL stood at INR0.83 crore.

Susceptible to volatility in the raw material prices

The raw materials constitute around 58% of the total cost in FY2020 on a consolidated basis. The prices of its key raw materials such as Soda Ash, Sulphuric Acid and Chrome ore are driven by domestic as well as international demand-supply situation. However, this is mitigated by the group's ability to pass on price increase to its customers. Moreover, the company is also setting-up a CO₂ (Carbon Dioxide) gas recovery plant as part of backward integration for its key raw materials (Soda Ash & Sulphuric Acid) which shall help increase the contribution and product margins. The CO₂ project is expected to be completed by end of fiscal FY2021.



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Analytical Approach: Consolidated

Infomerics has considered the consolidated financial profiles of Vishnu Chemicals Ltd, Vishnu Barium Pvt Ltd, Vishnu South Africa (Pty) Ltd and Vishnu Renewable Energy Pvt Ltd to arrive at the rating. Vishnu South Africa (Pty) Ltd and Vishnu Renewable Energy Pvt Ltd are yet to commence their operations. The consolidation is on account of common management and operational and financial linkages.

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate, with the company having an above unity current ratio of 1.05x which is expected to improve in the future. The company has a total debt outlay amounting to INR48.70 crore (interest + CPLTD) in FY20 as against cash accruals of INR58.62 crore (including GCA + cash and cash equivalents) leaving the company with an adequate cushion cover against any contingencies.

About the company

Vishnu Chemicals Ltd (VCL) was established in 1989; since inception the company has grown with the help of many greenfield and brownfield projects with their reach in over 57 countries (spanning 4 continents including Asia, Europe, America and Africa) as a pure play specialty chemical manufacturer with their products having applications in steel, glass, pharmaceutical, pigments and dyes, leather and allied industries. Over the years the Company has changed the perception on Specialty Chemical manufacturing as a hazardous – environment unfriendly manufacturing to sustainable and safe manufacturing. The company has an installed capacity of 231100 MTPA.



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Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	561.93	667.53	574.07
EBITDA	67.28	80.01	63.80
PAT	9.43	12.19	13.22
Total Debt	282.79	220.25	236.23
Tangible Net-worth	177.02	220.70	228.77
Ratios			
EBITDA Margin (%)	11.97	11.99	11.11
PAT Margin (%)	1.65	1.81	2.27
Overall Gearing Ratio (x)	1.52	0.99	0.97

*Unsecured loans from promoters amounting to INR25.09 crore has been treated as quasi equity.

* Classification as per Infomerics' standards

Financials (Consolidated)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	642.97	769.39	676.72
EBITDA	78.53	99.17	78.92
PAT	14.45	24.37	22.22
Total Debt	304.70	246.49	243.49
Tangible Net-worth	187.79	244.13	261.72
Ratios			
EBITDA Margin (%)	12.21	12.89	11.66
PAT Margin (%)	2.22	3.15	3.25
Overall Gearing Ratio (x)	1.59	1.00	0.92

*Unsecured loans from promoters amounting to INR25.09 crore has been treated as quasi equity.

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based – Term Loan	Long Term	66.92	IVR BBB-/ Stable Outlook	--	--	--
2.	Long Term Fund Based Facility – Cash Credit	Long Term	100.00	IVR BBB-/ Stable Outlook	--	--	--
3.	Long Term Fund Based Facility – CELC*	Long Term	7.35	IVR BBB-/ Stable Outlook	--	--	--
4.	Short Term Fund Based – Standby Line of Credit	Short Term	8.45	IVR A3	--	--	--
5.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	5.00	IVR A3	--	--	--
6.	Short Term Non Fund Based Facility – Letter of Credit	Short Term	57.39	IVR A3	--	--	--
7.	Short Term Facility – Non Fund Based – Letter Credit/Bank Guarantee	Short Term	7.61	IVR A3			
8.	(Proposed) Short Term/Long Term Facility	Long Term/ Short Term	4.15	IVR BBB-/ Stable Outlook; IVR A3	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's



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long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Term Loan	NA	NA	Up to December 2023	66.92	IVR BBB-/ Stable Outlook
Long Term Fund Based Facility – Cash Credit	NA	NA	Revolving	100.00	IVR BBB-/ Stable Outlook
Long Term Fund Based Facility – CELC*	NA	NA	Up to 2 years	7.35	IVR BBB-/ Stable Outlook
Short Term Fund Based – Standby Line of Credit	NA	NA	Up to 1 year	8.45	IVR A3
Short Term Non Fund Based Facility – Bank Guarantee	NA	NA	Up to 1 year	5.00	IVR A3
Short Term Non Fund Based Facility – Letter of Credit	NA	NA	Up to 1 year	57.39	IVR A3
Short Term Facility – Non Fund Based – Letter Credit/Bank Guarantee	NA	NA	Up to 1 year	7.61	IVR A3
(Proposed) Short Term/Long Term Facility	NA	NA	Up to 1 year	4.15	IVR BBB-/Stable Outlook; IVR A3



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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-Vishnu-Chemicals-Ltd-06-oct-20-.pdf>