



## Press Release

### Vishnu Chemicals Limited (VCL)

December 01, 2021

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long term Bank Facilities – Term Loan	50.27 (Reduce from 66.92)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long term Bank Facilities – CECL/GECL 2.0*	35.59 (Enhanced from 7.35)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long term Bank Facilities – Cash Credit	100.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised
Short term Bank Facilities – Standby Line of Credit	8.45	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Revised
Short term Bank Facilities – LC/BGs	70.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Revised
Long Term//Short term Bank Facilities (Proposed)	4.56 (Enhanced from 4.15)	IVR BBB/ Stable/ IVR A3+ (IVR Triple B with Stable Outlook; IVR A Three Plus)	IVR BBB-/ Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	Revised
<b>Total</b>	<b>268.87</b>			

\*CECL - COVID-19 Emergency Credit Line; GECL 2.0 Guaranteed Emergency Credit Line.

Details of facilities are in Annexure 1



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### **Detailed Rationale**

The rating upgrade considers the successful backward integration by completion of CO<sub>2</sub> Gas recovery project which will significantly boost company's operating margins and will significantly reduce dependency on external market for procurement of sodium carbonate, which is one of the key raw materials. The rating upgrade also factors in healthy operating performance during H1FY22.

Further rating continuous to derives comfort from the experienced promoters and reputed promoter group, diversified product basket having multi-industry applications with wide geographical presence and Improving capital structure and adequate liquidity position. The rating is however constrained by moderate working capital cycle coupled with high working capital utilisation, foreign exchange fluctuation risk and Susceptible to volatility in the raw material prices.

### **Key Rating Sensitivities:**

#### **Upward Factor:**

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

#### **Downward Factor:**

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Deterioration in working capital cycle and liquidity profile of the company.

### **Detailed Description of Key Rating Drivers**

#### **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



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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 company 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 March 31, 2021 the group's total exports accounted for ~49% of total revenues and the balance 51% was from the domestic market. Majority of the exports are to South American & European markets.

### **Improving capital structure and adequate liquidity position**

The capital structure indicated by the overall gearing ratio has improved from 0.90x in FY20 to 0.77x in FY21. The group's liquidity profile is also adequate, marked by gross cash accruals of Rs.43.94 crore and against a repayment obligation of Rs.12.90 crore in FY21. Moreover, the current ratio stands at 1.08x and the quick ratio stands at 0.49x in FY21.

### **Successful completion of backward integration aiding adequate revenue visibility**

The company has successfully completed CO<sub>2</sub> Gas recovery project in March 2021 and have started with trail production in H1FY22. Currently the same is in stabilisation mode and company is expecting to get benefits of the same during Q4FY22. One of the key raw materials for which for which company has gone for backward integration is the sodium carbonate. This will reduce dependency on external market by 50%. Based on group's increased production and revenue (i.e., Rs.439.79 crore) in H1FY22 and enhanced capacity in H2FY22 due to recently completed capex gives adequate revenue visibility.

### **Key Rating Weaknesses**

#### **Moderate working capital cycle coupled with high working capital utilisation**

The consolidated working capital cycle of the group remained high at 98 days in FY2021 as against 102 days in FY20 mainly on account of higher inventory holding days. The average



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working capital utilisation levels was high at ~90% for the past 12 months period ended October, 2021.

### **Foreign Exchange fluctuation risk**

The company derives a significant portion of its income i.e. around 50% of total revenue from exports, due to that company will remain exposed to currency fluctuation to the extent of unhedged exposure. However, company has a hedging mechanism in place to reduce exposure to foreign exchange fluctuations. As on September 30, 2021, the unhedged foreign currency exposure for exports is Rs.39.70 crore.

### **Susceptible to volatility in the raw material prices**

The raw materials constitute around 55% of the total cost in FY2021 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 company's ability to pass on price increase to its customers. Moreover, the company has successfully completed a CO<sub>2</sub> (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.

### **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 is yet to commence their operations. The consolidation is on account of common management and operational and financial linkages. Extent of Consolidation: Full

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity - Adequate**



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The liquidity of the group is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis debt repayment obligations. The group is expected to generate cash accruals to the tune of ~Rs.77-100 crore during FY22-FY24 as against a repayment obligation of ~Rs.20-30 crore during the aforesaid period indicating an adequate liquidity position. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The fund based average working capital utilisation was at ~ 90% during the last twelve months ended October 31, 2020.

### **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.

### **Financials (Consolidated)**

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	676.72	678.68
EBITDA	78.92	77.45
PAT	22.22	34.49
Total Debt	243.49	232.40
Tangible Net Worth	265.64	299.47
EBITDA Margin (%)	11.66	11.41
PAT Margin (%)	3.25	5.06
Overall Gearing Ratio (x)	0.90	0.77

\* Classification as per Infomerics' standards



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### Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	574.07	573.10
EBITDA	63.80	60.16
PAT	13.22	22.75
Total Debt	236.23	227.75
Tangible Net Worth	234.74	254.88
EBITDA Margin (%)	11.11	10.50
PAT Margin (%)	2.27	3.94
Overall Gearing Ratio (x)	0.97	0.88

\* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Dated: October 06, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Term Loan	Long Term	50.27	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2.	Fund Based Facility – CECL/GECL 2.0	Long Term	35.59	IVR BBB/ Stable	IVR BBB-/ Stable		
2.	Fund Based Facility – Cash Credit	Long Term	100.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-



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3.	Fund Based Facility – Standby Line of Credit	Short Term	8.45	IVR A3+	IVR A3	-	-
4.	Non-Fund Based Facility – LC/BGS	Short Term	70.00	IVR A3+	IVR A3	-	-
5.	Fund Based Facility – Proposed	Long Term/ Short Term	4.56	IVR BBB/ Stable; IVR A3+	IVR BBB-/ Stable; IVR A3	-	-

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loans	-	-	Upto March, 2024	50.27	IVR BBB/ Stable
Long Term Fund Based Facility – Term Loan	-	-	November, 2025	35.59	IVR BBB/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	100.00	IVR BBB/ Stable
Short term Bank Facilities – Standby Line of Credit	-	-	-	8.45	IVR A3+
Short Term Non-Fund Based Facility – LC/BGS	-	-	-	70.00	IVR A3+
Long Term/ Short Term Fund Based Facility – Proposed	-	-	-	4.56	IVR A3+

### Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Ownership	Consolidation Approach
Vishnu Chemicals Limited	100%	Full Consolidation
Vishnu Barium Private Limited	100%	Full Consolidation
Vishnu South Africa (Pty) Limited	100%	Full Consolidation

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Vishnu-chemicals-lenders-dec21.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**





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### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Working capital (CC)	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple

**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](http://www.infomerics.com).