Vishnu Chemicals Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	166.28 (Enhanced from 156.18)	CARE A-; Stable	Reaffirmed
Short-term bank facilities	4.65	CARE A2+	Assigned
Short-term bank facilities	78.45	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Vishnu Chemicals Limited (VCL) considers satisfactory operational performance in FY24 (Audited; FY refers to April 01 to March 31) and H1FY25 (unaudited), healthy financial risk profile, strong liquidity represented by healthy accruals, positive cash flow from operations with efficient working capital management. Despite facing challenges such as decline in selling prices and rising cost of raw materials, VCL maintained healthy profitability margins in FY24, supported by cost-reduction measures, reduction in logistics cost to near pre-COVID levels enabled VCL to sustain profitability margins in line with FY23.

Ratings also factors in moderation in financial performance in FY24 and H1FY25 owing to decline in selling prices, supply chain mismatches of major raw material such as chrome ore leading to lower-than-envisaged profitability levels. Despite profit margins reported are lower-than-anticipated levels, which were in line with FY23.

CARE Ratings Limited (CARE Ratings) considers VCLs strategic investment by signing a definitive agreement for acquiring chrome ore mining complex through its subsidiary company, Vishnu South Africa (Pty) Limited. The company is in process of transferring the mining entity in the name of subsidiary and is expected to take 6-9 months to start operations. VCL also acquired an entity 'Jayansree Pharma Private Limited (JPPL)' with an investment of ~₹52 crore funded through mix of debt and equity. Under JPPL, a new product is expected to be launched which finds its application across industries including glass, ceramics, electrical vehicle batteries, medical applications, and paints and pigments among others. This enables VCL to further diversify its product portfolio. The new product is in advance stages of development and the plant is expected to be commercialised by Q2FY26. Additional debt availed in these two entities than envisaged for operations or delays in commercialisation of these plants within expected timelines is a key monitorable factor from credit perspective.

However, rating strengths are constrained by marginal moderation in financial performance in H1FY25 despite increase in sales volumes, profit margins susceptible to raw material price volatility, exposure to foreign exchange fluctuation risk, competition from imports and environmental, social and governance (ESG) risks as the company operates in chemical industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) of over ₹1800 crore on a sustained basis with improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 18%, while maintaining return on capital employed (ROCE) above 20% on sustained basis.
- Improvement in operating cycle to below 60 days on sustained basis resulting in reduced reliance on working capital borrowings.

Negative factors

- Significant decline in scale of operations with TOI below ₹1000 crore and decline PBILDT margins below 13%.
- Elongation in operating cycle to over 120 days on sustained basis resulting in increased reliance on working capital borrowings.
- Deterioration in overall gearing beyond 0.50x considering increase in working capital intensity or major debt funded capex.
- Changes in prevailing pollution control/ environmental norms and/or regulatory ban on production & sales of certain chemicals significantly impacting its business and profitability.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Consolidated
CARE has considered financials of VCL and its subsidiaries in its analysis as the companies are in the similar line of business and have operational/financial linkages. These entities are commonly referred to as VCL in the analysis. Please refer to annexure 6 for details.

Outlook: Stable.
The 'Stable' outlook on ratings of VCL reflects CARE Rating's expectation to maintain its healthy financial risk profile amidst steady cash flow generation and absence of large debt-funded capital expenditure (capex).

Detailed description of key rating drivers:

Key strengths

Strategic investment in acquisition of chrome ore mining as backward integration to VCL
In FY25, VCL through its subsidiary company Vishnu South Africa (Pty) Limited (VSPL) has entered a definitive agreement for acquisition of chrome ore mining complex which has estimated reserves of ~10 million tonnes at ~₹58 crore. As mentioned by management, all necessary approvals for regulatory and environmental clearances are in place and submitted documentation for transferring the name of mining entity to VCL subsidiary. Given volatility in the chrome ore prices, which has impact on profitability margins to mitigate the risk of price volatility of Chrome ore. Of these chrome reserves, mine has open accessible reserve of ~4,00,000 tonnes, which offer sufficient to supply to VCL for ~2.5-3 years. In FY27, VSPL will go for undercast mining, which is expected to be funded majorly through internal accruals, as the company will be self-sufficient to meet these requirements in the next three years.
Delays in transferring mining asset and un-envisaged debt availed for operations resulting in moderation in financial risk profile is a key monitoring factor.

Acquisition of new company to further diversify its product portfolio
VCL has been adding new products to its portfolio in the last three years, which are majorly import substitute used in industries to expand its customer base and for better market position. In Q1FY24, through its subsidiary company Vishnu Barium Private Limited (VBPL), has launched new products named , precipitated barium sulphate and Sodium sulphide to diversify product portfolio in industries such as paints, powder coatings, pigments and dyes among others. These products have been showing growth from the first year of commercialisation and contributing to ~10% of total TOI in H1FY25, mitigating product concentration risk.

In August 2024, VCL acquired an entity named 'Jayansree Pharma Private Limited (JPPL)' for a consideration of ₹52 crore, which is funded through mix of equity and debt. JPPL is in advance stages of developing a product, which is an import substitute used in industries such as glass, ceramics, electrical vehicle batteries, medical applications, paints and pigments among others, and proposed to commercialise operations from Q2FY26.

Healthy financial risk profile
The company's capital structure stood healthy marked by overall gearing ratio improved to 0.40x as on March 31, 2024 (PYE: 0.74x) considering strong net worth and reduced debt levels. Its net worth increased to ₹774.77 crore as of March 31, 2024 (PYE: ₹491.00 crore) considering healthy profitability accredited to net worth and qualified institutional placement (QIP) issue of ₹200 crore in FY24 for repayment of term loans and reduction of debt. Other debt coverage indicators, Interest coverage ratio and total debt to gross cash accruals (TD/GCA) remained comfortable at 5.58x and 2.12x respectively in FY24.

Further, promoters have converted cumulative preference shares amounting to ₹76.64 crore which are payable on or before March 2038 to equity by issuance 17,88,089 shares with face value ₹ two each with conversion price of ₹428.60 crore in FY25.

Established position with experienced promoters and management team
Ch. Krishna Murthy, one of the key architects in envisioning the growth and expansion of VCL has experience of over three decades in manufacturing, marketing and exporting chromium chemicals worldwide. Ch. Manjula (Wife of Ch Krishna Murthy) and Ch. Siddhartha (Son of Ch Krishna Murthy) are also the company's co-promoters. Ch. Siddartha is a Joint Managing Director of VCL and Managing Director of VBPL. He holds a master's degree in biotechnology from Northumbria University, UK and an MBA from Saginaw Valley State University, USA. He has shouldered multiple responsibilities and his experience in international marketing, sourcing and building highly effective teams to serve customers in chemical industry has helped the company achieve scale and leadership position in global markets. The group is managed by a professional team including qualified chartered accountants, Engineers and MBAs. VCL is serving over 15 industries across 50+ countries globally.

Wide geographical reach in domestic and export markets and long-standing association with reputed clientele
VCL has established presence in domestic and international market. VCL has presence in 50+ countries and sell majorly in markets including Brazil, the USA, Mexico, South Korea, Italy, Germany, Australia, Bangladesh, Argentina and Egypt among others. In FY24, exports constituted ~46.81% of TOI (PY: 48.26%) accessing these markets. Apart from export, the company is also gaining increased share in the domestic market. The contribution to overall sales from domestic market increased to ~53% in FY24 (PY:

47%). VCL accepts orders from export or domestic market based on demand and associated probability. The company receives repeated orders from long-standing and reputed clientele including Solara active Pharma Sciences Limited, IOL Chemicals and Pharmaceuticals Limited, and Montana Quimica Limited among others. At a standalone level, contribution from top 10 customers for FY24 reduced to below 40% with expansion of customer base in export and domestic markets mitigating customer concentration risk to certain extent.

Moderation in TOI in FY24 despite healthy profitability margins
Despite having comfortable operational performance with increase in sales volume, VCL reported moderation in revenue by 12.94%, to ₹1219.52 crore, which is primarily considering correction in selling prices to that of near pre-COVID levels catering in chromium and barium segments. Further, prices of major raw material for VCL, Chrome Ore is on a higher side resulted in decline in profitability with PBILDT of ₹209.25 crore in FY24 (FY23: ₹242.67 crore). However, VCL implemented cost reduction measures by backward integration of Soda ash in VCL and barytes through its stepdown subsidiary Ramadas Mineral Private Limited (RMPL), and improved production efficiency on upgradation of machinery. VCL has taken measures in reduction of fuel costs, water treatment costs and moderation in logistic costs by ~₹20 crore (compared to cost prevail in covid) helped VCL to maintain PBILDT margins in line with FY23. Hence, the company's PBILDT and profit after tax (PAT) margins remained healthy at 17.16% and 8.29% respectively.

In H1FY25, TOI stood at ₹689.34 crore with PBILDT and PAT levels in line with corresponding previous year. However, there is a moderation in PBILDT and PAT margins to 15.59% and 7.73% with continuation of logistics and supply chain issues globally. However, this has been showing signs of improvement from Q3FY25 and is PBILDT and PAT margins expected to be improved in the coming quarters.

Key weaknesses

Exposure to raw material price volatility, mitigated through backward integration in barytes and chrome ore segments
Raw material is the major cost to company which contributes ~44-50% of cost of sales. Major raw materials required for manufacturing of chromium products (major contributor to chromium products) and barytes (major contributor to barium products)) are Chrome ore, Soda ash and barytes, which are volatile. In FY24 and H1FY25, raw material prices of Chrome ore (major raw material) show y-o-y rise by 26% and 16% respectively. However, the company is able to pass on majority hike in input costs to customers by mitigating through cost reduction measures and production efficiency which resulted sustained profitability in FY24. In the last two years, VCL has been concentrating on cost reduction measures to sustain the profitability despite volatility. In addition to the beneficiation plant for VBPL under its stepdown subsidiary to mitigate the risk of increase in raw material prices of chrome ore, VCL has entered a definitive agreement to acquire chrome ore mining, which is expected to be commercialised by end of FY26 will give benefit of smooth supply of products and get better margins at consolidated through mining of its subsidiary.

Exposure to foreign exchange fluctuation risk
VCL imports part of raw material, Chrome ore from South Africa and exports products resulting in foreign exchange fluctuation risk. However, VCL (on a consolidated level) is a net exporter of speciality chemicals, currency is mitigated through natural hedge. In FY24, VCL (on a consolidated level) has gained on foreign exchange fluctuations amounting to ₹6.92 crore in FY24 (PY: ₹8.70 crore).

Exposed competition from imports and other regulatory risks
One of the biggest challenges faced by the Indian chemical industry is the ease in the availability of cheaper chemicals via import. However, the Indian chemical industry possesses several advantages considering problems stemming from trade conflict among the US, China and Europe. Disruption in China's supply chain and its anti-pollution measures poses significant opportunities for India to capitalise on. Change in regulatory requirements, geopolitical tensions, trade restrictions and trade policies will have impact on the company's performance.

Exposed to ESG risks
The company is in manufacturing chromium products and wastage material from Chrome is hazardous. Stringent environmental regulations for disposal and emissions of chrome sludge should be in place, failing which may result in legal repercussions and harm to company's reputation. To address these environmental challenges, incorporating robust measures to prevent pollution, ensuring proper management of waste, and strict adherence to environmental regulations. Exploring investments in cleaner production technologies can play a pivotal role in reducing the environmental footprint associated with chromium products. VCL has come up with a solution that Chrome sludge can be used as raw material to manufacture cement which is approved by National council for Cement & Building materials (NCCBM). The company has taken approval to move sludge to cement industries for all manufacturing facilities or treatment, storage, and disposal facility (TSDF) per directions issued by the board. This initiative has been transforming the plant to zero wastage manufacturing facility.

Liquidity: Strong
Liquidity position of the company is strong marked by GCA of ₹₹145.53 crore against repayment obligations of ₹23 crore in FY25. Free cash and bank balance of ₹25.44 crore available as on March 31, 2024. As of September 30, 2024, free cash and bank balances stood at ~₹75 crore. Average utilisation of working capital limits stood at ~81% for 12 months ended October 2024.

The company generated positive cash flow from operations ₹80.81 crore led by efficient working capital management despite operating in working capital intensive operations.

Assumptions/Covenant: Not applicable

Environment, social, and governance (ESG) risks:

Environment: VCL strictly adheres to all government mandated environmental regulations. Each facility upholds rigorous safety protocols to mitigate potential risks effectively. It handles hazardous materials in accordance with established safety guidelines. VCL actively identifies potential water-saving projects, particularly those involving freshwater such as adopting new operational techniques to achieve Zero Liquid Discharge (ZLD), installing Effluent Treatment Plants (ETP), and implementing multiple-effect evaporators. Currently, the company is successful in implementing these ZLD at two locations.

Social: The company ensures a safe and healthy workplace. Imparting awareness in every shift, work permit system, safety awareness, providing PPE kits to all employees are some of the measures taken by the company.

Governance: Continuous monitoring, reporting and corrective/ preventive actions are taken, when required.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Specialty chemicals

Incorporated on March 27, 1989. VCL is in manufacturing, marketing and exporting chromium chemicals, Barium compounds and other specialty chemicals worldwide. The company is serving over 15 industries across 50+ countries globally. Barium compounds are produced under its subsidiary Vishnu Barium Private Limited. The company has four manufacturing units, one in Telangana, two in Andhra Pradesh and one unit in Chhattisgarh with a total installed capacity of 231,000 Metric Tonne Per Annum (MTPA).

VBPL [erstwhile Solvay Vishnu Barium Private Limited] was incorporated on May 29, 2001, as a JV between Solvay group (Belgium Chemical Group) and VCL. After five years of operation, Solvay group took over the entire stake in the company. In FY16, VCL bought the 100% stake from Solvay group and thereafter VBPL continued operations starting July 01, 2015, as a wholly owned subsidiary of VCL. VBPL is the largest manufacturer of Barium chemical in India. It has its manufacturing plant at Srikalahasti, Andhra Pradesh with an installed capacity of 60,000 MTPA of Barium Carbonate, 7,800 MTPA of Sulphur and 33000 MTPA of Precipitated Barium Sulphate. VCL caters to export markets in Europe, Asia, Africa, North America, and South America among others.

VCL – Consolidated:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1400.74	1219.52	689.34
PBILDT	241.67	209.25	107.44
PAT	136.56	101.10	53.31
Overall gearing (times)	0.74	0.40	0.41
Interest coverage (times)	6.98	5.58	5.75

A: Audited UA: Unaudited; Note: these are latest available financial results

VCL – Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1,230.55	1,016.97	528.36
PBILDT	217.37	164.65	81.43
PAT	129.34	94.27	43.27
Overall gearing (times)	0.56	0.30	0.31
Interest coverage (times)	7.63	6.45	5.75

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	140.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	30-11-2027	26.28	CARE A-; Stable
Fund-based - ST-Standby Line of Credit		-	-	-	8.45	CARE A2+
Non-fund-based - ST-BG/LC		-	-	-	70.00	CARE A2+
Non-fund-based - ST-Credit Exposure Limit		-	-	-	4.65	CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	140.00	CARE A-; Stable	-	1)CARE A-; Stable (27-Nov-23)	1)CARE BBB; Stable (10-Feb-23)	-
2	Non-fund-based - ST-BG/LC	ST	70.00	CARE A2+	-	1)CARE A2+ (27-Nov-23)	1)CARE A3+ (10-Feb-23)	-

3	Fund-based - LT-Term Loan	LT	26.28	CARE A-; Stable	-	1)CARE A-; Stable (27-Nov-23)	1)CARE BBB; Stable (10-Feb-23)	-
4	Fund-based - ST-Standby Line of Credit	ST	8.45	CARE A2+	-	1)CARE A2+ (27-Nov-23)	1)CARE A3+ (10-Feb-23)	-
5	Non-fund-based - ST-Credit Exposure Limit	ST	4.65	CARE A2+	-	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Standby Line of Credit	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Vishnu Barium Private Limited	Full	Subsidiary
2	Vishnu South Africa (Pty) Limited	Full	Subsidiary
3	VCHEM Global Inc.	Full	Subsidiary
4	Vishnu International Trading FZE	Full	Subsidiary
5	VCHEM Trading FZE	Full	Step down Subsidiary
6	Ramadas Minerals Private Limited	Full	Step down Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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