

## Vishnu Barium Private Limited

January 03, 2025

| Facilities/Instruments     | Amount (₹ crore)               | Rating <sup>1</sup> | Rating Action |
|----------------------------|--------------------------------|---------------------|---------------|
| Long-term bank facilities  | 76.90<br>(Enhanced from 76.03) | CARE A-; Stable     | Reaffirmed    |
| Short-term bank facilities | 5.00                           | CARE A2+            | Reaffirmed    |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Vishnu Barium Private Limited (VBPL) takes cognisance of the established position with experienced promoters and management team, strong support from the parent company Vishnu Chemicals Limited (VCL) for capex, debt repayment and conversion of interest bearing unsecured loans received from VCL to 0.01% optionally convertible debentures (OCDs) in FY24 and adequate liquidity position with adequate gross cash accruals (GCA) against low debt repayment obligation. Ratings also factor in satisfactory operational and financial performance in FY24 (FY refers to April 01 to March 31) and H1FY25 (Unaudited) by diversifying its product portfolio across industries and growing demand for barium derivatives in the global market, maintenance of healthy profitability despite rise in raw material costs due to supply chain imbalances in baryte segment, comfortable financial risk profile and comfortable operating cycle. VBPL undertook backward integration through its subsidiary Ramadas Mineral Private Limited (RMPL), which is in to beneficiation of C and D grade barytes to A grade.

However, ratings are constrained by profit margins susceptible to raw material price volatility and exposed to foreign exchange fluctuation risk, exposed to Environmental, Social and Governance (ESG) risk since it operates in the chemical industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Healthy volume-driven growth in scale of operations with total operating income (TOI) of over ₹300 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) at 20% on sustained basis.
- Improved financial risk profile of VBPL below 1x.

#### Negative factors

- Significant decline in scale of operations with TOI below ₹150 crore and change in customer profile adversely impacting sales volume of VBPL.
- Decline in PBILDT margin below 10% on sustained basis.
- Change in prevailing pollution control/ environmental norms and/or regulatory ban on production and sales of certain chemicals significantly impacting its business and profitability.

**Analytical approach:** Standalone approach, factoring in linkages with the parent, VCL. VBPL is a wholly owned subsidiary of VCL, which operates in similar line of business having common management & operations team and strong financial linkages.

#### Outlook: Stable.

The 'Stable' outlook on ratings of VBPL reflects CARE Rating's expectation of no significant debt funded capex projected for the near term and financial risk profile to be maintained below 2x.

### Detailed description of key rating drivers:

#### Key strengths

##### Support from VCL by way of fund infusion

VBPL is the wholly owned subsidiary of VCL and has been providing support to VBPL to meet working capital or capex requirement by infusing funds in the form of unsecured loans/OCDs when required. As of March 31, 2024, VBPL has received unsecured loans for amount ₹121.20 crore, which are partially used for VBPL has repaid term loans for amount ₹41 crore, which is due to December 2026 and remaining funds used for reduction in working capital requirements. With its repayment, term debt position stood at ₹32.19 crore as on March 31, 2024, against ₹81.17 crore as on March 31, 2023. There is no significant repayment obligation on term loans till December 2026, which ease the company's liquidity position.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

In the current fiscal, of the total unsecured loans, VCL has converted ~₹113.90 crore to 0.01% Optionally convertible debentures (OCDs). Benefit derived from management articulation that unsecured loans/OCDs will be continued in the business for long term with no repayment obligation, has contributed to a comfortable financial risk profile for the company.

### **Experienced promoters with long track record of company**

VBPL is the largest manufacturer of Barium chemicals in India. The VBPL board comprises Ch. Siddhartha (MD 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. Other include, Ch. Manjula (Director), plays a pivotal role in the company's welfare policies and Tirthankar Mitra (Director), Chemical Engineer from Indian Institute of Technology, Kharagpur. He has around four decades of professional expertise in Design, Operation & Management, Process Engineering, Project Management, Innovation, Cost Saving and Business turnaround plans, of Chemical units. The group is managed by a professional team including qualified chartered accountants, Engineers and MBAs.

### **Improved operational performance in FY24 and H1FY25**

In addition to existing capacity of Barium Carbonate in FY24, VBPL had expanded the product profile by adding production line of precipitated barium Sulphate and Sodium Sulphate with installed capacity of 33000 MTPA and 20,000 Mts in anticipation of growing demand for VBPL products, especially from barium segment in the near future. Capacity utilisation of the company in Barium carbonate segment improved to 70% (PY: 57.5%), whereas new production line is operated at ~22% in FY24. In H1FY25, capacity utilisation of the new production improved to ~40% with expanding the customer base by adding reputed clientele to the portfolio.

In terms of sales volume, VBPL recorded growth by ~38% in FY24 with addition of new products and acceptance of these products in the market.

### **Improvement financial performance in FY24 and H1FY25**

In FY24, VBPL achieved y-o-y growth in TOI by 14.65% to ₹215.81 crore primarily driven by higher sales volume at the back of expanded product portfolio. Although the company's selling prices declined due to a correction in specialty chemical prices, its sales volume shows growth by 38% lead to a higher TOI. In line with the TOI, VBPL's PBILDT margin improved by 388 bps, to 16.99%, attributed to lower consumption costs and the company's ability to offset rising barytes costs, which helped improve margins. However, the company's profit after tax (PAT) margin saw slight decline of 56 bps, primarily due to higher depreciation from new fixed assets and increased finance costs due to unsecured loans and bank debt. However, in absolute terms, the company's PAT remained on par with FY23, while its gross cash accruals (GCA) increased to ₹21.40 crore (PY: ₹14.41 crore).

In H1FY25, the company's TOI recorded at ₹164.32 crore, which shows growth by ~60% compared to corresponding previous quarter for FY24. In line with TOI, PBILDT and PAT levels stood comfortable at ₹18.28 crore and ₹5.79 crore.

### **Diversified product portfolio and end-user application of VBPL products**

VBPL manufactures barium products and its derivatives which finds its application in ceramics, tiles, glazes, paint, battery, bricks, Caustic soda and speciality glass. At present, VBPL's sales contribution from one product, Barium Carbonate contributes ~80% of Total TOI (PY:90%). With New product added to portfolio Precipitated Barium Sulphate and its co product Sodium Sulphide, its mitigating the product concentration risk to some extent.

**Comfortable operating cycle:** Since the company is into manufacturing, it maintains adequate inventory of essential raw materials to alleviate financial risk and hold inventory for a period of 60 days. It procures the major raw material barytes, pet coke and coal from creditors mostly on advance basis or through LC backed creditors. Operating cycle of the company though elongated, remained comfortable at 77 days in FY24 (against 44 days in FY23) on account of higher inventory days maintained with growing scale of operations. Given its working capital-intensive nature of operations, reliance on working capital borrowings stood at 78% over last 12 months ended October 2024.

### **Key weaknesses**

#### **Profit margins susceptible to raw material price volatility**

Raw materials are major cost to the company, which contributes ~30-40% cost of sales. Major Raw materials required for manufacturing of barium products are barytes and consumable such as pet coke and coal, which are volatile. In FY24, barytes prices raised by 26% and coal which is used for power consumption raised by 22%. However, company is able to pass on input costs to customers by establishing the product in market. Cost saving on ~25% of the baryte requirement was met through backward integration by Ramadas Minerals Private Limited (RMPL), resulting in good profitability margins.

#### **Exposed competition from imports and other regulatory risks**

One of the biggest challenges faced by the Indian chemical industry is the ease in availability of cheaper chemicals via import. However, the Indian chemical industry possesses several advantages considering problems stemming from the 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, geo-political tensions, trade restrictions and trade policies will have impact on the company's performance.

#### Exposed to ESG risks

Since the company is into manufacturing speciality chemicals, stringent environmental regulations for disposal and emissions of barium compounds should be in place, failing which may result in legal repercussions and harm to the 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 are necessary. Exploring investments in cleaner production technologies can play a pivotal role in reducing the environmental footprint.

#### Liquidity: Adequate

Liquidity is adequate marked by GCA ₹21.40 against repayment obligation of ₹3.23 crore repayable in FY25. In FY24, VCL has infused funds ~₹100 crore for partial repayment of term loans and WC requirements. Term loans were prepaid for amount ₹41 crore, which are due till December 2026. VCL has converted unsecured loans up to ₹113.90 crore into optionally convertible debentures at interest rate of 0.01%.

Average utilisation of working capital limits stood at ~77% for 12 months ended October 2024. Its unutilised limits are over adequate to meet its incremental working capital needs over the next one year. Free cash and bank balance available as on March 31, 2024, stood at ₹1.03 crore. The management has articulated that VCL will provide support to VBPL in case of short-term exigencies.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

#### 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](#)

[Notching by factoring linkages in ratings](#)

#### About the company and industry

##### Industry classification

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

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 and 7,800 MTPA of Sulphur. Barium Carbonate (powder and granules), sulphur and barium sulphide are the key products manufactured by VBPL. Barium carbonate is mainly used in ceramics, tiles, bricks, glazes, speciality glass and cement industries.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income     | 188.22             | 215.81             | 163.84      |
| PBILDT                     | 23.04              | 36.67              | 17.17       |
| PAT                        | 7.24               | 7.10               | 5.79        |
| Overall gearing (times)    | 1.64               | 2.30               | NA          |
| Interest coverage (times)  | 3.22               | 2.18               | 3.70        |

A: Audited UA: Unaudited; NA: Not available; 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 |      | -                             | -               | -                          | 45.00                       | CARE A-; Stable                    |
| Fund-based - LT-Term Loan   |      | -                             | -               | June 2030                  | 31.90                       | CARE A-; Stable                    |
| Non-fund-based - ST-BG/LC   |      | -                             | -               | -                          | 5.00                        | 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              | 45.00                        | 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              | 5.00                         | CARE A2+        | -                                           | 1)CARE A2+ (27-Nov-23)                      | 1)CARE A3+ (10-Feb-23)                      | -                                           |
| 3       | Fund-based - LT-Term Loan              | LT              | 31.90                        | CARE A-; Stable | -                                           | 1)CARE A-; Stable (27-Nov-23)               | 1)CARE BBB; Stable (10-Feb-23)              | -                                           |

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       | Non-fund-based - ST-BG/LC   | Simple           |

## Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

**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](mailto:care@careedge.in) for clarifications.

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### About us:

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