

JULY 24, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF VISHNU CHEMICALS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	156.82 (reduced from 159.95)	CARE BBB- (Triple B Minus)	Revised from CARE BB+ (Double B Plus)
Short term Bank Facilities	114.35 (reduced from 115.00)	CARE A3 (A Three)	Revised from CARE A4+ (A Four Plus)
Total Facilities	271.17		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Vishnu Chemicals Limited (VCL) factors in its improved operational performance with improvement in capacity utilisation during FY15 (refers to the period April 01 to March 31) which has resulted in increase in the turnover and profitability margins during FY15. The ratings continue to derive strength from the promoter's experience and long track record of the company, diversified revenue profile with wide geographical presence catering to both domestic and international markets, stable order book position along with long-standing association with reputed clients. The ratings also favourably consider the strategic acquisition to widen the product range of the company. The ratings are, however, constrained by VCL's exposure to volatile raw material prices, foreign exchange fluctuation risk, working capital-intensive nature of business with extended operating cycle, leveraged capital structure albeit significant improvement in same and project implementation risk.

The ability of the company to further improve its scale of operation and profitability with subsequent improvement in the liquidity position along with its ability to derive benefits from the strategic acquisition are the key rating sensitivities. Furthermore, any higher than envisaged capex and its funding mix will also act as a key rating sensitivity.

Background

VCL was originally incorporated on March 27, 1989. The company was later merged into Keystone Industries Limited (KSIL), a company which was incorporated on January 15, 1993, in Maharashtra. The registered office of the KSIL was shifted to then Andhra Pradesh in May 2005 and subsequently the name was changed to the current nomenclature in January 2006. Promoted by Mr Ch. Krishna Murthy (present Chairman and Managing Director), VCL is engaged in the manufacturing of chrome chemicals, specialty chemicals and peptides. The company also undertakes custom synthesis services. The product profile includes sodium dichromate, basic chromium sulphate, potassium dichromate, chrome oxide green, sodium saccharin, chromic acid, saccharin insoluble, yellow sodium sulphate and menadione (Vitamin K3). The company has three manufacturing units, one in Telangana, one in Andhra Pradesh and one unit in Chhattisgarh with a total installed capacity of 86,000 metric tonne per annum (MTPA). Furthermore, the company has set up a research and development facility at Jeedimetla in Telangana.

During FY15, VCL registered a total operating income of Rs.419.77 crore (Rs.352.75 crore in FY14) with PAT of Rs.21.77 crore in FY15 (Rs.13.12 crore in FY14).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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