Vishnu Chemicals Limited

January 12, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	227.12 (enhanced from 156.82)	**CARE BBB-; Negative (Triple B Minus; Outlook: Negative)**	Reaffirmed
Short-term Bank Facilities	114.35	**CARE A3 (A Three)**	Reaffirmed
Total	**341.47 (Rupees Three hundred and forty one crore and forty seven lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Vishnu Chemicals Limited (VCL) 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 coupled with long standing association with reputed clientele and satisfactory operational performance with improvement in capacity utilization during FY16 (refers to the period April 01 to March 31). The ratings also take into account increase in turnover during FY16 and acquisition/merger with Vishnu Barium Private Limited to widen product variety and the market share. The ratings are, however, constrained by VCL's exposure to volatile raw material prices, foreign exchange fluctuation risk, workingcapital intensive nature of business with elongated operating cycle, leveraged capital structure and ongoing debt funded capex. The ratings also factor in decline in profitability margins during FY16. 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 merger are the key rating sensitivities.

The 'negative' outlook on rating reflects the continued stretched operating cycle resulting in high utilization of the working capital limits. The outlook may be revised to 'Stable' if the liquidity profile of the company is improved.

Detailed description of the key rating drivers

The main promoter of the company, Mr Ch Krishna Murthy (Chairman and Managing Director) is one of the key architects in developing the company and is instrumental in transforming the company to its present form.

VCL has established presence in both domestic as well as international markets. Exports constituted around 35.64% of the company's net sales for FY16.

During FY16, the capacity utilization of sodium dichromate has improved due to increased demand which also led to increased income during FY16. The company'sTotal Operating Income (TOI) has increased by 14% in FY16 vis-à-vis FY15. Similarly, the profitability levels of the company has also improved in FY16 albeit decline in PBILDT and PAT margins.

Prices of chrome are volatile and driven by domestic as well as international demand supply scenario. Furthermore, as majority of the raw material is imported, VCL is exposed to forex fluctuation risk. However, there is a natural hedge which has been covering its imports.

During FY16, the company has acquired Vishnu Barium Private Limited (erstwhile Solvay Vishnu Barium Private Limited) as a wholly owned subsidiary of VCL. This strategic merger/acquisition is to widen the product range of VCL.

The chemical industry is working capital intensive in nature and hence results in elongated operating cycle and high reliance on working capital funding.

VCL's capital structure remained leveraged at 1.31x as on March 31, 2016 primarily on account of debt funded capex.

2*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

The company is undertaking debt funded capex. As on November 7, 2016, the company incurred capex of Rs.122.40 crore. The project is in an advanced stage of completion as it is expected to be completed by the end of March 2017.

Analytical approach

CARE in its analysis has considered the consolidated business and financial risk profiles of Vishnu Chemicals Limited and its subsidiaries; Vishnu Barium Private Limited (VBPL) and Vishnu Hongkong Limited (VHL) together referred to as Vishnu group, as the entities are linked through a parent-subsidiary relationship and collectively have management, business & financial linkages.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology: Factoring Linkages in Ratings
Rating Methodology - Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company

Vishnu Chemicals Limited (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 on May 27, 2005 and subsequently the name was changed to the current nomenclature on January 02, 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).

Recent Developments:

VCL has formed a 100% wholly owned subsidiary in FY15 i.e. Vishnu Hongkong Limited (VHL). The company is the marketing arm established in Hongkong.

During FY16, the company acquired 100% stake in Solvay Vishnu Barium Private Limited (later changed to Vishnu Barium Private Limited - VBPL); a company which is manufacturing Barium Carbonate and its derivatives. VBPL has a manufacturing unit with an installed capacity of 40,000 located in Andhra Pradesh.

Also, merger of VBPL (100% subsidiary of VCL) with VCL is under process and is expected to complete by the end of FY17. VCL had invested Rs.1 crore to acquire Vishnu Barium Private Limited.

On a consolidated basis, during FY16 (refers to the period April 1 to March 31),VCL has reported a PAT of Rs.21.25 crore on a total operating income of Rs.479.26 crore as against a PAT of Rs.21.77 crore on a total operating income of Rs.419.77 crore in FY15.

Status of non-cooperation with previous CRA:

The rating of Vishnu Chemicals Limited has been suspended by India Ratings and Research Ltd. vide its press release dated May 29, 2015 due to lack of adequate information.

Any other information:

NA

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact

Name: Radhika Ramabhadran
Tel: 040-6900 0516
Mobile: +91-8008883012
Email: radhika.ramabhadran@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating
agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1:Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2024	127.12	CARE BBB-; Negative
Fund-based - LT-Working Capital Limits	-	-	-	100.00	CARE BBB-; Negative
Non-fund-based - ST-BG/LC	-	-	-	110.00	CARE A3
Fund Based - ST-Standby Line of Credit	-	-	-	4.35	CARE A3

Annexure-2: Rating History (Last three years)

		Current Ratings			Chronology of Rating history for past three years		
Sr. No.	**Name of the Instrument/Bank Facilities**	**Type**	**Amount Outstanding (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2015-2016**	**Date(s) & Rating(s) assigned in 2014-2015**	**Date(s) & Rating(s) assigned in 2013-2014**
1.	Fund-based - LT-Term Loan	LT	127.12	CARE BBB-; Negative	1)CARE BBB- (July 24, 2015) 2)CARE BB+ (May 05, 2015)	1)CARE BB- (September 29, 2014)	-
2.	Fund-based - LT-Working Capital Limits	LT	100.00	CARE BBB-; Negative	1)CARE BBB- (July 24, 2015) 2)CARE BB+ (May 05, 2015)	1)CARE BB- (September 29, 2014)	-
3.	Non-fund-based - ST-BG/LC	ST	110.00	CARE A3	1)CARE A3 (July 24, 2015) 2)CARE A4+ (May 05, 2015)	1)CARE A4 (September 29, 2014)	-
4.	Fund-based - ST-Standby Line of Credit	ST	4.35	CARE A3	1)CARE A3 (July 24, 2015) 2)CARE A4+ (May 05, 2015)	1)CARE A4 (September 29, 2014)	-

CONTACT

Head Office Mumbai

Mr. AmodKhanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 9198209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. MehulPandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. SajanGoyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride KumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691