

## Vishnu Chemicals Limited

January 30, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	188.79	<b>CARE BB+; Stable</b> <b>(Double B Plus; Outlook: Stable)</b>	Reaffirmed
Short term Bank Facilities	114.35	<b>CARE A4+</b> <b>(A Four Plus)</b>	Reaffirmed
<b>Total</b>	<b>303.14</b> <b>(Rs. Three hundred and three crore and fourteen lakh only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to the bank facilities of Vishnu Chemicals Limited (VCL) is on account of improvement in operational performance, scale of operations, PAT margins, capital structure and operating cycle, coupled with marginal deterioration in PBILDT margins during FY18 (FY refers to the period from April 01 to March 31). The ratings continue to remain tempered by VCL's exposure to volatile raw material prices which impact the profitability margins, foreign exchange fluctuation risk and working capital intensive nature of business with elongated operating cycle albeit significant improvement in FY18. The ratings, however, 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 and long standing association with reputed clientele and stable industry outlook. The ability of the company to improve its scale of operation and profitability and successful completion of pending capex within revised estimates are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Volatility in raw material prices:** Raw material constitutes around 48% of total cost in FY18 on a consolidated basis. Chrome ore is one of the major raw materials for the company. Around 100% of chrome ore is imported from South Africa. Other major raw material for the company is Soda Ash, 75% of the Soda Ash is domestically sourced and the balance 25% is being imported from China and Romania. On an overall basis, around 45% of the total raw material in FY18 was sourced by way of imports (66.11% in FY17). Prices of chrome ore are driven by domestic as well as international demand supply scenario. Chrome prices were stable at around USD 230-240/MT in last 12 months ending November 2018. Company enters into long-term supply contracts with key raw material suppliers to have competitive advancement in terms of price and availability of material.

**Forex fluctuation risk:** VCL is exposed to forex fluctuation risk on account of import of raw material as well as exports. Around 45% of the raw material is imported during FY18 (66.11% during FY17). However, there is a natural hedge which has been covering its imports. Export sales for FY18 were around Rs.303.16 crore which is around 47.09% of total gross sales (Rs.202.53 crore, around 37.52% of total gross sales during FY17). Further, during FY18 the company registered net gain on forex translations and transactions to the extent of Rs.6.41 crore (Rs.3.51 crore during FY17).

**Moderate working capital cycle; albeit high working capital utilisation:** Being working capital intensive nature, the working capital cycle of the company stood at 83 days in FY18 (as against 124 days in FY17), on account of improvement in inventory days. As on March 31, 2018, the company's trade payable increased on absolute level by Rs 51 crore, which includes LC back creditors, arrears to employees and electricity department and transport dues and the same has been paid as on September 30, 2018. Average Working capital utilisation of the company was high at 100% for the 12 months ended December 31, 2018. The working capital utilisation of the company is on the higher side on account of internal accruals were utilized for higher principal repayment obligation, part funding the capex and to the support increased turnover.

**Weak liquidity position:** The overall liquidity profile of the company is weak on account of low cash balance and high dependence on external borrowings. As on March 31, 2018, the company has cash and bank balance to the tune of Rs. 1.19 crore. However, comfort is derived from the short term debt coverage ratio of 2.57x on account sufficient cash

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

accruals and promoters bringing in additional unsecured loans of Rs.20.03 crore in FY19 to meet sanction terms set by the lenders(12.21 crore infused till September 30, 2018)

#### **Key Rating Strengths**

**Promoter's experience and long track record of the company:** The main promoter of the company, Mr.Ch. Krishna Murthy (Chairman and Managing Director) is a postgraduate in management and is having 25 years of experience in chemical and logistics industry. He started the company in 1989 and is one of the key architects in developing the company and is instrumental in transforming the company to its present form.

**Diversified revenue profile with wide geographical presence:** VCL has established presence in both domestic as well as international markets. Exports constituted around 47.09% of the company's gross sales for FY18 (37.52% during FY17). The company has developed client base across the globe. Majority of the exports are to Uganda, Brazil, China, Italy, Mexico, Korea, Belgium etc. In terms of value, exports increased by almost 50.00% to Rs.303.16 crore during FY18 vis-à-vis Rs.202.53 crore in FY17.

**Long standing association with reputed clientele:** VCL has benefitted from its experienced promoters who have been associated with the chemical industry for over two decades and have been able to establish long standing relationships with its clientele. The company gets repeat orders from most of its clients on a quarterly basis. The company has export order for Rs.19.59 crore as on December 11, 2018.

**Improved operational performance during FY18:** Capacity utilisation of the company improved in FY18 to 55.23% vis-à-vis 40.51% in FY17 on account of resumption of the production process which was shut down for a month in May 2016 for maintenance and increased demand for company's products in the overseas markets. The sales realization for sodium dichromate increased by 4.76% in FY18 to Rs.90814/MT vis-à-vis Rs.86685/MT in FY17. Sales realization for basic chromium sulphate increased by 4.05% to Rs.52745/MT in FY18 vis-à-vis Rs.50692/MT in FY17, while Quantity sold of Basic Chromium Sulphate Sodium Dichromate increased by 14.38% and 20.50% respectively together constitutes 73.48% of sales in FY18(76.31% in FY17).

**Significant increase in scale of operations during FY18 along with increase in PAT margins during the year:** The company's TOI (on a consolidated basis) has improved by 27.34% in FY18 from Rs.517.25 crore in FY17 to Rs.658.69 crore in FY17 on account of increase in sales volumes of Vishnu Barium Private Limited (VBPL), and increased sales realization and sales volumes of Vishnu Chemicals limited, The sales realization for sodium dichromate increased by 4.76% in FY18 to Rs.90814/MT vis-à-vis Rs.86685/MT in FY17. Sales realization for basic chromium sulphate increased by 4.05% to Rs.52745/MT in FY18 vis-à-vis Rs.50692/MT in FY17. While sales quantity of both basic chromium sulphate and sodium dichromate increased by 14.83% and 20.50% in FY18. For H1FY19, the company achieved TOI of Rs.382.67 crore(consolidated) which is 46.32% of FY19 projected TOI of Rs.826.11 crore. PBILDT margin of the company on a consolidated basis marginally decreased by 63bps to 13.59% in FY18 vis-à-vis 14.22% in FY17 on account of increased contribution from cost of raw materials and cost of consumables (such as petcoke, coal, husk, etc.). PBILDT margin of the company on a consolidated basis was 13.53% for H1FY19. PAT margin of the company on a consolidated basis increased by 93bps to 2.19% in FY18 vis-à-vis 1.26% in FY17, while PAT margins on a standalone basis increased by 43 bps to 1.63% in FY18 vis-à-vis 1.20% in FY17, the increase in margins was on account increased PBILDT levels during FY18. PAT margin of the company on a consolidated basis was 3.35% for H1FY19.

**Improvement in capital structure during FY18:** The overall gearing ratio of the company on a consolidated basis improved from 2.40x as on March 31, 2018 to 1.92x on account of lower debt levels, increase in Cumulative Redeemable preference Shares (CRPS) (considered as quasi equity) from Rs.47.50 crore as on March 31, 2017 to Rs.76.64 crore as on March 31, 2018, on account of issue of additional CRPS to the extent of accumulated unpaid dividend outstanding as on March 31, 2018. As on Sep 30, 2018, the overall gearing ratio on a consolidated basis was 1.63x. PBILDT interest coverage ratio of the company on a consolidated basis improved from 1.67x in FY17 to 1.84x in FY18, the improvement in PBILDT interest coverage ratios was on account of higher PBILDT levels during FY18. PBILDT interest coverage ratio was 2.30x for H1FY19 (Consolidated).

**Stable industry outlook:** The country's chemical industry is expected to grow at around 9 per cent per annum to reach \$304 billion by FY25, from 163 billion in FY18. The growth is likely to be driven by rising demand in end-use segments for specialty chemicals and petrochemicals intermediates. The country's chemical industry is one of the fastest growing in the world, currently ranked the third largest in Asia and sixth globally with respect to output after the US, China, Germany, Japan and Korea. The domestic chemical sector (other than fertiliser) attracted FDI investment of \$1.3 billion in FY18, which is about 3 per cent of the total FDI inflow. Government has allowed 100 per cent FDI in the Indian chemicals sector and manufacturing of most chemical products has been de-licensed by the government.

**Analytical approach:** Consolidated (CARE has considered financials of Vishnu Chemicals Ltd (VCL) (Parent company); Vishnu Barium Private Ltd (wholly owned subsidiary of VCL) and Vishnu Hong Kong Ltd(wholly owned subsidiary of VCL), Vishnu South Africa(Pty) Ltd (wholly owned subsidiary of VCL) in its analysis)

#### Applicable criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[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 United 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 and sales of chrome chemicals and barium compounds. The product profile includes sodium dichromate (used in preparing chromium based derivatives), basic chromium sulphate (used for tanning and processing in leather industries) under the brand name of "Vishnuchrome", potassium dichromate (screen printing, photographic engraving, preparation of chromic acid etc), chrome oxide green (ingredient in refractories, brake linings, ceramic industry), sodium saccharin (used in food and beverages, personal care products, pharmaceuticals etc.), saccharin insoluble, White Sodium Sulphate (WSS) (used in detergent dyes, glass and paper etc), yellow sodium sulphate (used for conversion into WSS) and menadione (Vitamin K3). The company has four manufacturing units, two in Telangana, one in Andhra Pradesh and one unit in Chhattisgarh with a total installed capacity of 293,900 Metric Tonne Per Annum (MTPA) as on March 31, 2018. The company also has research and development facility at Jeedimetla in Telangana. VCL has representative offices across the globe at different places like China, Mexico, Italy and Brazil to cater to their export markets nearly about 35 countries and has warehouses in India in places like Hyderabad, Chennai, Mumbai, Pondicherry, Baroda, Kanpur, Kolkata etc. to cater the demand and needs of the people in the domestic market.

Brief Financials (Rs. crore) (consolidated)	FY17 (A)	FY18 (A)
Total operating income	517.25	658.69
PBILDT	73.55	89.51
PAT	6.54	14.42
ROCE	13.36	15.04
Overall gearing (times)	2.40	1.92
Interest coverage (times)	1.67	1.84

A:Audited

#### Status of non-cooperation with previous CRA

- India Ratings and Research has withdrawn Vishnu Chemicals Limited's rating due to lack of adequate information as per press release dated February 19, 2016.
- CRISIL has suspended its ratings assigned to the bank facilities of Vishnu Chemicals Limited (VCL) on account of non-cooperation vide press release dated February 12, 2013.

**Any other information:** Not Applicable

**Rating History for 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

#### Analyst Contact:

Name: Mr. Prasanna Krishnan

Tel: 040-67937414

Mobile: +91 8886499960

Email: [prasanna.krishnan@careratings.com](mailto:prasanna.krishnan@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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 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	88.79	CARE BB+; Stable
Fund-based - LT-Working Capital Limits	-	-	-	100.00	CARE BB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	110.00	CARE A4+
Fund-based - ST-Standby Line of Credit	-	-	-	4.35	CARE A4+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	88.79	CARE BB+; Stable	-	1)CARE BB+; Stable (18-Dec-17)	1)CARE BBB-; Negative (12-Jan-17)	1)CARE BBB- (24-Jul-15) 2)CARE BB+ (05-May-15)
2.	Fund-based - LT-Working Capital Limits	LT	100.00	CARE BB+; Stable	-	1)CARE BB+; Stable (18-Dec-17)	1)CARE BBB-; Negative (12-Jan-17)	1)CARE BBB- (24-Jul-15) 2)CARE BB+ (05-May-15)
3.	Non-fund-based - ST-BG/LC	ST	110.00	CARE A4+	-	1)CARE A4+ (18-Dec-17)	1)CARE A3 (12-Jan-17)	1)CARE A3 (24-Jul-15) 2)CARE A4+ (05-May-15)
4.	Fund-based - ST-Standby Line of Credit	ST	4.35	CARE A4+	-	1)CARE A4+ (18-Dec-17)	1)CARE A3 (12-Jan-17)	1)CARE A3 (24-Jul-15) 2)CARE A4+ (05-May-15)

**Annexure-3**

**List of subsidiaries used for consolidation**

1.	Vishnu Barium Private Limited
2.	Vishnu Hongkong Limited
3.	Vishnu South Africa(Pty) Ltd

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
 Cell: + 91 98190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Ms. Rashmi Narvankar**  
 Cell: + 91 99675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Ankur Sachdeva**  
 Cell: + 91 98196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Mr. Saikat Roy**  
 Cell: + 91 98209 98779  
 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited**

(Formerly known as Credit Analysis &amp; Research Ltd.)

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](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
 32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-9099028864  
 Tel: +91-79-4026 5656  
 E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91 98407 54521  
 Tel: +91-80-4115 0445, 4165 4529  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
 SCF No. 54-55,  
 First Floor, Phase 11,  
 Sector 65, Mohali - 160062  
 Chandigarh  
 Cell: +91 85111-53511/99251-42264  
 Tel: +91- 0172-490-4000/01  
 Email: [anand.jha@careratings.com](mailto:anand.jha@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](mailto: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](mailto: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](mailto:ramesh.bob@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
 304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 95490 33222  
 Tel: +91-141-402 0213 / 14  
 E-mail: [nikhil.soni@careratings.com](mailto: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](mailto: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](mailto:swati.agrawal@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
 9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-98361 07331  
 Tel: +91-20- 4000 9000  
 E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691