

Vishnu Chemicals Limited

November 20, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed and Withdrawn
Total Bank Facilities			

Details of facilities in Annexure-1
Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable; Issuer Not Cooperating/CARE A4+; Issuer Not Cooperating' [Double B Plus; Outlook: Stable; Issuer Not Cooperating/A Four Plus; Issuer Not Cooperating] assigned to the bank facilities of Vishnu Chemicals Limited with immediate effect. The above action has been taken at the request of Vishnu Chemicals Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

The ratings assigned to the bank facilities of Vishnu Chemicals Limited (VCL) continue to remain tempered by VCL's exposure to volatile raw material prices, foreign exchange fluctuation risk, moderately leveraged capital structure, project implementation risk with delay in implementation and stretched liquidity position with high reliance on bank borrowings. The ratings also factor in moderation in financial performance during FY20 (FY refers to period from April 01 to March 31) with decline in revenue and profit levels. The ratings, however, are underpinned by the extensive experience of promoter and long track record of the company, diversified revenue profile with wide geographical presence catering to both domestic and international markets, long standing association with reputed clientele and stable industry outlook.

Detailed description of the key rating drivers

At the time of last rating on October 29, 2020, the following were the rating strengths and weaknesses (updated for H1FY21 financials available on BSE):

Key Rating Weaknesses

Volatility in raw material prices: For VCL, raw material cost is a major cost driver. Raw material cost constituted around 60% of total cost in FY20 (54% in FY19) on a consolidated basis. The prices of raw material continue to remain volatile and hence have a bearing on the PBILDT margin of the company. On an overall basis, around 50-55% of the total raw material requirement is met through imports. The company enters into long term supply contracts with key raw material suppliers to have competitive advantage in terms of price and availability of materials.

Exposure to foreign exchange fluctuation risk: VCL is exposed to forex fluctuation risk on account of import of raw material as well as exports. Around 57% of the raw material is imported during FY19 (45% during FY18). However, there is a natural hedge which has been covering its imports. Further, during FY20, the company has registered net gain on forex translations and transactions to the extent of Rs.2.09 crore against net loss of Rs.4.37 crore during FY19.

Moderation in financial performance during FY20: The Company reported decline in revenue by about 11.38% (on a consolidated basis) and PBILDT by about 14.31% during FY20 from FY19, particularly due to impact of COVID which slowed down the operations and exports during last quarter. The company derives on average 48% revenue from exports which dipped in Q4 because of curtailment of demand from International markets. Hence, on an overall basis, there has been degrowth in revenue, profit level and margins in FY20 vis-à-vis FY19.

Impact of COVID: The Government of India had announced lockdown from March 22, 2020 given the outbreak of global pandemic COVID 19. While the manufacturing units of the company were not under lock down, the operational capacity was a lower due to supply chain disruptions. The total operating income of the company declined by 15.97% during Q1FY21 on a y-o-y basis on account of sluggish market demand for its products in domestic market and curtailment of operations owing to COVID lockdown in both domestic and international market. The inventory levels were built up which had stretched the liquidity profile. However, the business and financial performance improved during Q2FY21 with growth in revenue and PBILDT during the quarter over Q1FY21. GCA remained at almost similar level as Q1FY21.

Moderately leveraged capital structure: The capital structure of VCL continues to remain leveraged owing to high debt levels. The overall gearing ratio of the company stood at 1.40x as on March 31, 2020

Ongoing project implementation risk: The Company continues to remain exposed to project implementation risk with respect to its Carbon Di-oxide (CO2) gas recovery plant which is further getting delayed and resulting to further cost overrun. The

company is expecting to complete the project within 9 to 12 months from the date of disbursement of term loans with all technical stabilizations. The revised project cost is Rs. 35 crore.

Key Rating Strengths

Experienced promoters with established track record: The main promoter of the company, Mr. Ch. Krishna Murthy (Chairman and Managing Director) is a postgraduate in management with more than four decades of experience in chemical and logistics industry. He started the company in 1989 and is one of the key architects in developing the company. The promoters have been supporting the business by way of infusing unsecured loans on a need basis.

Diversified revenue profile with wide geographical presence: VCL has established presence in both domestic as well as international markets. On an average exports comprise about 50% of total sales on a consolidated basis. The company has developed client base across the globe. Majority of the exports are to Uganda, Brazil, China, Italy, Mexico, Korea, Belgium etc.

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 has been able to cater to reputed clientele and gets repeat orders from them on a quarterly basis.

Stable Industry Outlook: Favorable demographics & strong economic growth are driving demand for chemicals. Higher demand for chemicals, both bulk as well as specialty, has driven the overall growth of the industry over the last few years. Healthy growth in end user industries would expand the specialty chemicals market by 2024. Industry is likely to almost double in size from existing 163 billion USD in FY18 to 300 billion USD in FY30.

Liquidity analysis: Stretched

Liquidity is marked by tightly matched accruals to repayment obligations and full utilization of working capital limits. As on Sept. 30, 2020, the company had free cash and bank of Rs.0.78 crore. The company had availed moratorium on interest on working capital and term loan servicing for the period March 2020 to August 2020.

Analytical approach: Consolidated - CARE has considered financials of Vishnu Chemicals Ltd. in its analysis as the companies are in the similar line of business and have operational/financial linkages. The consolidated financials comprise financials of VCL, Vishnu Barium Pvt. Ltd. (wholly owned subsidiary of VCL) incl. its step down subsidiary, Vishnu Hong Kong Ltd. (closed during the year FY19) and Vishnu South Africa Pty Ltd. (wholly owned subsidiary of VCL – Yet to start operations)

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios - Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company

Vishnu Chemicals Limited (VCL) was incorporated on March 27, 1989 and the name of the company was changed to the current nomenclature on January 02, 2006. The company is listed on BSE and is in the business of manufacturing, marketing and export of Chromium chemicals and other specialty chemicals. The company has four manufacturing units with a total installed capacity of 231,000 Metric Tonne Per Annum (MTPA)

Brief Financials (Rs. crore) - Consolidated	FY19 (A)	FY20 (A)
Total Operating Income	771.85	684.04
PBILDT	104.69	89.71
PAT	24.36	22.23
Overall Gearing (times)	1.55	1.40
Interest coverage (times)	2.23	2.29

A: Audited

Status of non-cooperation with previous CRA:

- India Ratings has withdrawn rating due to lack of adequate information vide press release dated Feb. 19, 2016.
- CRISIL has suspended its ratings assigned on account of non-cooperation vide press release dated Feb. 12, 2013.

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4
Annexure-1: Details of 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	-	-	-	0.00	Withdrawn
Fund-based - LT-Working Capital Limits	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

Annexure-2: Past Rating History

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB+; Stable (29-Oct-20) 2)Withdrawn (29-Oct-20)	1)CARE BB+; Stable (31-Jul-19)	1)CARE BB+; Stable (30-Jan-19)	1)CARE BB+; Stable (18-Dec-17)
2.	Fund-based - LT-Working Capital Limits	LT	-	-	1)CARE BB+; Stable (29-Oct-20) 2)Withdrawn (29-Oct-20)	1)CARE BB+; Stable (31-Jul-19)	1)CARE BB+; Stable (30-Jan-19)	1)CARE BB+; Stable (18-Dec-17)
3.	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4+ (29-Oct-20) 2)Withdrawn (29-Oct-20)	1)CARE A4+ (31-Jul-19)	1)CARE A4+ (30-Jan-19)	1)CARE A4+ (18-Dec-17)
4.	Fund-based - ST-Standby Line of Credit	ST	-	-	1)CARE A4+ (29-Oct-20) 2)Withdrawn (29-Oct-20)	1)CARE A4+ (31-Jul-19)	1)CARE A4+ (30-Jan-19)	1)CARE A4+ (18-Dec-17)
5.	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (29-Oct-20)	-	-	-
6.	Fund-based - LT-Working Capital Limits	LT	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (29-Oct-20)	-	-	-
7.	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (29-Oct-20)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable
Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT-Working Capital Limits	Simple
3.	Non-fund-based - ST-BG/LC	Simple

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

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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.

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