

11th February, 2023

VCL/SE/111/2022-23

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 516072

Through: BSE Listing Centre

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051
NSE Symbol: VISHNU

Through: NEAPS

Dear Sir/ Madam,

Sub: Intimation of Credit Rating-Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and other applicable provisions, if any, we would like to inform that M/s. Care Ratings Limited, Credit Rating Agency has assigned rating of the Company as under vide its press release dated February 10, 2023. (Previous ratings assigned by M/s. Infomeric Valuation and Rating Pvt Limited were IVR BBB/Stable for long term bank facilities, IVR A3+ for short term bank facilities and IVR BBB/Stable/IVR A3+ for (Proposed) long term/short term bank facilities.)

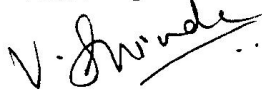
Facilities/ Instruments	Amount (Rs in Crore)	Current Ratings	Rating Action
Long Term Bank Facilities	175.59	Care BBB; Stable	Assigned
Short Term Bank Facilities	78.45	Care A3+	Assigned

This is for your information and records.

Thanking You.

Yours Faithfully,

For Vishnu Chemicals Limited



Vibha Shinde
Company Secretary & Compliance Officer
Encl: As Above

Vishnu Chemicals Limited

February 10, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	175.59	CARE BBB; Stable	Assigned
Short Term Bank Facilities	78.45	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Vishnu Chemicals Ltd derive strength from the established market position of the company in manufacturing of chromium and barium chemicals, sustained improvement in operational performance in FY22 and H1FY23, diverse product portfolio and end user application coupled with wide geographic reach, repeated orders backed by long standing association with reputed clientele, average financial risk profile.

The ratings however are constrained by susceptibility of profit margins to volatility in raw material prices and exposed to foreign exchange fluctuation risk, moderate working capital intensity & utilization, exposed to competition from imports, exposed to ESG risk since it operates in 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 more than Rs.1400 crore on sustained basis.
- Improvement in PBILDT margin to more than 16% on sustained basis while maintaining RoCE above 20% and overall gearing below 1.00x
- Improvement in operating cycle to below 70 days on sustained basis resulting in reduced reliance on working capital borrowings.

Negative Factors

- Significant decline in scale of operations with TOI below Rs.700 crore along with any change in customer profile adversely impacting sales volume of Vishnu Chemicals Limited (VCL)
- Decline in PBILDT margin below 10% on sustained basis.
- Elongation in operating cycle to more than 120 days on sustained basis resulting in increased reliance on working capital bank borrowings.
- Deterioration in overall gearing beyond 1.50x on account of increase in working capital intensity or any major debt funded capex.
- Any change in prevailing pollution control/ environmental norms and/or regulatory ban on production & sales of certain chemicals thereby significantly impacting its business and profitability.

Analytical approach: Consolidated

CARE has considered financials of Vishnu Chemicals Ltd. (VCL) (Holding company), Vishnu Barium Pvt. Ltd. (wholly owned subsidiary of VCL) and Vishnu South Africa Pty Ltd. (wholly owned subsidiary of VCL – Yet to start operations) in its analysis as the companies are in the similar line of business and have operational/financial linkages. These entities are commonly referred to as VCL in the analysis.

Outlook: Stable

Key Strengths:

Established position with experienced promoters and management team.

Mr. Ch. Krishna Murthy, one of the key architects in envisioning the growth and expansion of Vishnu Chemicals Limited (VCL) have an experience of over 3 decades in the business of manufacturing, marketing and exporting of chromium chemicals worldwide. Apart from Mr. Krishna Murthy, Ms. Ch. Manjula (Wife of Mr. Krishna Murthy) and Mr. Ch. Siddhartha (Son of Mr. Krishna Murthy) are also the co-promoters of the company. Mr. Ch. Siddhartha Cherukuri is a Joint Managing Director of Vishnu Chemicals Limited and Managing Director of Vishnu Barium Private Limited.

Significant growth in revenue with improvement in operational performance during FY22

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

VCL's Total operating income (TOI) on a consolidated basis grew by 58% on a YoY basis to Rs.1072.48 crore. The improvement was attributed to improved sales realizations which increased by 59% in FY22 on a YoY basis. However, the overall volume remained stable. The PBILDT margin of VCL improved to 15.02% in FY22 vis-à-vis 11.66% in FY21. The margins are expected to improve going forward on account of company's backward integration plan to manufacture raw material soda ash (within chromium segment). During H1FY23 the company has maintained the performance with sales of Rs. 736 crore and PAT of Rs. 69 crores.

Diverse product portfolio and end user application coupled with wide geographic reach

VCL manufactures a diverse product portfolio serving more than 15 industries across more than 50 countries globally.

Repeated orders backed by long standing association with reputed clientele

VCL has benefited from its experienced promoters who have been associated with the chemical industry for over three decades and have been able to establish long standing relationships with its clientele.

Average financial risk profile

The overall gearing ratio of the company on a consolidated basis has slightly improved from 1.11x as on March 31, 2021 to 1.00x as on March 31, 2022 despite increase in the term debt. The improvement was attributed to increase in networth owing to accumulation of profits. PBILDT interest coverage ratio of the company on a consolidated basis improved from 2.90x in FY21 to 5.75x in FY22. The capital structure & debt coverage indicators are expected to remain comfortable throughout the projected period.

Key Weaknesses:

Susceptibility of profit margins to volatility in raw material prices

The Company is subject to commodity price risks due to fluctuation in prices of raw material and packing material. Also, Company's payables and receivables are partly in foreign currencies and due to fluctuations in foreign exchange rates, it is subject to Currency risks. However, the Company being a net forex earner the risk of commodity and currency is mitigated via natural hedge.

Moderate working capital intensity & working capital utilization.

The liquidity position of the company improved backed by increased accruals. The operating cycle of the company improved to 72 days in FY22 vis-à-vis 111 days in FY21 on consolidated basis. The company operates in working capital intensive industry, the average utilization was around 86% for the 12 months ended November 2022.

Exposed to competition from Imports

One of the biggest challenges faced by the Indian chemical industry is the ease in the availability of cheaper chemicals via import. However, the Indian chemical industry possesses several advantages considering the problems stemming from the trade conflict amongst the US, China and Europe. Disruption in China's supply chain and its anti-pollution measures poses significant opportunities for India to capitalize on.

Exposed to ESG risk since it operates in chemical industry

The company has established track record of complying with the required pollution control norms. The Company has residue management policy in place and there is a continuous effort to reuse solid residue.

Liquidity: Adequate

VCL's liquidity position is adequate with term loan repayment obligation of Rs.28.75 crores in FY23 and Rs. 30.18 crores in FY24 as against the achieved Gross Cash Accruals (GCA) of Rs.110.78 crore in FY22. The cash accruals are expected to remain above Rs. 120 crores during FY23 and FY24, which will be sufficient to meet upcoming repayment obligations. The company has cash and bank balance of around Rs.18.11 crore as on September 30, 2022.

VCL continued to remain working capital intensive mainly on account of high inventory level. The average maximum fund based working capital utilization is around 86% for past twelve months ending on November 30, 2022.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the Company

Incorporated on March 27, 1989. Vishnu Chemicals Limited is in the business of manufacturing, marketing and export of chromium chemicals, Barium compounds and other speciality chemicals worldwide. The company is serving more than 15 industries across more than 50 countries globally. The barium compounds are produced under its subsidiary Vishnu Barium Private Limited.

The company has four manufacturing units, one in Telangana, two in Andhra Pradesh and one unit in Chhattisgarh with a total installed capacity of 231,000 Metric Tonne Per Annum (MTPA)

Vishnu Barium Private Limited (VBPL) [erstwhile Solvay Vishnu Barium Private Limited] was incorporated on May 29, 2001 as a JV between Solvay group (Belgium Chemical Group) and Vishnu Chemicals Limited (VCL). After 5 years of operation, Solvay group took over the entire stake in the company. Subsequently, during 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 (increased from 40,000 MTPA) of Barium Carbonate and 5,000 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. VCL caters to various export markets in Europe, Asia, Africa, North America, South America etc.

Consolidated Financials: (VCL)

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	9MFY23
Total operating income	679.07	1072.48	NA
PBILDT	79.15	161.06	NA
PAT	34.49	81.39	NA
Overall gearing (times)	1.13	1.01	NA
Interest coverage (times)	2.90	5.75	NA

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	100.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	Nov 27	75.59	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	70.00	CARE A3+
Non-fund-based - ST-Standby Line of Credit		-	-	-	8.45	CARE A3+

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
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)
2	Fund-based - LT-Working Capital Limits	LT	-	-	-	-	1)Withdrawn (29-Oct-20) 2)CARE BB+; Stable (29-Oct-20)	1)CARE BB+; Stable (31-Jul-19)
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)
4	Fund-based - ST-Standby Line of Credit	ST	-	-	-	-	1)Withdrawn (29-Oct-20) 2)CARE A4+ (29-Oct-20)	1)CARE A4+ (31-Jul-19)
5	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (20-Nov-20) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (20-Nov-20) 3)CARE BB+; Stable; ISSUER NOT	-

							COOPERATING* (29-Oct-20)	
6	Fund-based - LT-Working Capital Limits	LT	-	-	-	-	1)Withdrawn (20-Nov-20) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (20-Nov-20) 3)CARE BB+; Stable; ISSUER NOT COOPERATING* (29-Oct-20)	-
7	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (20-Nov-20) 2)CARE A4+; ISSUER NOT COOPERATING* (20-Nov-20) 3)CARE A4+; ISSUER NOT COOPERATING* (29-Oct-20)	-
8	Fund-based - LT-Cash Credit	LT	100.00	CARE BBB; Stable				
9	Non-fund-based - ST-BG/LC	ST	70.00	CARE A3+				
10	Fund-based - LT-Term Loan	LT	75.59	CARE BBB; Stable				
11	Non-fund-based - ST-Standby Line of Credit	ST	8.45	CARE A3+				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities - NA

Annexure-4: Complexity level of the various 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
4	Non-fund-based - ST-Standby Line of Credit	Simple

Annexure-5: Lender details

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

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

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Arunava Paul
Phone: 9820904584
E-mail: arunava.paul@careedge.in

Relationship contact

Name: Saikat Roy
Phone: +91-22-67543404
E-mail: saikat.roy@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in