

December 2, 2021

VCL/SE/62/2021-22

 The General Manager,
 Listing Department
BSE Limited
 Phiroze Jeejeebhoy Towers,
 Dalal Street, Mumbai – 400 001

 The Manager,
 Listing Department
National Stock Exchange of India Limited
 Exchange Plaza, Bandra-Kurla Complex
 Bandra (East), Mumbai 400 051

Scrip Code: 516072
Through: BSE Listing Centre
Symbol: VISHNU
Through: NEAPS
Revision in Credit Rating/ Rating action in respect of the Company - 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. Infomerics Valuation and Rating Pvt Limited (Infomerics), Credit Rating Agency has **revised** rating of the Company as under vide its press release dated December 1, 2021 and a copy of the same is enclosed as Annexure:

Facilities	Amount (INR crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Bank Facilities– Term Loan	50.27 (Reduced from 66.92)	IVR BBB/ Stable	IVR BBB-/Stable Outlook	Revised
Long Term Bank Facilities – CECL/GECL 2.0*	35.59 (Enhanced from 7.35)	IVR BBB/ Stable	IVR BBB-/Stable Outlook	Revised
Long Term Bank Facilities – Cash Credit	100.00	IVR BBB/ Stable	IVR BBB-/Stable	Revised
Short Term Bank Facilities – Standby Line of Credit	8.45	IVR A3+	IVR A3	Revised
Short Term Bank Facilities – LC/BGs	70.00	IVR A3+	IVR A3	Revised
Long Term/Short term Bank Facilities (Proposed)	4.56 (Enhanced from 4.15)	IVR BBB/ Stable/ IVR A3+	IVR BBB-/Stable/ IVR A3	Revised
Total	268.87			

*CELC stands for COVID-19 Emergency Credit Line; GECL 2.0 stands for Guaranteed Emergency Credit Line.

This is for your information and records.

Thanking You.

Yours faithfully,

For Vishnu Chemicals Limited



Kishore Kathri
Company Secretary & AGM-Legal

Encl: a/a



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Vishnu Chemicals Limited (VCL)

December 01, 2021

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long term Bank Facilities – Term Loan	50.27 (Reduce from 66.92)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long term Bank Facilities – CECL/GECL 2.0*	35.59 (Enhanced from 7.35)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long term Bank Facilities – Cash Credit	100.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised
Short term Bank Facilities – Standby Line of Credit	8.45	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Revised
Short term Bank Facilities – LC/BGs	70.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Revised
Long Term//Short term Bank Facilities (Proposed)	4.56 (Enhanced from 4.15)	IVR BBB/ Stable/ IVR A3+ (IVR Triple B with Stable Outlook; IVR A Three Plus)	IVR BBB-/ Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	Revised
Total	268.87			

*CECL - COVID-19 Emergency Credit Line; GECL 2.0 Guaranteed Emergency Credit Line.

Details of facilities are in Annexure 1



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Detailed Rationale

The rating upgrade considers the successful backward integration by completion of CO2 Gas recovery project which will significantly boost company's operating margins and will significantly reduce dependency on external market for procurement of sodium carbonate, which is one of the key raw materials. The rating upgrade also factors in healthy operating performance during H1FY22.

Further rating continuous to derives comfort from the experienced promoters and reputed promoter group, diversified product basket having multi-industry applications with wide geographical presence and Improving capital structure and adequate liquidity position. The rating is however constrained by moderate working capital cycle coupled with high working capital utilisation, foreign exchange fluctuation risk and Susceptible to volatility in the raw material prices.

Key Rating Sensitivities:

Upward Factor:

- Substantial & sustained improvement in revenue backed by volume growth while maintaining the Profitability & debt protection metrics.

Downward Factor:

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Deterioration in working capital cycle and liquidity profile of the company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and reputed promoter group

Mr. Ch. Krishna Murthy (CMD), along with his family members, laid the foundation of the VCL and has been instrumental in helping VCL establish itself in the industry. He started the company in 1989 and over the years the group has established itself as one of the leaders in the speciality and fine chemicals industry. The strategy and international marketing efforts of the group is led by Mr Ch. Siddhartha, the Joint Managing Director. He holds a B. Tech in



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industrial biotechnology and has completed MBA from USA and is having an experience of over 15 years in the industry.

Diversified product basket having multi-industry applications with wide geographical presence

The major products of the company which includes Barium Compounds and Chromium Compounds have varied applications across industries such as pharmaceuticals, leather, automobile, ceramics, glass, pigments and dyes, metallurgy and in the steel industry. The group has diversified revenue profile with presence in both domestic and export markets. As of March 31, 2021 the group's total exports accounted for ~49% of total revenues and the balance 51% was from the domestic market. Majority of the exports are to South American & European markets.

Improving capital structure and adequate liquidity position

The capital structure indicated by the overall gearing ratio has improved from 0.90x in FY20 to 0.77x in FY21. The group's liquidity profile is also adequate, marked by gross cash accruals of Rs.43.94 crore and against a repayment obligation of Rs.12.90 crore in FY21. Moreover, the current ratio stands at 1.08x and the quick ratio stands at 0.49x in FY21.

Successful completion of backward integration aiding adequate revenue visibility

The company has successfully completed CO₂ Gas recovery project in March 2021 and have started with trial production in H1FY22. Currently the same is in stabilisation mode and company is expecting to get benefits of the same during Q4FY22. One of the key raw materials for which for which company has gone for backward integration is the sodium carbonate. This will reduce dependency on external market by 50%. Based on group's increased production and revenue (i.e., Rs.439.79 crore) in H1FY22 and enhanced capacity in H2FY22 due to recently completed capex gives adequate revenue visibility.

Key Rating Weaknesses

Moderate working capital cycle coupled with high working capital utilisation

The consolidated working capital cycle of the group remained high at 98 days in FY2021 as against 102 days in FY20 mainly on account of higher inventory holding days. The average



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working capital utilisation levels was high at ~90% for the past 12 months period ended October, 2021.

Foreign Exchange fluctuation risk

The company derives a significant portion of its income i.e. around 50% of total revenue from exports, due to that company will remain exposed to currency fluctuation to the extent of unhedged exposure. However, company has a hedging mechanism in place to reduce exposure to foreign exchange fluctuations. As on September 30, 2021, the unhedged foreign currency exposure for exports is Rs.39.70 crore.

Susceptible to volatility in the raw material prices

The raw materials constitute around 55% of the total cost in FY2021 on a consolidated basis. The prices of its key raw materials such as Soda Ash, Sulphuric Acid and Chrome ore are driven by domestic as well as international demand-supply situation. However, this is mitigated by the company's ability to pass on price increase to its customers. Moreover, the company has successfully completed a CO₂ (Carbon Dioxide) gas recovery plant as part of backward integration for its key raw materials (Soda Ash & Sulphuric Acid) which shall help increase the contribution and product margins.

Analytical Approach: Consolidated

Infomerics has considered the consolidated financial profiles of Vishnu Chemicals Ltd, Vishnu Barium Pvt Ltd Vishnu South Africa (Pty) Ltd and Vishnu Renewable Energy Pvt Ltd to arrive at the rating. Vishnu South Africa (Pty) Ltd is yet to commence their operations. The consolidation is on account of common management and operational and financial linkages. Extent of Consolidation: Full

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate



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The liquidity of the group is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis debt repayment obligations. The group is expected to generate cash accruals to the tune of ~Rs.77-100 crore during FY22-FY24 as against a repayment obligation of ~Rs.20-30 crore during the aforesaid period indicating an adequate liquidity position. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The fund based average working capital utilisation was at ~ 90% during the last twelve months ended October 31, 2020.

About the Company

Vishnu Chemicals Ltd (VCL) was established in 1989; since inception the company has grown with the help of many greenfield and brownfield projects with their reach in over 57 countries (spanning 4 continents including Asia, Europe, America and Africa) as a pure play specialty chemical manufacturer with their products having applications in steel, glass, pharmaceutical, pigments and dyes, leather and allied industries. Over the years the Company has changed the perception on Specialty Chemical manufacturing as a hazardous – environment unfriendly manufacturing to sustainable and safe manufacturing. The company has an installed capacity of 231100 MTPA.

Financials (Consolidated)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	676.72	678.68
EBITDA	78.92	77.45
PAT	22.22	34.49
Total Debt	243.49	232.40
Tangible Net Worth	265.64	299.47
EBITDA Margin (%)	11.66	11.41
PAT Margin (%)	3.25	5.06
Overall Gearing Ratio (x)	0.90	0.77

* Classification as per Infomerics' standards



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Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	574.07	573.10
EBITDA	63.80	60.16
PAT	13.22	22.75
Total Debt	236.23	227.75
Tangible Net Worth	234.74	254.88
EBITDA Margin (%)	11.11	10.50
PAT Margin (%)	2.27	3.94
Overall Gearing Ratio (x)	0.97	0.88

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Dated: October 06, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Term Loan	Long Term	50.27	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2.	Fund Based Facility – CECL/GECL 2.0	Long Term	35.59	IVR BBB/ Stable	IVR BBB-/ Stable		
2.	Fund Based Facility – Cash Credit	Long Term	100.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Dated: October 06, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
3.	Fund Based Facility – Standby Line of Credit	Short Term	8.45	IVR A3+	IVR A3	-	-
4.	Non-Fund Based Facility – LC/BGS	Short Term	70.00	IVR A3+	IVR A3	-	-
5.	Fund Based Facility – Proposed	Long Term/ Short Term	4.56	IVR BBB/ Stable; IVR A3+	IVR BBB-/ Stable; IVR A3	-	-

Name and Contact Details of the Rating Analysts:

Name: Mr. Hardik Gala Tel: (022) 62396023 Email: hardik.gala@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any



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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loans	-	-	Upto March, 2024	50.27	IVR BBB/ Stable
Long Term Fund Based Facility – Term Loan	-	-	November, 2025	35.59	IVR BBB/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	100.00	IVR BBB/ Stable
Short term Bank Facilities – Standby Line of Credit	-	-	-	8.45	IVR A3+
Short Term Non-Fund Based Facility – LC/BGS	-	-	-	70.00	IVR A3+
Long Term/ Short Term Fund Based Facility – Proposed	-	-	-	4.56	IVR A3+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Ownership	Consolidation Approach
Vishnu Chemicals Limited	100%	Full Consolidation
Vishnu Barium Private Limited	100%	Full Consolidation
Vishnu South Africa (Pty) Limited	100%	Full Consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Vishnu-chemicals-lenders-dec21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Working capital (CC)	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.