

VISHNU CHEMICALS LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.345.15 (As on 9th Aug 2023)

TARGET PRICE : Rs.432.00

FACE VALUE : Rs.2

BSE CODE : 516072

NSE CODE : VISHNU





WHERE
PERSEVERANCE
AND
COMMITMENT
COME TOGETHER



ABOUT THE COMPANY

Vishnu Chemicals Ltd. epitomises manufacturing of high performance speciality chemicals, with an intelligent symphony of forward and backward integration to produce products that are focused on diverse needs and aspirations of its customers.

Vishnu Chemicals has long standing relationships with over 100 customers across Pharmaceuticals, Electroplating, Wood Preservative, Leather, Pigments & Dyes, Ceramics, Refractory, Detergents among others. The Company's products and processes conform to global standards, which is a testimony of product quality and reliability.

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30+
Years expertise



4
Manufacturing
units



12+
User Application
Industries



50+
Export
Destinations



100+
Customers



1000+
Workforce

Our Differentiators



Established track record of over **30** years. Principled and ethical leadership committed to the highest level of corporate governance and creation of long-term value.



Our **Scale and technology is hard to replicate**. Complex manufacturing creates multiple entry barriers in this industry.



Our Product Mix gives us the flexibility to switch between derivatives and products as per industry demand, thus **mitigating cyclicity**.



One of its kind **backward integration** plant, a strong asset and it implies that we will be healthy and profitable while focusing on sustainability.



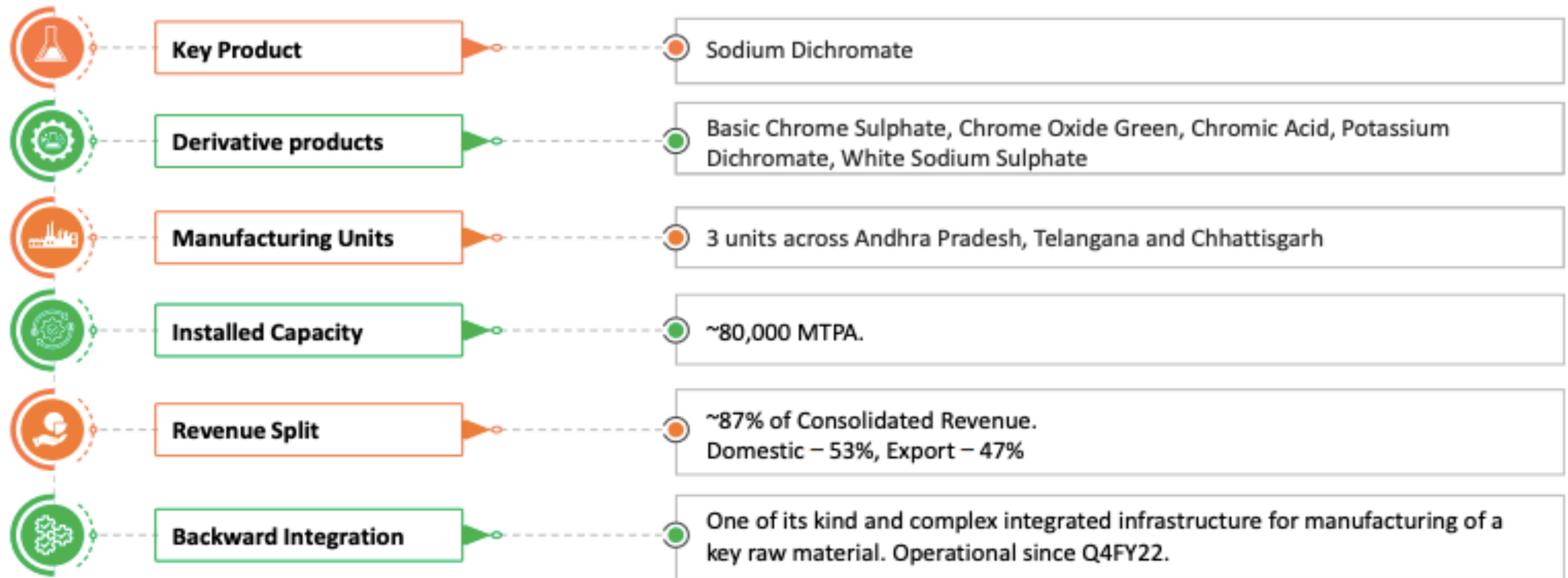
Differentiated asset with backward and forward integration reduces uncertainty and dependence on raw material supply.



Long standing customer relationships. Access to a growing consumption market in **India** an advantage.

Chromium Chemicals

Chromium chemistry is proven to be of high value as it possesses properties of high corrosion resistance, colours, and uniformity, thereby improving the performance and life of industrial components, timber treatment, pharmaceuticals, pigments and dyes.



Unique capabilities created over the years makes us an efficient producer.

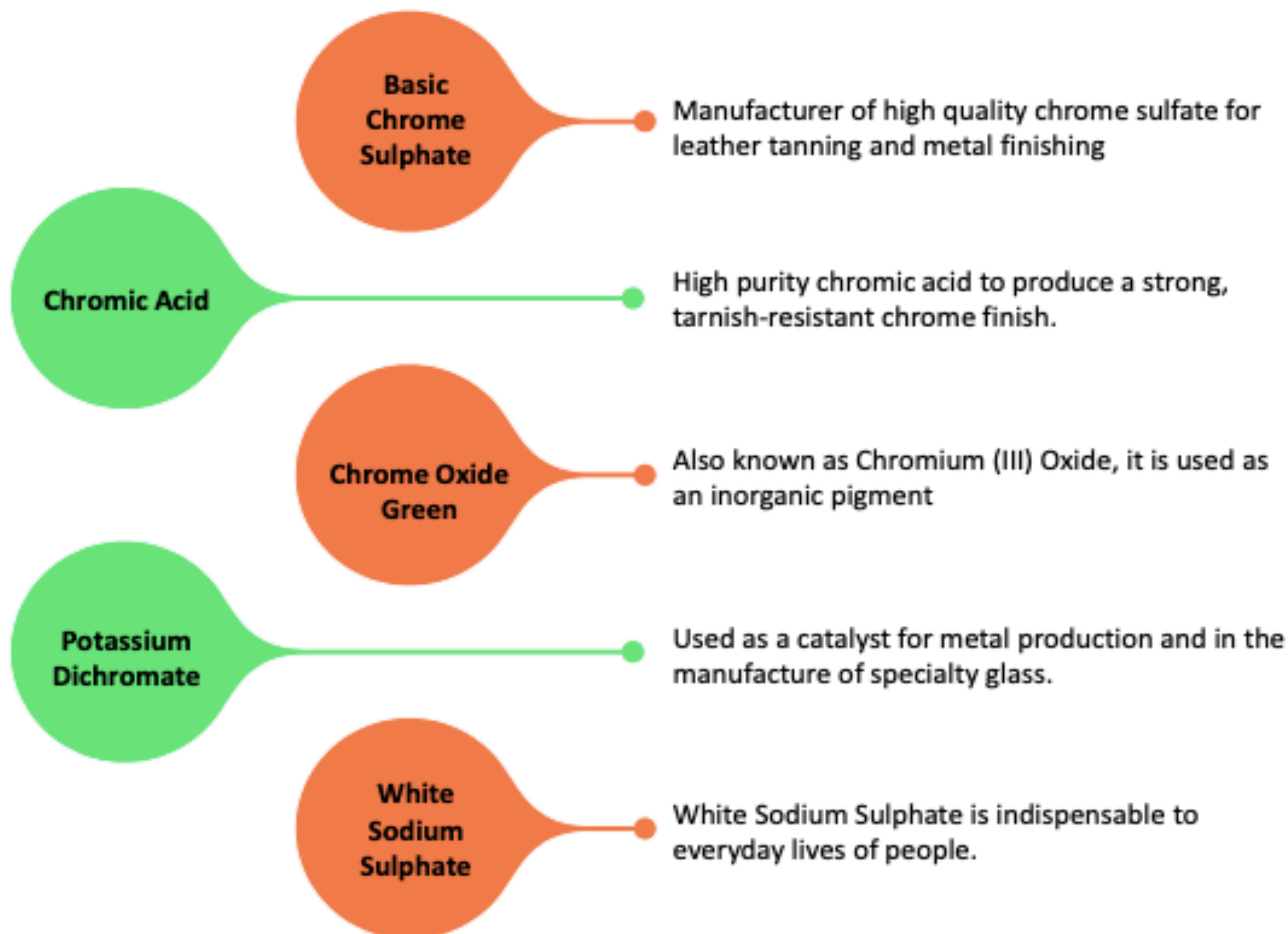
Chromium Chemistry – Product Portfolio

SODIUM DICHROMATE

Sodium Dichromate is a strong oxidising agent and a source in preparing chromium based derivatives. It is used in metal passivation and finds applications across industries like pharmaceuticals, textiles, constructions to name a few.

KEY APPLICATIONS FOR CHROMIUM CHEMISTRY

- Pharmaceuticals
- Electroplating
- Leather
- Pigments & Dyes
- Ceramic Glazes
- Tiles
- Refractories
- Plastic
- Wood Preservative
- Paper Pulping
- Detergents



Key Changes Over The Years – Chromium Chemicals

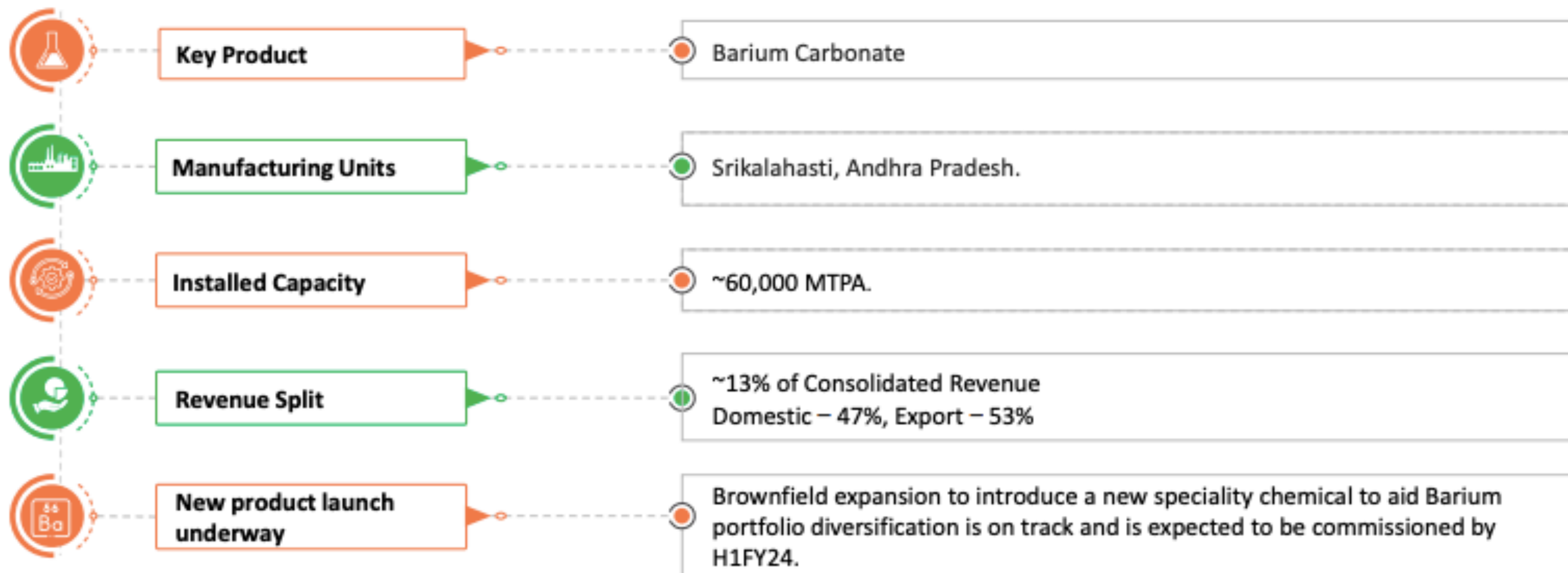
EARLIER

1. CONCENTRATED PRODUCT **PORTFOLIO**.
2. **100%** RAW MATERIALS PROCURED TILL FY21.
3. LOW CAPACITY UTILISATION OF **~60%** BETWEEN FY15-FY18.
4. MAJORITY OF SALES ACROSS **3 SECTORS** TILL FY18.
5. INSTALLED CAPACITY OF **~70000 TPA** TILL FY22.

NOW

1. PIVOTED TO **FLEXIBLE** PRODUCT MIX MITIGATING CYCLICALITY, CURRENCY RISK & GEOGRAPHY RISK.
2. ONE OF ITS KIND BACKWARD INTEGRATION RESULTING IN **LOWER EXTERNAL PROCUREMENT** OF A KEY RAW MATERIAL.
3. AVERAGE OPERATING LEVELS **~80%** BETWEEN FY19-FY23.
4. PRODUCES ESSENTIAL CHEMICALS FOR **12+** SECTORS.
5. INSTALLED CAPACITY OF **~80,000 TPA**.

The Company manufactures industry grade Barium Carbonate that finds applications in the manufacture of a plethora of ceramic, tiles, glass, enamel products and caustic lye brine purification process.



Focus is to grow our market share with higher volumes which would lead to operating leverage and better profitability

Barium Carbonate

Benefit of scale & operating leverage.

**Leading
manufacturer in
India**

Close proximity to raw material source and major ports

**Strategic plant
location**

India: Overseas Sales Mix 47:53

**Strong presence
in domestic and
export markets**

Installed capacity proposed to cross 90,000 TPA in FY24 from 40,000 TPA in January 2022.

**Turned around
post-acquisition in
2015**

Quality that stands the test of time

**Highest quality of
product**

CHARACTERISTICS

Barium Carbonate is available in several grades with different chemical purities, shapes and granulometry. It is characterized by high reactivity and tightly controlled narrow particle size distribution. It acts as a flux, a matting and crystallizing agent and combines with certain colouring oxides to produce unique colours not easily attainable by other means.

KEY APPLICATIONS

- Ceramics
- Tiles
- Glazes
- Bricks
- Refractories
- Caustic Soda Industry
- Speciality Glass
- Luminescent Compounds

Key Changes Over The Years– **Barium Chemicals**

EARLIER

1. LOSS MAKING PRIOR TO ACQUISITION IN 2015.
2. LOW CAPACITY UTILISATION OF 58% BETWEEN FY16-FY19.
3. SINGLE PRODUCT.
4. FY21 INSTALLED CAPACITY 40,000 TPA

NOW

1. TURNED AROUND POST ACQUISITION AND HAS BEEN A PROFIT MAKING COMPANY SINCE FY17.
2. AVERAGE CAPACITY UTILISATION SINCE FY20 IS ~75%.
3. ONGOING CAPEX TO LAUNCH A NEW SPECIALITY CHEMICAL.
4. 90,000 TPA OF INSTALLED CAPACITY BY FY24.

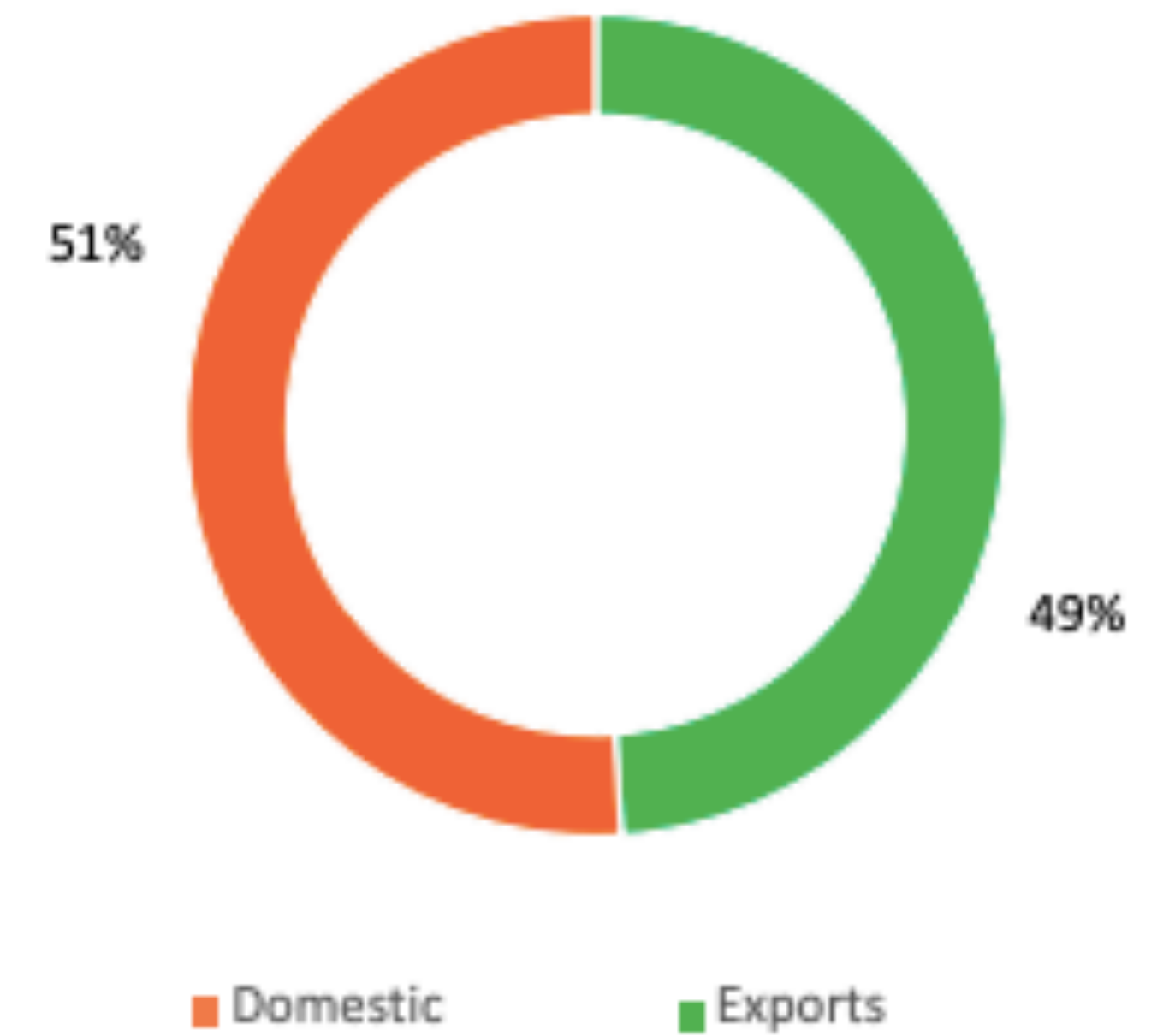
Barium diversification: Brownfield Expansion in Progress

PRECIPITATED BARIUM SULPHATE

- Inorganic Chemical.
- High purity, synthetic additive.
- Produced in carefully controlled manufacturing process.
- Import substitute in India.
- Used in Automotive Paints, Powder Coating, High Gloss Applications, Battery.
- 30,000 TPA to be operational by H1FY24.

Clients across geographies

Customer Centric Approach



State of the art manufacturing facilities

Four dedicated facilities across India



1

Visakhapatnam, Andhra Pradesh
Manufactures Chromium Chemicals

2

Hyderabad, Telangana
Manufactures Chromium Chemicals

3

Bhilai, Chhattisgarh
Manufactures Chromium Chemicals

4

Srikalahasti, Andhra Pradesh
Manufactures Barium Chemicals

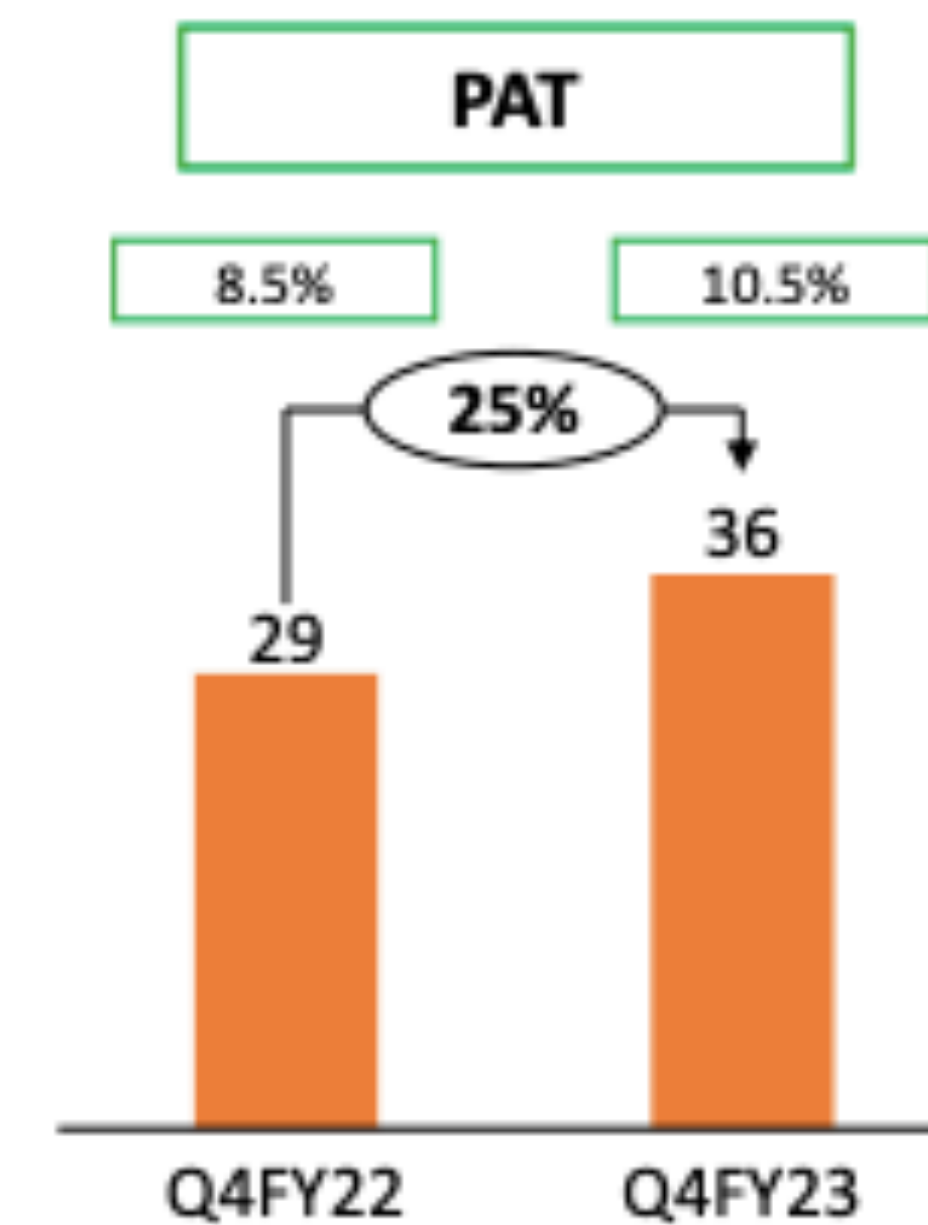
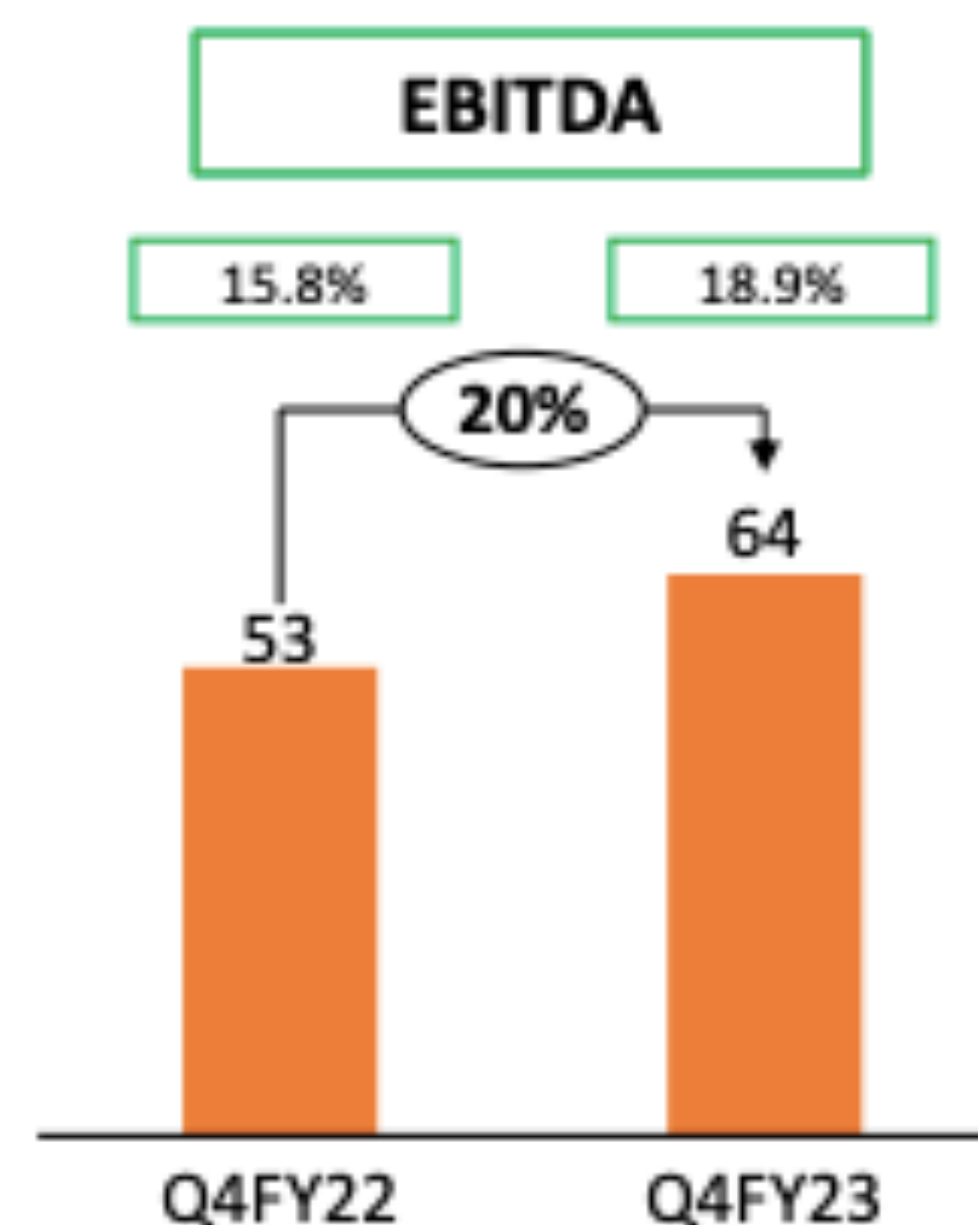
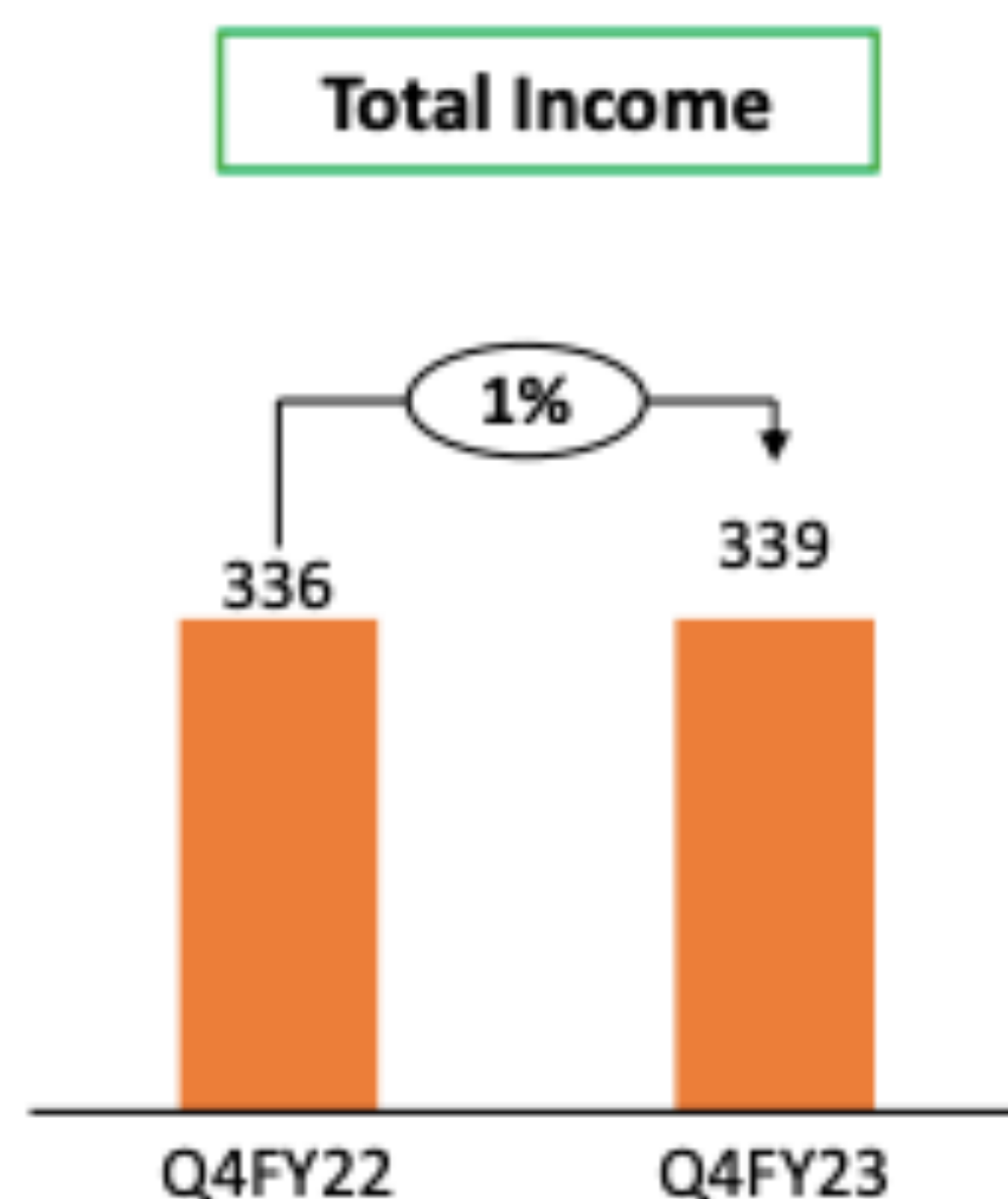
Vishnu's manufacturing facilities are strategically located close to ports. Proximity to ports is key to on-time delivery commitment.

Continuous improvement in fundamentals

- ✓ Consolidated EBITDA Margin expanded by **over 500 bps** since FY21.
- ✓ Consolidated Debt to Equity **less than 1**.
- ✓ Inventory Days reduced from 195 days in FY21 to **91 days** at FY23 end.
- ✓ Return on Equity **~40%**.
- ✓ Return on Capital Employed **~36%**.
- ✓ Release of promoter pledge by lenders.

Consolidated Financial Highlights

(₹ in crs)



Particulars in ₹ cr	Q4FY23	Q4FY22	Y-o-Y	Q3FY23	Q-o-Q	FY23	FY22	Y-o-Y
Total Income	339	336	1%	331	2%	1406	1075	31%
EBITDA	64	53	20%	58	10%	245	161	52%
EBITDA Margin %	18.9%	15.8%		17.5%		17.4%	15.0%	
PAT	36	29	25%	32	12%	137	81	68%
PAT Margin %	10.5%	8.5%		9.6%		9.7%	7.6%	

Key Annual Highlights

Consolidated Highlights

- Crosses ₹ 100 cr of PAT for the first time since inception.
- Highest ever PAT margin in a decade.
- Reduced dependency on raw materials and improved coherent portfolio.
- Domestic and exports sales grew by 36% and 26% YoY respectively.
- Average international shipping costs have decreased by ~70% in the last 12 months. In line, our FY23 shipping costs declined by 50% YoY, the benefits of which were passed on to our customers by adjusting realisations accordingly.
- Recognized as the 'Company of the year' in the Chemicals sector at the prestigious Dare to Dream Awards 2022.
- Promoters pledge released by lenders.
- Board has recommended a dividend of 20% of FV i.e. ₹ 0.4 per equity share subject to approval of shareholders.

Chromium Chemistry Highlights

- In FY23, a debottlenecking exercise resulted in capacity expansion by 10,000 TPA. The full benefits of the expanded capacity are expected in FY24.
- One of its kind backward integration plant, driven by process improvements, provides a sustainable and long-term competitive advantage.

Barium Chemistry Highlights

- Q4FY23 was the second best quarter in FY23 in terms of volumes. Demand is expected to return to normalcy gradually.
- In progress:
 - Brownfield expansion to introduce a new speciality chemical to aid Barium portfolio diversification.
 - To be commissioned by H1FY24.
- Overall, total installed capacity in Barium Chemicals to be over 90,000 TPA in FY24 compared to 40,000 TPA in January 2022.

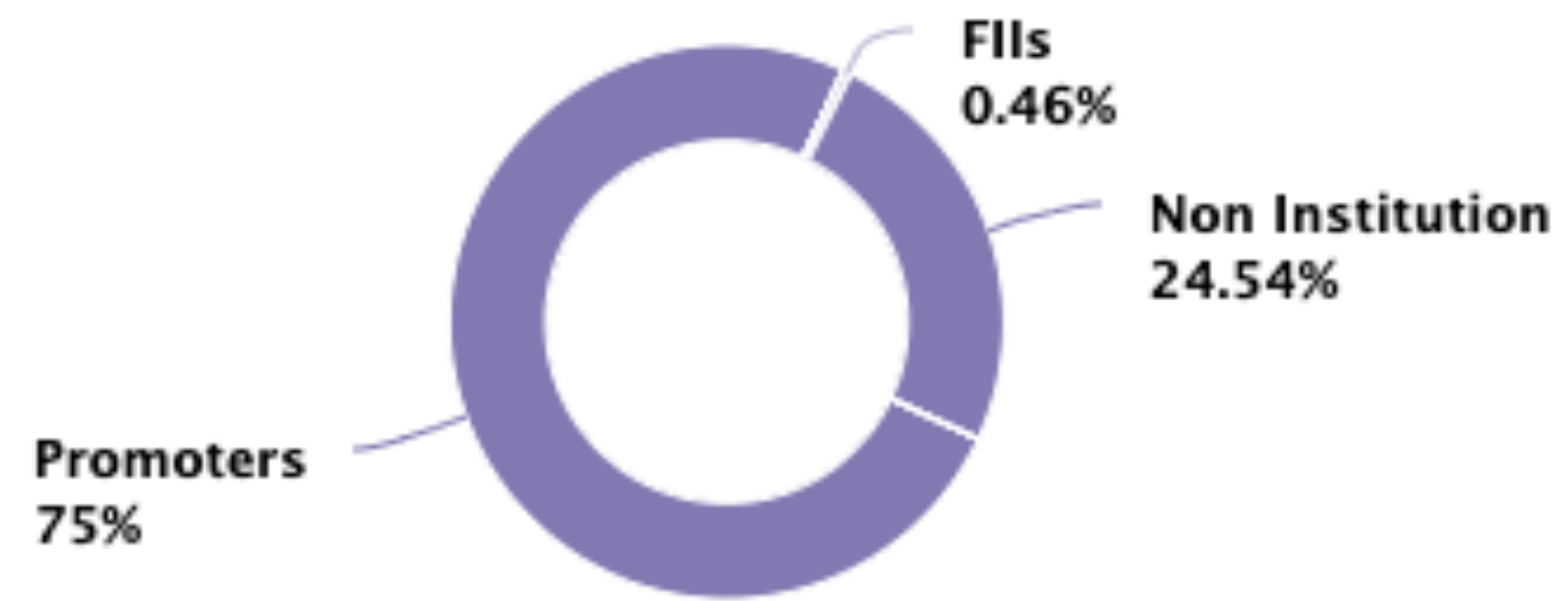
Yearly Results

YEARLY RESULTS OF VISHNU CHEMICALS (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	1,387.66	1,069.00	671.76	667.08	759.05
Other Operating Income	3.34	--	6.92	9.64	10.33
Total Income From Operations	1,390.99	1,069.00	678.68	676.73	769.39
EXPENDITURE					
Consumption of Raw Materials	560.04	414.86	275.60	306.61	358.27
Increase/Decrease in Stocks	-23.07	14.59	12.17	-5.45	-13.79
Power & Fuel	63.17	--	--	--	--
Employees Cost	46.04	41.50	34.29	33.43	33.27
Depreciation	26.46	22.98	20.30	20.19	20.87
Admin. And Selling Expenses	156.11	--	87.51	--	--
Other Expenses	358.63	442.40	191.66	263.20	292.47
P/L Before Other Inc., Int., Excpt. Items & Tax	203.61	132.67	57.15	58.74	78.30
Other Income	15.21	5.76	2.82	7.34	3.08
P/L Before Int., Excpt. Items & Tax	218.82	138.43	59.97	66.08	81.38
Interest	33.37	26.10	25.97	35.77	43.89
P/L Before Exceptional Items & Tax	185.45	112.33	34.00	30.31	37.49
P/L Before Tax	185.45	112.33	34.00	30.31	37.49
Tax	48.89	30.94	-0.49	8.08	13.12
P/L After Tax from Ordinary Activities	136.57	81.39	34.49	22.23	24.36
Net Profit/(Loss) For the Period	136.57	81.39	34.49	22.23	24.36
Net P/L After M.I & Associates	136.57	81.39	34.49	22.23	24.36
Equity Share Capital	11.95	11.95	11.95	11.95	11.95
Reserves Excluding Revaluation Reserves	402.43	264.93	184.20	148.05	130.46
EPS BEFORE EXTRA ORDINARY					
Basic EPS	22.86	68.13	28.88	18.61	20.40
Diluted EPS	22.86	68.13	28.88	18.61	20.40
EPS AFTER EXTRA ORDINARY					
Basic EPS.	22.86	68.13	28.88	18.61	20.40
Diluted EPS.	22.86	68.13	28.88	18.61	20.40

Key Financial Ratios

KEY FINANCIAL RATIOS OF VISHNU CHEMICALS (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	22.86	68.13	28.88	18.61	20.40
Diluted EPS (Rs.)	22.86	68.13	28.88	18.61	20.40
Cash EPS (Rs.)	27.29	87.37	45.87	35.51	37.86
Book Value [ExclRevalReserve]/Share (Rs.)	69.37	231.77	164.19	133.93	119.21
Book Value [InclRevalReserve]/Share (Rs.)	69.37	231.77	164.19	133.93	119.21
Revenue from Operations/Share (Rs.)	232.88	894.86	568.12	566.49	644.05
PBDIT/Share (Rs.)	41.07	135.12	67.20	72.21	85.59
PBIT/Share (Rs.)	36.63	115.88	50.20	55.31	68.12
PBT/Share (Rs.)	31.05	94.03	28.46	25.37	31.38
Net Profit/Share (Rs.)	22.86	68.13	28.88	18.61	20.40
NP After MI And SOA / Share (Rs.)	22.86	68.13	28.88	18.61	20.40
PROFITABILITY RATIOS					
PBDIT Margin (%)	17.63	15.09	11.82	12.74	13.28
PBIT Margin (%)	15.73	12.94	8.83	9.76	10.57
PBT Margin (%)	13.33	10.50	5.01	4.47	4.87
Net Profit Margin (%)	9.81	7.61	5.08	3.28	3.16
NP After MI And SOA Margin (%)	9.81	7.61	5.08	3.28	3.16
Return on Networth/Equity (%)	32.95	29.39	17.58	13.89	17.10
Return on Capital Employed (%)	31.99	25.40	13.47	16.20	20.77
Return on Assets (%)	12.99	8.89	4.46	2.95	3.21
Total Debt/Equity (X)	0.73	1.04	1.17	1.60	1.75
Asset Turnover Ratio (%)	1.40	1.18	0.79	0.79	0.92
LIQUIDITY RATIOS					
Current Ratio (X)	1.28	1.13	1.06	1.05	1.02
Quick Ratio (X)	0.71	0.68	0.48	0.45	0.50
Inventory Turnover Ratio (X)	3.89	2.86	1.60	1.78	2.27
Dividend Payout Ratio (NP) (%)	1.74	1.46	3.46	5.37	0.00
Dividend Payout Ratio (CP) (%)	1.46	1.14	2.18	2.81	0.00
Earnings Retention Ratio (%)	98.26	98.54	96.54	94.63	0.00
Cash Earnings Retention Ratio (%)	98.54	98.86	97.82	97.19	0.00
COVERAGE RATIOS					
Interest Coverage Ratios (%)	7.35	6.19	3.09	2.41	2.33
Interest Coverage Ratios (Post Tax) (%)	7.35	6.19	3.09	2.41	2.33
VALUATION RATIOS					
Enterprise Value (Cr.)	1,974.14	2,250.42	636.06	395.19	483.21
EV/Net Operating Revenue (X)	1.42	2.11	0.94	0.58	0.63
EV/EBITDA (X)	8.05	13.94	7.92	4.58	4.73
MarketCap/Net Operating Revenue (X)	1.16	1.78	0.50	0.12	0.22
Retention Ratios (%)	98.25	98.53	96.53	94.62	0.00
Price/BV (X)	3.90	6.87	1.74	0.49	1.20
Price/Net Operating Revenue	1.16	1.78	0.50	0.12	0.22
Earnings Yield	0.08	0.04	0.10	0.28	0.14

Shareholding Pattern an on Jun'23



Summary

- ❖ With deliverance of fine performance in Q4 of FY'23, the Company's Net Sales grew up by 0.39% i.e. Rs.335.03 crs in Mar'23 as compared to Rs.333.72 crs in Mar'22. However, the Net Profits increased by 24.71% i.e. Rs.35.63 crs in Mar'23 versus Rs.28.57 crs in Mar'22.
- ❖ Considering sound financials and healthy fundamentals, the Company is available at a good price of Rs.345.15 with its 52 week low at Rs.244.85 and its 52 week high at Rs.434.00.
- ❖ In view of the Promoters holding majority stake around 75.00% as well as its robust valuations, it is fair to assume that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as in Jun'23, the FIIs stood with 0.46% stake in the Company.
- ❖ It is reassuring to see that Vishnu Chemicals Ltd. is held by ITI MF.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 32.95% & 31.99% respectively as on Mar'23.
- ❖ Vishnu Chemicals Ltd. is a dividend paying stock. For the year ending Mar'23, the Company has declared an equity dividend of 20.00% i.e. Rs.0.40 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

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2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.



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