

CMP: INR 1,654

Rating: BUY

Target Price: INR 2,116

Stock Info

BSE	516072
NSE	VISHNU
Bloomberg	VICH:IN
Reuters	VICH.BO
Sector	Specialty Chemicals
Face Value (INR)	10
Equity Capital (INR Cr)	11.9
Mkt Cap (INR Cr)	1,968
52w H/L (INR)	1,790 / 562
Avg. Yearly Volume (in 000')	14.0

Shareholding Pattern %

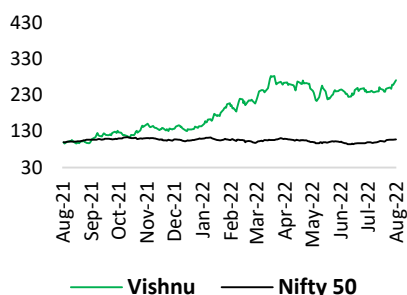
(As on June, 2022)

Promoters	75.00
Public & Others	25.00

Stock Performance (%)

	YTD	6M	1Y
Vishnu Chemicals	93%	34%	171%
Nifty 50	-0.6%	0.4%	7.8%

Vishnu Chemicals Vs Nifty



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Vishnu Chemicals Ltd. is a leading manufacturer of chromium and barium chemicals. It delivered robust earnings for the quarter ending June 2022. The company benefitted from the completion of its major capital expenditure cycle which included backward integration in its chromium facility and expansion of its barium plant capacity. The chromium vertical contributes about 85% of the consolidated revenues, while the remaining 15% was attributed to the barium segment.

Q1FY23 Result Highlights:

- In Q1FY23, Consolidated revenue from operations increased by 82.3% YoY/ up 7.6% QoQ to INR 359.1 crores and came in above revenue estimates of INR 318.5 crores. The buoyancy in revenues was majorly driven by the domestic business.
- Domestic revenues rose by 102% YoY/ up 19.8% QoQ to INR 189 crores, while Overseas revenues increased by 64.6% YoY but declined by 3.3% QoQ.
- Contribution of domestic business surpassed export business in Q1FY23 compared to Q4FY22 and Q1FY22. The contribution of domestic business to the overall revenues stood at 53% in Q1FY23.
- EBITDA increased by 117.4% YoY/ up 13.7% QoQ to INR 58.3 crores and outperformed estimates of INR 54.0 crores. EBITDA margin expanded by 262 basis points YoY / up 86 basis points QoQ to 16.2%.
- Finance Cost increased by 24.7% YoY but declined by 4.6% QoQ to INR 7.3 crores. Depreciation increased by 18.2% YoY/ up 4.5% QoQ to INR 6.6 crores. The increase in depreciation was driven by commissioning of new fixed assets in the last quarter of FY22.
- Net Profit rose significantly by 194% YoY/ up 19.2% QoQ to INR 34.1 crores and beat estimates of INR 29.8 crores. Net Profit margin expanded by 360 basis points YoY/ up 92 basis point QoQ to 9.5%.
- The company is further expanding its existing capacity in Chromium chemicals by 10,000 TPA through debottlenecking and project commissioning is expected by H1FY23. Funding of the operations will be done through internal accruals.
- Within Barium chemical segment, it is looking at Brownfield expansion to introduce a new, higher margin specialty chemical and the project completion is estimated by H1FY24.

Outlook & Valuations: The company reported robust earnings growth in Q1FY23, which exceeded expectations. The earnings reflect the trickle down effect of the operational initiatives undertaken by the company, including backward integration in the Chromium segment and capacity expansion in the Barium segment. We expect the strong growth momentum to continue as its capital expenditure exercise is complete. It will facilitate expansion in operating margins in the next 2 years. Also, the topline will be benefitted with 50% expansion in the barium plant capacity. Factoring in its sturdy growth going ahead, we continue to value the company at a P/E multiple of 15x its FY24E EPS of INR 141.1 and maintain our target price at INR 2,116 per share. Accordingly, we reiterate our BUY rating on the shares of Vishnu Chemicals Ltd.

Financial Highlights

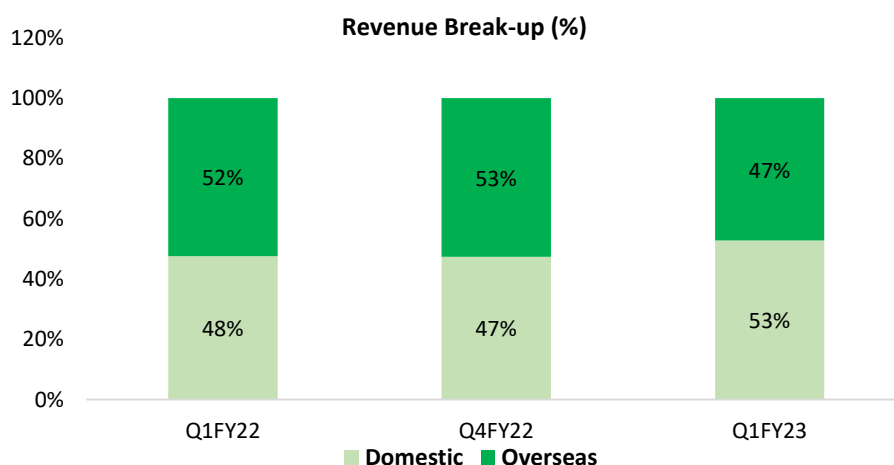
INR, Cr	FY20	FY21	FY22	FY23E	FY24E
Revenue	674	679	1,069	1,415	1,657
EBITDA	79	77	156	232	289
EBITDA margin(%)	11.7%	11.4%	14.6%	16.4%	17.4%
PAT	22	34	81	128	169
PATM (%)	3.3%	5.1%	7.6%	9.0%	10.2%
EPS(in Rs)	18.6	28.9	68.1	106.8	141.1
ROE(%)	13.9%	17.6%	29.3%	31.5%	29.4%
PE(x)	88.9	57.2	24.3	15.5	11.7

Source: Company, Arihant Research

Quarterly Result

INR, Cr, Consolidated	Q1FY23	Q4FY22	Q1FY22	QoQ	YoY
Income from operations	358.3	332.9	196.5	7.6%	82.4%
Other Operating Income	0.8	0.8	0.5	-5.4%	43.2%
Revenue from operations	359.1	333.7	197.0	7.6%	82.3%
Cost of Materials consumed	148.1	124.6	84.6	18.9%	75.2%
Cost of Consumables	58.0	47.4	28.0	22.2%	106.7%
Change in inventories	0.2	9.2	-5.3	-98.2%	-103.2%
Total	206.3	181.2	107.3	13.9%	92.3%
Gross Profit	152.9	152.6	89.8	0.2%	70.3%
Gross Profit Margin	42.6%	45.7%	45.6%	-315	-299
Employee Costs	10.2	11.7	9.9	-12.3%	3.1%
Power Cost	16.6	12.9	9.3	28.9%	78.2%
Manufacturing Expenses	30.1	29.4	21.8	2.2%	38.3%
Selling and Administrative Expenses	37.3	48.6	21.5	-23.1%	73.3%
Other Expenses	0.3	-1.3	0.4	-122.9%	-26.6%
EBITDA	58.3	51.3	26.8	13.7%	117.4%
EBITDA Margin	16.2%	15.4%	13.6%	86	262
Depreciation and Amortization Expenses	6.6	6.3	5.6	4.5%	18.2%
EBIT	51.7	45.0	21.3	14.9%	143.4%
EBIT Margin	14.4%	13.5%	10.8%	92	362
Finance Costs	7.3	7.7	5.9	-4.6%	24.7%
Profit before tax and Other Income	44.4	37.4	15.4	18.9%	188.5%
Other Income	2.3	1.8	0.9	23.0%	138.9%
Profit before tax	46.7	39.2	16.3	19.1%	185.7%
Tax Expense	12.6	10.6	4.8	18.8%	165.4%
Current Tax	11.4	8.2	2.6	38.1%	338.5%
Deferred Tax	1.3	2.4	2.2	-47.6%	-42.1%
<i>Effective Tax Rate</i>	<i>27.0%</i>	<i>27.1%</i>	<i>29.1%</i>	<i>-6</i>	<i>-207</i>
Net Profit	34.1	28.6	11.6	19.2%	194.0%
Net Profit Margin	9.5%	8.6%	5.9%	92	360

Source: Company, Arianth Research



Source: Company, Arianth Research

Key Financials

Income Statement

Y/E March (INR Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenues	769	674	679	1,069	1,415	1,657
Change (%)	17.9%	-12.5%	0.8%	57.5%	32.4%	17.1%
Cost of Goods Sold	437	385	372	584	748	910
Employee costs	33	33	34	41	55	56
Other expenses	200	176	195	288	381	402
Total operating Expense	670	595	601	913	1,183	1,368
EBITDA	99	79	77	156	232	289
Other Income	3	7	3	6	8	3
Depreciation	21	20	20	23	30	33
Interest	44	36	26	26	35	28
PBT	37	30	34	112	175	231
Extra-ordinary	0	0	0	0	0	0
PBT after ext-ord.	37	30	34	112	175	231
Tax	13	8	0	31	47	62
Rate (%)	35.0%	26.7%	-1.4%	27.5%	27.0%	27.0%
PAT	24	22	34	81	128	169
Change (%)	68.9%	-8.8%	55.2%	136.0%	56.7%	32.1%

Source: Company, Arihant Research

Balance Sheet

Y/E March (INR Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	12	12	12	12	12	12
Reserves & Surplus	130	148	184	266	393	562
Net Worth	142	160	196	278	405	574
Long term debt	168	174	175	150	125	100
Short term debt	158	141	131	214	283	331
Total Debt	326	315	306	364	408	431
Deferred Tax & other liabilities	76	69	70	75	80	70
Current liabilities	207	186	196	220	246	289
Provisions	6	5	4	6	6	8
Total Liabilities	757	735	773	943	1,146	1,373
Net Block	350	338	387	422	457	494
Capital Work-in-Progress	19	36	24	1	3	4
Other Non-Current Assets	14	14	12	8	2	0
Net fixed assets	383	389	423	432	462	498
Investments	1	1	1	1	1	1
Debtors	134	91	116	182	239	282
Inventories	189	208	191	299	379	460
Cash & bank balance	14	15	11	18	49	110
Loans & advances & other CA	35	31	31	11	16	22
Total current assets	374	347	349	512	684	875
Total Assets	757	735	773	943	1,146	1,373

Source: Company, Arihant Research

Key Financials

Cash Flow Statement

Y/E March (INR Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
PBT	37	30	34	112	175	231
Depreciation	21	20	20	23	30	33
Interest & others	41	28	23	41	42	30
Cash flow before WC changes	99	79	77	176	247	294
(Inc)/dec in working capital	12	-21	-5	-156	-148	-131
Operating CF after WC changes	111	58	72	21	99	163
Less: Taxes	-12	-12	-7	-31	-47	-62
Operating cash flow	99	46	66	-10	52	101
(Inc)/dec in F.A + CWIP	-25	-26	-54	-35	-35	-37
(Pur)/sale of investment	0	0	0	0	0	0
Cash flow from investing	-23	-22	-52	2	-33	-35
Free cash flow (FCF)	74	20	11	-45	17	63
Loan raised/(repaid)	-35	9	5	57	44	23
Equity raised	0	0	0	0	0	0
Interest & others	-42	-31	-23	-43	-33	-28
Dividend	0	0	0	0	0	0
Cash flow from financing activities	-79	-23	-19	15	11	-4
Net inc /(dec) in cash	-3	0	-5	7	31	62
Opening balance of cash	18	14	15	11	18	49
Closing balance of cash	14	15	11	18	49	110

Source: Company, Aриhant Research

Key Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E
Per share (INR)						
EPS	20.4	18.6	28.9	68.1	106.8	141.1
CEPS	37.9	35.5	45.9	87.4	132.3	168.7
BVPS	119.2	133.9	164.2	232.3	339.1	480.3
Valuation (x)						
P/E	81.1	88.9	57.2	24.3	15.5	11.7
P/CEPS	43.6	46.6	36.0	18.9	12.5	9.8
P/BV	13.9	12.4	10.1	7.1	4.9	3.4
EV/EBITDA	20.5	25.6	26.0	13.3	9.0	7.1
Return Ratios (%)						
Gross Margin	43.3%	42.9%	45.1%	45.3%	47.2%	45.1%
EBIDTA Margin	12.9%	11.7%	11.4%	14.6%	16.4%	17.4%
PAT Margin	3.2%	3.3%	5.1%	7.6%	9.0%	10.2%
ROE	17.1%	13.9%	17.6%	29.3%	31.5%	29.4%
ROCE	16.7%	12.4%	11.4%	20.7%	24.8%	25.5%
Leverage Ratio (x)						
Total D/E	2.3	2.0	1.6	1.3	1.0	0.8
Turnover Ratios						
Asset Turnover (x)	1.0	0.9	0.9	1.1	1.2	1.2
Inventory Days	158	197	187	187	187	187
Receivable Days	64	49	62	62	62	62
Payable days	66	75	74	47	35	30

Source: Company, Aриhant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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