

CMP: INR 1,658

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)	1,983
52w H/L (INR)	2,147 / 772
Avg. Yearly Volume (in 000')	21.8

Shareholding Pattern %

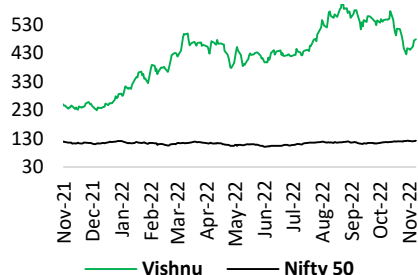
(As on September, 2022)

Promoters	75.00
Public & Others	25.00

Stock Performance (%)

	YTD	6M	1Y
Vishnu Chemicals	94%	25%	95%
Nifty 50	5%	15%	5.4%

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 September 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.

Q2FY23 Result Highlights:

- In Q2FY23, consolidated revenue increased by 55% YoY / up 4% QoQ to INR 375 crores and was in-line with our estimates of INR 372 crores. Both domestic and export sales reported strong growth with domestic sales outperforming export revenues.
- Volume growth supported top-line with debottlenecking facilitating increase in capacity by 10,000 TPA in the Chromium segment. There was some softness in export demand for Barium products, driven by Europe.
- EBITDA grew by 82% YoY / up 3% QoQ to INR 63 crores and was marginally lower than our estimate of INR 64 crores. Operating margins expanded by 245 basis points YoY but compressed slightly by 4 basis points QoQ to 16.7% due to input cost pressure on QoQ basis.
- Net Profit increased by 111% YoY / up 3% QoQ to INR 35 crores and was below our estimates of INR 36 crores. Net Profit margin expanded by 250 basis points YoY but compressed by 5 basis points QoQ to 9.3%.
- There was reduction in inventory and debtor days, resulting in increase in working capital efficiency.
- The company is looking at Brownfield expansion to introduce a new specialty chemical to aid Barium portfolio diversification and is likely to be commissioned by H1FY24. It is also optimizing the geographical sales mix in Barium products with a focus to increase market share in India.
- The Board of Directors approved stock split in the ratio of 1:5.

Outlook & Valuations: The company reported robust earnings growth in Q2FY23, which was largely in-line with 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)	89.1	57.4	24.3	15.5	11.8

Source: Company, Arihant Research

Quarterly Result

Particulars (Consolidated, INR Cr)	Q2FY23	Q1FY23	Q2FY22	QoQ	YoY
Revenue from operations	371	359	240	3.2%	54.2%
Cost of Material consumed	174	148	94	17.7%	85.9%
Cost of Consumables	61	58	35	5.4%	73.6%
Change in inventories of Finished Goods, WIP and Stock in Trade	-39	0	-3		
Gross Profit	174	153	115	13.8%	51.6%
Gross Profit Margin	46.9%	42.6%	47.7%	438 bps	-80 bps
Employee Cost	11	10	10	7.2%	12.7%
Power Cost	17	17	12	2.6%	41.6%
Manufacturing Expenses	36	30	22	18.1%	59.5%
Selling and Administrative Expenses	51	37	37	37.1%	37.6%
Other Expenses	1	0	0	112.9%	46.7%
EBITDA	59	58	33	0.6%	77.1%
EBITDA Margin	15.8%	16.2%	13.8%	-42 bps	205 bps
Depreciation and amortization expenses	7	7	6	1.2%	20.3%
EBIT	52	52	28	0.5%	88.5%
EBIT Margin	14.0%	14.4%	11.5%	-38	256
Interest Cost	8	7	6	8.8%	31.8%
Other Income	4	2	1	78.1%	185.7%
Profit Before Tax	48	47	23	2.9%	109.4%
Tax Expenses	13	13	6	2.5%	104.7%
Effective Tax Rate	26.9%	27.0%	27.5%	-13	-62
Profit After Tax	35	34	17	3.1%	111.2%
Net Profit Margin	9.5%	9.5%	6.9%	-1 bps	256 bps

Source: Company, Arianth Research

Conference Call Highlights

- The company benefitted from the completion of its capital expenditure program done in the last quarter of the previous financial year.
- It provides it with raw material security in the Chromium chemical segment. Resultantly, it can manufacture sodium carbonate in-house.
- The target of the company is to provide about 60% of its internal requirement through backward integration in the Chromium chemical business.
- Going forward, margins are expected to be positively impacted as the sodium carbonate facility stabilizes and is further ramped up.
- It is also witnessing benefit of operating leverage from the expanded capacity in the barium chemical segment, which increased by about 50% last year and is getting ramped up.
- The company is further debottlenecking and increasing the chromium chemical capacity by 10,000 MTPA and the actual benefits will start flowing into the Profit & Loss account from the second half of the current financial year.
- These initiatives are undertaken by the company after analysing the increasing demand for Chromium chemicals globally.
- Global competitors in Turkey are facing inflationary pressure, which will benefit Vishnu Chemicals in terms of lower pricing.
- Also, one of their major competitors in America is looking at exit options in the business and is again a positive driver for Vishnu Chemicals Ltd.
- In the barium segment, raw material prices have been stable. There has been some demand challenges from Europe. However, domestic demand remains strong and the company is looking to expand in the domestic market.
- It is working on a value-added derivative in the barium segment, which will commercialize in FY24 and is margin accretive.

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
<i>Change (%)</i>	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
<i>Rate (%)</i>	35.0%	26.7%	-1.4%	27.5%	27.0%	27.0%
PAT	24	22	34	81	128	169
<i>Change (%)</i>	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, Arianth 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	89.1	57.4	24.3	15.5	11.8
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, Arianth 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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