

**CMP: INR 1,181**

**Rating: BUY**

**Target Price: INR 1,513**

**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)	1,396
52w H/L (INR)	1,312 / 167
Avg. Yearly Volume (in 000')	23.2

**Shareholding Pattern %**

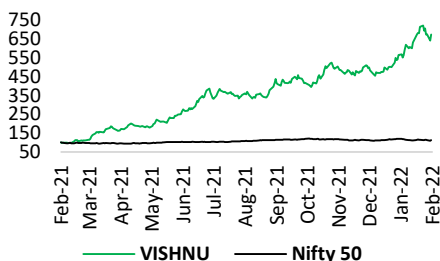
(As on December, 2021)

Promoters	75.00
Public & Others	25.00

**Stock Performance (%)**

	YTD	6M	1Y
Vishnu Chemicals	38%	87%	574%
Nifty 50	-1.6%	4.8%	13%

**Vishnu Chemicals Vs Nifty**



Vishnu Chemical Ltd. is a leading manufacturer of chromium and barium chemicals. It delivered robust earnings in the quarter ending December 2021. The company is at the end of its capital expenditure cycle which includes backward integration in its chromium facility and expansion of its barium plant capacity. Both the operations underwent trial run in Q3FY22 and will get commercialized by Q4FY22. The output is expected to be reflected in the financials of the company from Q4FY22. In FY21, chromium vertical contributed about 85% of the consolidated revenues, while the remaining 15% was attributed to the barium segment.

**Q3FY22 Result Highlights:**

- The company reported strong results for Q3FY22 with top-line and bottom-line outperforming the quarterly estimates. Consolidated revenues increased by 125% YoY/up 24% QoQ to INR 297 Cr against estimates of INR 245 Cr.
- Gross Margin compressed by 938 bps YoY/down 491 bps QoQ to 42.8% due to raw material and consumable cost inflation.
- EBITDA grew significantly by 194% YoY/up 34% QoQ to INR 44.4 Cr versus estimates of INR 33.3 Cr. Operating Margins expanded by 361 bps YoY/ up 114 bps QoQ to 14.9%. In spite of pressure on Gross Margins, the company was able to control Power, Employee and Manufacturing cost, which helped in expanding operating margins. Better pricing power and operating leverage also facilitated increase in EBITDA.
- Finance Cost increased by 11% YoY/up 9% QoQ, while Depreciation increased by 9% YoY/up 1% QoQ. Effective Tax Rate was flat sequentially at 27.3% and in the guidance range provided by the management.
- PAT increased robustly by 569% YoY/up 48% QoQ to INR 24.6 Cr against estimates of INR 16.9 Cr. PAT Margin expanded by 551 bps YoY/ up 134 bps QoQ to 8.3%.
- The company commenced the Backward Integration Project at its Vishakhapatnam Unit in Q4FY22.
- The 50% expansion in the Barium segment is also on track and is expected to commence in Q4FY22.
- The company benefitted from higher price realization in the subsidiary company, although volumes were lower due to heavy rainfall in the adjoining areas during the quarter.

**Outlook & Valuations:** The company reported strong results in Q3FY22, which were above expectations. The earnings reflect the trickle down effect of the operational initiatives undertaken by the company, including debottlenecking of its chromium plant in the previous financial year. We expect the robust growth momentum to continue as its major capital expenditure exercise will fructify in Q4FY22. It will facilitate expansion in operating margins in the next 1.5 years. Also, the topline will be benefitted with 50% expansion in the barium plant capacity and bottom-line will increase by 3x in the next two years. Factoring in its sturdy growth going ahead, we value the company at a P/E multiple of 14x its FY24E EPS of INR 108.2 and maintain our target price of INR 1,513 per share. Accordingly, we reiterate our BUY rating on the shares of Vishnu Chemicals Ltd.

**Financial Highlights**

INR, Cr	FY20	FY21	FY22E	FY23E	FY24E
Revenue	674	679	1,035	1,242	1,428
EBITDA	79	77	150	216	265
EBITDA margin(%)	11.7%	11.4%	14.5%	17.4%	18.6%
PAT	22	34	73	101	129
PATM (%)	3.3%	5.0%	7.1%	8.1%	9.0%
EPS(in Rs)	18.6	28.9	61.2	84.6	108.2
ROE(%)	13.9%	17.6%	27.2%	27.3%	25.9%
PE(x)	63.5	40.9	19.3	14.0	10.9

Source: Company, Arihant Research

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Quarterly Result

INR, Cr, Consolidated	Q3FY22	Q2FY22	Q3FY21	QoQ	YoY
Income from operations	297.2	239.3	132.0	24%	125%
Other Operating Income	0.6	1.1	1.7	-41%	-62%
<b>Total Revenues</b>	<b>297.8</b>	<b>240.4</b>	<b>133.7</b>	<b>24%</b>	<b>123%</b>
Cost of Material consumed	112.0	93.7	35.6	20%	215%
Cost of Consumables	44.2	35.2	14.7	25%	201%
Change in inventories	14.1	-3.3	13.7	-527%	3%
<b>COGS</b>	<b>170.3</b>	<b>125.6</b>	<b>63.9</b>	<b>36%</b>	<b>166%</b>
<b>Gross Profit</b>	<b>127.6</b>	<b>114.8</b>	<b>69.8</b>	<b>11%</b>	<b>83%</b>
<b>Gross Profit Margin</b>	<b>42.8%</b>	<b>47.7%</b>	<b>52.2%</b>	<b>-491</b>	<b>-938</b>
Employee Cost	10.2	9.7	9.3	5%	10%
Power Cost	11.2	12.0	6.8	-7%	64%
Manufacturing Expenses	22.3	22.3	20.8	0%	7%
Selling & Administrative Expenses	38.3	37.2	17.1	3%	124%
Other Expenses	1.1	0.4	0.7	163%	55%
<b>Total Expenditure</b>	<b>253.4</b>	<b>207.3</b>	<b>118.6</b>	<b>22%</b>	<b>114%</b>
<b>EBITDA</b>	<b>44.4</b>	<b>33.1</b>	<b>15.1</b>	<b>34%</b>	<b>194%</b>
<b>EBITDA Margin</b>	<b>14.9%</b>	<b>13.8%</b>	<b>11.3%</b>	<b>114</b>	<b>361</b>
Depreciation and Amortization	5.6	5.5	5.1	1%	9%
<b>EBIT</b>	<b>38.8</b>	<b>27.6</b>	<b>10.0</b>	<b>41%</b>	<b>289%</b>
<b>EBIT Margin</b>	<b>13%</b>	<b>11%</b>	<b>7%</b>	<b>156</b>	<b>558</b>
Finance Cost	6.6	6.0	5.9	9%	11%
Other Income	1.6	1.4	0.3	12%	420%
<b>EBT</b>	<b>33.8</b>	<b>23.0</b>	<b>4.4</b>	<b>47%</b>	<b>675%</b>
<b>Tax Expense</b>	<b>9.2</b>	<b>6.3</b>	<b>0.7</b>	<b>46%</b>	<b>1250%</b>
Current Tax	8.2	5.5	0.3	50%	2468%
Deferred Tax	1.0	0.8	0.4	18%	176%
<b>Effective Tax Rate</b>	<b>27.3%</b>	<b>27.5%</b>	<b>15.7%</b>	<b>-26</b>	<b>1161</b>
<b>PAT</b>	<b>24.6</b>	<b>16.6</b>	<b>3.7</b>	<b>48%</b>	<b>569%</b>
<b>PAT Margin</b>	<b>8.3%</b>	<b>6.9%</b>	<b>2.8%</b>	<b>134</b>	<b>551</b>
No. of outstanding shares	1.2	1.2	1.2	0%	0%
<b>EPS</b>	<b>20.6</b>	<b>13.9</b>	<b>3.1</b>	<b>48%</b>	<b>569%</b>

Source: Company, Arianth Research

Key Financials

Income Statement

Y/E March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenues</b>	<b>769</b>	<b>674</b>	<b>679</b>	<b>1,035</b>	<b>1,242</b>	<b>1,428</b>
<i>Change (%)</i>	17.9%	-12.5%	0.8%	52.4%	20.0%	15.0%
Cost of Goods Sold	437	385	372	551	604	705
Employee costs	33	33	34	49	53	56
<b>Other expenses</b>	<b>200</b>	<b>176</b>	<b>195</b>	<b>285</b>	<b>370</b>	<b>402</b>
Total operating Expense	<b>670</b>	<b>595</b>	<b>601</b>	<b>885</b>	<b>1,027</b>	<b>1,163</b>
<b>EBITDA</b>	<b>99</b>	<b>79</b>	<b>77</b>	<b>150</b>	<b>216</b>	<b>265</b>
Other Income	3	7	3	3	3	2
Depreciation	21	20	20	28	45	50
Interest	44	36	26	27	32	35
<b>PBT</b>	<b>37</b>	<b>30</b>	<b>34</b>	<b>98</b>	<b>142</b>	<b>182</b>
Extra-ordinary	0	0	0	0	0	0
<b>PBT after Ext-ord.</b>	<b>37</b>	<b>30</b>	<b>34</b>	<b>98</b>	<b>142</b>	<b>182</b>
Tax	13	8	0	25	40	53
<i>Rate (%)</i>	35.0%	26.7%	-1.4%	25.7%	28.5%	29.0%
<b>PAT</b>	<b>24</b>	<b>22</b>	<b>34</b>	<b>73</b>	<b>101</b>	<b>129</b>
<i>Change (%)</i>	68.9%	-8.8%	55.2%	115.0%	38.6%	27.7%

Balance Sheet

Y/E March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	12	12	12	12	12	12
Reserves & Surplus	130	148	184	241	342	471
<b>Net Worth</b>	<b>142</b>	<b>160</b>	<b>196</b>	<b>253</b>	<b>353</b>	<b>483</b>
Long term debt	168	174	175	150	125	100
Short term debt	158	141	131	172	199	223
<b>Total Debt</b>	<b>326</b>	<b>315</b>	<b>306</b>	<b>321</b>	<b>324</b>	<b>322</b>
Deferred Tax & other liabilities	76	69	70	75	80	70
Current liabilities	207	186	196	201	211	244
Provisions	6	5	4	6	6	8
<b>Total Liabilities</b>	<b>757</b>	<b>735</b>	<b>773</b>	<b>857</b>	<b>975</b>	<b>1,128</b>
Net Block	350	338	387	422	457	494
Capital Work-in-Progress	19	36	24	11	7	6
Other Non-Current Assets	14	14	12	10	4	2
<b>Net fixed assets</b>	<b>383</b>	<b>389</b>	<b>423</b>	<b>444</b>	<b>468</b>	<b>502</b>
Investments	1	1	1	1	1	1
Debtors	134	91	116	146	169	190
Inventories	189	208	191	231	246	268
Cash & bank balance	14	15	11	4	59	135
Loans & advances & other CA	35	31	31	31	31	31
<b>Total current assets</b>	<b>374</b>	<b>347</b>	<b>349</b>	<b>413</b>	<b>507</b>	<b>625</b>
<b>Total Assets</b>	<b>757</b>	<b>735</b>	<b>773</b>	<b>857</b>	<b>975</b>	<b>1,128</b>

Source: Company, Aриhant Research

## Key Financials

## Cash Flow Statement

Y/E March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT</b>	<b>37</b>	<b>30</b>	<b>34</b>	<b>76</b>	<b>136</b>	<b>174</b>
Depreciation	21	20	20	24	26	28
Interest & others	41	28	23	24	25	25
Cash flow before WC changes	99	79	77	124	186	226
<b>(Inc)/dec in working capital</b>	<b>12</b>	<b>-21</b>	<b>-5</b>	<b>-71</b>	<b>-39</b>	<b>-43</b>
Operating CF after WC changes	111	58	72	53	148	184
Less: Taxes	-12	-12	-7	-20	-35	-45
<b>Operating cash flow</b>	<b>99</b>	<b>46</b>	<b>66</b>	<b>33</b>	<b>113</b>	<b>139</b>
(Inc)/dec in F.A + CWIP	-25	-26	-54	-35	-35	-37
(Pur)/sale of investment	0	0	0	0	0	0
<b>Cash flow from investing</b>	<b>-23</b>	<b>-22</b>	<b>-52</b>	<b>-28</b>	<b>-33</b>	<b>-35</b>
<b>Free cash flow (FCF)</b>	<b>74</b>	<b>20</b>	<b>11</b>	<b>-1</b>	<b>78</b>	<b>102</b>
Loan raised/(repaid)	-35	9	5	15	2	-1
Equity raised	0	0	0	0	0	0
Interest & others	-42	-31	-23	-27	-27	-27
Dividend	0	0	0	0	0	0
<b>Cash flow from financing activities</b>	<b>-77</b>	<b>-23</b>	<b>-19</b>	<b>-12</b>	<b>-25</b>	<b>-29</b>
<b>Net inc /(dec) in cash</b>	<b>-2</b>	<b>0</b>	<b>-5</b>	<b>-7</b>	<b>55</b>	<b>76</b>
Opening balance of cash	3	1	1	11	4	59
Closing balance of cash	1	1	11	4	59	135

## Key Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Per share (INR)</b>						
EPS	20.4	18.6	28.9	61.2	84.6	108.2
CEPS	37.9	35.5	45.9	84.4	106.4	131.7
BVPS	119.2	133.9	164.2	225.4	310.0	418.2
<b>Valuation (x)</b>						
P/E	57.9	63.5	40.9	19.3	14.0	10.9
P/CEPS	31.2	33.3	25.7	14.0	11.1	9.0
P/BV	9.9	8.8	7.2	5.2	3.8	2.8
EV/EBITDA	17.4	21.7	22.0	11.9	9.5	7.7
<b>Return Ratios (%)</b>						
Gross Margin	43.2%	42.9%	45.2%	46.8%	51.4%	50.6%
EBIDTA Margin	12.9%	11.7%	11.3%	14.5%	17.4%	18.6%
PAT Margin	3.1%	3.3%	5.0%	7.1%	8.1%	9.0%
ROE	17.1%	13.9%	17.6%	27.2%	27.3%	25.9%
ROCE	16.7%	12.4%	11.4%	19.5%	21.5%	22.4%
<b>Leverage Ratio (%)</b>						
Total D/E	2.3	2.0	1.6	1.3	1.0	0.8
<b>Turnover Ratios</b>						
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	48	40	35

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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