

CMP: INR 1,440

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)	1,720
52w H/L (INR)	1,790 / 329
Avg. Yearly Volume (in 000')	18.1

Shareholding Pattern %

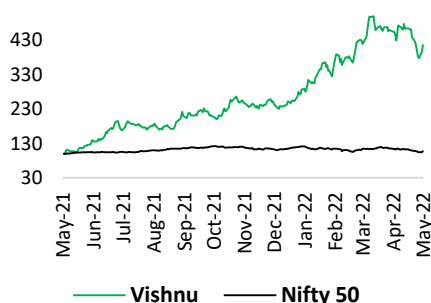
(As on March, 2022)

Promoters	75.00
Public & Others	25.00

Stock Performance (%)

	YTD	6M	1Y
Vishnu Chemicals	77%	77%	336%
Nifty 50	-7.8%	-8.5%	7.6%

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 March 2022. The company completed its major capital expenditure cycle which included backward integration in its chromium facility and expansion of its barium plant capacity. Both the operations underwent trial run in Q3FY22 and was commercialized by Q4FY22. The chromium vertical contributes about 85% of the consolidated revenues, while the remaining 15% was attributed to the barium segment.

Q4FY22 Result Highlights:

- The company reported strong results for Q4FY22 with top-line and bottom-line outperforming the quarterly estimates. Consolidated revenues increased by 56% YoY/up 12% QoQ to INR 333 Cr against estimates of INR 314 Cr.
- In FY22, Domestic revenues grew by 56% YoY and Export sales increased by 58% YoY for the company.
- Domestic market comprises about 52% of total sales, while Exports market comprise the remaining 48% of the total sales.
- Within export market, the contribution of different regions stood at: Asia (19%), South America (46%), North America (8%), Europe (19%), Africa (3%) and Oceania (5%).
- Gross Margin expanded by 304 bps YoY/up 288 bps QoQ to 45.7% as increase in sales offset the increase in raw material cost inflation.
- EBITDA grew significantly by 108% YoY/up 16% QoQ to INR 51.3 Cr versus estimates of INR 47.3 Cr. Operating Margins expanded by 381 bps YoY/ up 47 bps QoQ to 15.4%.
- Expansion in EBITDA margin was facilitated by scale, operational flexibility, focus on improving supply chain and strengthening procurement planning.
- Finance Cost increased by 5% YoY/up 17% QoQ, while Depreciation increased by 25% YoY/up 13% QoQ. Other Income grew robustly by 62% YoY/ up 17% QoQ to INR 1.8 Cr.
- Effective Tax Rate stood at 27.1% in Q4FY22 compared to 27.3% in Q3FY22 and 19.6% in Q4FY21.
- PAT increased robustly by 163% YoY/up 16% QoQ to INR 28.6 Cr and came in above expectation of INR 26.4 crores. PAT Margins expanded by 347 bps YoY/ up 30 bps QoQ to 8.6%.
- 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 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.
- The Board of Directors have recommended dividend of INR 2 per equity share (Face Value: INR 2 each), subject to approval from shareholders.

Outlook & Valuations: The company reported strong results in Q4FY22, which were above 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 robust 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 value the company at a P/E multiple of 15x its FY24E EPS of INR 141.1 and revise our target price upwards to INR 2,116 per share (earlier TP: INR 1,892 per share). Accordingly, we reiterate our BUY rating on the shares of Vishnu Chemicals Ltd.

Quarterly Result

INR, Cr, Consolidated	Q4FY22	Q3FY22	Q4FY21	QoQ	YoY
Income from operations	332.9	297.2	213.1	12%	56%
Other Operating Income	0.8	0.6	0.4	28%	99%
Revenue from operations	333.7	297.8	213.6	12%	56%
Cost of Materials consumed	124.6	112.0	89.2	11%	40%
Cost of Consumables	47.4	44.2	28.3	7%	67%
Change in inventories	9.2	14.1	4.8	-35%	89%
Total	181.2	170.3	122.4	6%	48%
Gross Profit	152.6	127.6	91.1	20%	67%
Gross Profit Margin	45.7%	42.8%	42.7%	288 bps	304 bps
Employee Costs	11.7	10.2	9.2	14%	27%
Power Cost	12.9	11.2	7.5	15%	72%
Manufacturing Expenses	29.4	22.3	18.5	32%	59%
Selling and Administrative Expenses	48.6	38.3	30.2	27%	61%
Other Expenses	-1.3	1.1	1.0	-215%	-226%
EBITDA	51.3	44.4	24.7	16%	108%
EBITDA Margin	15.4%	14.9%	11.6%	47 bps	381 bps
Depreciation and Amortization Expenses	6.3	5.6	5.0	13%	25%
EBIT	45.0	38.8	19.7	16%	129%
EBIT Margin	13.5%	13.0%	9.2%	46 bps	428 bps
Finance Costs	7.7	6.6	7.3	17%	5%
Profit before tax and Other Income	37.4	32.3	12.4	16%	202%
Other Income	1.8	1.6	1.1	17%	62%
Profit before tax	39.2	33.8	13.5	16%	190%
Tax Expense	10.6	9.2	2.6	15%	301%
Current Tax	8.2	8.2	1.1	0%	666%
Deferred Tax	2.4	1.0	1.6	138%	52%
<i>Effective Tax Rate</i>	27.1%	27.3%	19.6%	-17 bps	751 bps
Net Profit	28.6	24.6	10.9	16%	163%
Net Profit Margin	8.6%	8.3%	5.1%	30 bps	347 bps

Source: Company, Arianth Research

Conference Call Highlights:

- In the Barium segment, the company saw volume increase by approximately 10% YoY in FY22.
- In the Chromium segment, the increase in volume was driven by debottlenecking, which the company undertook in latter part of the previous financial year.
- It commercialized the backward integration program in the Chromium segment in Q4FY22, which will facilitate raw material security for soda ash internally. Also, it will facilitate margin growth and the full effect will be seen in FY23 and beyond.
- It has also completed the expansion of its Barium capacity. The segment is a relatively higher margin product compared to the Chromium segment.
- Going forward, the company will further expand its Chromium capacity by another 10,000 MTPA, which will be completed by H1FY23.
- It will introduce a high margin derivative product in the Barium segment, which is an import substitution product. Currently, it is imported in India from China and Italy with the latter providing the high grade.

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	70.6	77.4	49.9	21.1	13.5	10.2
P/CEPS	38.0	40.6	31.4	16.5	10.9	8.5
P/BV	12.1	10.8	8.8	6.2	4.2	3.0
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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