

20th August, 2024

VCL/SE/40/2024-25

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 516072
Through: BSE Listing Centre

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (East),
Mumbai -400 051
NSE Symbol : VISHNU
Through : NEAPS

Subject: Transcript of the Earnings Call held on 16th August, 2024 on Q1FY25 Financial Results

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find transcript of the Earnings Call held on Friday, 16th August, 2024 to discuss Financials Results for Q1 FY25.

This information will also be available on the website of the Company www.vishnuchemicals.com

Kindly take the same on record and disseminate on your website.

Thanking You.

Yours faithfully,

For Vishnu Chemicals Limited

Vibha Shinde
Company Secretary & Compliance Officer



Event Date / Time: 16/08/2024, 1430 hrs.

Event Duration : 55 Mins 39 Secs

CORPORATE PARTICIPANTS:

Ms. Hanumant Bhansali

Vice President – Finance & Strategy

Moderator

Good afternoon, ladies and gentlemen. I am Soumya, moderator for the conference call. Welcome to Vishnu Chemicals Limited Q1 FY25 Earnings Conference Call hosted by Sunidhi Securities and Finance Limited. As a reminder, all participant lines will be in the listen only mode and there will be opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand over the floor to Mr. Rohit Sinha. Thank you and over to you, sir.

Rohit Sinha

Thank you, Soumya. Good afternoon, everyone. Thank you for joining us on Vishnu Chemical's Q1 FY25 results conference call. I would like to thank the management for giving us this opportunity to host the call. From the management side, we are joined on this call Mr. Hanumant Bhansali, Chief Financial Officer. I would like to invite Mr. Hanumant to initiate this proceeding with his opening remarks. Post which, we will have a Q&A session. Thank you, and over to you sir.

Hanumant Bhansali

Thank you, Mr. Rohit, and good afternoon everyone. This is Hanumant Bhansali with you. I am the Vice President, Finance and Strategy at Vishnu Chemicals Limited. Firstly, I'd like to greet all the participants from India, 78th Independence Day to all of you. Let us start with something about what we really want to convey before we start talking about the highlights of the quarter – India. So, growth is the natural trajectory for any country in the world but only this time around, we are witnessing India becoming an important catalyst in global growth engine; be it in terms of visionary leadership, manufacturing ecosystem, quality of talent, ease of doing business, customer support, logistics or the standards of improving corporate governance.

India's specialty chemicals sector has been playing a pivotal role in driving the chemical industry's growth. The theme 'Make in India and Sell Globally' is becoming a reality to some extent, underscoring India's growing significance on the international market. Overall, we are delighted as a country and as a company to see this opportunity come our way, as the world is looking to Indian manufacturers to deliver excellence on a global scale. Without much ado, I would now like to share the highlights of our business for the quarter gone by.

Speaking about the consolidated results, the operating revenues increased by 13% both on a YoY and a QoQ basis. In Q1 FY25, the operating revenues stood at INR 338.8 crores compared to INR 300.7 crores in preceding quarter last year. EBITDA increased by 9% on a YoY basis in Q1 FY25, compared to INR 55.6 crores in Q1 FY25 compared to INR 51.1 crores in Q1 FY24.

The consolidated PAT increased by 6% YoY in Q1 FY25 to INR 30.5 crores compared to INR 28.6 crores in Q1 FY24. Coming to standalone results, the operating revenues increased by 3% YoY from INR 249.9 crores in Q1 FY24 to INR 258.2 crores in Q1 FY25. The stand-alone EBITDA increased by 3% YoY from INR 42.6 crores in Q1 FY24 to INR 43.8 crores in Q1 FY25. The stand-alone EBITDA margin stood at 16.96% for Q1 FY25 compared to 17.03% in Q1 FY24. The standalone PAT of the company stood at INR 26.3 crores in Q1 FY25 compared to INR 25.5 crores in Q1 FY24.

During the quarter gone by, the company achieved an all-time high production volume and maintained a balanced sales mix between domestic and export markets with a 50-50 ratio. To address rising freight and raw material costs, the company increased the realizations of its finished goods across most of the products. Additionally, we strategically invested a portion of our gross profits from Barium Chemistry into competitive markets, positioning ourselves well for the longer term. It is encouraging to note that despite the increasing freight costs, there is continued demand growth for our chemicals, which underscores the innovation in the use cases of our products. Since

the discovery of Chrome Ore way back in 1798, industrialization and urbanization have driven new applications for Chromium and Barium chemicals. Today, these chemicals are key to producing super alloys, they are key to producing pharmaceutical products and also a lot of consumer products, which shows that our products are serving the pharmaceutical industry, consumer industry as well as the industrial sectors at large. Going forward, the Company is poised to invest time, manpower and capital to leverage its operational capabilities and reach, to better serve our customers throughout the year.

Kindly note that our results and the investor presentations have been uploaded on the exchanges as well as Company's website. With this, I thank you all and conclude my opening remarks. We can now commence the Q&A session.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have any questions please press * and 1 on your telephone keypad and please wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. Our first question comes from Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel

Yes. I just, joined in a little bit late. I might have missed your opening remarks. So, can I get an update about, our margins? Because, QoQ, sequentially, your margins have decreased on consolidated basis?

Hanumant Bhansali

Thank you, Mr. Rohan, for this question. Sequentially, the EBITDA margins were about 16.4% on a consolidated level compared to 21.2% in Q4 FY24. Q4 FY24, we had more inventory of finished goods that was sold during this quarter and thereby there is a reduction of change in inventory, leading to a more normalized EBITDA margin for us during this quarter.

Rohan Patel

Okay. So can we expect, as in last call also you guided that this year due to your order book, we might be in range of 20%, 21% EBITDA margin. So, can we expect that?

Hanumant Bhansali

So, we have not given any guidance on the EBITDA margin for the financial year. What we have said is our EBITDA margins have improved significantly over the years from ranging around 12-15% few years ago. Today, we are quite healthy in the range of 16-17%. We'd like to consolidate this and improve it further by the end of the year to reach to about 17.5%, 18%. But our target in the next 2 to 3 years is to achieve our EBITDA margin consistently at 20%.

Rohan Patel

Okay. This quarter, I still have couple of questions.

Hanumant Bhansali

Please.

Rohan Patel

So this quarter, we have seen, INR 80 crore, revenue in Barium sales that we have done, around INR 80 crore. So, can we expect this run rate to continue for the year?

Hanumant Bhansali

We are hoping that the entire year gets better from here because in Barium vertical, like you are aware, we are seeing improved traction for both the products that we have in the Barium chemistry. Primarily, I'm talking about Barium carbonate as well as Precipitated Barium Sulphate. So, we hope to improve the run rate going forward.

Rohan Patel

And now the second question is on Chromium side. Can I understand seeing that we currently contribute, in a single digit in lot of Chromium products, like, our market share is in single digit compared to the industry? So, is there room for us to increase?

Hanumant Bhansali

It's a very good question, Mr. Patel. So here, I'd like to discuss with the entire forum a little bit about our market share in Chromium chemistry. In India, we have a market share of 60%. And globally, our market share is close to 10%, around 8% to be specific. In the next 3 to 4 years, our target is to become a global market share leader with around 12-13%. And with India, we would like to further consolidate our market share. So, in most of the products that we sell into India, we are already having a market share of more than 50%. and on an overall level, our Chromium chemicals market share is 60%.

Rohan Patel

Okay. So, this 12-13%, is it achievable in next 2 to 3 years?

Hanumant Bhansali

Yes. We are investing in this context. And like we mentioned during our conference call last quarter, we will come back with a detailed CapEx plan after our Q2 results are announced.

Rohan Patel

Okay. And just on all the 3 divisions, one is Chromium and Barium Sulphate and carbon, can I just know the capacity utilization for this quarter?

Hanumant Bhansali

We don't share because of confidentiality reasons the capacity utilizations in either of our chemistries because the information that is shared with the shareholders also is shared with the stakeholders at large. And that's why we refrain ourselves as a company policy to share the exact capacity utilization. But I can tell you for a matter of fact that in Chromium chemicals, we are producing upwards of 80% from a capacity utilization point of view. And in Barium chemicals, our capacity utilization is in the mid range of 50s to 60s.

Rohan Patel

Okay. So, there's still room to increase capacity utilization in the area?

Hanumant Bhansali

Correct. Thank you.

Rohan Patel

Okay. That was from my side. Any more questions, I will join.

Moderator

Thank you, sir. Ladies and gentleman if you have any questions please press * and 1 on your telephone keypad. Our next question comes from Sagar Jethwani from Phillip Capital. Please go ahead.

Sagar Jethwani

So ,I have 3 questions. 1, what went wrong with the India business during the quarter? The revenue growth was subdued. Any specific client segment that saw a significant slowdown? That is one. Secondly, despite taking the pricing action in the Barium segment, what happens to the margin of this segment on a sequential basis, specifically the gross margins? This is second. And third is the utilization of CO2 plant that you can highlight? Thank you.

Hanumant Bhansali

Thank you. Mr. Sagar, for your 3 questions. I'll start off with your first part. So, at a consolidated level, our domestic sales was 50% of our total revenue and export sales were 50%, which is, as you can see, is in line with our past track record of maintaining a balanced mix between India sales as

well as export sales. So, we have not seen any dip in India business as such. It's only that we have seen improvement in our export sales. So, in FY24, our domestic to export sales mix was 53:47 for the entire year, which is now exports improving to 50. So that's the range that we will continue to work at. In some quarters, you'll see domestic doing better than exports and vice versa but on the whole, this will be our revenue mix for the entire year.

Sagar Jethwani

Yes. Sorry, I'm intervening here. So basically, where I was coming from is that not about the mix, it's about the YoY revenue growth. If you see, export has grown by plus 20%, okay? And India has grown by around 5%. So that's where I was pointing at. Maybe if you can elaborate any reason for that, if any?

Hanumant Bhansali

Yes, of course. So a very good observation. And I think over here, the major increase in export business that we have seen has come from the Barium business. As Barium business compared to last quarter, we did more turnover from the export business as we forayed into newer markets for our Barium Carbonate sales. So that increased our overall turnover for the exports business compared to our India turnover. I hope that answers your question.

Sagar Jethwani

Yes, okay. And about second point about the Barium margins, you can comment on that.

Hanumant Bhansali

Yes. A pertinent observation, I think, is why is there a dip in the gross margins of the Barium Business. Not necessarily a dip per se, but it's more from two points that number 1, we had higher finished good inventory at the end of March quarter, which has got monetized and has been sold during the quarter, which has reduced our overall gain from changes in inventory. It's more of an accounting treatment rather than any major shift in our margin profile. And second thing is we have also used some part of our gross profitability achieved in the Barium chemistry to penetrate into newer markets, some of them being like USA, which is one of the most premium markets in the world, let's say, after Japan. And we view some of the margins earned during the quarter in Barium business to mark our foray into these markets.

And that's the reason why you can see a little bit dip in our overall profitability or EBITDA margins in the Vishnu Barium business.

Sagar Jethwani

Okay. So, when do you expect the revenue to flow in from these?

Hanumant Bhansali

The revenues have already started flowing in. Like it was pointed out during the call earlier, our operating revenues from Barium business has been in excess of INR 80 crores during the quarter gone by compared to nearly about INR 60 crores in Q4 FY24. So, we have seen an increase of more than INR 23 crores in just one quarter alone.

Sagar Jethwani

Okay. And lastly, about the utilization of CO2 plant during the quarter?

Hanumant Bhansali

Thank you for this question. Our utilization of CO2 plant is improving and we are now going to hit our optimum levels. Probably, we have achieved close to about 80% utilization levels, whatever we had envisaged. And today, our savings from that is close to about INR 4-4.5 crores a month. Even in a cycle where CO2 available for around INR 25 a kg. So, this is actually very big achievement for us because there are very few companies globally, not just in India, who are converting carbon dioxide into sodium carbonate or soda ash, as we all know, without necessarily procuring any other raw material to produce the same. So, this is quite encouraging and that's the reason why we are seeing more and more stability built into our gross margin profile over the years.

Sagar Jethwani

And what was the share of in sourcing, the soda ash I'm speaking about?

Hanumant Bhansali

Close to 40%.

Sagar Jethwani

Oh, it came down from 50%?

Hanumant Bhansali

Yes, close to 40-45% has been our sourcing. And we hope to maintain this ratio through the year.

Sagar Jethwani

Okay understood. Thank you.

Hanumant Bhansali

Thank you.

Moderator

Thank you, sir. Ladies and gentleman if you have any questions please press * and 1 on your telephone keypad and please wait for your turn to ask the question. Our next question comes from Aditya Chheda from InCred Asset Management. Please go ahead.

Aditya Chheda

Good Afternoon. So, on if you can tell us the gross debt number because the interest cost number is still consistent and we were supposed to reduce some debt. So, can you talk about the gross debt and about the finance cost trajectory going forward?

Hanumant Bhansali

Thank you, Mr. Aditya, for your question on the debt. During the quarter, we do not report the balance sheet, but our gross debt is nearly the same compared to previous quarter that was ended on 31st March. Our overall finance cost is quite stable, we had an interest expense of nearly about INR 9.24 crores in the quarter ended 31st March. And in this quarter, we had interest expense of about INR 9.12 crores. So, there's no much difference in our finance costs in the reported quarter.

Aditya Chheda

Right. Are we expected to reduce some debt in this financial year?

Hanumant Bhansali

Overall, yes, because our term loans from banks are reducing. So as of 31 March 2023, we had term loans from banks at about INR 140 crores, which has come down to INR 84 crores as of 31 March 2024. And if the same run rate goes, we will be close to at INR 42 crores by the end of the year from the term loans position. So that reduces our overall outflow on the interest cost to the banks.

Aditya Chheda

Right. And my next question is on the additional dichromate capacity that was supposed to be coming on stream around 10,000 tonnes. So, can you guide us what is the status on that? And if you can also highlight the overall capacity for segments as of today?

Hanumant Bhansali

As of now, we have a total installed capacity of 80,000 tonnes in sodium dichromate. That is our primary finished good in the Chromium chemicals umbrella. We have been contemplating about adding 20,000 tonnes of sodium dichromate and this will be built in phases, about 10,000 tonnes first and then the second phase will be about 10,000 tonnes again. We are still working on that and but we are still working on completing that project. It's still taking some time for us to complete. But

what we have done during the quarter gone by is we have done a complete exercise on debottlenecking our existing plants.

So, where we were hitting the capacity utilization of, let's say, 80-81%, we have seen most part of the quarter in Q1 FY25 achieved capacity utilizations of more than 85% from the existing assets, which is helping us sweat it better, which is helping us give more production volume with the same fixed costs per se. So, this is quite encouraging for us. From a company where we were operating at a capacity utilization of 60-65% till about FY22. We moved to about 80% in FY23 and now we are looking at the same asset giving us a utilization of more than 85%. So going forward, we'll keep you posted on that on further increasing sodium dichromate capacity.

Aditya Chheda

Right. And my last question is on the Barium side. The additional revenue, can you talk if that was more from the new product launch that we had or from the base, Barium carbonate?

Hanumant Bhansali

It was a very good quarter for us from a Barium perspective because not just we achieved higher revenues in the Barium vertical, but you will also observe that this increase in revenues came primarily from export markets. So, in Q4 FY24, wherein our domestic turnover in Barium was close to about INR 28 odd crores. In this quarter, we clocked in close to about INR 34 crores from domestic sales. But if you see about our export turnover in Vishnu Barium, which was around INR 32 crores in Q4 FY24, in this quarter, we clocked in close to about INR 48 crores. So, we have seen increasing turnover in both the geographies in which we sell, but we are more excited about our entry into some of these premium markets for which we have really worked hard over the last 3 quarters and seeing a lot of sustained momentum over there.

Aditya Chheda

Okay. That's it from my side.

Hanumant Bhansali

Thank you.

Moderator

Thank you, sir. Ladies and gentleman if you have any questions please press * and 1 on your telephone keypad and please wait for your turn to ask the question. Our next question comes from Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat

Yes. Good afternoon and thank you for the opportunity. So, my first question is regarding the inventory days. So, it has increased significantly. So, can you highlight the reason behind that?

Hanumant Bhansali

Good afternoon, Mr. Pradeep. Thank you for your question. I'd like to highlight that we have not reported our balance sheet for the quarter gone by. So, we have not shown any updates on the inventory days in this quarter.

Pradeep Rawat

Yes. I was asking more about FY24. So, the inventory day is 262 and preceding year, the inventory day was 142. So, I was asking about that.

Hanumant Bhansali

Okay. So, as you have seen through the quarter gone by, that is 31st March 2024, there were issues related to logistics that were not just faced by us as a company but also by the entire industry. And what it led to is that Red Sea crisis had increased the overall transit time by not just days but between 2 to 3 weeks for us to ship our products to any other target end customer country. As a result, we as a company decided that we will be maintaining higher inventories of raw materials to ensure continuous supply of our feedstock as well as higher inventories of finished goods to enable quick dispatches because there were two factors over here. We did not want to be in a situation that we run out of raw materials.

At the same time, as and when there is logistic availability, we are there with the material ready to ship it out to the customers. And that's the reason why on an overall level, we've seen an increase in inventory days. But as logistic delays reside, which we expect would happen over the next few quarters, we will also re-strategize and bring down our overall inventory days.

Pradeep Rawat

Yes. So, can we expect the inventory days to go down to FY23 levels?

Hanumant Bhansali

Yes. I cannot put a timeline to it. But like you have rightly pointed out, in FY23, we had inventory days of close to 3 months. Our assumption is more from the basis of what we are seeing in global supply chain from a shipping point of view. As that eases, this automatically would ease the pressure on inventory holding of companies of our customers, as well as, us.

Pradeep Rawat

Okay, understood. And my next question is regarding our utilization in Barium segment. So optically, it looks quite a bit lower. So, is there any specific reason for that?

Hanumant Bhansali

So, our capacities in Vishnu Barium was 90,000 tonnes as of 31st March and it continues to remain at 90,000 tonnes. And we have launched a product that is Precipitated Barium Sulphate that is operating at close to about 40% utilizations right now. And as we go through the quarters, we expect to end the year at close to about 70-75% of utilization in Precipitated Barium Sulphate, which will overall bring the utilization levels to about 70%.

Pradeep Rawat

Understood. And you mentioned that we have plans to increase our margin toward the range of 20%. Can you mention some measures which can lead us to go toward that range?

Hanumant Bhansali

Yes. There are a couple of things that we are working at a group level. One is that we have done a lot of process and product level improvements to bring down our feedstock consumed to produce every kg of finished product. And that has helped us, especially in the Chromium chemical vertical, to reduce our overall consumption of key feedstock by close to about 7-10% in different raw materials. Secondly, 2 years ago, we launched our backward integration project in Vishakhapatnam that helps us reduce our overall dependency on one of our critical raw materials that is sodium carbonate or soda ash. Starting from about 40% utilization rates, today soda ash is a major contributor to our overall profitability in our standalone business.

So, it gives us not just security, but it also reduces our overall dependency on external procurement of a key raw material. The third thing that we are looking at is basically to expand our portfolio of products in both the verticals that is, Chromium chemicals and Barium chemicals, which increases our ability to be more flexible in our product mix and to sell depending on where the demand is coming from. And these are the 3 major reasons why we are seeing an improvement in the last couple of years. And this will also be the reason why we will continue to invest in forward as well as backward integration projects that will help us continuously improve our top line and also sustain and improve our gross margins, thus, enabling us to reach to EBITDA margin of 20 odd percent.

Pradeep Rawat

Yes, understood. And we have increased our fixed asset by INR 200 crores. So, is this the backward integration that we are talking about?

Hanumant Bhansali

So as of 31st March, we have had a total gross block of about INR 947 crores compared to about INR 735 crores cross block in FY23. Partially, this has been because of our acquisition that we made last year in our subsidiary company where we acquired a backward integration project. And at the same time, we invested close to about INR 45 crores as a replacement CapEx in our Chromium chemicals vertical that led to an increase of overall gross block.

Pradeep Rawat

Okay. Understood. Thank you for answering the question and all the best.

Hanumant Bhansali

Thank you.

Moderator

Thank you sir. Our next question comes from Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary

I think that -- is there a significant margin difference realization and margin difference between what retail in India and internationally and what you would eventually sell in markets, being in markets like US?

Hanumant Bhansali

Yes. Good afternoon. Thank you for your question. The business model of our company does not rely on one market for its margin and other markets for its turnover. It's a pretty balanced mix of the product being in demand in which geography. So, there are certain products in our portfolio which are more in demand in India compared to global markets. It helps us better plan and also recover our collections faster when we sell more in India. But let's say in comparison, the export market typically gives us a premium of 3-5% for different products in our entire finished portfolio. But at the same time, we also have to look at a longer waiting period of close to about 45-60 days to recover the entire sales in terms of collections.

So, it's a pretty balanced mix. In certain territories, we see more demand of products in India and in certain territories, certain product mixes, we see more demand in international markets. So that's the reason why we sell different products in different territories and not necessarily to attain a better margin profile from a particular market.

Prateek Chaudhary

Yes. Currently, your US sales are negligible. Right?

Hanumant Bhansali

From USA?

Prateek Chaudhary

Yes. Currently, are your US sales negligible?

Hanumant Bhansali

At a consolidated level, USA is close to about 4-4.5% of our turnover. Now this was in the range of 1-1.5%, 3 years ago. This has increased by nearly 300 basis points in the last 3 years compared to FY21.

Prateek Chaudhary

Does this market offer you any differing metrics as far as what I mean, the working capital line and margin that's concerned? Is this market any different or it's slightly the same?

Hanumant Bhansali

I request you to repeat your question. Your voice is not clear.

Prateek Chaudhary

Just a minute, sir. Yeah. I was asking that, if the percentage revenue coming from US increases from, say, 5-10%, does this specific market offer any significant advantages over others or other markets?

Hanumant Bhansali

It's a very good observation. If I have to talk about export markets, I think we look at USA not just from a premium point of view but also from a longevity from a relationship point of view. And it's a well-known fact that after Japan, if there is one country in the world that gives more emphasis to relationship and also gives a value for your product on a higher scale, it's USA. So yes, we have benefited by expanding more in USA in the last few years and we believe that we have the required product profile to further expand in USA.

Prateek Chaudhary

US contribution reaching in 2 to 3 years?

Hanumant Bhansali

It's very hard to put a number on that, but it would be significantly more than the current 4-4.5%. We expect it to be upwards of 5%, but still, it's something that we have to work on as a company once we complete looking at the numbers from different territories across the world.

Prateek Chaudhary

And is U.S. Largely a market for catered to by their domestic manufacturers? Or do they also significantly rely on imports?

Hanumant Bhansali

So, in USA, on the Chromium side, just like Vishnu is one of the largest players in India, there is already a player in USA that is catered by a domestic manufacturer. And that is one of the significant reasons why Chromium chemicals are domestically procured by USA rather than importing. On the Barium side, we have done a lot of work and now we are one of the largest suppliers of Barium chemicals in USA, and in a few quarters to go, we are quite optimistic of increasing our market share in Barium chemicals in USA.

Prateek Chaudhary

Okay. And just one last direct question. What's the price difference that you charge globally versus what that competitor charges in US?

Hanumant Bhansali

It's a good question. So, there's quite a good amount of competitiveness that we bring to the table. And it's not just about being competing at the cost of our gross margins because at the same time, we also know that we are one of the most efficient producers and one of the lowest cost producers of Chromium and Barium chemicals globally. We leverage that to gain certain kind of market share in the territories that we want to penetrate in, but not at a huge discount to the existing price because price sometimes is a camouflage. It can be looked as a great achievement over a period of short term but in the long term, USA market is open to those players like us, like who have improved their entire portfolio in terms of product quality, in terms of customer support, packaging, logistics.

So, these are more driving factors, so pricing just being one of them. So, it's an important factor, but comes with a package of all the other things also incomparable to the existing suppliers that they have relationship with.

Prateek Chaudhary

Sir, I would just, in the end, request you to put a number to it. What U.S. price as a percentage of your price is how much higher to your international average price?

Hanumant Bhansali

Now, the U.S. price is close to about 8% higher compared to our prices that we sell to other markets, 8- 9% higher.

Prateek Chaudhary

Thanks a lot sir.

Hanumant Bhansali

Thank you.

Moderator

Thank you, sir. Our next question comes from Sri Hari from PCS Securities. Please go ahead.

Sri Hari

I had one specifically on the Chromium side. You are projecting 50-60% growth in volumes over to 3 years, but I see that your capacity would be going up by around 25%. So, can you please explain the status?

Hanumant Bhansali

Good afternoon, Mr. Sri Hari. Yes, right now, we have not completely invested in completing these capacities. We already have projects in pipeline which require more capital allocation rather than investing in new product lines. But as you can see, we have we are already running our capacities in excess of 85%. So, in the next few years, yes, there will be a significant investment in Chromium chemicals to further expand our market share, both at the global level as well as to cater to Indian growing markets.

Sri Hari

So, you mean to say the capacity will also increase to a similar extent, around 50%?

Hanumant Bhansali

I'm sorry, but your voice was not clear. I request to repeat your question.

Sri Hari

Yes, --. I was asking, do you expect, I mean, will you be adding capacity also to the extent of around 50%?

Hanumant Bhansali

Yes. Over a period of next 2 years, we have a plan to increase our capacities from 80,000 tons on annual basis to close to about 1 lakh tons. So that comes to about an increase of 25%.

Sri Hari

25%. Yes, so that's what I'm asking, I mean. The volume is set to go up by 25%, but you're projecting 50-60% growth in your overall global market share?

Hanumant Bhansali

That comes with a blend of different products within our portfolio. So, while our sodium dichromate capacities will increase by nearly 25% over the next 2 years approximately. We will also see an increase of other value-added products because we are producing today nearly about 90% of global products in the Chromium chemicals chain, but all products do not have the same margin profile and the same realization. So, as we increase our sodium dichromate capacity, we were already investing in further increasing the capacities of our derivatives such as chromic acid, chrome oxide green. So that will automatically increase our top line from the vertical, from the standalone P&L point of view, thus, giving us a better market share at a global level.

Sri Hari

So, I mean, if I were to understand this correctly, then more than 2 to 3 years, what is the effective growth in average realization that you expect?

Hanumant Bhansali

Average realization is a factor of raw material prices, freights and how the end market is working. So here, when we say end market, it can be both domestic market and export market. So, whenever there is a change in these 3 factors, it eventually decides our realization or average realization per KG, how we clearly work out is our metrics on EBITDA level, at EBITDA margin level. With our fixed cost being nearly constant, our improvements help us increase our gross margins and that gives the entire benefit to the EBITDAs.

Sri Hari

All I'm asking is, I mean, basically you are forecasting a 25% volume growth but around the 50% growth in top line. So, is that the right understanding?

Hanumant Bhansali

We have not given any guidance on the top line or increase in top line.

Sri Hari

You said we expect to grow or not?

Hanumant Bhansali

We have not given any guidance on the top line or any increase in top line.

Sri Hari

No, but you said that you expect your global market share to go up from 8% to 12-13%?

Hanumant Bhansali

Correct, yes.

Sri Hari

So that implies a 50-60% growth?

Hanumant Bhansali

That implies to 50-60% growth from a global market share point of view. But here, we are looking at that number of 12 odd percent growth from a volume point of view. Now let's say **Sisecam**, which is one of the largest companies in Chromium chemicals, which is based in Turkey, they have close to about 105,000 tonnes of sodium bichromate as a capacity, right. And they have a market share of close to about 14-14.5% at a global scale and a volume market share. With Vishnu being at about 80,000 tons growing to about 1 lakh tons, it would automatically catapult our entire market share to about 12 odd percent.

Sri Hari

I'm sorry, I'm not able to get it. I'll get this off line.

Hanumant Bhansali

Sure.

Moderator

Thank you, sir. Our next question comes from Agam Shah Raj an Individual Investor. Please go ahead.

Agam Shah Raj

Sir I joined in the call late, so I don't know whether you have spoken or not. But a quick question, I think on the Barium side, we were also working on a new product. So, can you share any details on it?

Hanumant Bhansali

We have been working on new products, but we'll be able to speak about this only once we detail out the plan and that is expected to be announced to the market only after the Q2 result.

Agam Shah Raj

Sorry after...

Hanumant Bhansali

After our second quarter results. For the financial year -- yes, we will come out with a detailed plan on the CapEx and the areas of expenditures.

Agam Shah Raj

Okay. So a follow-up to that, so for all the new CapEx plans on the Barium and the Chromium side, any fund raise should be doing it or it will be through all internal accruals?

Hanumant Bhansali

We have no plans to raise any equity. We are quite healthy in terms of our balance sheet as well as debt position. So, with our debt to equity being less than 0.5 and our internal accruals significantly improving, we don't necessarily see any opportunities to raise equity to fund our CapEx now.

Agam Shah Raj

And in terms of your future plan on the Chromium side, can you more talk on the chrome metal and its defense applications and all?

Hanumant Bhansali

We'd like to first go to basics. It's very important that we understand the entire supply chain point of view that chrome metal is a derivative of a derivative that we are manufacturing. So right now, we are actually supplying to companies globally who are manufacturers of chrome metal. So, for us, venturing into this product is a natural forward integration. But for that, we also need to expand our capacities in sodium dichromate followed by expanding our capacities in chrome oxide green, and then we can commission our projects and plans around chrome metal. It's a very exciting product. It's an import substitute and it has a very good future from both Indian consumption as well as global consumption.

From a company point of view, we are also quite upbeat about the opportunities that chrome metal as a product provides. But for us to move forward on this, it's very important that we first complete our expansion on sodium dichromate and the related derivatives.

Agam Shah Raj

So that will be a part of our plan on anything for the next couple of years or not that soon?

Hanumant Bhansali

It is still part of our plans. But for us to give a concrete outlook on the expansion in chrome metal, we will first start with giving the expansion plan related to sodium dichromate and chrome oxide green, which will be followed by chrome metal.

Agam Shah Raj

Okay. And that will be on the majorly on the defense side, right, on the use case base?

Hanumant Bhansali

From a use case point of view, chrome metal finds its maximum use from the aerospace industry globally.

Agam Shah Raj

Okay, that's it from my side. All the best.

Hanumant Bhansali

Thank you.

Moderator

Thank you, sir. We have a follow-up question from Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel

Yes. Thanks for taking my question. I just had a, I just wanted to know that, with current capacity in our Chromium as well as in Barium, what kind of top line we can achieve at optimum utilization of capacity, if you can give us a broad idea?

Hanumant Bhansali

So, in Chromium chemicals, we have 80,000 tonnes of capacity. And the optimum top line that we can achieve from this is close to about in this range of INR 1,100 crores to INR 1,250 crores. That is depending on multiple factors, like I said, because realization is a factor of how export markets and domestic markets together are performing, cost of raw materials as well as freight. So, in FY23, with the saving capacity, we achieved close to about INR 1,222 crores of operating revenues. In FY24, we

achieved about INR 1,011 crores. And in the quarter gone by, we have seen increase in realizations per year in Chromium chemicals.

So, this will be the range, at least from what we have historically experienced of what we can think about as a range in terms of optimum capacity and revenues that we can achieve in standalone business. And from Barium business, it will all be factored on 2 things. 1 is our capacity utilization increase through the years that we will see in Barium Sulphate, which has been a relatively new product for us, and we have seen very good market traction over there both in India as well as exports. We see this traction to further fructify into better revenues and margins for us through the year as we go by. At the optimum level, we are seeing that revenues of close to about INR 300 crores to INR 400 crores from our Barium vertical alone.

Rohan Patel

Okay. And, just to verify, where you stated you are operating 50% in Barium of excellence, is it like, Vishnu Barium or you were just mentioning the Barium Sulphate?

Hanumant Bhansali

Vishnu Barium. Vishnu Barium Private Limited is the name of our subsidiary that produces Barium chemicals.

Rohan Patel

That is, operating at 50%, the Barium segment as a whole.

Hanumant Bhansali

Yeah. It's operating at, in the range of 50-60%. We actually don't give out the exact capacity utilization. That's a broad range.

Rohan Patel

Okay. And, in last call, if I can reiterate, you said that, at a consol level, we might be growing our volumes by 30-35%. So, are we on that trajectory of growing volumes?

Hanumant Bhansali

Yes. We are in this trajectory, especially because of our growth that we are seeing in Barium capacities. So, what we have achieved in production and sales in Q1 FY25, it's nearly about 20% higher than what we had achieved exactly a year ago in Q1 FY24. So, with this traction and further momentum that we are seeing, we feel that overall, it should be a much higher volume driven as well as value driven P&L for our Vishnu Barium business.

Rohan Patel

Thank you, that's it from my side.

Hanumant Bhansali

Thank you.

Moderator

Thank you, sir. We have a follow-up question from Aditya Chheda from InCred Asset Management. Please go ahead.

Aditya Chheda

Hanumant, hi. Would you want to share a CapEx guidance number for FY25-26? And if there are any projects, if you have a pecking order of what projects you want to embark in the near future? Yes, that's my only question.

Hanumant Bhansali

Good afternoon once again. Very important question on the areas where we are investing and the quantum where we are going the quantum that we are going to invest. As outlined in the earlier conference call, we are still working on the CapEx plan for the entire fiscal and the fiscal to come, that is FY26. Here, it's very difficult for us to give a number right now and we are already working on a few projects and few opportunities, both at an organic level and exploring certain inorganic opportunities. So, we will keep you posted once we have more clarity on that. From a management point of view, we are also equally motivated to share the numbers with you and it will be our efforts to share this CapEx plan with you at the end of our Q2.

Moderator

Thank you sir. Due to time constraints, that will be the last question. Now I hand over the floor to the management for closing comments.

Hanumant Bhansali

In conclusion, I would firstly like to thank everyone for your time today. Our company Vishnu Chemicals Limited remains firm in its commitment to optimizing our operations and investing strategically to ensure long term success for all the stakeholders and the shareholders of the Company. We sincerely appreciate your continued support as we work together towards a future of sustainable growth. For all the participants and the shareholders who are on this call and are going to read the transcript, If you have any further questions, please feel free to reach out to us on investors@vishnuchemicals.com. Thank you and have a good day.

Moderator

Thank you so much, sir. Ladies and gentlemen, this concludes your conference call. Thank you for joining us, and you may all disconnect your lines now.
