

19th August, 2023

VCL/SE/77/2023-24

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

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

Sub: Transcript of the Earnings Call held on August 16, 2023 on Q1FY24 Financial Results

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find transcript of the Earnings Call held on Wednesday, 16th August, 2023 on Q1FY24 financial results.

Kindly take the same on record.

Thanking You.

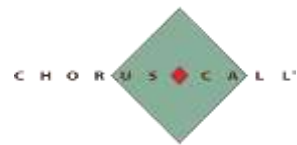
Yours faithfully,

For Vishnu Chemicals Limited

Vibha Shinde
Company Secretary & Compliance Officer



**“Vishnu Chemicals Limited
Q1 FY '24 Results Conference Call”
August 16, 2023**



**MANAGEMENT: MR. SIDDARTHA CHERUKURI – JOINT MANAGING
DIRECTOR – VISHNU CHEMICALS LIMITED
MR. HANUMANT BHANSALI – VICE PRESIDENT,
FINANCE AND STRATEGY – VISHNU CHEMICALS
LIMITED**

**MODERATOR: MR. MEET VORA – EMKAY GLOBAL FINANCIAL
SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q1 FY24 Results Conference Call of Vishnu Chemicals, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Meet Vora from Emkay Global Financial Services. Thank you and over to you.

Meet Vora: Thank you. Good morning, everyone. I would like to welcome the management and thank them for giving us this opportunity to host them. We have with us today Mr. Siddhartha Cherukuri, Joint Managing Director, Mr. Hanumant Bhansali, Vice President, Finance and Strategy. I shall now hand over the call to the management for their opening remarks. Thank you and over to you, sir.

Hanumant Bhansali: Thank you, Mr. Meet and good morning, everyone. We welcome you all to this earnings call update. The consolidated total income for Q1 FY24 was INR303 crores as compared to INR361 crores in Q1 FY23. Our gross margin for Q1 FY24 stood at 46.2% compared to 42.6% in Q1 FY23, an increase of 372 basis points.

The consolidated EBITDA margin for our Q1 FY24 quarter was 17.6% compared to 16.8% in Q1 FY23, an increase of 85 basis points year on year. In this quarter, we also achieved an overall improvement in PAT margin to an extent of 3 basis points. And at absolute level, our PAT was INR29 crores in this quarter compared to INR34 crores in Q1 FY23.

In this quarter our flexible product mix helped us achieve a balanced geography mix of domestic export sales in the ratio of 53:47. More importantly, we did not observe any major variation in absolute spread at unit level in both the chemistries that we operate in. This helped us deliver a resilient EBITDA margin of 17% plus, both on a standalone level and consolidated level.

In the Barium vertical, we achieved the highest ever quarterly production till date. Our EBITDA margin there was highest in the last six quarters at 17%. The maintenance shutdown in the month of June led to lower production in chromium chemicals. The standalone business would have been better had we got the full quarter of production. However, we still witnessed positives, such as stable margins and resilient profitability. This is due to sustained healthy demand and more importantly the ability of the company to pass the cost to its customers.

In this challenging environment, our emphasis on cost control and process improvement led to 14.7% reduction in conversion cost from INR103.3 crores in Q4 FY23 to INR88 crores in Q1 FY24 i.e. the current quarter on a consolidated level. We regularly share our progress with the investors through a presentation and earnings update that can be found on the company's website, as well as the disclosures on the stock exchanges. Thank you everyone.

Now I will request our Joint Managing Director Mr. Siddhartha Cherukuri to comment on our progress.

Siddartha Cherukuri: Thank you Hanumant. Good morning everyone. I'd like to throw some light on the progress of the stated Barium Sulphate operation. Launch of this product is a step to demonstrate our growth prospect into various chemistries and related derivatives. Our ability to scale up, build a modern infrastructure with an installed capacity of nearly 90,000 tons of Barium chemicals in Srikalahasti is a milestone for our company.

This was a loss-making company which has been acquired by us in the year 2015. The capex for this plant was completed as per the schedule and we aim to be the preferred supplier for customers across India who were earlier relying totally on imports. Also company has acquired a Baryte beneficiation company named Ramadas Minerals in Q2 FY24 through its wholly-owned subsidiary.

This inorganic expansion aligns with our vision to produce high quality material for our esteemed customers in India and around the globe, while reducing cost of raw material for us over the next few quarters. The integration of this plant with our existing operation is underway and we expect to reach optimal asset utilization levels over the next few quarters.

With this I conclude my remarks and we can open the platform for Q&A.

Moderator: We have a first question from the line of Pratik Kulkarni from Kamayaka Wealth Management. Please go ahead.

Pratik Kulkarni: Hello, sir. Thank you for the opportunity. So I wanted to ask a few questions, right. So, about the precipitate barium sulfate, how is the demand scenario, would be the first question? And the second one would be the revenue decline in this quarter. Is it due to only the plant closure or are we seeing some demand pressure?

Siddartha Cherukuri: Yes. Good morning, Pratik. This is Siddartha Cherukuri with you. Regarding precipitated barium sulphate, the demand looks strong and also resilient. What we have seen over the last five years, there has been a steady growth -- CAGR growth of 14% of this particular product, which is completely imported and as this is mainly going into the powder coating industry, so there is a very strong growth prospects in the powder coating industry now and in the quarters to come.

So the way we are progressing is the initial trials, I think, have already started with a few of our marquee customers. And we are hoping to get regular orders within the next one quarter or so. That's an update we can share currently on precipitated barium sulphate.

Regarding the revenue decline, I would look at it this way. You know, there has been a value correction across the chemical industry, which we have also witnessed, but it doesn't mean that our volumes have come down significantly and also, whereas, majorly we have seen the headwind outside India, but whereas the domestic market remains fairly resilient and in fact the demand uptick in India, which we'll try to focus more on moving forward.

Although there has been a value correction, it didn't really impact our absolute spread, which is actually very visible in the number, in the quarter one number. This shows that even the raw material prices have adjusted accordingly.

Pratik Kulkarni: Yes sir and another question was about the recent acquisition on the raw material side for barium, how much EBITDA margin -- incremental EBITDA margin is expected from it?

Siddartha Cherukuri: I won't be able to give you a number right now because like my opening remarks I think it's in the process of integrating the plant which will take the acquisition has completed and we have taken over in the month of August. So we are in the process of stabilizing things, so it might take another two months to get everything into a proper operational level.

So probably during the next con call, I can give you a better guidance over that. But I mean, in a nutshell, we would see there will be an advantage in terms of receiving consistent raw material quality for our feedstock which will also improve the overall throughput and outputs and also there will be a good savings over our current raw material purchase because this being a very key raw material, it plays a very important role in terms of variable costing.

Pratik Kulkarni: Okay, thank you. That's from my side.

Moderator: Thank you. We have a next question from the line of Saumitra Joshi, an individual investor.

Saumitra Joshi: Good morning. So two things here. First, just looking at again continuing to the question the first person asked, this is in with the reference to the revenues and see probably if you talk in terms of absolute numbers in terms of rupees, out of the last five quarters, this has probably been the lowest and the reason being, one is obviously the shutdown and what I am understanding is, there is some value correction that has happened for the entire chemical industry as a whole. So my question is now that again it was not really a guidance but there were certain indications of two things from the last calls and the interviews that were of yours on CNBC, etc, of two primary things.

One is when we are looking at a growth perspective for the company, that's barium and chromium included, we were looking at a growth which will be similar to the last two years. Second, from an operating margin perspective, what I could understand from those interactions was that we are probably looking at a EBITDA margin of 20% plus. It's something that the company is actively pursuing. Now, considering these two targets, which may be internal or external as indications, are we still on track and keeping those aligned or would there be certain changes or certain expectations that the investor should have for the year?

Hanumant Bhansali: Good morning, Mr. Soumitra. Welcome to our conference call. Let us you know walk you through the changes that we saw in this quarter and how we are mitigating those challenges going forward to ensure that you know we are on the track to achieve 20% EBITDA margin. First if we talk about our chromium chemicals vertical, there was a maintenance that we had taken in the month of June. And that led to a decline of nearly 15% in our estimated volumes. However, if you look at it from an entire standalone perspective, this did not result into any decline in our EBITDA margin per se.

In fact, we put a lot of emphasis on cost control and ensure that our fixed costs were very well taken care by our overall gross profits. We see that coming back. And talking about the barium vertical, in the last quarter also, we had mentioned that it was the second highest quarter in FY23, that is Q4 was the second highest quarter in FY23 in terms of volumes. We saw that

trend extending to Q1 of FY24 because the natural gas prices are back to their pre-COVID levels. And that is seeing a very good demand uptick for the barium carbonate that we sell because the natural gas prices are back to the pre-COVID levels.

And that is seeing a very good demand uptick for the barium carbonate that we sell across the industries like ceramic, tiles, speciality glass, caustic soda, etc. So this has been the breakup. On a barium side, I'd also like to highlight that the EBITDA margin that we have achieved at 17% is the highest ever in the last six quarters per se. And even at a unit economics level, we are very happy with the progress that we have made in the barium chemicals vertical. With the addition of precipitated barium sulfate and the backward integration that we have forayed into, both of these will over the next few quarters will obviously help us improve our EBITDA margins from where they are. I hope this answers your question.

Saumitra Joshi:

Sure, so that's from the EBITDA margin perspective and irrespective of any value correction that is happening on a chemical industry, we are not looking even so at number perspective, not from a volume perspective, but from a revenue perspective. Yes, we lose some growth. Growth in terms of value.

Hanumant Bhansali:

It's a good point that you have mentioned. So if I have to summarize your question, is there going to be any weakness in the overall demand going forward? Let me answer this. It's a little early right now, at least for our company to tell any changes going forward in the quarter. What we are doing is; we are continuing to remain focused on manufacturing and pacing our new products in the applications we want to sell.

So regardless of our underlying markets, our goal is to continue trying to find the area which is doing well and instead of selling more products in the areas which are not doing well. So today we have that product mix, we have that flexibility to manufacture where the demand is coming from. And we have shown that that we can do it in the past and that's our intention to perform going forward also.

Overall till now, we are quite encouraged by the demand profile across our business. However, this has to be balanced by some signs of softer demand, especially in exports due in part to the ongoing focus against inflation by economies globally and also the impact of higher input costs on our customers' operations. So, like the entire industry, what we also feel is that there will be more predictability in the second half of this financial year when things are bound to settle down and incremental volume growth and our previously implemented pricing initiatives are expected to drive our profitability further through the year.

Saumitra Joshi:

So, what I could understand is irrespective of the market conditions, we as a company are trying to ensure that be it at a revenue front, be it at a volume front, be it at a margin front, we should be having a much better year as compared, or maybe an equivalent year as compared to the last year, not really a degrowth happening, correct?

Hanumant Bhansali:

It's too early. Like I said, you know, it's Q1. We will never think about degrowth in the Q1 quarter. And there is still...

Saumitra Joshi: So no, where I was coming from, I'll just highlight where I was coming from. So we're talking about Q2 being, H2 being better. Q1 is already over. Q2 already one, one and a half months ago. Only around one, one and a half months are left. It will be an H2. So if the expectation of the industry per se is that H2 is going to be better, I think there will be some signs that will be coming. Right now, it can't be that exactly at H2 those signs will be coming, right? That would have started coming. Or is that understanding incorrect?

Hanumant Bhansali: Sorry, we lost your voice in between. You were saying that H2 signs are coming. Can you repeat your question?

Saumitra Joshi: Yes, so just picking in. So what I understood saying that H2 is expected by the industry to be much better and much more clarity to come in. Now, as you know that is the case, about half of Q2 is also over. So, only about one and a half months are left. So, if H2 is better, there must be some signs that must be coming into the industry. Or is it...

Moderator: Mr. Joshi, I'm sorry, your voice is cracking.

Saumitra Joshi: So, I'll just repeat the question. So the question was that the statement was that H2 will probably be in the industry and much more clarity will arise. Now where I am coming with my... [inaudible 0:17:36]

Moderator: Yes, Mr. Saumitra. Sorry, we lost you again.

Hanumant Bhansali: Yes, I'll answer that part. So yes, Mr. Saumitra, we are optimistic about the H2, definitely because as an industry, what we, as a company, as a supplier, look at is visibility from our customers on how they are placing the orders. And the customers are also looking at visibility from their end-user markets because we sell in B2B and they sell from B2B to B2C. So that is going to come as we go ahead in this quarter and more specifically in the second half of the financial year because there is a lot of movement across freights, raw material prices, realizations, domestic market, as well as export market.

So looking at all these things, where we are looking ahead is as a company that we would like to protect our margins by both selling where the demand is coming from and also taking cost control measures so that our expenses or our fixed costs remain intact. That's where we are heading. So quite optimistic about the second half and we'll keep you updated with our progress in the next quarter as well.

Saumitra Joshi: So and just one last point and then I'll move off. It's more of again I don't know you I don't think you can do anything in this, but this is more in large for the investor community also. So a very strange trend was noticed that just before the results, there was a huge drop that happened in Vishnu Chemicals. And it was just like on the day of the results, as if there was a clear cut indication, something like that, which I found to be very, that price movement, I found it to be very weird.

And it sustained that meant that there was an indication saying that there will be bad results. However, we again, it was a very strange movement that happened. I don't need a comment from you on that. But it was just something that I wanted to highlight that it was a little weird.

I do not know if others have noticed it in the community or not, but I just found it to be a little weird. So it is a statement, it is not a question. I just wanted to put it out there. It was a little baffling of what happened yesterday, sorry, on the day of the results. So that is it from my side. Thank you for answering the question. Thank you. Thank you for answering the question. Thank you.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone now. We have our next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Yes, thanks for the opportunity. My first question is in terms of the product pricing and RM pricing. So we have seen that in the last couple of quarters, there has been a decline in pricing given that globally things are currently in turmoil. So based on our assessment of the situation, whether the product pricing as well as RM pricing has now stabilized or is there another trend, which is still looking maybe from a downward pricing perspective or probably on an upward pricing perspective? Just wanted your assessment on the same. Thank you.

Hanumant Bhansali: Good morning, Mr. Rohit. Thank you for your question. Yes, certain raw material prices have cooled off from their previous highs. And in line with that, even though realizations have cooled off, but more importantly for us, where we are seeing softening is the prices of our shipping and freight expenses. So that has come down significantly.

To give you a perspective, last year we had, in the last quarter, we had spent nearly about INR13 crores at a standalone level in shipping and forwarding cost, which has come down to nearly INR6 crores in this quarter. So that is one trend that we are seeing. From the pricing of our finished goods, they are in line with the prices that we are seeing in raw materials as well as freight. So the correction is in line with them, nothing more than that.

Rohit Nagraj: Right, got it.

Siddartha Cherukuri: Also I'd like to add to it, because I did mention in the past that we have that flexibility on the product mix which we continue to leverage. What we are witnessing right now is a very strong demand from the pigment industry per se, which is our Chrome Oxide Green. Recently, one of our peers in Germany, Lanxess, has made an announcement openly that they are in a process of shutting down their Chrome Oxide plant in Germany. So that has garnered quite a bit of interest from the end user community in Europe and USA, especially their dealer networks, who are actively looking for new sources.

So that's where we are very actively working on trying to capitalize on this opportunity, which is available. And given that, we do have a spare capacity on Chrome Oxide, so we are going to see a higher utilization of this particular asset, and where we will be putting more Dichromate into, and we'll be focused on product development into this end user industry, which is plastic master batches and pigment.

Rohit Nagraj: Right, got it. This is very helpful. Second question, you also mentioned in your remarks that, there has been some softness in terms of the global or exports demand. So what is the assessment currently given that there are new slows at the inventory correction has been

towards the fag end of finishing. So are there any early signs of some recovery which is happening or still we are seeing that in the last one and a half months of this quarter, the demand is still soft? Thank you.

Siddartha Cherukuri: We are quite optimistic about second half of this year. De-stocking has come to an end and also end users are talking about quarterly purchasing unlike what they have done in the last few quarters. They wanted to understand the monthly pricing because there has been a negative sentiment that prices will keep coming down, which we believe and they've also realized that it has bottomed out, so it will remain flat for another two months and we are hoping that, the second half that prices will have to move up. That's what we are forecasting.

Rohit Nagraj: Sure. Got that. Thanks a lot for answering the questions and best of luck.

Moderator: Thank you. We have our next question from the line of Anirban Manna from an individual investor. Please go ahead.

Anirban Manna: Yes, thanks for the opportunity. I want to ask regarding the volume decline. You mentioned that, 15% volume decline happened for plant shutdown. But the plant shutdown was a predetermined shutdown, right? So why did not we have the inventory for that?

Hanumant Bhansali: Yes, good morning, Mr. Anirban. So, no, this was not a predetermined shutdown. This was essentially due to a mechanical breakdown that happened. It was unplanned shutdown in the middle of June month. And fortunately, we had the spare available, but still it took nearly seven days to replace and start the plant again.

So we used that as an opportunity to even update some of the other spares and consumables. So that's the reason, why the shutdown extended to nearly 12 days. So that's why we could not plan for it and build the inventory. Otherwise in normal scenarios and in planned shutdowns, we definitely build up the inventory.

Anirban Manna: All right, thanks. And my second question is regarding the guidance. Like in CNBC, you guided for 10% volume growth in chromium segment and 19% to 20% EBITDA margin. And for Barium segment, you guided about 30% volume growth and with 20% EBITDA margin. So are we on the same path, or you would reduce that guidance a bit?

Hanumant Bhansali: So no, we are in line with that. If you look at it, Barium, like I already highlighted, our existing product Barium Carbonate is seeing very good traction from both domestic customers as well as export customers. And in Chromium chemicals also, we are, when we give a guidance, we give it on a conservative side. So a 10% volume uptake is definitely on the cards, this financial year and we'll move towards achieving that.

Anirban Manna: Now 10% was guided for Chromium and 30% was guided for Bromium. So in Barium are you on the same path?

Hanumant Bhansali: Right now if you look at it, we have already achieved nearly about our desired levels of 80%, nearly 80% capacity utilization in Barium part. So, going forward through the year, once our precipitated plant is fully stabilized, we will have more clarity on the volumes that we will be

able to achieve, maybe by the end of second quarter or towards the middle of third quarter is when we can talk about the numbers that we are targeting for this year.

Anirban Manna: All right, and how the demand you are seeing, like we have gone past to one and a half months in this quarter, so how is the demand in this quarter?

Hanumant Bhansali: I'm sorry to say, but we cannot talk about the performance of the company in the ongoing quarter. In the previous question, we have already highlighted whatever we could share. But pre-empting about the quarterly performance in the middle of the quarter is not something that we could share but yes, we are working towards our goals and we are quite happy with the progress that the company has made in both the verticals that we operate in.

Moderator: I request you to join back the queue Mr. Manna.

Anirban Manna: All right. Thanks, will do.

Moderator: We have our next question from the line of Vishal Biraia from Bandhan AMC. Please go ahead.

Vishal Biraia: Yes, hi. Good morning. Thank you for this opportunity. When do you plan to commission the PBS plant? When will it start operation?

Siddartha Cherukuri: Good morning, Vishal. The PBS plant is operational. Current rate of production is at 40% levels at the moment. We have already started moving the finished product to the customers in India and outside India. And we are waiting for their approvals. Hopefully that should be in place in probably a month's time. With those approvals in hand, we are hoping to ramp up the production to over 50% from next quarter, which is October. That's where we are. But given how the sampling have been done and the kind of feedback we received, it looks very positive.

Vishal Biraia: Okay. And for when you say that Chrome Oxide Green, are we currently making Chrome Oxide Green?

Siddartha Cherukuri: Yes, we are making Chrome Oxide Green in our Hyderabad facility.

Vishal Biraia: Okay. And what is the production for FY '23, what would have been the production of Chrome Oxide Green in terms of tons?

Siddartha Cherukuri: Close to 3,200 tons was produced last year. And we do have a spare capacity which will, fill in this additional demand which is coming out from Europe and US.

Vishal Biraia: Right, and in case this incremental demand comes in, would you need to sell some samples and get approvals before you start commercial supplies?

Siddartha Cherukuri: Yes, we have to.

Vishal Biraia: Okay, so first...

- Siddhartha Cherukuri:** Given the current scenario and the anxiety at the end user industry, I think the approval process will be sooner than later, which otherwise would have not been.
- Vishal Biraia:** Okay. Fair enough, thank you.
- Moderator:** Thank you. We have our next question from the line of Sreesankar Radhakrishnan from Incred Wealth. Please go ahead.
- S Radhakrishnan:** Hi, thanks for taking my question. Quickly two questions. First is given the current environment, our capex plans programs are on track and you don't, you're not anticipating any kind of slowdown in demand that you have anticipated, when you had gone for this capex?
- Siddhartha Cherukuri:** Good morning Mr. Sreesankar. Our capex plans are in line. We don't make a call based on the short-term impact. So we look at a very long-term outlook and basically, given our guidance, we are going to continue our investment plans in our Bhilai facility and also add another value-added product of Chrome Metal in about three quarters from now. Just to reiterate that our capex plans are in line and they won't be delayed for any reason.
- S Radhakrishnan:** Okay, when do you think, you will be reaching your peak borrowing? What period you will be reaching? You have raised INR200 crores of equity right now. And your entire capex program, because what I'm trying to understand is, what will be your peak borrowing? When will that get commissioned? And when will we start seeing your balance sheet lightening again?
- Hanumant Bhansali:** If you look at our debt to equity, we have already achieved 0.9x as of 31, March. And our targeted debt to equity by the end of this financial year will be in the range of 0.6 to 0.7 times. So, we are very comfortable with our overall debt to equity levels. And this is without considering the addition of INR200 crores that we have received from the QIP that improves our net worth.
- So we are well on track. This year itself we have a repayment plan of INR37 crores from our towards the principal repayment that brings out a debt considerably low. So we don't see our borrowings going above 0.6 to 0.7 level by the end of this financial year, which is quite comforting for us as a company and also for the shareholders, because that keeps the interest cost in check.
- S Radhakrishnan:** Understood. So if I may ask, these new capex, what is the payback period that you are expecting?
- Hanumant Bhansali:** If I have to just talk about the last couple of capexes that we have done, be it the backward integration in the Vishakhapatnam unit, or the debottlenecking exercise that we did in our Belai plant to augment our chromium chemicals capacity by 10,000 tons, or the expansion into precipitated barium sulfate, the key indicator that we keep tracking is our return on capital employed.
- So we look at a payback of nearly three years in most of the projects that we in charge. And that's our view going forward in all the projects that we look at.

Moderator: Thank you. We have a next question from the line of Riju Dalyi, an Individual Investor. Please go ahead.

Riju Dalyi: Also, thanks for taking my question. So, two data points I would like to know. One is that the total utilization in Q1 for sodium dichromate and barium carbonate plant?

Hanumant Bhansali: Good morning, Mr. Riju. Thank you for joining this call. We as a company do not share the quarterly volumes with our investors, only for competitive reasons, because whatever we share is also being watched by our peers which makes them take certain decisions easier. So this is the reason why we try and keep certain things to better do not let our competitors have an edge.

So we won't be able to share a capacity utilization but wherever we have been able to you know share you know we have been very open about maintenance or even the impact of volumes on our overall production.

Riju Dalyi: Got it. So, sir, any indication, can you give, like, against FY '23, how much was your inflation for these two products, or like these two particles?

Hanumant Bhansali: I'm sorry, we won't be able to give any indication.

Riju Dalyi: Okay, okay, understood, sir. And one more thing, like, if I look at your realization, so realization gone up by 32% CAGR from 21 to 23. So how sustainable is this relation, and how much was the relation for Q1? If you can give some indication, like against 2023, how much decline you would be in blended realization?

Hanumant Bhansali: So, overall the company, in Chromium chemicals we saw an uptick in our blended realization. So in certain products, we saw the demand pretty good like in European markets we saw the demand of our derivatives improve and that kept our blended realizations in good stead and in fact improved.

In barium chemicals the realizations are more or less in line with the last quarter that we had operated. So that's the trend that we are seeing and talking about historical CAGR, please taking into account that historically the raw material prices and the freights were also at their peaks which have now started coming down.

So as a company, we don't earn any margins on the freight. We pass it on to the customers because if they are able to have an edge in profitability, it will obviously pass on to us. And on the raw material side, just like we have maintained our margins when the raw material prices have gone up, the same attempt is being made by us even now when the raw material prices are being cooled so that the same is passed on to the customers and we don't lose our margins.

Riju Dalyi: Understood. So for FY '24, can we expect that this similar kind of idealization we can maintain or like it might go down looking at the RM like this?

Hanumant Bhansali: It won't be the similar realization as of last year. Last year was you would say that you know the prices of all the raw materials were at its peak between July and September. The prices of

power was at all-time high, gas prices, which we don't consume but our customers do, was also at all time high. Freight expenses were also at its peak till about August, September.

So last year's prices are definitely not going to be sustained in this year because then it would be, it would mean that we are not able to pass on the increase or decrease. So both the scenarios, whether it's an inflationary environment or it's an environment like we are in now, our endeavor is very simple, that we have to maintain our margins at EBITDA level.

And one thing that I can share is that, whereas in the historical days, our EBITDA floor was about 12%. Now we will be able to maintain our EBITDA margins to the extent of 17%, which will become a new floor. And we'll keep on improving from.

Riju Dalyi: That's understood, sir. And the last one, like for barium sulfate, 30,000 TPA capacity that we have commissioned recently. So is this a value-added segment or value-added product compared to what we have? Or is this like we can we expect similar kind of realization for this vertical also?

Siddartha Cherukuri: Yes it is a value it's a speciality chemical mainly going into the coatings industry as well as battery expanders, pigments, and plastics. It is going to add value to what we are doing. It's a derivative in our barium vertical. Margins per se at this juncture I would not be able to comment.

But as we are still in the approval phase and it's progressing well but by end of next quarter, we'll be able to have a better visibility in terms of volumes, and the value, and the kind of realization we can expect during the next financial year for this particular product. We are quite optimistic on this product launch, and it is progressing well.

Riju Dalyi: Okay, so for FY '24, we can expect on a half yearly basis, we can expect 50% plus utilization for this capacity and by FY '25, how much you can expect to utilize the capacity?

Siddartha Cherukuri: I can give a better, I mean, visibility on quarter four of this financial year is where we expect a 50% utilization. And moving forward, we have to see the order book filling up and we are trying to ramp it up to 60% to 70% over the next financial year. But we are quite optimistic that by quarter four, we will be able to achieve 50% and also have a good market share outside India.

Moderator: Thank you. We have our next question from the line of Meet Vora from Emkay Global Financial Services. Please go ahead.

Meet Vora: Yes, thanks for the opportunity. My question was more towards the Chrome Metal expansion that we said. So that if you can give just a brief highlight of how much is the capex that we are envisaging? How much is the product approval timelines? What is the per kg utilization compared to our basic Sodium Dichromate product? Who are the competitors? What is the global competitive landscape? Where all are the end applications? And how much is India demand and how much do we cater to in terms of the export market, just a visibility over next, two or three years?

Siddartha Cherukuri: Thank you, Meet. Again, chrome metal is another value add. The way we look at it is like, we like to complete the chromium value chain by adding this speciality product, which is going into super alloys and welding electrodes. And how we're looking at it, it's another important replacement. As of today, there is no chromium metal producer.

Neither of integrated, non-integrated, there's no chromium metal producer. And we are seeing a steady increase in the demand. If I take a five year, going back five years, the demand in 2017, as per the data was at 440 tons. And today it stands at 1,600 tons. So you see there's a steady CAGR growth of 17% year-on-year. And this is just mainly on the welding electrode industry.

And as we see the superalloy industry growing now that there's more investment into defense, so we are foreseeing by 2030, the demand in India per se would be close to 2,500 tons. This is on a conservative side. So keeping that in mind, like when we look at the capex, like to bring a good balance in between the domestic and export market, we are looking at a capacity over the next two years above 5,000 tons.

Obviously, this will not be operation or invested in one phase, it will be done in a very modular fashion. We'll be looking at 2,000 tons kind of a facility, which we'll be starting the installation during quarter three of this financial year. And we are hoping that the first phase of 1500 to 2000 tons will be operational by April '24.

And in terms of capex required for this project, obviously we do – we have to, you know, work on the downstream improvement as well, add oxide capacity, and that is in line, and also add sodium bicarbonate at the life expectancy, that's also in line with our capex plan. And all put together, we are looking at upwards of INR100 crores into this project, considering required raw materials and it has to be indigenously produced to make it competitive in India and outside India.

Meet Vora: Sure, so when we say that we'll be doing it in phases, like 2000 tons and then gradually moving on to 5000 tons. But for that we'll have to obviously expand our sodium dichromate capacity. So any thoughts about when will that additional sodium dichromate capacity get commissioned? And by the time we go to 5000 tons, we'll be able to sell our sodium dichromate in the market, or chrome oxide green or whatever value-added product that we can make from the basic dichromate in the market. Is that the right assumption?

Siddartha Cherukuri: Yes. Also, like to add even chromic acid will be used because we are looking at a 20,000 tons incremental sodium dichromate capacity. So there will be additional 5,000 tons, which will be utilized as per the industry demand. And we'll be utilizing it in the flexible product mix, depending on how end user industry, either electroplating or wood preservative, or the pigments and dyes and master batches.

So there will be additional bichromate available to mainly use in the derivative production. And also, we will be looking at adding chrome oxide capacity to meet this additional demand, which is going to come from Europe and US, like what I mentioned, because that belt is slowly

going to phase out, will create a void in the market, so we did it. We're very keen to capitalize on this opportunity.

The same time, within the flexibility, sorry, excuse me, within the facility, we can also produce metallurgical grade oxide, which can be used in the chrome metal production. So that, within the facility, there'll be quite a bit of flexibility with respect to the product mix.

Meet Vora:

Sure. My next question was regarding precipitated barium sulfate. So if I look at the import data over the last three to four years, the demand has grown at 15% plus CAGR. Whereas if I look at the global data, it would have grown at around a 4%-5% kind if I look at the global data it would have grown at around a 4%-5% kind of run rate.

Is there any specific reason why this product is gaining a lot of traction among the paint companies? If you can just highlight what is the broad ballpark, you know, mix of the micro powders or you know what is the traction that you are gaining from your customers on this?

Siddartha Cherukuri:

Let me say that's a very good observation. So how we look at it is let me you know correlate with the powder coating volumes you know that will be more relevant to compare. You know if I go back 2018 the total architectural powder coating paint produced in India was at 85,000 to 90,000 tons per annum. And today, it's at 145,000 tons per annum. So how you would calculate is, because there's more demand coming up from the architectural paint application, powder coating application, because slowly end users are doing away with the solvent-based paints and focused on more water-based powder-coated paints, which are more durable and most importantly cost-effective.

So that is gaining more traction in India, whereas obviously you're seeing more growth in India per se, in a double-digit versus other countries because most of the developed markets have flattened out. China obviously is the biggest powder coating producer, I would say. Close to 1.2 million tons of powder coating paint is produced in China. In the growing markets, India is producing 140,000 tons. Yearly, they are adding 15,000 tons to 18,000 tons, and again, followed by Vietnam, which is also growing, and Turkey, and Brazil.

So we are seeing a growth mainly coming from the developing economy. And India, being the frontrunner, by adding volumes at a higher level compared to the developing economies, is actually, benefiting us and we see that our launch is going to add value and replace imports in the short to medium term.

Meet Vora:

So, I mean currently no one else makes PBS in India, correct? So what gives us the confidence that we will be able to replace the Chinese guys in this product and will we be also looking at exports or only import substitution?

Siddartha Cherukuri:

We would like to hedge our risk. So therefore we will be looking at domestic and exports. Like to throw some light on the quality in terms of how we produce barium sulfate versus how the Chinese are producing. There's 80%, 95% of imports are coming from China. So we do have a quality edge and we are confident that we will demonstrate this over the period of time. It's difficult to comment and share a lot of information on technicality on this call, but what I would say, is definitely there is a technical and specification advantage what we have seen

over the Chinese in terms of particle size, in terms of oil absorption, in terms of opacity, in terms of gloss impact. So that will definitely speak, and we'd like to hear more from the customers and users over the next few quarters.

So definitely once we get to that level, we'll be able to garner better realization in the coming years.

Meet Vora: Sure. Thanks, that's all from my side and best of luck.

Siddartha Cherukuri: Thank you so much. Thank you.

Moderator: Thank you. We have the next question from the line of Vinod Madathil from Vedant Investments. Please go ahead.

Vinod Madathil: Yes, good morning. I'm quite excited to see the transformation of the company over the last three, four years. My first question is, we have a long history, but what stopped us before 2019? Is it RMT? We had a single product. So what exactly happened that suddenly we woke up?

Siddartha Cherukuri: Excuse me, could you repeat your question, actually, the voice was not audible.

Vinod Madathil: Yes, I was asking, after 2019 there has been a big transformation in the company. So what exactly led us to this adding products? Is it R&D? Can you throw some color on the R&D as well? How big is the team?

Hanumant Bhansali: Yes, good morning. Thank you for attending our conference call. Compared to 2019 and today, quite a few things have improved in both the industries that we operated. Number one, in 2019, we had a limited product portfolio in chromium chemicals, concentrated around two chromium chemicals. And that led to a concentration in the markets that we sold it to. So we were predominantly selling in Indian markets, about 65% to 70% sales came from Indian markets.

But way before that, in 2017 itself, we had pivoted our strategy to move away from these two products and build an entire range of flexible product mix. So in 2019, gradually we ramped-up our capacities in the derivatives in the chromium chemical segment, and we added almost all the products that can be added and produced by any chromium chemical manufacturer globally in our portfolio. That traction started in FY '19 and gradually picked up in FY '21.

Second thing is earlier 100% of our raw materials were procured, which has now changed because we have done a process improvement that has resulted in lower external procurement of a key raw material that we produce. So now we are able to save nearly about 30% to 40% cost in one single raw material itself that has led to improvement in our gross margins also. And most importantly, our capacity utilizations.

Thanks to this flexible product mix, we have moved away from operating levels of 60%-odd between FY '15 and FY '18 to more than 80% since FY '19. So that's been key three changes

that we have seen in our chromium chemicals vertical that has led to this overall improvement because chromium is nearly about 80%, 85% of our consolidated turnover in business.

Vinod Madathil: Right, so my second question is, so you've added five new products to the Chromium range, so we have six now. So these five new products combined, what is your share in the Chromium segment?

Hanumant Bhansali: So earlier the two products used to contribute nearly about 85%, 90% of our sales, which has now come down to 60%. So the derivatives and the value-added products are contributing nearly 35% to 40% of our sales. And our primary products are contributing nearly about 60% to 65%.

Vinod Madathil: So how do you see the future growth in the longer term? Like, is it through new products, or is it going to be market share gain like I heard some company has shut down plant, is it a global trend that you're seeing and why is the shutting down happening? I understand that this is a highly polluting industry so any color on the effluent management will also be helpful.

Hanumant Bhansali: Sure, on the competition per se, there is in the chemistry that we operate today, we are the single largest producers in India. Not just the single largest producers, we are the only producers of chromium chemicals in India. But the reason for why we have been able to sustain certain environment cycles and markets ups and downs is because of the flexible mix that we have and that comes with experience and perseverance.

So instead of relying on one product or two product even though it could have given us a good EBITDA margin of 12%, 13%. We kept on improving our products and that's how we have been able to scale up in new territories in export market. In the last 25 years, we have not seen any major player coming in to Chromium Chemicals vertical. It's the existing players who have grown and who have added new chemistries based on the end user market growth also.

I mean, we have not seen the growth in decorative or hard plating the way it is being seen now. You know, we are talking about INR12,000 crores of investment in electroplating industry in India itself. That is all going to fuel demands for chromium chemicals because of its low coefficient against friction. So these are the things that we are capitalizing on. Some of them are traditional trends, some of them are new trends. At least we are ready with the product portfolio so that we can sell whenever the demand is coming from.

And talking about sustainability, just would like to highlight that as a company we are continuously adopting new techniques to eliminate and minimize the environmental impact. A lot of projects have been implemented by us to use alternate sources of energy also wherever possible. And even talking about from a plant operations, we have taken a lot of measures to mitigate various environmental aspects, be it air quality, noise, water.

So that's what as a philosophy we have moved from being just a producer to a sustainable producer, but this is not just for us even the markets in which we sell and there was customers that we sell, so our philosophy of sustainability stems from the individual action that we operate in and also collective responsibility that our customers also implement in the way they handle chromium and barium chemicals.

And that's the that's how we would like to continuously operate. All our plants are running as per the guidelines that are set by the state and central government. And I would like to just highlight that in 2022, our Vishakhapatnam unit was integrated to capture and recover one of the key raw materials from our own plant. And today we are converting carbon dioxide into a sustainable and eco-friendly raw material.

So we are only one of the few companies who have this kind of infrastructure and that has helped us being, not just being sustainable, but also be one of the lowest cost producers in our chemistry globally.

Vinod Madathil: That's good to know. That's all from my side. All the best. Thank you.

Moderator: Thank you. We have a question from the line of Sriram R, an individual investor. Please go ahead.

Sriram R: Thank you for the opportunity. My question is on the barium sulfate. Your current capacity is 30,000. I just want to understand how much of it will go as a replacement to TiO₂ and if you can break it up in terms of application, that would be helpful.

Siddartha Cherukuri: Good morning, Mr. Sriram. Yes, barium sulfate would be a partial replacement of TiO₂ in certain powder coating applications, mainly on the white powder coated things. We have seen, especially on the R&D level, it has helped and just contributed close to 25% reduction in the pre-mix, and there has been no impact on the opacity of the final end product on the panel. And this has been demonstrated to the end user and we'd like to see the progress of this in the coming quarters.

But as such what we have seen is mainly on the white powder painted coating materials, there will be a close to a 25% reduction in the TiO₂, which means it will be replaced with barium sulfate without impacting the refractive index.

Sriram R: So the entire -- so the application is purely in the white powder coating, right? 100% would go to the TiO₂, right?

Siddartha Cherukuri: It is majority into white and also other colors like black gloss, white gloss, brown. There is a majority will be black and white gloss paint, mainly into the aluminum, your aluminum profiles, all aluminum profiles and all the architectural coatings which goes into heavier smoothers and JCPs or powder coated versus a solvent coating. So wherever there will be a white powder paint coat requirement, we will try to, I mean, our product will help to minimize the utilization of TiO₂ by up to 25%. Not necessarily in the black, because black mainly, carbon black is used instead of TiO₂.

Sriram R: So in terms of pricing between TiO₂ and concentrated barium sulfate, what would be the pricing difference?

Siddartha Cherukuri: So there is a significant delta, we are looking at delta of close to 60%, so that gives a good monetary advantage to the formulator and motivate them to really, work on it and slowly replace it. Because it is a common...

- Sriram R:** You are saying, your product is 60% cheaper than TiO₂.
- Siddartha Cherukuri:** Yes, because it is a white powder coat is always a combination of epoxy resin, polyester resin, barium sulfate and TiO₂. The purpose of TiO₂ what we see is to get the whiteness and the opacity. So the advantage TiO₂ has a higher refractive index over the barium sulfate, but barium sulfate is a more steady binder and a filler, that equally good refractive index close to 1.64. Whereas a TiO₂ has a refractive index of about two close to 2.5. It can bring a very good balance to meet the opacity and the lightness and brightness by doing this combination of barium sulfate and TiO₂ and achieve the same opacity.
- Sriram R:** Okay, that's helpful. And just one last question. The business mix between chromium and barium, what is it for this quarter, can you share?
- Siddartha Cherukuri:** Sorry, your voice is cracking.
- Sriram R:** The value mix between, revenue mix between chromium and barium for this quarter. You mentioned 85% for last year. How has it changed for this quarter?
- Hanumant Bhansali:** It's in the same range, nearly about 82%, 18%. 82% came from about chromium chemicals and about 18% came from barium chemicals.
- Sriram R:** Okay, fine, thank you, sir, thank you so much.
- Hanumant Bhansali:** Thank you so much.
- Moderator:** Thank you so much. Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.
- Hanumant Bhansali:** Thank you everyone for participating in the conference call held by Vishnu Chemicals Limited. We hope that we have been able to answer all your queries. If you have any questions, please feel free to reach out to us. We have a dedicated email address, investors@vishnuchemicals.com, where you can reach out for us with any query or any call request that you may have. Thank you so much.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.