VISHNU
CHEMICALS LTD

20th November, 2024 VCL/SE/73/2024-25

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 18th November, 2024 on Q2 and H1FY25 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 Monday 18th November, 2024 on Q2 and H1FY25 financial results.

Kindly take the same on record.

Thanking You.

Yours faithfully,

For Vishnu Chemicals Limited

Vibha Shinde
Digitally signed by Vibha Shinde
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"Vishnu Chemicals Limited Q2 and H1 FY25 Earnings Conference Call"

November 18, 2024

MANAGEMENT:	**MR. SIDDARTHA CHERUKURI – JOINT MANAGING DIRECTOR – VISHNU CHEMICALS LIMITED** **MR. HANUMANT BHANSALI – VICE PRESIDENT, FINANCE & STRATEGY, VISHNU CHEMICALS LIMITED**
MODERATOR:	**MR. APURVA SHAH – PHILLIPCAPITAL PRIVATE CLIENT GROUP**

Moderator: Ladies and gentlemen, good day, and welcome to Vishnu Chemicals Limited Q2 FY25 Results Conference Call hosted by PhillipCapital Private Client Group.

This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinion and expectation of the Company as on date of this call. These statements are not guaranteed of future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the Conference Call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Apurva Shah from PhillipCapital. Thank you, and over to you, sir.

Apurva Shah: Yes, thank you Siffa. Good evening, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to Q2 and H1 FY '25 Earning Conference Call of Vishnu Chemicals Limited.

From the management, we have Mr. Siddartha Cherukuri, Joint Managing Director, and Mr. Hanumant Bhansali – Vice President (Finance & Strategy).

I now hand over the conference call to Mr. Hanumant for his "Opening Remarks," and then we will open the floor for question and answer. Over to you, sir.

Hanumant Bhansali: Thank you, Mr. Apurva, and good afternoon, everyone. We welcome you all to the Earnings Call update of Vishnu Chemicals Limited.

I will start with the "Financial Performance" achieved during the 2nd Quarter of the Current Financial Year.

On a consolidated basis, the Company recorded operating revenues of 343.8 crores in Q2 FY '25, an increase of 12% on a Y-o-Y basis. The consolidated gross profit was 147 crores in Q2 FY '25, an increase of 6% on a Y-o-Y basis. The consolidated EBITDA of the Company stood at 45.1 crores, a decrease of 2% on a Y-o-Y basis. The consolidated PAT of the Company in Q2 FY '25 was 22.8 crores, a decrease of 5% on a Y-o-Y basis.

On a half-yearly basis, the Company recorded operating revenues of 682.7 crores in H1 FY '25, an increase of 12% on a Y-on-Y basis. The consolidated gross profit was 298.8 crores in H1 FY '25, an increase of 7% on a Y-o-Y basis. The consolidated EBITDA was 100.8 crores, an increase of 4% on a Y-o-Y basis. The consolidated PAT of the Company in H1 FY '25 was 53.3 crores, an increase of 1% on a Y-o-Y basis.

The domestic-to-export sales mix on a consolidated basis was 57:43. This was driven by a robust demand environment in the domestic market. The Company continues to remain cautiously optimistic about the recovery in the export market, which continues to face challenges due to geopolitical and inflationary pressures.

The EBITDA and PAT margin of the Company was impacted due to rising cost of raw materials, higher fixed costs due to scheduled maintenance taken during the quarter, and an impact on export due to multiple factors as mentioned earlier like the higher trades, geopolitical issues, and sustained increase in disruptions in global supply chain.

On the Barium side, profitability continues to improve due to process improvements, diversified product mix, and operating leverage improving in the business. Fundamentally, the balance sheet of the Company remains strong with a consolidated debt-to-equity ratio at 0.45x and current ratio at 1.58x. The consolidated net debt-to-equity stands at 0.32x with Cash and Cash Equivalents at 100.1 crore as on 30th September 2024.

I would now request Mr. Siddartha Cherukuri – Joint Managing Director of Vishnu Chemicals Limited, to share his views on the strategic expansions done by the Company during the financial year. Over to you, sir.

Siddartha Cherukuri: Thank you, Hanumant. Good evening, everyone. In Financial Year '25, we have entered into a definitive agreement to acquire business that aligns well with our portfolio, enhancing both our operational capability and resilience to external pressure.

On August '24, the Company entered into a definitive agreement to acquire Jayansree Pharma Private Limited, which helps in expanding our presence of the Company in Visakhapatnam. On November 24, Company has achieved a milestone by entering into a definitive agreement to acquire a Chrome Mining Complex through its subsidiary in South Africa.

Our cash-rich balance sheet coupled with a low-debt portfolio continues to provide us with flexibility to invest strategically in the assets that drive long-term value for our shareholders.

Overall, we are pleased with the progress we have made in executing our enterprise strategy in a tough business environment. We continue to balance our long-term growth objectives with the realities of the current market conditions, positioning ourselves for sustained success as we navigate through these uncertain times.

With this, I conclude my remarks. We can now commence Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have first question from the line of Sagar Jethwani from PhillipCapital. Please go ahead.

Sagar Jethwani: Sir, I have a few questions. Can you share the volume performance of Chrome and Barium segments? What led to the slowdown in Chromium segments? Can you elaborate on that? Second is that the Soda Ash prices have been trending lower. So, that is one of the important RM for us. Considering that fact, the gross margins were still lower. Can you provide the details of that as well? How did the RM basket moved? Third is that how do you see the H2? What is the visibility for the remaining part of Financial Year '25? Lastly, there was 20-day scheduled maintenance at the Vizag plant. So, what was the requirement of this maintenance? Can you throw some color on that? That would be helpful. These are my questions.

Hanumant Bhansali: Thank you, Mr. Sagar, for your question. This is Hanumant with you. The volume in both the Chromium chemicals and Barium segments remained stable during the quarter. In fact, the volumes were quite robust in both the segments that we operate, that is Chromium chemicals and Barium chemicals despite the scheduled maintenance taken during the quarter, we had higher inventory of finished goods that helped us meet the requirements of our customers globally.

Coming to your second part of the question, where you mentioned the lower soda ash prices seen during the quarter and the impact of it on the gross margins, your observation is correct. Soda ash prices have been on a downward trend for quite some time now.

However, I would like to mention that one of the major costs in raw materials is the cost of minerals, that is Chrome ore and Barytes. And the prices of both Chrome Ore and Barytes saw an unprecedented rise during the quarter gone by, and that led to a pressure on the margin profile.

Having said that, we did not see any pressure on the volume front as we mitigated the slowdown in the export market by shifting more volumes in the domestic market. Thereby, we did not lose any market share and also continued to remain available for our customers in the markets in which we operate.

The visibility for the rest of the year in comparison to the first half is on the positive front, especially because of the acquisitions that we have done. So, taking this trend forward, we are looking to improve our operating levels as well as margins in the overall business at a consolidated level during the second half of the financial year.

Having said that, I would like to still emphasize on the fact that the key factor over here for us to monitor would be the trends in raw material prices; the freight expenses are expected to be on a downward trend, but still, we have to observe that more keenly as we step ahead, because that is one of the key factors that is leading to changes in global demand, especially from export markets. And third but not the last one is the geopolitical issues that are thriving in the current environment.

On the scheduled maintenance, we are a manufacturing company. In fact, it's one of the most heavy manufacturing plants that we operate in Visakhapatnam, and every year we take a scheduled maintenance of close to about 30 days. Here we took a scheduled maintenance of about 22 days in the 2nd Quarter and the rest 8 days will be taken over the year. So, we don't see any major impact of the scheduled maintenance going forward in the second half of the financial year. I hope I have answered your question.

Sagar Jethwani: I just want to follow up on my first question. Can you give the volume numbers, Chromium and Barium segment?

Hanumant Bhansali: Thank you, Mr. Sagar. But as a Company, we do not share the volumes in both the segments because of our competitive reasons.

Sagar Jethwani: No, growth numbers, I was asking. Growth or degrowth?

Hanumant Bhansali: It remains the same during the quarter. There was no change.

Siddartha Cherukuri: Just to add to that, the Barium volumes have increased, especially on the Barium sulfate, Precipitated Barium Sulfate. As you see, I mean, on a six-month basis, we have recorded the highest revenues so far, which is our subsidiary Company. So, there is a volume growth, especially on the Precipitated Barium Sulfate.

Moderator: Thank you. We have the next question from Sudhir Bheda from Bheda Family Office. Please go ahead.

Sudhir Bheda: Just wanted to know how these two acquisitions will pan out in the next 12 months, one Chrome mine and one pharmaceutical Company? How that will be EPS accretive or how it will pan out in the next 12 to 18 months?

Siddartha Cherukuri: Bhedaji, good evening to you. Let me throw some light on these acquisitions. See, again, I would like to clarify to you and to all that this Jayansree Pharma don't get carried away with the nomenclature. It's not a pharma Company. It's an inorganic chemical manufacturing Company. Idea is to add another value-added additive in inorganic chemicals, which will add to the basket of our products, especially going into the ferrite industry as well as ceramic industry globally. So, this is our plan is to manufacture this value-added product in this facility. Tentatively, we are expecting the commercial production to happen in Q1 of FY '26.

Sudhir Bheda: And what could be the financial? How it will be a EPS accretive or how it would be?

Siddartha Cherukuri: We cannot comment at the moment. We will come back to you once we get closer to commercial production.

Sudhir Bheda: And Mining Complex if you throw some light on.

Siddartha Cherukuri: Well, I mean, this plant has a reserve which is sufficient for us for the next 30 to 40 years. Also has a very efficient beneficiation plant, which is suitable for the kind of raw material which we are currently sourcing from South Africa.

With that being said, it is a very suitable asset for Vishnu Chemicals considering a backward integration and gives a lot of certainty to the raw material supply in the years to come. We are expecting this plant to be operation in the next six to nine months from now. The share purchase agreement has been signed, and currently the paperwork is in progress. The rest of the work is in progress.

Sudhir Bheda: And H2, do you foresee increase in EBITDA because the one-time charge will not be there? So, the percentage term, what kind of growth do you see in EBITDA?

Siddartha Cherukuri: I would like to say, I mean, it's also updated in our news report that the domestic markets are resilient. I think that gives a lot more confidence in terms of maintaining volumes and increasing volumes.

Export markets are, we are still facing certain headwinds because of aggressive pricing pressure from the peers in certain country and also some logistical advantages they have, especially being in Africa and Europe, which they are able to leverage on the lower logistics cost, which we are trying to address to some extent. And also, since we are witnessing some sea freight adjustments, downward adjustment, that's also giving us some benefits which we are able to pass on to the end users.

So, we are expecting some, you know, marginal volume growth in Chrome business during H2 and a sizable volume growth in Barium business during H2. That's what I can say. I would not be able to comment on EBITDA at the moment. We don't know where the rupee-dollar would be and the raw material costs.

Sudhir Bheda: And can you quantify what was the one-time charge was like in Q2?

Hanumant Bhansali: Good afternoon, Mr. Bheda. This is Hanumant with you. The one-time administrative expenses were towards the acquisitions that we made during the quarter. So, it was already expensed in our P&L in the Q2, and there won't be any further expenses.

Sudhir Bheda: No, can you quantify that? What amount was it, if you can quantify so that we get the clear clarity on the EBITDA margin?

Hanumant Bhansali: I don't have the exact number in front of me, but probably I can get back to you later on this.

Moderator: Thank you. We have next question from the line of Rohit Sinha from Sunidhi Securities. Go ahead please.

Rohit Sinha: Actually, my line has dropped in between, so maybe sorry for a repeating question. One is on the Barium side. As we have added our PBS capacity, so wanted to know how the PBS volume for the utilization level was there and excluding PBS, how the Barium segment has performed in this quarter?

Siddartha Cherukuri: PBS for the whole Financial Year, I mean, including H2, we are expecting a volume growth of close to 40% compared to FY '24, and also the order book is looking quite solid strong as we move forward into the H2. Currently, the operating levels of the plant are at 65%-70% level. We are undergoing some de-bottlenecking to get it up to 80% to 90% level and given the fact that we got approval from all the MNC Spain companies as well as mid-level powder coating companies in India, we are also looking at adding capacity in the next two years from now because the current capacity will be able to only service the domestic demand. With that being said, I think probably in FY '26 or FY '27 we will be looking at adding capacity in Barium sulfate.

Rohit Sinha: And that the capacity size would be roughly how much?

Siddartha Cherukuri: We are planning to double the capacity by FY '27 of Precipitated Barium Sulfate. Currently which we are seeing is 30,000 tons considering operating level of 80% to 90%. We will have to take it up to 60,000 tons considering the operating level of 80%. So, we are looking at least 50,000 tons of Precipitated Barium Sulfate in next two years.

Rohit Sinha: And just wanted to know in Q1 we have more than 80 crore kind of top line from subsidiaries. This quarter slightly Q-o-Q it was down. So, is it because of the volume side or the pricing was slightly on the weaker side?

Siddartha Cherukuri: Sorry, please repeat your question.

Rohit Sinha: On the subsidiary side, from last quarter, the revenue was slightly down. So, is it on the volume, because of the volume issue or there was some pricing decline also?

Hanumant Bhansali: Good afternoon, Mr. Rohit. The impact of, there is no decline in volumes or the value in our Barium business during the quarter. There is a marginal impact of less than 2% on the operating revenues in the Barium business, which we are anticipating covering up in the quarters to follow, with both higher volumes and value realizations to improve.

I would also like to add that during the quarter gone by, the Barium business achieved one of the highest PATs in the quarter, in the last 12 quarters that we saw. And the EBITDA margins in the business were in excess of 16.75% in Q2 FY '25 for the Barium business. So, we are quite upbeat around the business, and we hope to continue delivering value to our customers for the rest of the year.

Rohit Sinha: And is it expecting better volumes, better utilization level? So, are we expecting further improvement in the EBITDA margins for the subsidiary, or what sort of range we should be expecting in the barium business?

Hanumant Bhansali: Correct. The EBITDA margins for the subsidiary business is expected to improve and from the current levels of around 16.75%, we expect it to increase over the next two quarters by 100 to 200 basis points.

Rohit Sinha: And just on the overall business, just one question from the Red Sea issue we have been facing for some time. So, are we seeing any improvement in terms of shipments or how we are actually looking at this situation right now and maybe down the line in the next few months, how we will be looking at it?

Siddartha Cherukuri: Well, it has been a matter of concern for the last, especially the Q2, because the sea freights have been quite volatile and an upward trend, especially in Q3, towards the end of Q3, what we are witnessing now is the sea freights have come down and kind of stabilized. Although they are not to the level what we have seen before the Red Sea issue, we are hoping it will get there probably by Q4.

And most importantly, as a shipper, you would expect the freights to be stabilized and have more certainty on the availability of the equipment and the freights, rather than them to be volatile. So, this has been a concern, especially during Q2, and things have kind of settled, come down and settled at the moment. We are hoping they will get better in Q4, as we get into Q4.

Rohit Sinha: And one last question, if I can squeeze in. Just on this mine acquisition angle and once this benefit would be coming into the business, probably, obviously, we have a thought process of looking at a better margin after that. So, on that question only, I mean, what best margin expansion can we expect?

Siddartha Cherukuri: Let me start off by saying this acquisition will improve our cost position, not just locally, but globally. We will be the lowest cost producer, especially coming to all Chromium derivatives. That will give us a lot more leverage in terms of increasing volumes, improving the margins, better operating leverage, and having a strong position in certain derivatives as we move forward.

Most importantly, this will give us a lot more certainty to the critical raw material, which is Chromite ore. And, you know, it makes a significant difference, especially on the operations point of view, when you use a product which is a lot more consistent than coming from different mines. So, from the operations point of view, there will be a lot more stability and certainty on the yields. Definitely, it will improve EBITDA margins. I won't be able to quantify right now, but I would say at least to a level of 2% to 3% at a full operating level in two years from now.

Moderator: Thank you very much. We have a next question from Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: So, sir, just wanted to get a sense, like in case, so this quarter, our margins have gone down a bit. So, I just wanted to know in the 22-day shutdown. How much revenue impact would it have happened and what would be the one-time administrative cost that would not come in the next quarter? Could that be quantified?

Hanumant Bhansali: Thank you, Mr. Darshil for your question. As I answered during the call earlier that there is no impact of schedule maintenance on the revenue side of things because we were holding a higher inventory of finished goods as we had already mentioned during Q4 of last Financial Year and Q1 of the current financial year.

To maintain continuous supply to our customers globally, we were maintaining a higher inventory of finished goods that helped us in this entire phase of shutdown for the scheduled maintenance within our Visakhapatnam unit. And the impact was more on the expense side as we had to incur more fixed expenses without production. So, that added to a little bit pressure on our EBITDA margins.

And having said that, most of the impact is because of the higher raw material costs as you could see in our gross margin profile and the slowdown in the export market which led to a little bit shift in demand from export market to the domestic market.

On the administrative expenses, as Mr. Bheda had asked this question earlier, the amount is sub-optimal. It was close to about 50 lakhs that we had incurred for the acquisition and the advisory fees that were paid during the quarter.

Darshil Jhaveri: Sir, just wanted to know, can we have guidance in terms of revenue and margins for the full-year FY '25? I think most of our costs have gone in that everything that's shut or even the maintenance shutdown has been already incurred in H1. So, overall H2, could you just give us a guidance how will the revenue pan out and margins that we can expect going forward? Can we come back to 16% margin that we did in Q1?

Hanumant Bhansali: The current situation is quite similar to as it was in Q2, except for the freights that have started to coming off. However, we are yet to see the full impact of lower freights on the demand from the export market. And thereby it's imperative for us to be very watchful and diligent in this current situation.

We won't be able to give you a guidance, but as a Company like we highlight both the negatives and the positives with the headwinds and tailwinds, we are sharing with you whatever data is available with us. And if things improve from here on the Chrome side, you will see that standalone profitability also improves.

Now we are quite confident about the improvement in the Barium business as we are progressing. But on the Chromium side, we will be continuing to monitoring the situation and keep you updated on the quarterly calls as we progress.

Moderator: Thank you. We have a question from Chirag from White Pine. Please go ahead with your question, sir.

Chirag: Sir, the first question is on the Chrome imports that you do. How frequently you do it? Does it happen every month? Does it happen once a quarter?

Siddartha Cherukuri: We do it quarterly.

Chirag: And is that you had a high cost inventory which will get absorbed, or it has got absorbed, but there will be some spillover effect in Q2 also?

Siddartha Cherukuri: There could be a spillover effect.

Chirag: Q3.

Siddartha Cherukuri: Yes, there will be a spillover effect. But since it's not for a six month or yearly period, it could be a marginal spillover effect.

Chirag: So, the large part of the spillover, the large part of the high-cost inventory is there in Q2 itself. Is that the right way to understand?

Siddartha Cherukuri: No, it will be in Q3 as well, not extending beyond Q4.

Chirag: Not extending beyond Q4. But if it's a quarterly inventory cycle...

Siddartha Cherukuri: Not extending beyond Q3, excuse me, not extending beyond Q3.

Chirag: Because if it's a quarterly cycle, then it should get consumed in 90 days. Half of this Q4 and half of Q3 is how one should try to understand.

Siddartha Cherukuri: Yes.

Chirag: And you indicated that it has reverted back to its normal pricing, right? There is a decline in the Chrome ore pricing sequentially.

Siddartha Cherukuri: Yes, so your question is if the prices decline, I mean the raw material prices decline and the finished product prices decline, is that what you are asking?

Chirag: No, raw material, I am just focusing on raw material because of gross margin issues, I am assuming that…

Siddartha Cherukuri: Yes, now the price of Chromite ore has come down mainly on account of raw material, sorry, mainly on account of sea freights adjustment. So, that is going to reflect in Q4.

Chirag: And if I understood your point correctly, while you had a high-cost inventory, you were not able to pass on the prices because of higher competitive pressures in the export market. In Q2…

Siddartha Cherukuri: Low demand as well, and subdued demand in the export market as well.

Chirag: Subdued demand in the export market also, but that would be the case in Q1 also, right, sir?

Siddartha Cherukuri: Yes, that's right.

Chirag: So, sequentially demand pressure has not aggravated?

Siddartha Cherukuri: The demand pressure has not aggravated. It is where it is, but it's just what has added to it is the logistical challenges. It added to the demand pressure as a headwind.

Chirag: Because sequentially also there seems to be pressure on gross margin. That's what I was asking. So, I thought, is there any increased pressure coming from competition to...

Siddartha Cherukuri: No, because as you see, our other costs have increased mainly on account of logistics.

Chirag: No, I am looking at gross margin sir, only gross margin. Only sales…

Siddartha Cherukuri: Understood.

Chirag: And second is, if you can just help us, give a refresh on the acquisition that you did that Jayansree Pharma, so how does it benefit, when does it will start trickling down in revenue and any initial investment cost that could have an impact on P&L before it really helps us in generating revenue and profitability?

Hanumant Bhansali: On the acquisition of Jayansree pharma, it's a strategic acquisition, primarily for two reasons. One is we have acquired a gross block of nearly 80 crores and a net block in excess of 50 crores for an enterprise value of 51.99 crores.

The acquired unit is going to produce a new inorganic chemical, and it will be our foray into Strontium Chemistry, which is a chemistry where we are already built sufficient expertise in, that is to convert minerals coming out from the planet into different chemicals. And here we are starting with the strontium carbonate. Strontium carbonate has a global demand of about 2.5 lakh tons.

And Celestite is the main mineral used in the production of Strontium Carbonate. There is a huge demand of this chemical in sectors such as the electronics industry, flexible and permanent magnets like ferrites, and also the ceramics industry. It's a complete import substitute. Right now there is no other player that's producing this in India.

And from what we are seeing, it is going to be a play on the growth of electronic manufacturing in India, as it will be useful in producing ferrites, which in a way is going to be consumed in areas such as automobile industry, in the electric motors used in the four-wheeler segment, in speakers, in all electronic devices, sound systems, wherever there is a demand for specialty magnets.

And also it goes into ceramics and tiles industry where we are already having a good marketing presence in both Chromium chemicals as well as Barium chemicals. Strontium Carbonate is very useful in the glazing and enameling of ceramics, and it will be an addition to our portfolio once it starts operating probably in the Q1 of the next financial year.

So, we are quite upbeat about this acquisition, and we will start work on the plant and equipments to make certain upgradation and start production from Q1 of next Financial Year.

Chirag: So, sir, will there be some incremental cost that would create P&L which you would like to call out because it is better to indicate the impact because it's kind of one-off, right, before the revenue starts flowing in?

Hanumant Bhansali: It will be a CAPEX. It will not be a cost that will be expensed.

Chirag: Okay, it will be a CAPEX.

Hanumant Bhansali: Yes.

Chirag: And the import is happening from China?

Hanumant Bhansali: No.

Chirag: Or via China?

Hanumant Bhansali: The top importers of Strontium Carbonate as per the data that is available in FY '24 were Mexico.

Siddartha Cherukuri: Germany.

Hanumant Bhansali: Yes, Mexico and Germany, which was nearly about 77% of imports in India.

Chirag: And once we have a local plant ready, we would be definitely cheaper than them. That would be the right way?

Siddartha Cherukuri: We will be a lot more competitive.

Chirag: We will not be cheaper than them. We will be competitive with them. That's how you are seeing.

Siddartha Cherukuri: We will be competitive, yes.

Chirag: Ideally, given it is an import, and we are doing domestic manufacturing, ideally, there should be a significant cost difference in our favor, right?

Siddartha Cherukuri: Yes. But we will follow where the market is.

Chirag: Yes, that's different. That will reflect in the profitability.

Siddartha Cherukuri: Yes.

Chirag: That will reflect in the profitability. And, sir, what kind of revenue can be generated from this 50-crore gross block?

Siddartha Cherukuri: It's hard to quantify, but at the peak, at the full operating level, considering a 10,000-ton production, probably two years down the line, we will be looking at 140 to 150 crores of revenue from this product. We are upwards of that, but conservatively.

Chirag: No, I understand it's also a function of what is the realization and all that, but ballpark 150 crore based on current prices.

Siddartha Cherukuri: Yes.

Chirag: That's how one should look at it, right?

Siddartha Cherukuri: Right.

Chirag: Sir, second is a fairly different question on the South Africa mine. So, what is your thought process in terms of challenges in operating the mines in a country like South Africa, where labor challenges have been there? And why was the mine shut for such a very long, for a very long time and nobody was interested in looking at it? So, these are two separate questions, I am just clubbing it there, but we understand that it is a reasonable challenge to manage labor in South Africa.

Siddartha Cherukuri: I partially agree with you but beg to differ on certain observations which you have made. South Africa is a home to the world's largest reserve of chrome ore, making it a key global supplier. The mineralogy of chrome ore in that region is very much suited for our production. Additionally, you know, the mining is deeply embedded in the culture with a very skilled workforce and a good logistic support internally, and relatively, I would say, relatively stable business environment compared to the other African, like West or East Africa. And most of the mining is operated by multi-inactions who are listed companies in Europe, like Anglo Platinum and Samancor and Glencore. So, I think the business is operated in a very structured way there, especially with the MNCs being present and very active.

Chirag: And then why was the mine shut for such a very long time? Nobody was keen on looking at it as an asset. So, there are actually some specific issues that would be there, right? Because we have got it a reasonably good price given the reserve.

Siddartha Cherukuri: I can only share with you what we hear from the management during our discussion. It was more strategic reasons because this Company has been taken over by other multinationals. We are acquiring this from a listed Company in U.S. So, they have taken over another Company in the year 2016. So, it was not strategic for them to operate this asset. So, it was more to do with the strategy, how that particular organization looking at this particular asset. That is why it was under care and maintenance. So, they are not selling this asset for financial reasons, financial challenges.

Chirag: This is helpful. It clarifies. So, initial what kind of OPEX, CAPEX that you will have to do because the mine was not operational for a reasonable time? Initial OPEX, CAPEX that you will have to do and also the time you will require to get the manpower and everything in place? So, if you can just, once you get the handover of the asset, what is your initial estimate on that side in terms of timeframe, in terms of investment?

Siddartha Cherukuri: Currently, on care and maintenance, the plan is to restore the mine and processing plan post completing of acquisition. We have already quantified the investment. It is marginal, but I won't be able to give you the exact number at this moment. We are still working on it, but it won't be a substantial amount. That's what I can say because it's been kept in a very, very good condition even during the care and maintenance time. Of course, we have to do some improvements to get the maximum output of the facility, which we will definitely work on. And like I said, the acquisition will be completed within 12 months from the date of signing and subject to customary closing conditions, including regulatory approvals.

Chirag: Just one follow-up, it was pending. So, on the manpower, how much, it's not a challenge for you to get the manpower, right, over there to start the work on the mine?

Siddartha Cherukuri: The manpower is already there. They have not fired any employees during care and maintenance.

Chirag: Yes. This is helpful. This information was not there.

Moderator: Thank you. Next question we have is from Kaushal Sharma from Equinox Capital. Please go ahead.

Kaushal Sharma: So, actually, as we have two kinds of products like Barium and Chromium, so could you please explain the current capacity in terms of metric ton per annum and the capacity utilization and what is the size of the respective industry in India and globally?

And my second question is relating to our working capital side. So, if we see that our inventory levels and debtor levels has been stretched out from 2020-21 to 2024, so could you please explain the details of that?

And my last question is on the related party side. As I can see in your consolidated balance sheet that we are having some transportation cost from our some of the concerns in which KMP is interesting around 38 crores of rupees. So, could you please explain what is the rationale of these kind of transactions in your books?

Hanumant Bhansali: Good afternoon, Mr. Kaushal. On the Chromium chemical side, we have a capacity of 80,000 tons per annum measured in terms of Sodium dichromate which is a primary chemical manufactured in the entire universe of Chromium Chemicals.

And in Barium Chemicals, we have a total capacity of close to about 90,000 tons per annum comprising of two products, Barium Carbonate and Precipitated Barium Sulfate with capacities of about 60,000 tons and 30,000 tons, respectively. In Chromium Chemicals, we are the largest producers in India and so is the case in Barium Chemicals.

In terms of market share nearly 50% of the market in India is catered by Vishnu Chemicals in Chromium Chemicals vertical and the balance is catered by imports from geographies such as South Africa, Turkey, Russia, Kazakhstan, and United States of America.

On the Barium Chemicals side, we have two products, like we mentioned, Barium Carbonate and Precipitated Barium Sulfate. Both of them have different end user segments and while Barium Carbonate goes into industries such as ceramics and tiles, building materials, construction of bricks, water purification or brine purification in the caustic lime industry, Precipitated Barium Sulfate goes in the industry such as powder coating paints and batteries.

In Barium Carbonate, we are the largest producers in India with a market share of close to about 40% and in Precipitated Barium Sulfate, we are the largest producers and the sole manufacturers in India. Last year we had a market share of close to about 15%, which is currently expanded to close to 30% as I speak to you. The balance 70% of Precipitated Barium Sulfate's requirement is met through imports in India.

The inventory levels as you mentioned have increased compared to our historical years, primarily in line with, like we mentioned, the increase in raw material prices and the increase in transit times over the years. So, we are maintaining more inventory for both raw materials as well as finished goods to meet the requirements of the customers and have sufficient raw materials at disposal to manufacture even if there is a lag in logistics or if there is a delay in logistics. We hope that situation improves from where it is today, but we have been seeing higher raw material costs for nearly two quarters now.

On the related party expenses, like you mentioned, it is towards the transportation cost that is paid to Vasantha Transportation, a Company that is promoted by our Promoter group, and that is mainly for the movement of raw material and finished goods from the port to the factory and from the factory to the customer site. We have been compliant with the disclosures, and overall, all the transactions done with the related party Company is in line with industry standards and on an arm's length basis, and overall they are less than 2% of our overall turnover for the Company in terms of expenses.

Kaushal Sharma: And can you please let me know about the industry size in terms and how is it they are doing in respective products like Chromium and Barium, what is the industry size in India, globally, and how is it growing?

Hanumant Bhansali: On the industry side, Chromium Chemicals have different products and on an average these products are growing in the range of 3% to 6%. There is a global volume market size of close to about 800,000 tons of Sodium dichromate and in that context with our 80,000 tons of capacity, we have a market share of close to about 8%. And we are present across the entire value chain of Chromium Chemicals and have been the largest integrated producers of Chromium Chemicals in India for quite some time now.

Till FY '26, we as a Company were very much focused on two products Sodium dichromate and Basic Chrome Sulfate. In the last few years, as a Company, we have pivoted our strategy, and now invested and focused on different derivatives and value-added products that has helped us expand our customer universe and also mitigate any cyclicality that arise out of the end user industries.

We have built quite a few unique capabilities over the years and some of them are like scale, self-sufficiency in some of the key raw materials, our focus on return on capital employed or asset sweat and all of these are making us one of the lowest cost producers of Chromium Chemicals in the world, and we are working more towards enhancing this position through the acquisitions that we have made in the current Financial Year.

Kaushal Sharma: And sir, could you please explain me the key raw materials of both of the products so that we can understand?

Hanumant Bhansali: I request you that we can connect offline as there are more questions, more people on the queue. So, probably we can take it offline, and I can run you through the Company.

Moderator: Thank you. Next question we have is from Rohan from Turtle Capital. You may go ahead please.

Rohan: Like I was dropped from the line, so some of my questions will be repetitive. So, my question is that some of, like, a couple of quarters back, you gave guidance that we would be achieving a top-line growth of in FY '25 around 30%-35%, but seeing that our half H1 performance, it looks like, like, what's the trend? Like, can we still be able to do that?

Hanumant Bhansali: Good afternoon, Mr. Rohan. For the first half of the financial year, we have achieved a top-line growth of about 12.2%, and we have witnessed revenue growth in both Chromium chemicals as well as Barium chemicals. Particularly, we are expecting that the Barium chemicals revenues are expected to improve in the rest of the financial year, and we are still looking to improve our overall top-line growth compared to the last financial year.

Rohan: So, considering that what you explained is the industry dynamics, so we might have cut down on our guidance from before it was from 35%. So, can we expect 50% growth this year?

Hanumant Bhansali: The guidance was not for the top-line growth. The guidance was on the volume growth in Barium chemicals. So, we had guided for improved volumes on a year-on basis in the Barium chemicals business, as we launched Precipitated Barium sulphate last year. So, that is giving us increased volumes as well as revenues in our Barium chemicals vertical.

Rohan: And what we have observed is that over, say, the last 10 years, seeing that how our gross margins have increased and what CAPEX we have done for improving our operations and we have backward integrated, the margins are not being reflected into, I am talking about Chromium side, the margins are being not reflected. So, where have the issues been where we cannot solve?

Siddartha Cherukuri: Mainly due to the subdued demand in the export market, the end product prices are under pressure on account of softer demand and higher logistics cost. But thanks to the backward integration what we have done two years ago, I think that is really supporting the gross margins to stay at the range of 40% levels where we are. But we are anticipating an improved demand environment during FY '26 and also the logistics cost seems to be coming down. Hopefully, by quarter four, it is back to the pre-Red Sea levels.

Rohan: And considering that now we have did an acquisition of a Chrome mine and a processing plant, that now we have now completely, we can say, we have went backward integrated while securing our raw material supplies. So, like how much of our requirement will be catered by this Chrome mine? Will it be complete?

Siddartha Cherukuri: Yes, well that is the plan to acquire this mine to suffice 100% of our requirement, but obviously it will be in a phased manner. I mean, probably it will take a year, two years from now to get to that, to suffice our 100% requirement from this particular asset which we own in South Africa.

Rohan: And considering now we have secured our raw material supplies, what are your plans for Chromium downstream products? Like are we planning any expansion in some of our downstream products? Because now we have our supplies secured, as well as you guided that you wanted to take our market share, international market share of 8% to, say, 12% to 13%. So, that is something like 40% increase in our market share.

Siddartha Cherukuri: It is very likely to happen. Currently we are working on it and also looking at another value-added product Chromium metal to be launched during Q1 of FY '26. Let us say, we are quite busy with this new product launch in FY '26, as well as this Chrome mine acquisition, which will also conclude hopefully by 1st Quarter of FY '26.

Rohan: So, can we expect that all of these actions will take us two to three years to start reflecting in our financials, like improving margin, new avenues, new CAPEX coming into play?

Siddartha Cherukuri: Sooner would be better, I would say. I think that we are expecting this to fall in place by H2 FY '26. Especially with, you know, partially the Mining Complex operating and giving us, you know, able to feed a sizable volume of our requirement by H2 FY '26 and also Chrome metal falling in place as a other value-added product, which is also margin assertive. I think this should definitely see some improvement in terms of revenue as well as EBITDA margin growth by H2 FY '26 is what we are anticipating.

Rohan: And considering that the current market situation are very volatile, it might be difficult for you to also answer this question, but I just wanted like considering all our CAPEXs and what lines we have in place, as well as the operating leverage that will play out, so where can we see Vishnu Chemicals the same three years down the line? Where would it be from the current 1,200 crores of top line and say, 16% of normalized margin? How can we see that it's playing out in the next three years?

Siddartha Cherukuri: I think, if we go back to what we have said, our objective is to grow at least at a 20% level year-on-year. Maybe in certain challenging years like this, we have to revise our guidance, but I think our idea is to grow and be sustainable as we move forward.

With that being said, you know with this value-added product, there will be at least 15%-20% growth on a year-on-year basis and definitely this Chrome mine acquisition will underscore the sustainability in the margins profile as we move forward.

Rohan: And just one last question on Barium side. What we have observed is that quarterly basis, the gross margin on the Barium side is a lot volatile. If you compare the last 5-6 quarters, it has been from range of 40%, 44% to 73%, now it's 250%. So, can you explain this volatility in gross margin?

Hanumant Bhansali: On the Barium side, the gross margins is improving because of the improved product mix. We have diversified our portfolio, and that is giving us overall better efficiencies in running the plant as well as we are operating the plant at a higher level of utilization. At the same time, the gross margins have also improved because of the acquisition that we did in the last financial year of Ramadas Minerals Private Limited that has reduced the overall cost of production in the Barium vertical.

Rohan: So, considering going for stability in this Barium division, can we expect margin expansion from here on?

Hanumant Bhansali: Yes, so we are anticipating an increase in the Barium chemicals margins and profitability as we go ahead.

Moderator: Thank you. We have a question from Akshat Goyal from Niveshaay. Please go ahead, sir.

Akshat Goyal: So, sir, regarding the mine that we have acquired, so are there any plans to like sell the Chrome ore that will be produced outside our own business? Is there any revenue which the mines can generate for us?

Siddartha Cherukuri: Yes, hello, Mr. Akshay. This is Siddartha with you. Well, considering short-to-medium term's perspective, I would say no, because we need to stabilize the operation and first feed our furnaces. Probably in a medium-to-long term perspective, there might be some material available to the market, but like I said, this is a medium-to-long term perspective.

Akshat Goyal: And so, sir, can we also expect that by the end of FY '26 or H1 FY '27, we will source all our Chrome ore demand internally with the acquisition of mining? Is it something like that?

Siddartha Cherukuri: That will be our endeavor, but I think in practicality we have to see. Like we said in our, this thing that the expected closure of this mining deal will be within 12 months from now, including regulatory and other customary closing conditions. Hopefully, it should happen sooner than that, but this is where we are today.

Moderator: Thank you very much. Participants, that was the last question for the day. I now hand the conference over to management for closing comments.

Hanumant Bhansali: Thank you very much. In conclusion, kindly note that our results and investor presentation have been uploaded on the stock exchanges and the website of the Company. We appreciate your continued support as we are working towards a future of sustained growth in both the chemicals that we operate. If there are any further questions, feel free to reach out to us on investors@vishnuchemicals.com. Thank you and have a good day.

Moderator: On behalf of PhillipCapital, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.