



14th November, 2023

VCL/SE/111/2023-24

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 Nov 10, 2023 on Q2FY24 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 Friday, November 10, 2023 on Q2FY24 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
Q2 FY '24 Results Conference Call”
November 10, 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 Q2 FY24 Results Conference Call of Vishnu Chemicals Limited hosted by Emkay Global Financial Service. As a reminder, all participant lines 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 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 now hand the conference over to Mr. Meet Vora from Emkay Global Financial Service. Thank you and over to you, sir.

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 the opening remarks. Thank you and over to you, sir.

Hanumant Bhansali: Thank you, Meet. Good morning, everyone. We welcome you all to this earnings call update. I will start with the financial performance achieved during the second quarter of this financial year. The consolidated total income increased by 3% sequentially from INR303 crores in Q1 FY24 to INR311 crores in Q2 FY24. On a consolidated level, the gross margin in Q2 FY24 was consistent at 45.1% compared to 46.3% in Q1 FY24. The gross profit at a consolidated level remained unchanged at INR139 crores in Q2 FY24. The stable margin trend on the gross profit level remains in line with the historical range of 45%. The consolidated EBITDA in Q2 FY24 was INR49 crores compared to INR53 crores in the previous quarter.

The lower EBITDA, as you can see, was due to increase in fixed costs and conversion costs by nearly INR5 crores, which is particularly related to post-operative expenses in the newly commissioned barium projects. The PAT for this quarter was INR24 crores compared to INR29 crores in the previous quarter, a reduction of 16% on a sequential basis.

With an ongoing focus on maintaining our financial health and stronger balance sheet, the company reduced its absolute debt by INR63 crores during the first 6 months on a consolidated level. We are happy to share that we have achieved a debt-to-equity level of 0.5 times as on 30th September 2023 compared to 0.9 times as on 31st March 2023. The company expects to reduce its finance costs from Q3 FY24 onwards. On the working capital, the company achieved a current ratio of 1.6 times at a consolidated level. This is well above the industry average. The receivable days of the company stood at 49 days as on 30 Sep 2023. Now, I will request the Joint Managing Director of our company, Mr. Siddhartha Cherukuri, to comment on the highlights of the chromium chemistry as well as barium chemistry. Over to you sir.

Siddhartha Cherukuri: Thank you, Hanumant. Good morning, everyone. I'm wishing you a very Happy Diwali and seasons greeting. I'd like to highlight on the chromium chemistry. The demand for chromium chemicals remains robust with increase in volume off take during the quarter. Standalone domestic and export sales grew by 6 and 7% on a quarter-on-quarter basis.

On the raw material front, chrome ore prices remain at elevated levels and reached their highest level in Q2 FY24. This led to moderate increase in cost of goods sold at a standalone level during the quarter. Company uses chrome ore for its chemical manufacturing.

A stable and consistent supply of raw material is critical for our operation as it minimizes the risk of supply disruptions or price fluctuations in the open market. In the recent years, the company has taken steps to reduce its reliance on external procurement of raw material. In this direction, the board of Vishnu Chemicals has approved to acquire Chrome ore reserve and a processing plant as a long-term strategy.

I'd also like to throw some light on our barium vertical. We have achieved break-even in newly acquired baryte beneficiation plant in the very first quarter of operation. Q2 FY24 had higher fixed costs due to integration of newly commissioned plants and stabilization of baryte beneficiation facility acquired in FY24.

The newly commissioned plant of barium sulphate has an installed capacity of 30,000 tons per annum and is expected to reach over 50% utilization by second half of FY24. The output has received incredible reception from the organized customers in India and overseas markets, largely in the powder coating and automotive paint industry and battery application. Our plant and process is built to meet stringent quality requirement of multinational paint companies globally and it is a clear import replacement.

Now, I request we start the floor open for Q&A.

Moderator: Thank you very much. First question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: Yes, thank you for taking my question, sir. So, first of all on this mine acquisition, so basically just wanted to understand as to what would be the timeline when, I mean, we should expect the acquisition of mine to be completed and when should we see the actual benefit to reflect on numbers?

Hanumant Bhansali: Good morning, Mr. Rohit. Thank you for your question. Right now, the board has only approved this proposal to acquire the mine as well as the processing plant. The company is evaluating this and it's pretty early right now to give a comment on the timeline.

We are still busy with our capex plans in chromium chemicals and this would take nearly a year from now to fully get completed.

Rohit Sinha: Okay. So, what would be the capital outflow for this?

Hanumant Bhansali: So, we have just received a board approval. We have not evaluated the assets or not engaged with any parties as of now. So, it will be very early but from where we see, this won't be a major capital outflow because chromium mines globally are very exclusive and capital outflow is not in line with the other mines that are acquired. So, it is more to do with how the processing plant works and how we can mine the chrome ore from the ground and process it and get it to a level where we can use it for our own production. So, it is very little to do with

the cost of mine and more to do with the cost of replacement of setting up a processing plant on our own versus getting it started through an inorganic expansion.

Rohit Sinha: Okay. So, just to take it further, we recently did a QIP and money was made for the use of expansion of our existing capacities. So, with this acquisition online, would there be any how we should be basically funding, going to fund this QIP? It would be from the internal accrual. And if you could also briefly highlight if at all possible that what kind of benefit on raw material prices we should expect, especially when we are seeing that raw material prices are reaching the highest level?

Hanumant Bhansali: I'll first answer the second part, that on the raw material front, there are two parts to it. We have done a lot of work with respect to reducing the cost on the raw material side and also decreased our reliance on external procurement of certain raw materials, both in chromium chemicals as well as barium chemistry. But we have not done any work on the chrome ore front. So, this will be the first step towards taking control of the supply side of the chrome ore. And this would also help us in the longer run as we keep increasing the capacities of sodium dichromate and its derivatives.

Second aspect is, like you asked about the capital outflow and the use of QIP funds. The capital outflow in the QIP is as specified in the QIP placement document, for reduction of working capital and debt, which we have done already in the first six months.

Our overall debt has come down. Our overall long-term borrowings has come down by nearly INR63 crores and we have also reduced our working capital requirement during this period. So, any further capital that we would require for inorganic expansion would be generated over a period of time from our internal accruals. And we also have access to some portion of general corporate funds from the QIP portion.

Moderator: Next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes. Hi. I just wanted to check on the Chrome side of the business. Between the last three, four quarters now, is it a lot to do with the chrome ore RM, which is shrinking the GM? Or do you want to call out something else? And between the last three, four quarters now, what will be the utilization of the Chrome asset of, I think, 70,000 capacity, right? Are the volumes stable or there is any changes in the volume that we see in the last three, four quarters? Because your peak was at about INR300 crores, INR320 crores and now you are at about INR260 crores, INR270 crores.

Siddartha Cherukuri: Yes. Good morning, Pritesh. This is -- Well, on a quarter-on-quarter basis, we have seen a volume increase in Chromium in terms of SDC output produced. However, there has been a decrease in gross margins down about 4%, mainly on account of Chrome ore price increase. Followed by that, our absolute EBITDA has also come down on a Y-on-Y basis. But what we are seeing is mainly on account of value correction across the derivatives versus what we have seen on a Y-on-Y basis in general.

Pritesh Chheda: Value correction on Y-o-Y means drop in the Chrome or product realizations?

- Siddartha Cherukuri:** Yes.
- Pritesh Chheda:** For the same volume?
- Siddartha Cherukuri:** Correct.
- Pritesh Chheda:** Or a lower volume?
- Siddartha Cherukuri:** For the same volume.
- Pritesh Chheda:** Okay. So, then for the same volume, it means that the price correction in the Chrome product line is about 14%, 15%.
- Siddartha Cherukuri:** Correct. Correct. And I'm sure we all are witnessing across the industry in general. Well, moving forward, what we are seeing is, I mean, we're very happy to share that, you know, the CO2 acidification, what we have done is progressing well. We are currently operating at 75%. And moving forward by the end of this year or by Q4 FY24, we are expecting it to operate at 90%. And it's been very steady. We're very happy with the output overall. And it's definitely going to support our EBITDA margins as we move towards the end of this financial year.
- And like you say, we are coming back to the Chrome ore. We have seen this cycle even in 2016. And this time, it has been relatively longer than what we have anticipated. And there were some challenges to pass on the price increase during quarter 2. But what we are seeing is, again, there has been better inquiries. I mean, instead of, you know, when customers were looking at monthly or bimonthly basis, I think there has been more clarity that, the prices have come down to the levels where they will stay or they will, you know, eventually go up.
- So, people are talking about fixing up for a half, you know, quarterly or half-yearly basis. So, we are seeing a lot more inquiries. And we are going back to them with an increased pricing. And we have already made some adjustments, upward adjustments in some accounts for Q4. So, we are hoping for better realizations during Q4 of the financial year. And also, we are seeing some cooling in chrome ore prices. I mean, this is based on the index, what we have in our hand. And I think the outlook is it's going to soften a little bit more towards early next year.
- Pritesh Chheda:** Can you comment on the movement in Chrome ore prices in the last three quarters? What is the movement and what it is today now?
- Siddartha Cherukuri:** The Chrome ore prices have, I can give you a percentage, cannot give the actuals. The prices have increased approximately by about 25% in the last three quarters.
- Pritesh Chheda:** In the last quarter or last?
- Siddartha Cherukuri:** Three quarters. Yes.
- Pritesh Chheda:** Okay. I just have a couple of more questions. One on the barium side. Between standalone and consolidated, what we see is still the 30,000 ton capacity of the barium sulfate flowing through the numbers, right? The barium precipitate capacity, when it is getting operational?

Siddhartha Cherukuri: Well, it is already operational. And as we speak, we are producing it. We are operating at about 40%. We have already received a few approvals and vendor codes from a few of the big paint manufacturers. And as we go towards quarter four, we're expecting the operating levels to be at the level of 60%. And even the exports have started, things are moving on that front as well.

I'd like to throw some light on the volumes as well. If we compare Q1 to Q2, our volumes on a combination of barium carbonate and barium sulfate have actually increased by 10%. Also, the gross margins have gone up by about 10%. But given the fact that this asset has been capitalized, so there is an impact of interest costs and higher depreciation, which will continue for the next two years.

Pritesh Chheda: So just clarifying here, 40% capacity utilization for barium precipitate and 100% capacity utilization of barium sulfate, 30,000 ton, right? That is a part of this quarter two numbers.

Siddhartha Cherukuri: Like to correct that, it's about 80% utilization of barium carbonate and 35% utilization of barium sulfate.

Pritesh Chheda: Okay. And my last question is on the QIP money raised, I could see from the balance sheet, the Pref capital being repaid of about INR77 crores, right? Other than that, how much cash is now in the balance sheet? And some cash seems to be in the, I don't know, how much is the cash in the balance sheet? How was the QIP money utilized?

Hanumant Bhansali: Good morning, Pritesh. This is Hanumant with you. The total debt, including the long-term borrowings, short-term borrowing, the CRPS and unsecured loans from promoters, as of 31st March was INR379 crores, which has come down to INR315 crores now. There is no repayment in the preferential capital of the share in the form of CRPS which is still standing at INR76.7 crores as of 30th September. There is a repayment of unsecured loans of promoters, which was INR26 crores as of 31st March and that has been repaid, but there is no reduction of CRPS. It still stands as it is.

Pritesh Chheda: Sorry, the total MTP was INR356 crores. It is now...

Hanumant Bhansali: It was INR379 crores as of 31st March and now it is INR315 crores.

Pritesh Chheda: Okay. So let's say you repaid about INR65 crores there.

Hanumant Bhansali: Yes.

Pritesh Chheda: And balance money, where I can see the balance sheet?

Hanumant Bhansali: We have utilized those funds in working capital and some portion of it is staying in our cash equivalents. So we had INR21 crores of cash and cash equivalents as of 31, March, which is now at INR77 crores in the balance sheet.

Pritesh Chheda: Okay. And there is some other liability item also, which is repaid at about INR100 crores. So INR150 to INR69 crores?

- Hanumant Bhansali:** Yes. The total amount that's repaid is INR150 crores. So that includes my long-term borrowings as well as my short-term borrowings. Overall, it looks at INR63 crores because there is infusion of capital towards the newly acquired baryte beneficiation plant. So effectively, it looks at INR63 crores, but long-term borrowings have come down by nearly about INR75 crores. So our term loan from banks specifically was INR140 crores as of 31, March, which has now come down to INR98 crores at a consolidated level.
- Pritesh Chheda:** Okay. Yes. Thank you.
- Hanumant Bhansali:** Thank you.
- Moderator:** Thank you. Next question is from the line of Sudhir Bheda from Bheda Family Office. Please proceed.
- Sudhir Bheda:** Yes. Season, greetings, sir, and Happy Dhanteras to you all, Vishnu teams. Sir, my question is, like you have stated in your press note that there is an increase in the fixed conversion cost by INR5 crores during the year. This is an integration of newly commissioned barium sulphate plant or precipitated barium, right? So this is a one-time cost or it will recur in the future as well? This INR5 crores?
- Siddartha Cherukuri:** Yes. Good morning, Mr. Sudhir. Wishing you Happy Dhanteras and Happy Diwali. Regarding your query, given the operating levels of the plant, of especially barium sulphate, the yields are not to the level what we have envisaged, given the lower operating level with the consumption of raw materials as well as the electricity and energy are not to the optimum level yet.
- So you asked me, will this continue moving forward? As we progress in terms of going up to 60%, 70% levels, we will achieve that yield as per the stoichiometry and the energy norm. So I would say, even during the next quarter, there won't be an impact to the level what we have seen in quarter 2, but it will be much lesser than that. As the operating model goes up, it will be 55% to 60% level in quarter 2.
- Sudhir Bheda:** Yes. So as the volume goes up, this cost will be spread over the higher volume, right?
- Siddartha Cherukuri:** Yes.
- Sudhir Bheda:** So what's the outlook on the newly commissioned plant for next two quarters, three quarters? As I understand that there is a great demand because of the Chinese sulphate are not great and the supply has also stopped from happening. So if you can show light on the barium sulphate products which you have commenced, demand outlook implies in the next two quarters, three quarters?
- Siddartha Cherukuri:** Demand outlook continues to remain strong as we are seeing an increase in imports on a Y-on-Y basis. The total imports already for the first nine months stand at 25,000 tons, 26,000 tons versus the year last year it was at 20,000 tons. So we could witness a significant growth, especially in the powder coating industry as well as the battery application as it acts as a cathode extender.

Right now, our focus will be to work with a big multinational where we are going through the approval because 70% of the market is in the hands of organized players. So there is an approval process which we are going through. We already received approval and vendor code from two major end users and we are in discussion with to start supplying from January 2024. We are hoping to have 70% of their demand in the first year and also to the mid to the lower end of the end users. We are already supplying them on a regular basis.

Sudhir Bheda: In Chromium vertical also, as you have stated in an earlier reply, that you are able to now pass on the increased cost of raw material to some account. So we believe that this will lead to a margin expansion in the coming quarters, or how it will pan out?

Siddartha Cherukuri: I would like to reiterate and say that we continue to have the leadership position in India. That is continuing. It is not impacting our volume in any way. As you see, the Indian market still remains very resilient in spite of some headwinds in the export market. Definitely, we are not an exception, at least in this space where we are operating. Exports - we are seeing some sort of headwinds in terms of demand, relatively more supply than last year.

There has been an impact, especially on the pricing and partially some volume. But in India, we have actually consciously decided to increase our presence. So we would also see in terms of our mix, you will see more sales in the domestic versus exports this year. That was a conscious decision made keeping also the margin assertiveness in that space.

Sudhir Bheda: Great, sir. So thanks, sir, for the opportunity and all the best. Thank you.

Siddartha Cherukuri: Thank you.

Moderator: Next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: Yes. Thank you very much for giving me this opportunity. Sir, my question relates to chrome ore. Which form of chrome ore do you use? Do you use chrome ore or ferrochrome?

Siddartha Cherukuri: Good morning, Mr. Sunil. This is Siddartha with you. So we are using chemical-grade chrome ore. We are not using any ferrochrome.

Sunil Jain: Okay. And how much is the total requirement in a year at current capacity?

Siddartha Cherukuri: It's quite sizable. We are talking about more than a 1 lakh tons per year.

Sunil Jain: And about the barium, how's the outlook for now demand from tiles industry? Whether it is improving or how is the outlook?

Siddartha Cherukuri: The tile industry in India, still the demand remains quite resilient, in general, especially in the domestic market. And we have a sizable market share in that, given our quality. Well, outside India, we are seeing some slowdown, in general. I mean, we are seeing an impact of 10% to 20% in terms of demand, especially in this application. But in the other end use, when it comes to water purification and bricks, it remains quite steady, in general.

Sunil Jain: Okay. Thank you.

- Moderator:** Thank you. Next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.
- Bajrang Bafna:** Congratulations for a decent set of numbers, despite the chemical, entire chemical industry is going through a lot of disturbances and turmoil right now. So just to, my first question pertains to the barium carbonate side, why there is a sluggishness or the kind of weakness that we are seeing in that segment. If you could guide us through some deeper understanding that why that segment is not doing that great? So that will be really helpful?
- Siddartha Cherukuri:** Good morning, sir. It's mainly to do with the globally, how the construction industry and price is doing. You know, we are witnessing a slowdown, especially in China, where the real estate market is not doing quite well. So what we are seeing is some additional capacity available for carbonate in China, which is actually putting some price pressure globally, in general.
- Parallely also, Europe, even the real estate industry is relatively sluggish compared to last year. That's what we are, that's the reason what we believe that there has, there is demand is kind of subdued at the moment.
- Bajrang Bafna:** Okay. So till the time we don't see the recovery in those real estate market, either in China or maybe in Europe, probably this segment is going to be subdued. That is what the taking point here?
- Siddartha Cherukuri:** It is to some extent, but what we are witnessing is Indian real estate market still continues to be quite robust and relatively resilient, in spite of this headwinds. So our domestic tile industry, especially in the Morbi area is still going strong and becoming a net exporter moving forward. So we are seeing more volumes coming out of India. So that will, to some extent, balance overall volumes of takeover.
- Bajrang Bafna:** Got it, sir. And sir, what about getting the opportunity of the largest chromium plant getting shut down in Europe? You know, have we started seeing some sort of order flows or inquiries for our company? And how do we see this opportunity to play out maybe over the next couple of quarters?
- Siddartha Cherukuri:** It's a very good observation. So this particular factory in Europe, they make a very speciality grade oxide. So we are in touch with those customers constantly and we are working on their specifications, in general. So I would say, it's in an R&D phase and in approval process at the moment. So we are hoping definitely to see some good order flow for this particular product, derivative of chromium, from Q1 of next year.
- Bajrang Bafna:** Okay, got it, sir. And just, sir, finally, the first half was a little bit, we could say muted for our company. Can we expect the second half to be better than the first half and maybe going into next financial year, the kind of capacities that we have built up, it is fair to assume a 15%, 20% kind of growth in maybe in volume is something which is doable for us. If you could just guide on that front, it would be really helpful?
- Siddartha Cherukuri:** Well, we are working in that direction and we are quite hopeful. But we should be also mindful about how the export market is doing. And we're definitely keeping our fingers crossed to, in

terms of revenues, in terms of EBITDA margin, for the company as well as the investor, it has to be much better than H1.

Bajrang Bafna: Got it. Thank you, sir. And all the very best, sir.

Moderator: Thank you. Next question is from the line of Anil Sarin from Centrum. Please go ahead.

Anil Sarin: Good morning, Hanumant and Siddhartha. I wanted to know some details about this backward integration that you have done in chrome ore and beneficiation. What is the price difference that you will be able to achieve? Like, how much has been spent on this? And how much of saving on an annual basis do you expect from this chrome beneficiation plant?

Hanumant Bhansali: Good morning, Mr. Anil. Thank you for your question. It's very early to right now talk about the cost savings that we will achieve. The main intent behind this proposed acquisition would be to look at a long term supply of chrome ore as there is no correlation between the changes in the chrome ore prices and the end use market. So we would have a consistent supply of chrome ore without any volatilities on the pricing side.

Because today, if you observe the chrome ore pricing globally, is correlated more to the stainless steel industry. And that is one industry that we do not cater to. So our end use market is more determined basis on the 12 applications that we sell into. But the raw material side is more correlated to the stainless steel industry.

With this acquisition, it clearly de-marks the thin line. And then we would have control on the prices of chromes ore, a consistent supply. And from today's consumption of nearly 100,000 tons on annual basis, as we go forward, we are looking at nearly 200,000 tons in three years to four years from now.

So this consistent supply will help us, meet our expectations, meet our manufacturing requirements seamlessly. It's a similar benefit that we got when we earlier envisaged the soda ash plant nearly four years to five years ago. At that point of time, soda ash prices were just about INR20 a kg. And there was not a huge incentive in the short term. But in the longer term, we can see today that soda ash prices have gone from a historical average of INR20 a kg to a current pricing of nearly INR32-33 a kg. And the same backward integration plant that we have set up is now giving us higher profits and improved our overall gross profit. So that's how we are modeling it, looking at from a long term perspective. And as we move forward, and as we do some more work, we'll have more idea about the clear cost advantage that we will have from this proposed acquisition.

Anil Sarin: Okay, thanks. That helps. I have a follow on question. Talking about the quarter gone by, I couldn't fully understand in some of your earlier answers. What I thought, what I think I heard was that, volume has been up 14%. But the profits are down by a certain percentage on a Y-o-Y basis. Part of the reason is, you're saying that the prices have come off of the derivatives of the end product, whereas the raw material prices have gone up. So that should have reflected itself in the gross margin contraction. But even that is not there. So it would help all of us if you could elaborate a little bit on the overall volume, raw material price, as well as the end product prices across barium as well as chromium derivatives of yours?

Hanumant Bhansali: Thank you for your question. So let us talk about one vertical first, that is chromium chemicals. So last quarter, we had seen a maintenance shutdown due to which our overall operating levels are nearly about 70%, on a base of 80,000 tons of sodium dichromate. There is no maintenance now and there's no maintenance likely to be in the second half of this financial year.

So we have operated the capacities at nearly about 80% plus levels in the second quarter of chromium chemicals, due to which we have seen higher volume and production in the chromium segment. On the blended realization side, we have seen a decline of nearly about 15% compared to last quarter. And that is where you see that there is not the entire gain that we could see from the volume increase. But overall, the spreads are intact. And that's how it's visible on the gross profit at absolute level. So at a standalone level, we made a gross profit of INR112 crores this quarter, compared to INR116 crores in the last quarter.

In the barium side, overall, the volumes are slightly better than last quarter. Since we had production company...

Anil Sarin: Sorry, I want just one thing. Last quarter, when you say it means, the June quarter or the previous year September quarter?

Hanumant Bhansali: No, when I said last quarter, it's the June quarter.

Anil Sarin: Okay. Thank you. Please carry on.

Hanumant Bhansali: Yes. On the barium side, we have seen slightly better volumes because of production coming from precipitated barium sulfate. And that has led to marginal increase in overall gross profitability because precipitated barium sulfate is a slightly better product in terms of profitability for us. But on an overall level, we have seen a bit of softness on the barium carbonate side.

So at an absolute gross profit level, we saw that in Q1 FY24, we delivered nearly about INR22 crores of gross profit in Vishnu barium, which was about INR23 crores in Q2 FY24. So the difference is not much. And that's how on a consol level our gross profit remains at INR139 crores in Q2 FY24, like I said, which is in line with INR139.2 crores achieved in Q1 FY24.

On your second question about the profit, the net profit of the company at INR24 crores in Q2 FY24, compared to INR29 crores in Q1 FY24. The 16% decline is because of two factors. One is our higher depreciation cost, which has gone up from INR7.1 crores in Q1 FY24 to INR8.9 crores in Q2 FY24. And our fixed end conversion cost, which has gone up from INR88 crores in Q1 FY24 to INR93 crores in Q2 FY24. So that's near about INR7 crores difference that we saw at the PBT level. And hence it translated into a 16% decline at the PAT level.

Anil Sarin: Okay. Thank you. That's a very good explanation. Last, if I may, going forward, whatever I'm hearing from the commentary, there is, we do sell our, international revenue is more than 50% of our total. And international conditions are not that great. Specifically, construction is doing badly, and it is expected to do very badly, whether it's in China, or it's in US, or in Europe. So I guess the domestic business will have to sort of step up and take up some of the load.

So given the international situation being what it is, what is the overall outlook? We'll get a, we clearly get a benefit from this value-added barium plant that we have got, for sure, that will be a benefit. We will get some benefit from raw materials, on both sides now, whether chrome or, Baryte, having under our control, that is a benefit. But demand could be soft internationally, as we look as we go forward. So if you can give a general commentary about the second half, as well as the year going ahead, that would be very helpful?

Siddartha Cherukuri: Good morning, Mr. Anil. Siddartha here. That's a very, very good observation in general. But again, I'd like to bring to your notice that, the idea of the company, even in our subsidiaries to work on a flexible product mix, which we are doing in general. So let's say the key starting raw material for barium carbonate or barium sulphate, I mean, on an end plus one basis will remain the same. So given the how the, since we have enough capacity, even on the barium sulphate, as we would see, let's say the paint and coatings industry, since we are witnessing good demand, overall growth remains quite stable and resilient. We will focus more on barium sulphate and barium hydroxide.

And also we are parallelly working on another derivative called strontium carbonate as we move forward. So I think we are working very closely with our team to develop a more flexible product mix within the asset we have created in order to handle this kind of headwinds.

Anil Sarin: Okay, great. Thank you.

Siddartha Cherukuri: Without impacting the volumes.

Anil Sarin: Thanks for that explanation. Look forward to a great future ahead. Thank you.

Siddartha Cherukuri: Thank you so much.

Anil Sarin: Happy Diwali to you.

Siddartha Cherukuri: Happy Diwali to you too.

Moderator: Thank you. Next question is from the line of Darshil from Crown Capital. Please go ahead.

Darshil: Hello. Good morning. So just wanted to know, sir, how do we take FY24 as a year, maybe the year of consolidation, where afterwards in FY25, we can, compensate for FY24 growth. Would that be a fair way to look at it? Because we can expect international assets to, maybe help us back with a new plant also coming in.

So my point is, how do we look at FY25 and beyond next can we -- because we had some margin decline right now in Q2, which for the new plant, we'll have some signs of stabilization. So FY25, can we get back to, our aim of maybe, 19% EBITDA and what kind of revenue do we see in FY25? That's the main thing. So FY24, I don't know. Will we be able to do what we've done in revenue in FY23?

How do we take this year as such? Because there are a lot of macro factors also. So just wanted to, get your sense on it.

Hanumant Bhansali: Good morning. Thank you for your question. Yes, the next six months are going to be a derivative of macro factors. But as we see that, as we enter into the new calendar year and subsequently the new financial year, there will be certain areas which will work in our favor. Predominantly the commissioning of precipitated barium sulphate plant. I mean, that would operate at nearly about 60% in Q4. And as we enter into the new financial year, it will operate at nearly about 70% to 80%. And also the barium carbonate plant is expected to generate higher volumes as we see the construction activity improve at least after the next couple of quarters.

So both of them will lead to better profitability for our subsidiary company and that will reflect in our consolidated financials. That's what we are estimating. On the chromium chemical side, there are a few things that we are already working on. We are working on further reducing the cost of power through adoption of solar power. And that over a period of time will help us, reduce our fixed costs that we are incurring right now. And the backward integration plant of soda ash that started in January 2022, we'll complete two years of that plant in December.

And next year we are hoping to operate that plant at nearly 80% to 85% utilization Q4 onwards and 90% from Q1 of next financial year onwards. So that will further improve our cost savings and subsequently gross profits. So these are the areas that clearly indicate that, yes, the next calendar year as well as the next financial year looks better. And give and take, if the macro factors support us, it will be much better. But the micro factors at a company level that we are doing will further improve our profitability next year.

Darshil: Okay. That helps. So just to summarize, maybe in FY24, we'll maintain the run rate that we are currently at of H1. And then the growth will maybe, come to the more, FY25 first quarter that or maybe at quarter 4, we'll come to a better picture for it. Because for any guidance you would like to give for FY25?

Hanumant Bhansali: Right now, it would be too early for us to give a guidance for FY25. But we take your observations and we'll keep the investors posted.

Darshil: Okay. Perfect. Thank you so much for that.

Moderator: Thank you. Next question is from the line of Kaushik Dani from Abans Investment Managers. Please go ahead.

Kaushik Dani: Hi, good morning. So what we have been seeing in the press releases is that gross margins over last couple of years, almost four years to five years, have been steady at around 45%, 46%. So what sort of scope do we have in terms of increasing this margin, A? And B, basically, if at all, and let's say next one year, if we buy a reserve mine, would that lead to what sort of, margin expansion due to that?

Siddartha Cherukuri: Good morning, Mr. Dani. This is Siddartha with you. Well, our ideal focus, our focus are intent and I really like to focus on improving the gross margin mainly by focusing on flexible product mix as we move forward. We're definitely going to leverage that. And also what, I also have shared in the commentary that we are seeing the chrome prices cooling down a little bit. We've already seen some few drops in the last few weeks. We're expecting a few more to

come, by the end of this quarter. That will definitely help to improve the gross margins, hopefully get back to the levels where we were at 46% during the Q1. And also parallelly, with this Chrome ore mine acquisition will definitely keep our gross margins over 50%. This will be our ideal target in the years to come.

Kaushik Dani: Okay, okay. So basically, let's settle the time. If there is no mine acquisition, then do you think this 46% is like your peak margin?

Siddartha Cherukuri: Well, it depends on how the other value add derivatives will help to improve the gross margin but otherwise, yes, pretty much we'll be looking at 46-47%. Now, we will definitely improve in the quarter four, given the fact that, Chromeore prices are coming down and whereas the finished product prices have kind of flattened or going up marginally.

Kaushik Dani: Okay, and a little bit bookkeeping, but I just wanted to understand on an annual basis, how will our capacity increase shape up, let's say 24 or 23 and 25 or 24 for Chromium?

Hanumant Bhansali: Well, I mean, right now, it's very difficult for us to give a timeline. But as we progress, I'll be able to throw more light towards the end of this financial year on when this new capacity will come online. But let me tell you that the capex is in progress at the moment.

Kaushik Dani: So this FY'24, let's say, the expansion is going on, it will lead to what sort of capacity?

Siddartha Cherukuri: We are looking at about 15% to 20% increase in capacity.

Kaushik Dani: 15% to 20% on 70, or 80, sorry?

Siddartha Cherukuri: On 80,000 tons.

Kaushik Dani: Yes, and what about Barium?

Siddartha Cherukuri: Barium, I think, I mean, the capacity is already there. We are working on ramping it up and getting it to 80% operating level.

Kaushik Dani: Yes, which is 35 currently.

Siddartha Cherukuri: Which is at 45 currently.

Kaushik Dani: 45.

Siddartha Cherukuri: With a combination of Barium Carbonate and Barium Sulphate.

Kaushik Dani: Yes, 30-30, right? Precipitate is 30 and this one is 30.

Siddartha Cherukuri: No, it's 60-30.

Kaushik Dani: 60 and 30, okay. So PBS will be 30, okay.

Siddartha Cherukuri: Yes.

- Kaushik Dani:** And once the fully operational, or let's say at an optimal capacity utilization, precipitate Barium Sulphate should add to what percentage of your Barium revenues? On a full year basis?
- Siddartha Cherukuri:** To about 50%. 50%.
- Kaushik Dani:** On the current growth rate, on the current number?
- Siddartha Cherukuri:** Correct.
- Kaushik Dani:** Okay. And finally, any capex declared for the next year?
- Siddartha Cherukuri:** No, not yet.
- Kaushik Dani:** Okay. Wishing you a happy Dhanteras. Thank you.
- Siddartha Cherukuri:** Thank you. Wishing you a happy Diwali.
- Moderator:** Thank you. Next question is from the line of Rikin Shah from Omkara Capital. Please proceed.
- Rikin Shah:** Hi, Siddartha. So I just wanted to understand how is supply side reacting in Barium Carbonate? So we are seeing some sort of softness in this vertical. You alluded to demand side construction activity slowdown globally. But is there any sort of supply side coming up, which is adding more to it?
- Siddartha Cherukuri:** No, we are not seeing that, or at least we are not hearing that in general. I don't think there is any additional capacity which has come up and, you know, put a lot of supply or availability in the, It's just in general demand slowdown outside India, what we are witnessing.
- Rikin Shah:** Okay. And secondly, I think in the last 18 months, we are used to seeing the sodium dichromate prices moving in tandem with the chrome ore prices. But I think in the last six months, we have sort of seen a break in the correlation. So, would you, help us explain why that is happening?
- Siddartha Cherukuri:** Well, it was kind of what I mean, in general chemical prices cooling down, like we said, chromeore, the major end-use industry, 90% is into ferrochrome, which goes in stainless steel. So it has very little to do with the chemical industry, how the chemical industry is doing. And so the impact on the chemical industry or the pricing methodology doesn't play a very big role for the producers.
- Whereas in general, given the fact that there has been a slowdown, especially in the construction and leather industry, it's a combination of lower demand and the raw metal price increase. So there has been an impact. Okay.
- Rikin Shah:** So we expect like some sort of reversal in H2 maybe?
- Siddartha Cherukuri:** Sorry, please repeat that.

- Rikin Shah:** So I'm saying the chromium vertical, we're expecting some sort of reversal in what has happened?
- Siddartha Cherukuri:** Yes, I mean, like I've, shared with everyone that, we are already seeing the chromeore prices cooling down on account of stainless-steel industry in China. And especially, the stainless steel is also going to the construction industry. They are already witnessing a slowdown, as we speak.
- So we are seeing a good amount of cooling off going to happen in terms of pricing in the next few months. So it doesn't mean that the prices of raw material come down and we have to again readjust our finished product pricing because that has already been done. So either it will remain subdued or we will definitely make an effort to increase the finished product pricing and focus on the product mix where we will see a better cost margin.
- Rikin Shah:** Okay, thanks Siddartha. That's it.
- Siddartha Cherukuri:** Thank you.
- Moderator:** Thank you. Next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.
- Rohit Sinha:** Yes, thank you for the follow-up. Just one on the export and domestic mix. So how was the mix in this quarter versus last quarter?
- Hanumant Bhansali:** Domestic sales were 55% of consolidated sales and export sales were 45%.
- Rohit Sinha:** And what's the last quarter?
- Hanumant Bhansali:** Yes, this is in Q2 FY24. In Q1 FY24, domestic was 53% of total sales and export was 47% of total sales.
- Rohit Sinha:** Okay. And secondly, would it be possible just to give a brief break up in terms of industry exposure we have like construction, paint, and especially if paint is possible to give us an outline on the automobile exposure?
- Hanumant Bhansali:** Yes, can you repeat your question?
- Rohit Sinha:** So in terms of industry exposure, would it be possible just to give a break up like which industry is contributing to our revenue, how much, and especially like in construction, paint industry, and in paint also, if possible for the automobile exposure?
- Hanumant Bhansali:** On a standalone level, pharmaceuticals is nearly about 18% of our turnover, electroplating which comprises of decorative and hard plating is nearly about 8%. Pigments and dyes is about 13%. Wood preservatives chemicals is nearly 9%. Refractory bricks which goes into furnaces and plants in general is about 9% of our total business.
- Leather and allied chemicals is nearly about 20%. The remaining 10% goes into industries like soaps and detergents, textiles, glass, automobiles and battery chemicals. And on the barium

front, nearly 50% comes from ceramics and tiles that is in barium carbonate. And then we have the caustic soda, brine purification industry that comprises of nearly 15% of our turnover. We have the construction chemicals, paints, and dyes, which is nearly 40% of our turnover.

Rohit Sinha: 40% of our barium revenues, right?

Hanumant Bhansali: Yes, of the barium. At a consol level, it would be overall about less than 10%.

Rohit Sinha: Got it. Got it. Thank you. Thank you very much. Best of luck. And Happy Diwali to all.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to the management for the closing comments.

Hanumant Bhansali: I'd like to thank everyone for joining us and asking the right questions and giving us a chance to share our observations with you in general. Wish you all a very, very happy Diwali and a prosperous new year ahead from the entire Vishnu Chemicals family. If you have any questions or queries, please write to us on investors@vishnuchemicals.com. We will come back to you as soon as possible. Thank you, everyone.

Moderator: Thank you. On behalf of Emkay Global Financial Services, we conclude this conference. Thank you all for joining us and you may now disconnect your lines.