

6th May, 2023

VCL/SE/16/2022-23

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

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

Sub: Transcript of the Earnings Call held on 3rd May, 2023 on Q4FY23 Financial Results

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find transcript of the Earnings Call held on Wednesday, 3rd May, 2023 on Q4FY23 financial results.

A copy of the said transcript is uploaded on the website of the Company.

Kindly take the same on record.

Thanking You.

Yours faithfully,

For Vishnu Chemicals Limited

Vibha Shinde
Company Secretary & Compliance Officer



“Vishnu Chemicals Limited
Q4 FY2023 Earnings Conference Call”

May 03, 2023



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

Moderator: Ladies and gentlemen, good day and I welcome you to the Q4 FY2023 Earnings Conference Call of Vishnu Chemicals Limited to discuss the quarterly and annual business performance. We have from the management Mr. Siddartha Cherukuri - Joint Managing Director; and Mr. Hanumant Bhansali – VP Finance. 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 this conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. Some of the statements made in today’s call may be forward looking in nature and may involve risks and uncertainties. For more details kindly refer to the investor update and other filings that can be found on the company’s website. Now I would like to hand the conference call over to Mr. Siddartha for his opening comments and then we will open the floor for Q&A. Thank you and over to you, sir.

Siddartha Cherukuri: Thank you Mr. Nirav. Good evening, everyone. Thank you everyone for joining this call. Our company has witnessed a remarkable performance in the financial year 2023 with a 31% increase in income and a 68% surge in profit on a consolidated basis. The year gone by was an important year for us and we ticked most of the boxes and improved in all areas fundamentally. Our consolidated EBITDA margin have increased by 550 basis points over the last two years. Our consolidated debt to equity ratio stands at 0.9 times now compared to 1.3 a year ago. Our ROCE is over 35% compared to 28% on a Y-on-Y basis, that is a 14% increase over the last year. The primary factors driving the company’s consistent performance includes size and scale of operation, manufacturing and building sustainable environmental friendly practices in our day-to-day operations, mitigating cyclicity to a large extent through a flexible product mix and backward integration process. At Vishnu, manufacturing is our core focus and the chemistry we operate is an essential engine for performance, aesthetics, and longevity in the applications across pharmaceutical, consumer and industrial sector. Lastly, we express our sincere gratitude to our shareholders, stake holders, lenders, customers and suppliers for their continued support and we remain committed to the highest levels of corporate governance. I will now hand over to Hanumant to share the financial highlights.

Hanumant Bhansali: Thank you Mr. Siddartha and good evening, everyone. Manufacturing is our core focus. After giving an update on the overall performance from a holistic point of view, let me know speak about the financial performance. Consolidated domestic and export sales continued its growth trends growing by 36% and 26% respectively on a year-on-year basis.

The consolidated total income for FY2023 was 1406 Crores as compared to 1075 Crores in FY2022, a growth of 31% on a Y-on-Y basis. Our consolidated EBITDA margin for FY2023 was 17.4% compared to 15% in FY2022, an increase of 200 basis points on Y-on-Y basis. In FY2023 we also achieved 137 Crores of PAT compared to 81 Crores in

FY2022, an increase of 68% on Y-on-Y basis. Our PAT margins have increased from 7.6% in FY2022 to 9.7% in FY2023. Coming to the Q4 FY2023 performance, the consolidated revenues were 339 Crores as compared to 336 Crores in Q4 FY2022 up by 1% on a Y-on-Y basis and 2% on a Q-on-Q basis. The consolidated EBITDA for Q4 FY2023 was 64 Crores compared to 53 Crores for the corresponding quarter previous year, up by 20% on a Y-on-Y basis and 10% on a Q-on-Q basis. Our consolidated EBITDA margins were 18.9% in this quarter Q4 compared to 15.8% in the corresponding quarter previous year. The consolidated PAT for Q4 FY2023 was 36 Crores compared to 29 Crores for the corresponding quarter previous year, up by 25% Y-on-Y basis and 12% on Q-on-Q basis. The net profit margin of the company in Q4 FY2023 was 10.5% compared to 8.5% in Q4 FY2022. The board has recommended a dividend of Rs.0.4 per equity share of Rs.2 face value for the financial year ended 31st March 2023 and the same shall be paid subject to the approval of shareholders at the ensuing AGM.

The performance of Vishnu Chemicals is an outcome of its consistent focus on manufacturing resulting its highest ever EBITDA and PAT margins since inception. A reduction in leverage metrics and generation of free cash consistently for five years now. The release of pledge by our lenders is a milestone for the company and we are thankful to our consortium of banks for their continued support. With this I would like to conclude my remarks. We can now commence the Q&A session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah:

Hello Sir. Great set of numbers. Couple of questions from my side so first to start with now we have around 98 Crores of CWIP I think on the balance sheet so how will this convert into revenue for us over next two year period, secondly our margins have improved and I believe a lot of it is due to our logistics cost coming down and other operational expenses also reducing while our top line has remained same so is there a phenomena where the chemicals prices have reduced. There would be a volume growth, but there is a value degrowth and our per tonne EBITDA or per unit earnings what we have you have maintained that is why it is reflecting in a higher percentage EBITDA margin so these are first two questions.

Hanumant Bhansali:

Good morning Mr. Dhaval, thank you so much for your question. I will answer your first question. Yes, the CWIP is 98 Crores as of 31st March 2023. I would like to explain the breakup of this. Out of this 93 Crores is CWIP towards our precipitated barium sulphate project which is currently going on in our barium subsidiary Vishnu Barium Private Limited. It is expected to be completed in the first half of the current financial year. The remaining is our replacement capex in chromium chemicals which is CWIP of 5 Crores, so over here totally I will talk to you about precipitated barium sulphate process. We will be

the only producers of this chemical in India once it is operational. It will give us a first mover advantage to tap the existing customers who are currently relying on imports for their material need. Overall, this will help us create a new market in India for a new product and there is a very good demand of this in continents like North America, Europe, and also India. Upon commissioning overall, we will become the largest producer of barium chemicals in India giving us an opportunity to meet Indian consumption needs while tapping our overall existing network of international clientele so from 40,000 tons of capacity in barium chemicals in January 2022 we will operate on an installed capacity of 90,000 tons upon the commissioning of this project.

Dhaval Shah: Which is by H1 FY2024.

Hanumant Bhansali: Yes, in the next three to four months it should be fully operational.

Dhaval Shah: Okay so from the third quarter we should see the numbers.

Hanumant Bhansali: Within next three months we will be able to see the numbers.

Dhaval Shah: Third quarter will have the full number, now this is used in paint industry right this precipitated barium sulphate.

Hanumant Bhansali: Precipitated barium sulphate finds its application in the paint industry, powder coating, battery industry. It is also being researched by some of the most acclaimed scientists globally to create the whitest paint in the world directly from precipitated barium sulphate. It has also entered the Guinness Book of World Records last year for its ability to reflect 98% of sunlight so it has the ability to cool outdoor surface, let us say your roof tops by more than 4.5 degree celsius just by application of this paint. Recently even in state of Telangana the government announced a roof top cooling policy where in they will start making it mandatory for residential and commercial complexes to apply certain cooling agents on the roof and this can also be a propellant towards that.

Dhaval Shah: Specific this product what is the capacity that we are adding.

Hanumant Bhansali: Mr. Dhaval, right now the plan is to add 30,000 tons.

Dhaval Shah: Okay so the 40,000 we had in Jan 2022 that was various products of barium, 30,000 may be barium sulphate so that will be 70 and another 20,000 is which product to take it to 90.

Hanumant Bhansali: Yes, the breakup of 90 is we have 60,000 tons of barium carbonate and 30,000 tons of precipitated barium sulphate once it will be operational.

Dhaval Shah: Okay and the entire 30,000 we plan to sell these entire volume like in the first year itself are we having enough domestic and export demand how do we plan to consume the volume.

Hanumant Bhansali: We have already spoken with some big end users and the response is good, but they would like to test it and see how the end product works. I will request Mr. Siddartha to give more insights on the marketing and sales prospects of this product.

Siddartha Cherukuri: Hello Mr. Dhaval, this is Siddartha with you. As the project is progressing, we are already in discussion with some good end user as well as distributor in India. We already have some good existing channels outside India as well in Europe and North America, so we are seeing a lot of interest for them to work with us for this project especially in India since it is a complete improved replacement. What is more interesting is there has been a consistent growth of 12% on a Y-on-Y basis because it is directly related to the powder coating industry. If you go back four years ago, the powder coating production in India was about 67,000 tons today, it stands at 1,40,000 tons. So in this 1,40,000 tons barium sulphate is used a primary filler to replace titanium dioxide because it is very close in terms of oil absorption in the printing strength and it is more economical to use barium sulphate versus titanium dioxide so people are increasing the volume of barium sulphate to bring down the overall cost and get the same effect of the final product.

Dhaval Shah: This is only for powder coating and regular paints where TI is also used.

Siddartha Cherukuri: It is used to give a gloss effect on the paint. Let us say your automobile cars. Like if you go back 10 to 15 years ago even your Maruti was mostly a mat finish. A mid size car has a very nice gloss effect so that gloss effect that is coming from barium sulphate. Just to add to it aluminium profile coating, your white roof, your air conditioner, your fans all are powder coated for that gloss effect and the powder coating has the unique advantage of corrosion resistance versus normal paint.

Dhaval Shah: Sir for my second question regarding what would be our volume growth at the company level for FY2023 and how do you see the volume growth for FY2024 and 2025.

Hanumant Bhansali: In FY2023 the growth came predominantly from value growth in both our chromium chemicals as well as barium chemicals and FY2024 we are going to witness volume growth in both these chemistries as we are seeing that barium chemicals is doing well and gradually it is expected to even pick up better pace from where it was in Q4. Q4 was a second best quarter in terms of volume offtake in the entire financial year FY2023 in barium chemicals so we are looking forward that momentum would continue in the quarters moving forward. In the chromium chemical side we had a very good year, but we also took a maintenance in the December quarter which overall impacted our capacity utilization though it did not have any impact on our top line due to the value growth. We do not expect to take any

major maintenance in our chromium chemical plants this year so we will see the effect of the 10,000 tons that we have added in capacity to be realized in this current financial year.

Dhaval Shah: Sir when we talk to large chemical distributors what their comment is that since China has opened up there is a lot of supply of chemicals coming from China into India as well as the global market which is hurting Indian export as well as domestic demand. In your business what is the trend you see?

Siddartha Cherukuri: Well in the standalone business the chromium chemicals China is not a competitor for us or not an immediate player because whatever chemical is produced in China are sold in China, so we are competing with US, Turkey, and South Africa who are our main players. In barium, yes, China is an important player. I mean we are not witnessing a lot of price pressure at the moment and also, we are not seeing any volume decrease although there was an impact during quarter three because of high gas prices. Now that demand is coming back slowly.

Dhaval Shah: So basically, you are not getting impacted by any sort of dumping from China at the moment.

Siddartha Cherukuri: Yes, and also the product which we are going to launch barium sulphate is more of a technical product, so we already are seeing a better quality versus what Chinese are supplying in India. I think it is not just commercial but also on the technical side we will be able to prove that there are benefits of using our product in terms of consumption and quality to get a better gloss effect versus what Chinese are doing, although it will take time, but we are confident on that aspect.

Moderator: Thank you. We have the next question from the line of Ranbir Singh from Nuvama Wealth. Please go ahead.

Ranbir Singh: Thank you for taking my question and congratulations for good set of numbers. Just on chromium side 10,000 capacity we have added so after addition of this capacity how has been the utilization for full year.

Hanumant Bhansali: Good evening Mr. Ranbir so we have added 10,000 tons of capacity. As we do not share the volumes on annual basis or on quarterly basis I would not be able to share the actual numbers with you but barring Q3, which was a quarter where we took a maintenance on an overall basis, our plants operated at more than 80% utilization and we also crossed 90% utilization in certain quarters.

Ranbir Singh: That you said about barium right.

Hanumant Bhansali: About chromium chemicals. In barium chemicals our capacity was in the range of 55 to 60% of 60,000 tons of installed capacity of barium carbonate the reason being last year we saw tough quarters in Q2 and Q3 where the natural gas prices had gone up in Europe which we are not the consumers of but our customers are and now we are witnessing that the overall natural gas prices have come down significantly so it is a good sign for our customers.

Ranbir Singh: So, 40,000 metric ton capacity we earlier had and then 20,000 we have already added there that was utilized in this year.

Hanumant Bhansali: We have added it, but we did not operate it at full utilization. So more or less we operated it at the same utilization as we did in 40,000 tons.

Ranbir Singh: So, what remains here is your 30,000 barium sulphate capacity that would be added this year in first half right.

Hanumant Bhansali: Correct.

Ranbir Singh: Sir 93 Crores which was under CWIP that was mainly related to barium sulphate and whatever we had to spend on barium carbonate 20,000 is already capitalized right.

Hanumant Bhansali: Absolutely, the entire project of barium carbonate is fully capitalized in our balance sheet as of 31st March 2022 so that project is fully completed.

Ranbir Singh: Okay, although you are not disclosing products and utilization but just for indicative purpose if you could highlight about the realization how in chromium whether the realization we have seen improving quarter on quarter or this is stable or how do you see even the short term outlook if you could comment on this both for chromium and barium.

Hanumant Bhansali: Thank you again for your question. I understand it is a very important question. Let me start with this way back on a year on year basis there is more than 30% value growth in chromium chemicals at the same time what we have witnessed is from the Q2 of this financial year onwards the prices started coming down both from the freight point of view and that was passed on to our customers, similarly when the prices had gone up we had also charged our customers so it is our duty to pass on the benefits back to our customers. Despite the reduction in prices that started from mid of Q2 and it continued till Q4 what we have not seen is any volume degrowth. There is a very good demand for our chromium chemicals as we are seeing and on a year on year basis the value growth was more than 30% and going forward we believe there will be a good volume growth to support this revenue trajectory, but the focus of our business is not really to target a certain revenue what we are focusing is to target certain EBITDAs and meet those margins.

- Ranbir Singh:** Understood and across barium how was this trend?
- Hanumant Bhansali:** On the barium chemicals like I said last year there were no major volume growth, but overall what we are seeing from January onwards the volume is picking up and going forward it will improve gradually as we see. Last year the top line growth was predominantly driven by our improved realization, which increased by nearly 8% on a year-on-year basis.
- Ranbir Singh:** So, I think going forward in FY2024 growth would be mainly from that capacity volume side and we can expect marginal improvement in pricing that is what you should take here.
- Hanumant Bhansali:** In both these chemistries the pricing is determined based on three factors, factor number one is raw material cost, factor number two is the freight cost, factor number three is the overall demand and supply or the market sentiments as we call it. Now factor one is pretty strong as of now also. The raw material prices for some of the key materials that we procure has not really come off but the freights have come down and that is also leading to overall correction in realization. It is not huge correction, but it is under 10 odd percent right now so as we go if there is overall correction in raw material prices we will obviously pass it on to our customers but the overall endeavor will be to work on a certain EBITDA and maintain that EBITDA going forward.
- Ranbir Singh:** Okay. That is very helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Thank you very much for giving me this opportunity. Sir, how much capex is still due in financial year 2024? How much capex is due in March?
- Siddhartha Cherukuri:** Hello Mr. Naredi. Nearly about 10 Crores is pending as a capex which has to be spent during this financial year.
- Ravi Naredi:** Once all capex is completed, can you give some guidance what will be top line in financial year 2024 or you will skip this.
- Siddhartha Cherukuri:** We would not be able to give a guidance at this juncture, but our endeavor will be to a grow at a similar levels of what we have seen over the last two years and now that this new product addition in barium is happening so we are very confident that the growth trajectory will continue.
- Ravi Naredi:** So, any margin expansion are you seeing in this financial year 2024?

Siddhartha Cherukuri: Yes, we are expecting a margin improvement in chrome as well as barium. Barium in lieu of a backward integration what we have done. Our raw material cost will further improve that can be a leverage for us to gain more market share globally as well as achieve desired EBITDA margin.

Ravi Naredi: Okay and any planing to reduce the debt in current year.

Siddhartha Cherukuri: I mean nearly about 40 Crores debt will be reduced during this financial year.

Ravi Naredi: Okay thank you Sir.

Moderator: Thank you. We have the next question from the line of Rikin Shah from Omkara Capital. Please go ahead.

Rikin Shah: Hello congrats on a good set of numbers. So, I am asking that we have seen a contraction in gross margins in both barium and chromium, but EBITDA margins in chromium have improved. Can you help us understand this?

Hanumant Bhansali: Good evening Mr. Rikin. The gross margins have been more or less the same on a year-on-year basis. Last year in chromium chemicals we had a gross margin of about 43% and now it is about 44% in FY2023. Our EBITDA margin in FY2022 was about 14.5% in FY2022 which has now increased to 18%. The raw material side overall the prices like we said the prices of key raw materials have remained high during FY2023 compared to FY2022 and that is the reason why we have not seen any major reduction in the overall value, the blended realization for chromium chemicals. The next important part is our conversion cost which has reduced by 1% on a year-on-year basis, our employee cost which was 3.5% of our revenues have come down to about 2.9%, but the major reduction is in our selling and administrative cost which consists of our shipping and forwarding expenses which has come down from 12.3% last year to 10.5% on a standalone basis.

Rikin Shah: Within barium if I evaluate Q-on-Q, last year we did Rs.28 Crores and the broke even on PAT level and this quarter we have done Rs.37 Crores, Rs.38 Crores and we are still breaking even on a PAT level, so what has happened here?

Hanumant Bhansali: Thank you for observing this. There is an increase in finance cost in the Q4 at Vishnu Barium. We had a pretty good quarter, we did about 11% EBITDA margin compared to 9.5% in the same quarter last year. However, our finance cost was about Rs.2.8 Crores in Q4 FY2023 in the barium vertical, out of the total Rs.6.6 Crores that we expensed throughout the year so that led to a decline in our PBT and hence the PAT.

Rikin Shah: Going forward some of these cost pressure we expect them to reduce a little bit?

- Hanumant Bhansali:** Like we said we are seeing that the markets are coming back, the Indian markets as well as the global markets are showing resilience for barium carbonate, it is a non-substitutable product used in the ceramic, tiles and bricks industries. So as the demand comes back as we will produce more. Overall our operating levels will directly drive the profitability upwards.
- Siddartha Cherukuri:** I would like to add to it as well so our focus will continue to remain on improving the EBITDA margin following changes are going to be adopted like as a backward integration in barium.
- Rikin Shah:** Regarding soda ash would love to hear the outlook so we were not expecting much of a global capacity addition, but with some capacity of 5 million tons coming in Inner Mongolia, we are seeing domestic price cut as well, so how does this impact us and what do we expect, is there change in outlook for soda ash?
- Siddartha Cherukuri:** On our side there would not be a lot of changes per se because for this commodity like soda ash logistics will still remain an important price component, so the prices in India although there will be some changes coming over the next few quarters. We have not witnessed them yet, there are few drops but nothing significant, but logistics will play a very important role moving forward and duty component also will impact it. In our backward integration just to reiterate, it is not just for us saving on soda ash, we have also negated another important raw material which is sulfuric acid which is also helping us overall.
- Rikin Shah:** Alright and basically we are approximating it for Rs.12 rupees and right now going rate is Rs.33, Rs.34 if that is fair?
- Siddartha Cherukuri:** The going rate is close maybe you are talking on a basic levels yes, that is about where we are here.
- Rikin Shah:** Thanks.
- Moderator:** Thank you. Next question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity and congrats on good set of numbers. My first question is in terms of competition so given that the costs have come down except for RMs and we have also had a strong traction on our margin because of that are the other players who are probably sitting on the sidelines or were operating at lower rate they have again come back into the system and that is impacting pricing and probably will have even repercussions on the volumes, any sense on this from your end? Thank you.

Siddhartha Cherukuri: Thank you Mr. Nagraj. The way we look at the whole business is with respect to the product mix and how the industry is doing, so here is what we are witnessing. We have seen very strong growth in the automobile industry, the key factor for our chromium chemicals per se whether it could be electroplating, it could be leather, it could be metal treatment, so we are seeing a very strong traction from that application side. Also, the SuperAlloy industry now that the aerospace there is a good growth given that the Airbus and Boeing are receiving good orders not just from India but around the globe. So that will need more chromium metal in the application of SuperAlloy that is going to keep the volumes up in the years to come that is how we see, we see a strong growth in the SuperAlloy industry.

Rohit Nagraj: I was primarily talking from the competition perspective, are we seeing any kind of a short term or midterm impacts from the competition coming in, on a longer-term basis as you explained probably things are quite favorable, but on a short-term basis?

Siddhartha Cherukuri: We have already seen some price adjustments and we are not seeing the prices correcting any further and whatever raw material price adjustments and the freight adjustments we have passed it on and the way we look at it the prices have adjusted and have already bottomed.

Rohit Nagraj: Got it. Thanks. My second question is in terms of margins and growth. In the last year as you explained that it was primarily driven because of the value or favorable pricing, incrementally the volume growth would be a large driver for us and that would primarily determine how much absolute EBITDA increase will happen and the flow to the bottom line and probably our margin trajectory will remain at 18% plus minus levels incrementally given that the prices, considering the prices stable pricing for both barium and chromium chemicals? Thank you.

Siddhartha Cherukuri: I think our objective is to target at 18% EBITDA and could be even upwards so for that we have to carefully understand the demand and supplies for the products what we are producing and moving forward the question was what would drive the volume growth?

Rohit Nagraj: Right and last year it was primarily value driven growth, so incrementally I mean how much your volume you produce I think concurrently a similar kind of growth we will be able to see in EBITDA, is that right?

Siddhartha Cherukuri: Like we have given a guidance that 10000 tons of additional capacity is going to come in during this financial year. Now, the idea is either we will be focused more towards producing chromic acid where we are seeing a good traction from the wood preservative and plating or it will go more into chrome oxide which eventually lead to chrome metal production, we will take a call on that and also we will see a good volume growth in barium because of this barium sulphate expansion, product launch is going to happen in the next

quarter. Mostly the volume growth will be coming through barium chemistry, that is how we are seeing that.

Rohit Nagraj: Thank you. My last question is from a growth perspective or strategy perspective from three to five years horizon, so are we going to go in for any product line expansions or any other new areas or maybe catering to a different user segment or we will be primarily focused on the existing product lines and expand further ourselves into penetrating the market? Thank you.

Siddhartha Cherukuri: It is a quite a good opportunity within both the verticals chromium and barium, so in chrome we are working very closely with our R&D team to produce chromium metal which will help us to go into SuperAlloy industry as well as welding electrode and there is a good opportunity as the defense sector is growing in India and we see a good growth coming over the years and as there is no domestic producer most of the chromium metal is imported so it will be a good import substitute opportunity. On the barium, we are also working on other value-add products or high purity barium carbonate which is used in the semiconductor industry which has good growth prospects as well, although there is no much consumption in India it is mostly in Korea, Japan and US where this product is and we are also working on some battery chemicals which could fit into our portfolio.

Rohit Nagraj: Sure, that was nice. Thanks a lot, and best of luck Sir.

Moderator: Thank you. Next follow up question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: I wanted to understand since you do not share what are the volumes, is that now like if we did x tonnage of barium and chromium in March, so do we see a growth in June quarter and September, because like by July, our new capacity will come on stream so we will definitely get the volumes, but for April, May, June, are we seeing growth. Is there seasonality, just wanted to understand.

Hanumant Bhansali: Thank you Mr. Dhaval for the question. We would not be able to comment on the ongoing quarter, but what we can see is that the volumes in both the chemistries are quite resilient that is continuing to grow as I am speaking to you. From our point of view, we are looking at driving more volumes than trying to look at a particular realization per kg, because that automatically takes care of my desired EBITDA and desired gross profits.

Dhaval Shah: Okay, so for barium chemistry if I understand correctly, you mentioned the utilization was around 55% to 60% for FY2023, is that number right?

Hanumant Bhansali: That is correct.

- Dhaval Shah:** Okay, fine and now that was 60000 and now another 30000 will come by in next three, four months?
- Hanumant Bhansali:** Yes.
- Dhaval Shah:** So that 55% to 60% of barium carbonate utilization, how do you see that going forward in 2024?
- Hanumant Bhansali:** We are targeting to utilize the capacities upwards of 70% through the year.
- Dhaval Shah:** Okay and does barium carbonate act as an input material to make this precipitated barium sulphate?
- Hanumant Bhansali:** No, it is not a feed for precipitated barium sulphate, in fact both the products have synergies because both of them have the same origin from Barytes which is the mineral coming out from the planet but it is not a starting raw material. Barium carbonate is not a starting raw material for precipitated barium sulphate.
- Dhaval Shah:** Okay, so whatever we produce of building barium carbonate and sulphate is all sold out in the market?
- Hanumant Bhansali:** No.
- Dhaval Shah:** Got it and on the chromium side, how was the utilization?
- Hanumant Bhansali:** Our overall utilization in chromium chemicals, like I said if I leave aside to December quarter, it has been more than 85% but if I account for December quarter which is the quarter in which we took maintenance after two years, it was close to about 80%.
- Dhaval Shah:** Okay, fine and this both the chemicals again just reconfirming, did not see volume growth in 2023, it is all value growth.
- Hanumant Bhansali:** That is right.
- Dhaval Shah:** Okay, so after a gap of one entire year, we are going to see a volume growth coming back for us.
- Hanumant Bhansali:** There was always a good demand for chromium chemicals and we did not have any major inventory at all. And just like to highlight first, number one is chromium chemicals, our entire inventory is more or less put for orders to be delivered over a period of time. Secondly, in barium chemicals also, our sales to production ratio was 99% for the entire year. We sold whatever we produced, we did not carry inventory that can become a

deterrent, but we did not have any inventory as of March 31, so we are looking forward to overall good year in terms of volumes in both the chemistries.

Dhaval Shah: Got it and you mentioned about your target EBITDA for around 18% and while we have already touched in the fourth quarter on a consolidated basis and plus we are assuming 70% plus utilization and getting value added products, so then technically the EBITDA margin should have an impact of operating leverage plus the value added products, is my understanding correct.

Hanumant Bhansali: That is good analysis. When we said 18% on annualized basis if you see FY2023 consolidated we touched about 17%. Going by momentum we are at 18.9% but that is what we would like to achieve throughout the year.

Dhaval Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Congrats for decent set of numbers and thank you for taking my questions. Sir, my question is on barium sulphate, so what is your peak revenue potential that we are expecting from this business?

Siddhartha Cherukuri: The installed capacity is 30000. We are expecting a revenue of upwards of Rs.250 Crores from this product mix because we are going to get barium sulphate and sodium sulfide in this chemistry.

Ankur Kumar: Got it and we are saying 70% utilization in the first year?

Siddhartha Cherukuri: I am not sure if we have given that guidance, we are expecting upwards of 50% utilization in the first year and we are hoping we will get product approvals from the end users sooner than later.

Ankur Kumar: Got it and Sir, on the chromium side, as in this year we have not had any volume growth is what we are saying, but we are expecting better numbers for the coming year, so what are the key reasons that we are expecting better numbers on the volume side for the chromium for the coming years?

Siddhartha Cherukuri: Mainly on account of the product mix what we want to focus on, now that we will see more traction from North America for our chromic acid and chrome oxide where we are seeing better gross margins and also overall better realization will follow, so we would like to focus on that so the idea is we will have to kind of leverage a flexible product mix and see which products are giving us improved EBITDA margin on overall volume.

Ankur Kumar: You are saying that Q3 we saw some capacity maintenance related breaks and this quarter we have not seen any such, but if I look at Q4 versus Q3 there has not been much jump in the sales, so is it like prices has fallen that is why we are not seeing much jump in the revenue or how should we look at that front?

Siddhartha Cherukuri: You must have witnessed across the chemical industry, there has been a price correction on account of raw materials and on account of price reduction so I would look at it as a price correction than a price drop.

Ankur Kumar: Got it Sir and for the coming year do we expect like prices have bottomed out or how should we look at because our revenue is kind of dependent on that number, but also margin you are saying as in percentage term we are not giving saying that on an absolute number any EBITDA like guidance you would like to give?

Siddhartha Cherukuri: It is very hard to assess the market pricing because it is purely demand supply. As of now I would say we see that the prices have bottomed out and at the plant level we are working very closely with the production team to improve on the yields and further improvise the costing models so our efforts are put on that side, but with respect to this correction on the pricing, the way we look at it is the price have bottomed, but again it is purely a demand supply scenario, but as of now we are seeing a very steady demand for both chromium and barium chemicals so we do not expect a big price correction to happen in the next few quarters.

Moderator: Thank you. We will take the next question from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

Dhruv Shah: This is Dhruv Shah here. Congratulations on a really strong set of numbers and especially on your balance sheet. Hanumant, first question, how sustainable is this working capital and is there any room to further improve it from the current levels?

Hanumant Bhansali: Good evening Mr. Dhruv. Thank you for your question. Yes, overall, on the working capital side we are looking to improve our inventory days further as we have seen we have reduced the inventory days over the last two years quite significantly coming down from 112 days in FY2022 on a consolidated basis it is about 91 days. We will see further drop in this through the year.

Dhruv Shah: But we have seen reasonable reduction in payable days as well right, so do you see reducing it further impacting our working capital?

Hanumant Bhansali: On the payable days I think it is the range of 84 to 94 days, 95 days, so I think it would be around this range for the next couple of quarters, but we would like to close this year in and around 70 to 75 days.

Dhruv Shah: My next question is on the realization in barium sulphate. Siddhartha, how do we see this realization because if I am not wrong, on India mart barium sulphate is even available at 40 and some sells it at 200 so where do we start and how do you see it progressing over next couple of years?

Siddhartha Cherukuri: This is a very specialty product, within barium sulphate they are four to five different rates based on the particle size and different applications as well as the gloss effect, so there is a commodity end of the barium sulphate and there is a specialty end of the barium sulphate so we will be more focused towards the specialty end, because we are confident on achieving those specs.

Dhruv Shah: Are we taking approval from our customer for our specialized grade?

Siddhartha Cherukuri: Sorry.

Dhruv Shah: Are we taking approval from our customers currently for the specialized grade or the commodity grade?

Siddhartha Cherukuri: We are currently at a sampling phase on the specialty grade so we are waiting for the customer approval probably it will take one or two months and on the commodity grade. Yes it is a more of a B2C business to start off even that will be a way to go but our ultimate focus will be towards the specialty grade.

Dhruv Shah: Can you just quantify the realization currently what price it sells at?

Siddhartha Cherukuri: Just to add in this barium sulphate chemistry, these will be getting barium sulfide as well not just barium sulphate.

Dhruv Shah: I just wanted to know as the specialty grade at what rate is currently being sold in India or imported in India right now?

Siddhartha Cherukuri: The range of like you mentioned it starts from Rs.50 going up to Rs.100 range. The specialty grade is at Rs.100 per kilo level and the commodity side of it is at Rs.50 per kilo level.

Dhruv Shah: My last question is on the chrome metal side, so you said that you guys are working on the R&D where would have we reached on this part and when do you see us putting up a plant for chrome metal Siddhartha?

- Siddartha Cherukuri:** Currently, we are more focused towards completing our barium sulphate project because we are expecting the commercial production to commence in the month of July and chromium metal like as I mentioned the R&D activity is going on and it is very advanced stage and we are hoping to start looking at a pilot plant somewhere towards end of this year.
- Dhruv Shah:** Understood. That is it from my end. Once again congratulations on a really strong set of numbers. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Gunit Singh from CCIPL. Please go ahead.
- Gunit Singh:** Thank you for this opportunity. Pardon me if I am repeating any of my questions because I have joined a bit late. So, on a consolidated basis what kind of a volume growth are we looking at in FY2024 as compared to FY2023?
- Hanumant Bhansali:** Good evening Mr. Gunit. Thank you for your question. So overall due to our flexible product mix we have been able to penetrate in the markets where we were not there earlier. So, from a volume perspective, the overall order book is looking quite robust. We have a coherent portfolio of more than seven products in our chromium chemicals and now with a new product going to start in barium, it will add more strength to our overall organization, but right now we would not be able to give you any guidance, we do not give a guidance on a volume or a value basis either of our chemistry, but what we are looking at is since all our plants are operating and we have a steady flow of inquiries for our products not just in existing applications but in applications which are developing more over a period of time like in SuperAlloys industries and batteries industry so we are quite excited to be developing newer grades to meet these requirements and for this we will obviously go ahead and produce more of sodium dichromate which is sold directly in the market and also acts as a feed for the derivative products that is manufactured in chromium.
- Gunit Singh:** Can we say that we can maintain the level of growth that we saw in FY2023 on a conservative level?
- Hanumant Bhansali:** That would be guidance, but we apologize, as a company we have never been giving a guidance.
- Gunit Singh:** Alright, so my last question regarding the QIP or the money that was being raised so do we have any updates on that and regarding the utilization of those funds and maybe the deadline of when, the timelines of when the money would be raised and means.
- Siddartha Cherukuri:** We have received board approvals of QIP and enabling approval. This enabling approval is for a period of 12 months, so as of now we do not have an update, but as things progresses, be happy to keep you informed.

- Gunit Singh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Naitik Mohata from Sequent Investments. Please go ahead.
- Naitik Mohata:** Good evening, Sir, and congratulations on a good set of numbers. What I was asking is for this capex of barium sulphate that we are undertaking, so what was the total outlay that we had planned for this plant?
- Siddartha Cherukuri:** The total capex is Rs.290 Crores.
- Naitik Mohata:** Rs.290 Crores for the plant.
- Siddartha Cherukuri:** It is Rs.90 Crores.
- Moderator:** Thank you. The next question is from the line of Rikin Shah from Omkara Capital. Please go ahead.
- Rikin Shah:** Thanks for taking my question again. Just wanted to ask on the barium front how is the product being picked up in Europe because I understand it has been used in the building material sector?
- Siddartha Cherukuri:** Yes, it is used in the building material sector. During Q3 on account of natural gas prices increase in Europe, there has been an impact. Now that the prices of gas have come back to the pre-COVID levels, we are seeing steady demand coming back and I would say that we are back to the regular volumes.
- Rikin Shah:** This question is looming out a little, we are planning to add further 20000 tons in chromium, but we have backward integration of soda ash of 30000 to 35000 tons, in a world where there is normalized energy and crisis, 25% of chromium capacity is no longer worth how do we say share then? There is a little bit of a long term perspective this question?
- Siddartha Cherukuri:** I think there is a mix-up from your side mix up in between barium and chromium because there is no soda ash utilization in barium, so your question is will we be able to move this additional volumes what we are going to produce is that your question?
- Rikin Shah:** Right because we have backward integration in chromium of only 30000 tons of soda ash, right?
- Siddartha Cherukuri:** Mr. Rikin, I request you to repeat the question.

- Rikin Shah:** I am saying that earlier we had 80000 tons of chromium chemical capacity and we have backward integration of soda ash facility of 30000 tons. Now, we are expanding to one lakh tons, but backward integration remains the same, so we are not backward integrated for the larger part of the chromium chemical facilities right, so would that impact us when things have normalized globally?
- Siddartha Cherukuri:** There will be a proportionate increase in our soda ash production just to say there is a different way to look at it so we are recovering soda ash from the process by pumping in carbon dioxide instead of sulfuric acid, so it is a more of a recovery process as we produce more the recovery also will be proportionately increased and for that at our end we do have enough room I would say spare capacity in terms of CO2 gas as well as on the process side the equipment is able to handle this additional CO2 injection as well as soda ash generation. So as this production increase proportionately on the 50% basis even the soda ash production also will increase.
- Rikin Shah:** Thanks a lot. That is it from my end.
- Moderator:** Thank you. The next question is from the line of C Srihari from PCS Securities. Please go ahead.
- C Srihari:** Thanks for the opportunity. Firstly on the chromium side, I would like to know the supply side scenario I have heard that there is some constraints that is part one and number two on the barium sulphate side, I would like to know whether it pitched as a competitor to titanium dioxide and will it be across the spectrum.
- Siddartha Cherukuri:** You are asking is barium sulphate a replacement of TiO2 to some extent it is in certain applications likes powder coating industry, the objective was powder coating industry is to achieve a certain level of oil absorption, so it is able to give that effects and this will be a most economical alternative for the powder coating producers whereby the amount of volume on a year-on-year, there is an increase, they are mainly kind of balancing in between the both as a filler.
- C Srihari:** So, in terms of volume, what will be the share of powder coating to the overall demand?
- Siddartha Cherukuri:** Overall demand for powder coating industry, I can put it this way. Three years ago, powder coating premixed production in India was about 76000 tons and in three years it has gone up to 140000 tons, so that is the kind of growth. As this powder coating industry grows parallelly the demand for barium sulphate will continue to increase.
- C Srihari:** As the part of the overall demand for titanium dioxide, how much of that would come from this particular segment powder coating?

- Siddartha Cherukuri:** I would say about 15%, 20%.
- C Srihari:** Okay and with regards to supply scenario for chromium?
- Siddartha Cherukuri:** Scenario for chromium remains steady, we are not seeing any much price adjustments what we are seeing that prices have already adjusted and we are not seeing any more price adjustment moving forward.
- C Srihari:** I mean to say from the supply point of view, are there any global majors cutting down on production?
- Siddartha Cherukuri:** We are not witnessing and we are not hearing any production such globally for the chromium.
- C Srihari:** Thank you. That is all from my side.
- Moderator:** Thank you. I now hand the conference over to the management for closing comments.
- Hanumant Bhansali:** Thank you everyone for your time today. It has been a pleasure and if there is any further question or queries that we would have not been able to answer due to lack of time please feel free to reach out to me on investors@vishnuchemicals.com. Thank you and have a good day. Thank you, Mr. Nirav.
- Moderator:** Thank you very much. On behalf of the Vishnu Chemicals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.