

8<sup>th</sup> November, 2022

VCL/SE/77/2022-23

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: NSE Digital Exchange**

**Sub: Transcript of the Earnings Call held on 3<sup>rd</sup> November, 2022 on Q2 H1FY23 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 Thursday, 3<sup>rd</sup> November, 2022 on Q2 H1FY23 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  
Digitally signed  
by Vibha Shinde  
Date: 2022.11.08  
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**Vibha Shinde**  
**Company Secretary & Compliance Officer**  
**M No: F8466**



**“Vishnu Chemicals Limited  
Q2 FY2023 Earnings Conference Call”**

**November 03, 2022**



**ANALYST: MR. NIKUNJ JAIN – ORIENT CAPITAL**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Vishnu Chemicals Limited Q2 FY2023 Conference Call. 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 “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikunj Jain from Orient Capital. Thank you and over to you sir.

**Nikunj Jain:** Thank you Mike. Good morning ladies and gentlemen, I welcome you for the Q2 & H1 FY2023 Earnings conference call of Vishnu Chemicals Limited to discuss this quarter and first half year business performance. We have from the management Mr. Ch. Siddartha - Joint Managing Director; and Mr. Hanumant Bhansali – VP Finance.

Before we proceed with this call, I would like to mention that some of the statements made in today’s call maybe forward looking in nature and may involve risk and uncertainties. For more details kindly refer to the investor presentation and other filings that can be found on company’s website. Without further ado, I would like to hand over the call 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 very much Nikunj. Good morning to everyone. Continuing our financial year 2022, Vishnu Chemicals delivered its best ever quarterly performance since its inception. The momentum we have is clearly evident with our improved return and leverage ratios and efficient working capital metrics. The efforts we have made so far has made us the most efficient producer in our chemistry group. We will continue to focus on our priorities which are margin expansion, prudent capital allocation, debt reduction, gaining market share in India and Americas with timely pivot in newer products. One more area where we have focused is human capital development. Gentlemen, we have set up an initiative - training system for our 1000 plus people working across India. We believe positive enforcements like these will be key to motivating our workforce and improve their technical and soft skills to deliver peak performance. Now I will hand over this call to Hanumant to share our financial highlights.

**Hanumant Bhansali:** Thank you Mr. Siddartha and good morning everyone. We welcome you all to the conference call of Vishnu Chemicals Limited. The company has continued to make all-around progress quite consistently over the last six quarters. Let me now speak about the financial performance achieved during the first six months of the current financial year.

Our consolidated domestic and export sales continued its growth trends growing by 78% and 58% year-on-year. The consolidated revenues for H1 FY2023 was Rs. 736 Crores as compared to Rs. 440 Crores in H1 FY2022 registering a growth of 67%. The consolidated EBITDA margin for H1 FY2023 was 16.7% compared to 14.1% in H1 FY2022, an increase of 258 basis points year-on-year due to an overall improved operating mix, integrated operations, our focus on customer satisfaction and a balanced geography mix.

In H1 FY2023 we have achieved Rs.69 Crores of PAT compared to Rs. 28 Crores of PAT in H1 FY2022, an increase of 145% year-on-year. Our PAT margins have increased by 2.9% in the last six months year-on-year.

Coming to the quarterly performance. The consolidated revenues were Rs. 375 Crores in the quarter ended September 30th as compared to Rs. 242 Crores in Q1 FY2022 up by 55% on a Y-on-Y basis and 4% on a Q-on-Q basis. The consolidated EBITDA for our Q2 FY2023 was Rs.63 Crores compared to Rs.35 Crores for the corresponding quarter previous year up by 82% on a Y-on-Y basis and 3% on a Q-on-Q basis. Our consolidated EBITDA margins were 16% in this quarter compared to 14.2% in the same quarter last year. The consolidated PAT for Q2 FY2023 was Rs. 35 Crores compared to Rs. 17 Crores for the corresponding quarter last year, up by 111% Y-on-Y and 3% increase Q-on-Q. The net profit margin of the company in Q2 FY2023 was 9.3% compared to 6.8% in Q2 FY2022.

Like I just highlighted, our performance has been quite broad based and we can see that in quite a few metrics that we have shared with all of you. Our consolidated debt to equity is now at 1.05 times compared to 1.3 at the starting of the financial year. Our interest coverage ratio has increased to 7 times now compared to 5 times in FY2022. Our annualized ROCE is over 35% compared to 28% in FY2022 and 14% in FY2021.

Some of the other metrics are there in front of you like inventory days, which is how we calculate on RM cost has come down to 87 days now compared to 112 days as on March 31, 2022.

With this I conclude my remarks we can now commence the Q&A session. Thank you.

**Moderator:**

Thank you. We will now begin the question and answer session. The first question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

**Pritesh Chedda:**

Sir just wanted to check why is the debt actually gone up versus what you usually had in your balance sheet.

**Hanumant Bhansali:** Our overall debt as of March 31, 2022 was about Rs. 363 Crores which is now standing at Rs. 359 Crores. In fact, the debt has reduced in our standalone balance sheet bringing down our debt to equity ratio in standalone balance sheet to 0.99, However, our expansion is currently going on in Barium subsidiary VBPL, so we have a loan inflow over there we have taken borrowings over there to complete our project, but on a consol basis, the debt is almost the same on an absolute level.

**Pritesh Chedda:** No, whatever numbers we are seeing I do not know where is the confusion the debt was about Rs. 240 Crores in March 2022 on consol which is now about Rs. 273 Crores. Is there any regrouping or anything or if you could just share the absolute debt which was there in quarter four end FY2022 end and which is now at H1 end the debt and the cash figure on consol basis please.

**Hanumant Bhansali:** On a consol basis our total debt as of March 31, 2022 was Rs. 360 Crores. In this the breakup is as follows,

**Pritesh Chedda:** Rs. 360 Crores.

**Hanumant Bhansali:** Rs. 363 Crores out of that we have a long-term borrowings of Rs. 244 Crores and short-term borrowings i.e. working capital loan of Rs. 120 Crores. As of September 30, 2022 the Rs. 244 Crores of long-term borrowings has become Rs. 247 Crores and the short-term borrowings i.e. the working capital has come down from Rs. 120 Crores to Rs. 112 Crores.

**Pritesh Chedda:** So it is 247 plus 112 that is 359.

**Hanumant Bhansali:** That is right.

**Pritesh Chedda:** So you had 364 which is 359 now.

**Hanumant Bhansali:** Yes.

**Pritesh Chedda:** And what is the corresponding cash figures in the same time period.

**Hanumant Bhansali:** Our cash and cash equivalents as of 31st March was Rs. 15 Crores which now stands at Rs. 18 Crores.

**Pritesh Chedda:** And this debt figure does the pref capital is included in this or pref capital is outside this.

**Hanumant Bhansali:** No, we have included the pref capital in this.

- Pritesh Chedda:** Okay so this includes the pref capital of Rs. 40 Crores right.
- Hanumant Bhansali:** The overall pref. capital is not Rs. 40 Crores, that is Rs. 77 Crores.
- Pritesh Chedda:** The other question is where we are on the caustic soda utilization side and what is the progress there in the quarter two versus quarter four when we had started the project.
- Siddartha Cherukuri:** I would like to give you an update on the progress on backward integration. Just to correct that word it is sodium carbonate not caustic soda. So currently the operating levels are at 70% and we expect to cross 70% as on quarter two ending and we expect to cross 80% by quarter four this year, however we target to achieve 90% which is very ideal in the kind of operation we do, but we are confident to achieve 80% which itself will give us about 45% of reduction in our general utilization of soda ash.
- Pritesh Chedda:** Sorry you are 70% in quarter two you will go ahead to 80% by quarter four and this will make you self-reliant by...
- Siddartha Cherukuri:** It is like I said let me again correct that it is self reliant in the sense that we still have to use sodium carbonate, but we using 60% less than that, because we still need the virgin soda ash as you understand that it is a recycle method one of its process so we will be using half of what we usually use and when we will get there is confidently we are saying by early next year we will be able to generate that kind of volumes on a consistent basis. Our research and development activities are to further improve it because this is more on a operational level but on the theory we can actually reduce it further and bring down the virgin soda ash consumption further, but again that R&D activity is on basically on how we can reduce the virgin soda ash consumptions further likewise our sulfuric acid consumption will be completely negated in that process.
- Pritesh Chedda:** So then between quarter four of last year and quarter two of this year where the zero percent would have moved up to 70% capacity utilizations and we would be let us say whatever self reliant on soda ash to a certain extent the margin change that I see is just 1% and the incremental EBITDA is what I see some Rs. 7-8 Crores. So is there any other cost elements which is unfavorable for us or why is it that the movement from 0% to 70% is not completely visible in the operating profit number or the operating margin number whichever you want to analyze it.
- Siddartha Cherukuri:** Let us talk about the gross profit. The gross profit year before same period was Rs. 88 Crores whereas if you see in quarter two of FY2022 the gross profit is Rs. 120 Crores. So this is already visible in the form of a significant increase on the gross profit margin.

- Pritesh Chedda:** I am trying to just understand what you are mentioning. You are mentioning that the gross profit in quarter four was 88 Crores which is...
- Siddartha Cherukuri:** Quarter two last year Y-on-Y basis if you see...
- Pritesh Chedda:** No what my analysis sir I would like to understand the analysis versus quarter four only because quarter four is where we started the backward integration so whatever comments you give it would be nice if you could give versus quarter four.
- Siddartha Cherukuri:** So even if you compare that it is a Rs. 127 Crores versus Rs. 140 Crores now so you can see almost a 10% improvement in the gross profit on a quarter-on-quarter basis also.
- Pritesh Chedda:** So where the material substitution for soda ash is so large is there anything other than this that we need to understand for whatever analysis we had done earlier for a lower caustic soda ash benefit flowing through.
- Hanumant Bhansali:** Where you are looking at is you are looking at quarter four numbers whereas we had started the production of soda ash from quarter four. So the comparison should be either with quarter two of last year or the quarter three of last year so that will be a better comparison metric.
- Pritesh Chedda:** Okay I will take this offline and the other comment that you have specifically mentioned about barium in your press release about some demand related challenge and I saw some drop in the barium margins. So if you could comment on that part of the business.
- Siddartha Cherukuri:** See we are working towards reducing our dependency on export by focusing towards the domestic market that is where we are seeing incrementally 20000 tons of baring carbonate comes in. Off late there has been some deferment in the orders on account of freight price coming down sharply and also on energy prices in Europe have made our clients be more watchful about how the situation will pan out so they have asked us to defer the orders for a quarter however this does not mean that there is a dip in demand and also there is no actual substitute for this product. In fact what we are witnessing is they are asking us to move this baring carbonate to their other facilities in North Africa and Far East Asia which we are actively working on that is why there has been a temporary headwind in terms of volume reduction in exports which will be partially or mostly off setted by increase in our domestic sales.
- Pritesh Chedda:** We had got an extra realization and margins on barium specifically beginning last year. So that part will there be now reversal there or do you think those things will hold on.

**Siddartha Cherukuri:** Those things should come back I think we made this investment with certain targets in place and that is going to be a mix I think they will come back definitely and we are already witnessing that demand come especially the gas prices now reversing in Europe if you see the spot market has gone back to the old levels and also as and when this destocking happens during this Christmas period so customers are already in discussions for quarter one arrivals and quarter one is for them on a calendar year base. So we do not see because this baring carbonate is a replicable product and it is very much link to the building material industry. So we do not see any book as such.

**Moderator:** Thank you. We have the next question from the line of Manan from Moneybee. Please go ahead.

**Manan:** Hi this is Manan here. Firstly are we seeing any slowdown in the chromium segment as well you have highlighted on the barium side if you can just throw some light on the chromium side if we are seeing any demand related issues over there.

**Siddartha Cherukuri:** It is quite steady we do not see any demand related slowdown or there is no significant price correction however on account especially on the export side there might be some correction on account of freight rate going down that is the only difference we are witnessing at the moment.

**Manan:** And on the supply side because you would mentioned in the interview some players from Turkey were facing issues. So is there any issue on the supply side then for the chromium segment.

**Siddartha Cherukuri:** No, I think like I said specially we see more demand for chromium chemicals coming out of North America our marketing seems working very aggressively to capitalize on that opportunity that is what I can say demand is resilient in fact is looking better for early next year given what is happening what we are sensing on the North American clients as well.

**Manan:** So we are very confident of selling out our additional capacity without any contraction in the realization.

**Siddartha Cherukuri:** That is right.

**Manan:** Secondly on the freight expenses, in this quarter there were a huge jump on a quarter-on-quarter basis as well as on a Y-o-Y basis on a selling and administrative expenses so if you can just highlight why is there such a huge jump on a sequential basis.



**Hanumant Bhansali:** Shipping and forwarding charges have increased which is a major component of our sales and administrative expenses. On a Y-on-Y basis actually it has come down as a percentage of sales but overall what we are seeing is that the freight cost have come down substantially from the high especially from July and August and what we have seen is orders were good till September. So going forward we will see correction in the freight cost for us and for our customers that will reflect in our sales and administrative expenses going forward.

**Manan:** So what you are saying is that we had already booked the containers at higher rates which is why we have this higher expenses.

**Hanumant Bhansali:** That's right.

**Manan:** So can you just highlight what was the average container cost in Q1, Q2 and currently.

**Hanumant Bhansali:** Average container cost that is subject to the route on which it is but I will just share one example with you like if I just talk about the freight rates. The freight rates from India to Europe which was about \$5000 for a 20 equivalent unit just a few months back has come down to \$3500, and as it was \$3500 as of 30th September and as I am speaking to you it is down to about \$2000 for a 20 equivalent unit. So this is quite it is on a downward trend, but still the rates are nearly 100% higher compared to what it used to be pre-pandemic.

**Manan:** What would be this trend for North America as well if you can just highlight because most of our sales are towards that region.

**Hanumant Bhansali:** The freights are down on almost all routes so that includes North America as well as Europe, Africa, Asia, across all the routes.

**Manan:** Okay because what I am saying is that the gross margin that we have had because our backward integration has been entirely eaten up by this increase in our freight cost and we are able to see the impact at the EBITDA level. So hopefully we should see that from next quarter onwards.

**Hanumant Bhansali:** That is a very good metric, at the same time I would like to say is the EBITDA margins would have been much higher if the realizations would have been the same because where our focus has been to maintain our spreads irrespective of the fact that we are getting a higher realization for our product. So whether the realization goes up from here or the realizations goes down from here, the spreads are key to us; but that leaves a very different impression on the EBITDA margins because if the spreads are same and the realizations go up your EBITDA margins will not expand at the same rate and if the spreads are same and

your realizations come down, I am earning more dollars on every sale I make, then the EBITDA margin shoot up but the key over here is the customers have worked with us consistently for almost two years since the pandemic and one thing that we have witnessed is that we have been able to pass through the rise in raw material cost and the freight cost at the same time leverage our abilities to command a premium and set the price in certain products that we manufacture.

**Manan:** I will come back in the queue. Thank you.

**Moderator:** Thank you. We have the next question from the line of Ranvir Singh from Edelweiss Wealth. Please go ahead.

**Ranvir Singh:** Thank you for taking my question. Just on the freight, discussion . Just wanted to understand because we are operating in a globalized regional conditions so freight rate would have come down from international other suppliers also especially when the gas supplies is now getting normalized from Russia or Turkey so just wanted to understand our competitive position so realization wise reduction in freight cost is advantageous for us or disadvantageous for us.

**Siddhartha Cherukuri:** It is a very good question. Let me give you some information on what has happened during the pandemic time. This freight outbound Asia which is from China, Malaysia all the Far East and South East outbound to Europe and America's has increased substantially whereas price out of the United States towards Asia from Europe or Turkey has increased but very marginally. So there has been a huge impact on the shipping out of Asia, so this is how we look at it is, is a big advantage for Vishnu basically being the major exporter of chromium chemical whereas the freight indoor I mean freight out of Americas and Turkey they have not changed very significantly. In fact, our competitive advantage has increased.

**Ranvir Singh:** And the slowdown in Europe it is a reason being that probably the suppliers from Turkey or some other destination has started resuming. So just wanted to understand is this temporary or going to sustain because you are saying this is temporary so wanted to understand that why we believe this is a temporary.

**Siddhartha Cherukuri:** Could you repeat your question.

**Ranvir Singh:** I wanted to understand like in this quarter we mentioned that in Europe there was a demand softer, there is a softer demand from European side and so demand for us it was softer or globally I think demand would have been same I think other suppliers might have started

supplying more quantity there so is this a scenario or overall this was the overall slowdown for everybody and why we believe this is a temporary.

**Siddhartha Cherukuri:** Let me answer, why we believe this is a temporary is because with respect to natural gas supplies the most effected country is Germany because 80% of the gas supplies is coming from Russia. However Italy, Spain and all these countries where bulk of our carbonate is going their natural gas mix is not completely Russian dependent. So what we have seen is since Spain had some kind of dispute with Algeria which is one of their major gas supplier, so now they have settled and the things are gotten back to normal now. So that is what is giving us more confidence and we are already in active discussions with the clientele to resume the regular volumes to them, this is giving us more confidence. That is why we have seen this as a temporary headwind. In fact we also see that once this destocking is happening definitely our clients want to increase the finished raw material and improve their output which they have lost during the last two or three months.

**Ranvir Singh:** And what is the difference in realization in India versus export market in barium compound.

**Siddhartha Cherukuri:** It is very marginal I would say so very marginal it could be a 200, 300 basis points depending on because even in barium we have three to four different products basically depending on the particle size and everything application and everything s. So it is very dependent on the industry there. To give you some idea it would be 200 to 300 basis points, perhaps higher in the exports given the exchange rate how it is today.

**Ranvir Singh:** Can you quantify the number in India what is your realization currently.

**Siddhartha Cherukuri:** We do not give.

**Ranvir Singh:** Okay we are not giving realization number for chromium and barium separately.

**Siddhartha Cherukuri:** I am afraid not.

**Ranvir Singh:** Okay that is it from my side. Thanks a lot and all the best.

**Moderator:** Thank you. We have the next question from the line of Ravi Mehta from Deep Financial. Please go ahead.

**Ravi Mehta:** Thanks for the opportunity. Just wanted to know the capacity utilization levels where we are operating.

**Hanumant Bhansali:** Currently we are operating at 80% plus utilization level in both the verticals. This is the trend that we have seen from last year and we are continuing this trend in the first half of this fiscal also.

**Ravi Mehta:** So when you say 80% plus this will be on the expanded Barium capacity of 60000.

**Hanumant Bhansali:** That is right, the first quarter was lower because that was the first quarter of operations for barium but the second quarter we have started utilizing the expanded capacity and we operated at about, the second quarter the expanded capacity operated at close to about 65% but that is overall the barium capacity was close to about 80% which will continue in the second half also.

**Ravi Mehta:** You are saying 65% of the expanded capacity in Q2.

**Hanumant Bhansali:** Yes, 65% of 20000 tons and 80% plus close to 83%, 84% of the 40000 tons. So on an average it comes to about 80%.

**Ravi Mehta:** Sorry I just got confused barium would be 15000 tons or the 60000 now.

**Hanumant Bhansali:** 60000 tons is our total plate capacity in barium 80% was our utilization in the first half of this fiscal.

**Ravi Mehta:** Okay of the plate capacity and 65 in Q2.

**Hanumant Bhansali:** I would request you consider this 80% on our total 60000 tons that is very simple.

**Ravi Mehta:** And on the chromium side if you can highlight because there also I think we have added capacity by 10000 tons.

**Hanumant Bhansali:** Like I said we do not disclose the exact volumes it is more from a business confidentially reason.

**Ravi Mehta:** Yes, sure I am asking that the utilization levels what you are talking is on the expanded capacity right including the 10000 tons that you have added.

**Hanumant Bhansali:** 10000 tons that has added has not added to significant volumes in Q2 because that is the first quarter of operations having said that on an overall basis we have operated at 80% plus levels on our plate capacity of 70 + 10 i.e. 80000 tons. Going forward we are likely to go up by 5% in this financial year in chromium chemicals volumes i.e. production volumes compared to last financial year but next year it will be full impact of the expanded capacity

of 10000 tons which means we will be operating with 80000 tons from day one of the next financial year that is 14% more capacity compared to 70000 tons.

**Ravi Mehta:** So optimally you can use entire 100%.

**Hanumant Bhansali:** Optimally we can use close to about 85% and we have been achieve that metric.

**Siddartha Cherukuri:** Just like to add on one thing given the nature of our business and the amount of need it goes into it. So if the assets created is operating at the level of 85%, 90% is a very good operating level.

**Ravi Mehta:** Okay understood. Thank you that answers.

**Moderator:** Thank you. We have the next question from the line of Rushil Selarka from Pioneer Wealth Management. Please go ahead.

**Rushil Selarka:** Congratulations for good set of number. I just wanted to ask you one thing like in the TV interview yesterday you have guided for the margins to go to 20% by end of third quarter. Did I hear it right or will it take at least three, four quarters for us to go there.

**Hanumant Bhansali:** The margin profile as you can see we have delivered on the targets that we set out at the start of the year but there is still some work to be done to achieve an overall targeted EBITDA margin of 20% compared to FY2022 numbers of 15%.

**Rushil Selarka:** Got it. When can we go to the 20% band?

**Hanumant Bhansali:** Yes, if you see our performance in this quarter it is like a eight products that we have broadly and the one product that we have in our subsidiary that faced a little bit of a challenge so to say, but with that performance it is hard to put a timeline to how much the markets will come by because it is not related to how competition is behaving but how customer is behaving. So if the customer and the consumption comes back quickly then we will be able to achieve that faster because we are not seeing any challenges on the chromium chemical front. So it is about how barium chemicals is going to shape up. Like I said it is very difficult to put a timeline to it as we can see and as the data is available to us the natural gas prices are quite dynamic, but going forward that is our target of 20%.

**Siddartha Cherukuri:** Just to add to it during the call I did mentioned about the new product launch Barium Sulphate, which is going to be launched in the first quarter of next financial year and we strongly believe this will augur well with the barium family and it is part of our strategy to build the product mix like what we have done in the chromium, this will bring a lot of

resilience for this business and were help us to work on that product basically and it is going into the paint industry and we are very excited and looking forward for this product to be launched and our focus will remain to be domestic market it is a clear import replacement. This will definitely add to the EBITDA margins in the coming years but like I said our targeted EBITDA rate as what we have said is our targeted EBITDA is 20% and this is very likely to be achieved in few quarters to come.

**Rushil Selarka:**

And one more question is like our debt to equity ratio has reached 1 from as high as 3.4 three years back so how much can it be for FY2023 and what is your guidance for FY2024 how much can it reduce more or will it stay closer to the same level since we are having one more Capex in barium for Rs. 90 Crores for which we have taken debt also.

**Hanumant Bhansali:**

Thanks for this question. The current reduction in debt is also including part of the debt that we have taken for the new product in barium, so overall the debt outlook is that our focus in the next six months will be to continuously bring down our overall debt to equity level but just to highlight one important metric which is I am sharing with you. Though the revenues of the company if you see the standalone company we have grown from close to about in the last financial year from about Rs. 577 Crores in FY2021 of revenues to about Rs. 900 Crores in FY2022 and in the first six months about Rs. 630 Crores so the revenues have increased by more than 100% in the last 18 months we have not increased our working capital limit and like there was a question by Mr. Pritesh I wanted to highlight it at that point of time also if you had noticed I had given a breakup of my short-term borrowings or my working capital which was Rs. 120 Crores at the starting of this financial year and which has come down to Rs. 112 Crores so we have not enhanced our limit and we are consistently putting pressure on our overall working capital so that we will bring down the inventory days as well as receivable days on a ongoing basis. So that has been our focus and we will continue with that metric.

**Rushil Selarka:**

And last question from my side is the volume growth that we have witnessed in Q2 is 16% right and is the guidance of 30% volume growth for FY2023 is that despite having some softening of pressure from barium side.

**Hanumant Bhansali:**

Let me answer that question in the volume growth that we have seen in installed capacity of chromium chemicals is 14% and in barium chemicals installed capacity has gone up by 50% from 40000 tons to 60000 tons that happened in March 2022 but we are seeing the full impact of that from Q1 of this financial year onwards. Like I said, the chromium chemicals debottlenecking has just completed and it is still progressing well from the operational point of view so we will see the full impact of those volumes next year which we have but even on a year-on-year growth of volumes in chromium chemicals while the number will be

single digits of 5% to 6% but next year we will see a far better improvement of nearly 10% in chromium chemicals. In barium chemicals it will be about going from 60000 tons to nearly 1 lakh tons that is 30000 tons of our new product. So that is our total trajectory of volumes that we have shared with the markets.

**Rushil Selarka:** Thanks a lot that is all from my side. Thank you.

**Moderator:** Thank you. We have the next question from the line of Heeral from 4R Investments. Please go ahead.

**Heeral:** Thank you for the opportunity. Congratulations for the good set of numbers. I have two questions and pardon me if I have missed some clarifications. My first question is why the barium pricing is under pressure and what I understand due to some headwind from the Europe then when do we expect it to get normalize, and the second question is you are saying that the pledge percentage is still currently high and it has reduced from 40% but when do we expect it to get further down from this level.

**Siddartha Cherukuri:** We are expecting the volumes to come back during the quarter four of this financial year we are expecting all that the destocking to happen at our customers end and the freight now has almost come back to pre-COVID level so we are expecting the demand to come back and we getting back into those volumes during the quarter four of this year which is first quarter for our clientele. Perhaps, it could be earlier also because they expect a quarter one delivery so it could be in November, December the shipments from our side so that is where we are going and although and we do not see any impact of construction in Europe per se in spite of whatever you have been hearing about recession because ongoing projects are still continuing and we are not hearing anything about dip in the demand or that kind of issues and most importantly the product which we are supplying is non-substitutable and the quality which we are able to supply and on a consistent basis also something far better than what our Chinese peers are supplying so that gives us immense confidence getting back to that level sooner than later. Regarding pledge I will ask Hanumant to throw some light.

**Hanumant Bhansali:** Let me reiterate that the promoters of the company pledged their shares to our consortium of banks for funding to be utilized by Vishnu Chemicals Limited for its Capex. This started in 2007 and at that point of time, the company did not have enough security to be provided as collaterals because the funding was required to expand our capacity from nearly 5000 tons per annum in chromium chemicals to 50000 tons. So that is where the promoters stepped in and they gave their shares as pledge to their banks to meet the margin requirements. Having said that, the entire pledge is with the three banks that we have in our consortium - all of them are PSUs and they have been associated with us for a very, very

long time. Just to give you an update, this pledge was as high as 65% of promoters holding in FY2015 which has now gradually come down to 36%. We acknowledge that it is still very high and we are working on it and organically it will be completely out of the system over the next three quarters.

- Heeral:** So in next three quarters you mean to say the pledge will get removed organically.
- Hanumant Bhansali:** Yes.
- Heeral:** I think that answers my questions. Thank you.
- Moderator:** Thank you. We have the next question from the line of Kaushik Dani from Satco Capital. Please go ahead.
- Kaushik Dani:** Thanks for taking my question. Congratulations on a great set of number. Sir what is the reason behind the barium segment degrowth we took the price hike in April 2022 so what is the volume growth in our barium segment.
- Hanumant Bhansali:** The volume growth cannot be shared like I said we do not share the absolute volume growth, but if you see last year we operated at close to 80%, 85% on our installed capacity of 40000 tons and this year we are operating at 80% on an installed capacity of about 60000 tons so overall in the first six months our volumes have grown by close to about 10% on a year-on-year basis and this is further likely to improve as we move forward. There is no degrowth in our volumes in barium chemicals.
- Siddartha Cherukuri:** Yes.
- Kaushik Dani:** So how much price hike we took in April 2022.
- Hanumant Bhansali:** Initially the price hike was close to about I mean if you compare the last six months compared to FY2022 the prices in barium vertical went up by close to 25%. the value hike the realization per quarter.
- Kaushik Dani:** Can you quantify the margins for the chromium and barium segment I think in Q4 FY2022 we have a margin in our barium segment is around 9.5%.
- Hanumant Bhansali:** Yes, in barium segment our EBITDA margins in Q2 FY2022 is 11% compared to 9% in Q4 FY2022.
- Kaushik Dani:** And for this quarter it is 11% for the current quarter Q2 FY2023.



- Hanumant Bhansali:** Yes.
- Kaushik Dani:** And for the chromium.
- Hanumant Bhansali:** In chromium business, we reported an EBITDA margin of 17.4% in the current quarter.
- Kaushik Dani:** And when can we achieve a sustainable margin for barium segment is around 16% to 20%.
- Hanumant Bhansali:** Like we have mentioned on this call before, we are working on this and that is the reason why we have also launched a product which is a import substitute I mean we are working on a product in barium chemicals which is an import substitute not manufactured by anybody else in India. It will diversify our end user industries just like the things that we have learned from our standalone business is to diversify our product profile and that automatically derisks ourselves from geographies as well as end customers because there will be times when one market does well, there will be times when one sector does well, today we are of course dependent at least in barium but going forward this launch of a new product will help us mitigate these risks of product concentration.
- Kaushik Dani:** Considering the challenging times definitely the results seem very decent. Now the thing is first of all roughly 46% of your sales come from LATAM right.
- Hanumant Bhansali:** Can you repeat.
- Kaushik Dani:** 46% of the revenues are coming from the LATAM right.
- Siddartha Cherukuri:** I think if you take our overall sales no it is much lower even if you consider our export sales is about 28% on a consolidated basis.
- Kaushik Dani:** 28%.
- Siddartha Cherukuri:** Yes.
- Siddartha Cherukuri:** It includes LATAM, it includes even Mexico as well.
- Kaushik Dani:** So especially when you consider LATAM and Mexico we all know how the currencies have functioned against USD as well as against the Indian currency. So can you just give some thought actually what sort of constant currency growth you guys would be capturing?
- Siddartha Cherukuri:** What I can share with you is what we are hearing from our customers in terms of currency devaluation in this country is on account of the dollar being strengthened especially in the

LATAM where the main markets are Mexico and Brazil the devaluation of this currency is marginal, even marginal compared to Indian currency devaluation. In fact, these are very much agriculture and automobile export related economy and the impact is not felt or not heard of.

- Kaushik Dani:** Do we not have any sales in Argentina where there has been a constant depreciation.
- Siddartha Cherukuri:** No, we are not operating that strongly in Argentina and given the risks involved in that country, we are not concentrating much in Argentina yes it is because the way the currency devalued.
- Kaushik Dani:** And I think previously we had mentioned that apart from precipitated barium sulfate there would be another product called barium hydroxide so this Rs 90 Crores Capex includes both these products.
- Siddartha Cherukuri:** Yes, it includes both the products.
- Kaushik Dani:** So, do we have a breakup so let us say from 60000 to around 1 lakh what we are doing this incremental 30000 to 40000 tons everything would be for new product or it would be something for existing products.
- Siddartha Cherukuri:** This is a product mix like I said we are having the chain of chromium chemicals where we use sodium dichromate is very relevant to the market and the kind of gross margins we target so similar value chain will be developed in barium. How the end user market is performing and the targeted gross margins will motivate us to focus on the product mix that is what I can tell. On the volumes on which we will be working on, it would be very relevant to the end user market.
- Kaushik Dani:** So, what sort of asset turnover you are expecting on this Rs. 90 Crores Capex.
- Siddartha Cherukuri:** The targeted assets turnover is 2 but that may not be achieved within a year or so, it will be FY2025 as we could achieve that kind of asset turnover.
- Kaushik Dani:** And are the gross margins for these two new products better or in line with the existing barium.
- Siddartha Cherukuri:** They are slightly better especially on the barium sulfate which is the paint filler being a specialty product so there will be definitely slightly better than the existing product.

**Kaushik Dani:** So you expect because this is a fully import substitute so the expectation is that we have got enough distributor tie-ups or company tie-ups that the entire 15000 to 18000 tons what you expect as the production should get absorbed domestically.

**Siddhartha Cherukuri:** It is a good question, I think we are in discussions with possible distributors as well as the idea is to be more B2B than B2C the marketing team actively working on that and obviously there is more interest because given the way the currency is devaluing in India people are looking for domestic substitute sooner than later so with that being said the approvals might be faster than what we have anticipated.

**Kaushik Dani:** And finally any changes which is material on the chromium ore price trend.

**Siddhartha Cherukuri:** Sorry please repeat your question.

**Kaushik Dani:** How was the chromium ore prices behaved in last few months.

**Siddhartha Cherukuri:** It is not very volatile, they remain steady.

**Kaushik Dani:** And finally when was the latest price hike taken for chromium as well as barium.

**Siddhartha Cherukuri:** We do not share that information.

**Kaushik Dani:** Thank you Siddhartha all the best.

**Moderator:** Thank you. We have the next question from the line of Sabyasachi Mukerji from Centrum PMS. Please go ahead.

**Sabyasachi Mukerji:** There is some confusion on the volume growth and the outlook. I believe the chromium sales volume growth is 16% for H1 FY2023 year-on-year right.

**Siddhartha Cherukuri:** On a plate capacity 14%.

**Sabyasachi Mukerji:** No, I am not talking about your installed capacity going from 70000 to 80000 thereby translating to 14% growth I am not talking about that I am talking about the sales volume whatever volume we have sold in H1 FY2023 versus H1 FY2022 what is the growth over there.

**Siddhartha Cherukuri:** It is flat, it is more on a value increase.

**Sabyasachi Mukerji:** And what is the outlook for H2 of this financial year.

- Siddartha Cherukuri:** Since I have mentioned the debottleneck capacity in chromium of 10000 tons has come on line so that is where we will be working on especially on our chromic acid production which we are seeing more demand from the wood preservative and electroplating industry we will be working on putting that volumes in this application segment.
- Sabyasachi Mukerji:** So this incremental 10000 tons what is the expected capacity utilization you foresee for H2 will it be 50% or more than that or less than that any ballpark number any estimates.
- Siddartha Cherukuri:** Between 80% to 82% will be the operating level.
- Sabyasachi Mukerji:** You will achieve ramp up in a very short period I mean you will be able to operate at 80%, 85% of the incremental capacity as well.
- Siddartha Cherukuri:** Yes, because it is more of a debottlenecking and so that gives us more confidence to operate at that level and also the product mix where this additional capacity is going to turn into another value added product we see a lot of visibility in terms of order there.
- Sabyasachi Mukerji:** I thought this new capacity is at a separate plant than your existing plant so ramping up I thought it will take time to ramp up that is what the thought process I guess this 10000 is not delay right.
- Siddartha Cherukuri:** Yes.
- Sabyasachi Mukerji:** So you are saying it will not take time to ramp up the capacity.
- Siddartha Cherukuri:** Could be a month, could be 45 days and we do not see any complexity in ramping this. If we are talking about the new product launch like barium sulfate, that I would take more of a cautious call on stabilizing that product. Since we are operating and it is a similar process I would say about 30 to 45 days is what we would take.
- Sabyasachi Mukerji:** Got it, that is very much clear on the chromium side. On the barium side you mentioned that last year we operated FY2022 operated around 80%, 85% on the plate capacity of 40000 tons you are tracking the almost same levels since Q2, Q1 was little lower and since Q2 you are tracking the same utilization levels on the expanded capacity of 60000 tons is the understanding correct.
- Siddartha Cherukuri:** That is right like I said we faced a temporary headwind because of this freights coming down and it is an uncertainty in Europe but we do not see any volume degrowth compared to Y-on-Y basis and we are confident to pick up the volumes during quarter four of this financial year itself.

**Sabyasachi Mukerji:** Just to understand this thing a bit deeper. You faced headwinds from the export side and since barium is high on exports you tried to compensate those volumes with domestic sales the understanding correct and due to higher domestic sales your realizations which is lower in domestic and higher in exports your overall realizations in barium came down is that understanding correct on my part.

**Siddartha Cherukuri:** Not really that is like I mentioned to you we are focusing more on the domestic markets moving forward because the way the ceramic industry is growing in India and the product specifications what we offer is not available so our intent is to grow in the domestic market so we are not done an increase in the volume in the domestic market yet that is what I have given a guidance.

**Sabyasachi Mukerji:** And what would be our market share in domestic.

**Siddartha Cherukuri:** Our market share currently is at 45% our intent is to go to 65% to 70% in one year.

**Sabyasachi Mukerji:** So basically 45% of the total demand is satisfied by us in terms of barium carbonate the rest 55% is supplied by any other players or is it imported.

**Siddartha Cherukuri:** No, there are few other players who are supplying, we have a different specification which we offer whereby our end user has a quality advantage and with this capacity expansion we are aggressively working to turn that into a regular business.

**Sabyasachi Mukerji:** So last question from my side. What is the outlook so H2 I understood, what is the outlook for reaching back to chromium what is the outlook for FY2024 because we do not have much capacity in place right we just expand that 10000 tons what is the outlook for the next round of Capex or where do you see yourself in the chromium segment barium I understand you are expanding a lot but the chromium your main business chromium what is the outlook for next two, three years.

**Siddartha Cherukuri:** We are already sharing the levers of growth and margin expansion but we do not want to give a guidance on a quarterly basis to be very honest, we have already shown significant improvement in ROCE. Last time we had mentioned that our targeted ROCE is upward of 30% and we have crossed it. In terms of volume like I would like to add and I did mentioned that we are seeing some consolidation happening in North America and management is very seriously not contemplating but seriously considering an increase in our chromic acid capacity in our Bhilai whereby we would need additional sodium dichromate and at the same time we are working on another value added product called chromium metal which also requires additional sodium dichromate. So for the next two

years we may not be able to add additional volumes on the chromium front but we could work on the product mix as seeing the demand is strong but there after in order to add to the value adds like chromic acid and chromium metal additional feed stock in the form of sodium dichromate is required if you ask me how much there could be somewhere in-between another 20000 to 30000 tons of sodium dichromate is required reason being these products requires more unit consumption of sodium dichromate in those products.

**Sabyasachi Mukerji:** So we are working on the product mix side we want to move on the value chain move little higher and optimize the product mix in the near-term.

**Siddhartha Cherukuri:** So let us to put into a perspective we want to increase one value add it is already there given the order book and given the kind of traction we are seeing in the west and at the same time an interesting super alloy which we are working on which is chromium metal this we are planning we are working on it but it will take a two years' time to launch this where additional dichromate feed stock in the form of dichromate is required which calls for additional capacity of another 20000 to 25000 tons in two years from now.

**Sabyasachi Mukerji:** That is great, very helpful Siddhartha. Thank you, thanks a lot. That is all from my side.

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

**Rikin Shah:** I think Siddhartha you mentioned that barium volume could come back in Q4 and regarding margin expansion which the earlier participant asked in the barium segments Hanumant mentioned that barium sulfate should add to this. But I think that is coming in Q1 FY2023 so are you expecting H2 to be weak in terms of margins.

**Hanumant Bhansali:** We do not expect H2 to be weak, that is not how we look at it but overall with the easing supply chain the weaker rupee and the reduction in energy prices in Europe that will help barium come back quicker but nobody can put a timeline to it that is how I would like to say at the same time we would like to reiterate that barium carbonate which is the product that we manufactured in Vishnu Barium Private Limited it goes into ceramics tiles to bricks, caustic soda brine purification industry and these areas need consumption of barium carbonate on a mandatory basis there would not be any impact on consumption it is not a industry that is disappearing it is only a headwind that one of our key markets has faced and due to which the Q2 saw an impact in barium chemical. At the same time, overall I would like to highlight that on chromium chemicals we have achieved significant improvement in overall process and on a consolidated basis we have withstood these challenges that is the benefit of having your diversified portfolio be it barium or chromium chemicals they are

under the same umbrella of inorganic chemistry for us that is converting minerals from the planet, minerals from the earth into chemicals that is where we specialize in and with backward integration improving from where it is today to about 85% plus levels we will see further margin expansion and sustenance of profitability.

- Rikin Shah:** In barium, has the raw material price also corrected.
- Hanumant Bhansali:** No we are not seeing any correction in raw material prices in barium.
- Rikin Shah:** So in chromium I think there is an increase it is undeniable there is a gross margin expansion but how much would you attribute that to rupee depreciation products.
- Hanumant Bhansali:** Marginally because if you see the rupee started depreciating quite from last financial year onwards but we have witnessed our overall net Forex gain in the first six months of this financial year to be around Rs. 5 Cr. So that is the benefit that we have got from the rupee depreciation so far. Just like to highlight that, we do not like to keep any open exposures and keep our unhedge portions open so that mitigates our risk from a point that we are already a net exporters where 50% of our turnover comes from export so that benefit is always included into our profitability.
- Rikin Shah:** So I think just about cost of accreting someone who had asked earlier. Should the sales and administration expense come down on a Q-on-Q levels.
- Hanumant Bhansali:** Yes.
- Rikin Shah:** Alright I think that is it from my side.
- Hanumant Bhansali:** With the major cost over there is shipping and forwarding expense.
- Rikin Shah:** Because I think container freight rate are come down substantially and with that leverages it should come down.
- Hanumant Bhansali:** Yes, absolutely.
- Rikin Shah:** That is it from my side.
- Moderator:** Thank you. We have the next question from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

**Sudhir Bheda:** Congratulations Siddharthaji and Hanumantji for a super set of numbers given the volatile global situation. My question would be like considering the rupee depreciation and also effect of container freight rates and also volume growth would be coming in H2 and also backward integration would be operating at higher capacity. So what kind of margin expansion do you see in H2 as compared to H1 for the current year.

**Siddhartha Cherukuri:** We reiterate what we have said is that hard to give a number. Our target is to achieve 20% EBITDA in a few quarters from now, I think and we are in line and given the way the backward integration is progressing or will progress in a few quarters from now that is the target we have we cannot give you an absolute number on the EBITDA in the next six months but what I can say is the margins will remain intact or improve that is where we are seeing in spite of this variance.

**Sudhir Bheda:** And now our solar capacity will be operational in H2 so what kind of power saving do you foresee in FY2024.

**Hanumant Bhansali:** The solar power is going to help us meet about 25% to 30% of our energy requirements in Srikalahasti which is the unit that manufactures barium chemicals. It will help us reduce our power cost by close to about 10% to 15% because we have entered this contract with one of the leading solar power companies in India for a 20 year contract period at a fixed cost that will give us the benefits from the Q4 and more effectively from Q1 of next financial year in Vishnu Barium.

**Sudhir Bheda:** That is all from my side and all the best. Thanks for the opportunity.

**Moderator:** Thank you. We have the next question from the line of Manan from Moneybee. Please go ahead.

**Manan:** So you mentioned that the freight rates are coming down and we are trying to capture the domestic market in the barium segment so then would not more imports also be flowing in to India as the freight rates are coming down and thereby prices could further fall down or do you see the prices have stabilized now in the barium segment.

**Siddhartha Cherukuri:** Let me clarify that there is no import of barium carbonate into India so there it is not marginal there have been no impact on freights coming down at the past level because it is mostly other than the domestic sales there is no imports into India of barium carbonate. As of now there is no import so then with freight rate coming down there is a possibility of imports coming in then we do not see that even before the pandemic also even when the



price rates where it is lower if you see the ten years or even more there has been no imports of barium carbonate.

**Manan:** And again in the chromium so just to get my understanding correct so you mentioned that the prices have been stable so there is no price hike that we have taken also our volumes are flattish on a sequential basis but our sales have gone up by almost 5% so with volumes and prices being stable so this incremental 5% sales that we are seeing is primarily due to rupee depreciation right or am I not getting something.

**Hanumant Bhansali:** Thank you for this question. Like we said we have already stated the 10000 tons of debottlenecking plants that gave us incremental volumes on a quarter-on-quarter basis but when we say flattish it is plus or minus 5% so that is a marginal change in volume, it is not a meaningful change. So if you ask me on a quarter-on-quarter basis our volumes have gone up by nearly 5% in chromium chemicals but that is very marginal whereas the prices have not changed on a quarter-on-quarter basis.

**Manan:** So the entire increase that we have seen in the chromium segment over H1 to H1 is primarily price driven.

**Siddartha Cherukuri:** It is, yes that is right and also on account of product mix.

**Manan:** Okay thank you.

**Moderator:** Thank you. In the interest of time that was the last question I would now like to hand it over to Nikunj Jain for closing comments.

**Nikunj Jain:** Thank you participants for having us today. It has been a pleasure if there are any further questions or queries that we have not been able to answer please feel free to reach out to me or Orient Capital team. Thank you and have a good day.

**Moderator:** Thank you. On behalf of Vishnu Chemicals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.