

19th May, 2022

VCL/SE/15/2022-23

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Scrip Code: 516072

NSE Symbol: VISHNU

Sub: Transcript of the Earnings Call held on May 17, 2022 on Q4 & F22 Financial Results

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the Earnings Call held on Tuesday, May 17, 2022 on Q4 & F22 Financial Results.

A copy of the said Transcript is uploaded on the website of the Company www.vishnuchemicals.com

Kindly take the same on record and disseminate on your website.

Thanking You.

Yours faithfully,

For Vishnu Chemicals Limited



Kishore Kathri
Company Secretary & AGM - Legal

Encl: As above



“Vishnu Chemicals Limited Q4FY22 Earnings Conference Call”

May 17, 2022



**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 morning and welcome to the Q4 FY22 Earnings Conference Call of Vishnu Chemicals Limited. We have with us today, Mr. Siddartha Cherukuri - Joint Managing Director, and Mr. Hanumant Bhansali - Vice President Finance.

This discussion may include forward-looking statements regarding business trends or activities. Such forward-looking statements should not be taken as a representation that such trends or activities will continue in future, and no undue reliance should be based on them.

All participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now invite Mr. Hanumant Bhansali to begin the proceedings of the call. Thank you. And over to you, sir.

Hanumant Bhansali: Good morning, everyone and welcome to the conference call of Vishnu Chemicals Limited, where we shall discuss our results and developments for the quarter and year-ended 31st March 2022. Our Investor Presentation has been uploaded on the stock exchanges for your ready reference.

Moving on to Key Business & Financial Highlights:

For the first time Vishnu Chemicals has achieved a historic milestone of Rs. 1,000 crores in sales. This is the best ever quarterly and annual performance by the company since inception. We believe this is a satisfactory performance, as both the domestic and export sales grew by 56% and 58% respectively, in FY22.

In fact, the demand environment is as good as it gets. We continue to receive inquiries from customers for our products, as they are essential to extending the life, imparting colors and also improving the performance of many pharmaceutical, consumer and industrial applications.

The consolidated revenues for FY22 was Rs. 1,075 crores as compared to Rs. 682 crores in FY21, registering a growth of 58% year-on-year. The consolidated EBITDA margin for FY22 was 15% compared to 11.8% in FY21, an increase of 317 basis points year-on-year. This was aided by multiple factors, some of which were scale, our quality of products, our operational flexibility, our focus on supply chain and better procurement planning. We registered the best ever PAT in FY22 at Rs. 81 crores compared to Rs. 34 crores in FY21. During the year, our PAT margins also increased by 250 basis points.

Speaking about the Quarter 4, the consolidated revenues were Rs. 336 crores compared to Rs. 215 crores for the corresponding quarter previous year, up by 56% on a year-on-year basis. On a QoQ basis, the revenues grew by 12%. Consolidated EBITDA for FY22 was Rs. 53 crores compared to Rs 26 crores for the corresponding quarter previous year, up by 106% year-on-year and 16% QoQ. The EBITDA margin was 15.8% on a consolidated basis in this quarter.

The consolidated PAT for Q4FY22 was Rs. 29 crores compared to Rs. 11 crores for the corresponding quarter previous year, up by 163% YoY and 16% QoQ. The net profit margin of the company in Q4 FY22 was 8.5% compared to 5.1% in Q4FY21, an increase of almost 340 basis points.

We believe that this performance is truly holistic. And we have improved in all the key metrics, not just in terms of P&L, but also the balance sheet of the company.

With this I conclude my remarks and now request Ms. Margaret to 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 Anshul Verdia from Edelweiss Wealth Research. Please go ahead.

Anshul Verdia: Just a couple of questions, Hanumant Sir, could you please help us with the volume number for both the segment's in the 4th Quarter and the full year?

Hanumant Bhansali: On the volume numbers, right now, we are not disclosing the numbers in terms of production level in both the segments Chromium and Barium. If I take FY20 as a base, from FY20 to FY21, we increased about 20% in our Chromium chemicals volume. And from FY21 to FY22, we increased by 22% on a year-on-year basis. On the Barium chemicals also, the volumes have gone up. And this year, the volumes are upwards of 10% in Barium chemicals.

Anshul Verdia: Just one follow-up, could you please comment on the Barium segment EBITDA margins, where we have seen slight moderation quarter-on-quarter and any EBITDA margin number you would like to assign as sustainable margin for this particular segment.

Hanumant Bhansali: In the Q4, in Barium chemicals, we registered 9.5% EBITDA margin. If you would recollect that in Q3, we had mentioned in our press release that there was a little bit of issue with the monsoon in Srikalahasti in the 3rd Quarter. Due to which we had to carry forward some of the orders in Q4 and honor them at the same prices that were entered into in Q3. While the prices of raw materials, due to global phenomena had increased in Q4, but we decided to absorb the prices instead of renegotiating the existing contacts with our customers. So, that's the reason why we have seen little bit of, there has been very little increase in the realization per tonne, in Barium in Q4, where the raw material prices have gone up, but having said so we have increased the prices effectively from April.

Anshul Verdia: Any guidance on the EBITDA margin for this particular segment? Can we assume 15% plus which we have guided earlier?

Hanumant Bhansali: We have actually not given any guidance on the EBITDA margins, per se. But we truly believe that the margins of Barium chemicals are sustainable in the range of 16% to 20%, it will be in that range.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Higher EBITDA margin of Quarter 4 will be maintained in current year? I am not asking percentage, what margin percentage you will achieve EBITDA, but this margin will be achieved in Financial Year '23?

Siddartha Cherukuri: Yes, we are very positive given the order book in general demand environment, we are very confident to maintain this EBITDA margin, perhaps we are expecting a further improvement given that our backward integration is going to come online in the coming quarter. With that being said I think we are very confident on improving EBITDA not just EBITDA but also on the top-line given the order book in both the verticals.

Ravi Naredi: And how much the Barium chemical will be the over whole turnover percentage term?

Hanumant Bhansali: The Barium chemical is 15% contribution to our consolidated revenue.

Ravi Naredi: And any CAPEX plan for Financial Year '23 and probable top-line, if you can give.

Hanumant Bhansali: Yes, we do have CAPEX plan for this Financial Year '23, both on the Chromium chemical side and the Barium chemical side. On the Barium chemicals, we are very excited to venture into a new product which is an import substitute in India. And at the same time, in Chromium chemicals we are expanding our capacity.

Ravi Naredi: So, how much CAPEX we will do?

Hanumant Bhansali: Our overall CAPEX this year will be in the range of Rs. 120 crores on consolidated basis.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: On the Chromium chemical side, what is the progress on the backward integration in the Quarter 4, because I was just trying to analyze the number and when I look at the QoQ absolute raw material costs, there isn't any significant change so if you could comment on the backward integration side.

My second question is with respect to Barium. So, has that incremental capacity expansion kicked in? And once it kicks in, does it mean about 40% to 50% absolute jump in EBITDA, because of the capacity getting added?

Siddartha Cherukuri: Backward integration, it's as per the plan. Currently we are operating at upwards of 80% level. We have seen this kind of operating levels in the month of March. That's an update on our backward integration.

When you are saying that these numbers are not reflecting, as you know, on absolute basis, the virgin soda ash prices have increased substantially over the second half of last year. So, it's hard to kind of you know, correlate with those numbers, because you still have to use virgins soda ash to produce Sodium Dichromate and everything. So, if you go by numbers, I think it will be, it's hard to correlate in a way.

Pritesh Chheda: Which means, if it is operating at 80% in March, and April, if it continues -- will it continue to operate at higher utilization now? Has the backward integration stabilized?

Siddartha Cherukuri: Yes, we are confident but still, like I said, it's a complex process, as long as we achieve upwards of 80% it means that the operations are going well.

Pritesh Chheda: Will incrementally, obviously, this backward integration started in your Quarter 4 and March was the one where you would have it higher. So, incrementally when we move in the forthcoming quarters, we will start seeing the benefit of that backward integration, in absolute terms?

Siddartha Cherukuri: Absolutely. That's very likely.

Pritesh Chheda: What kind of gross margin change? Do you see or envisage in the incremental quarter once this is fully reflected?

Siddartha Cherukuri: I can't give you guidance on a quarter-on-quarter, but I can comment on the overall year, we will see an improvement of 300 to 400 basis points for that --

Pritesh Chheda: Versus the exit quarter, on the Chromium side.

Siddartha Cherukuri: Correct.

Pritesh Chheda: My question on Barium, has the capacity got added and what is, does it mean that you will see a 40% to 50% jump in Barium EBITDA?

Siddartha Cherukuri: Yes, the capacity has gone up by 60%, from 36,000 tonnes to 60,000 tonnes. And we are planning to operate it at 80% of the installed capacity during this Financial Year. So, in terms of volume, we are looking at 40% increase in the volume. And we are seeing a very good demand. And since the operating levels are increasing, that being said better operating leverage, I think definitely need to see good EBITDA during this Financial Year. However, we are being very cautiously optimistic about the raw material cost, especially on the energy side. That's something which we are very carefully analyzing. So, that's why we can't give you a guidance on EBITDA but we are very confident on the value and the volume improvement during this period and EBITDA will follow.

Pritesh Chheda: So, this being Brownfield, I am hoping that the capacity would have already stabilized.

Siddartha Cherukuri: Yes.

- Pritesh Chheda:** My last question is, you mention a Rs. 120 CAPEX, so this Barium CAPEX is already capitalized in 2022. So, where are you spending incrementally this Rs. 120 crore?
- Hanumant Bhansali:** Out of this Rs. 120 crores, we have kept aside Rs. 90 crores for a new product in our Barium chemistry.
- Siddartha Cherukuri:** It is precipitated Barium sulfate mainly used as a filler in the paint industry. So, this is another value-added product in the Barium vertical. So, idea is very similar to what we have done in Chromium chemicals, to add related derivatives in Barium. So, this is a very interesting and at the same time it is an import replacement product.
- Pritesh Chheda:** Okay.
- Hanumant Bhansali:** So, the work on that has started Mr. Pritesh and we have completed the financial closure of it. So, Rs. 90 crores will be spent on this. Out of this Rs. 90 crores, it will be partially funded by debt and partially by equity. It would be completed by Q4 and it should be commissioned by H1 of next Financial Year. The balance Rs. 30 crores is in Chromium chemicals business which is kept aside for our expansion from 70,000 tonnes of installed capacity to 80,000 tonnes. So, this will be completed in the next quarter or so. Part of this has already been spent last year and remaining part will be completed in the first six months.
- Pritesh Chheda:** This Precipitated Barium Sulfate does it add extra volumes in that 60,000 or it means more value addition within that overall Barium capacity increase that you took from 36 to 60?
- Siddartha Cherukuri:** No, it would add capacity by additionally 30,000 tonnes as Barium Sulfate, but currently, I can't, I won't be able to give you a guidance on what would be the operating level on 30,000 because we have to do it step-by-step, it's a new product, it's a specialty chemical. And so we will have to scale it up, probably we will start at 15,000 to 18,000 tonnes and thereafter scale it up. But we are very excited about this new project, and very happy to add a new product to the Barium vertical, which will definitely improve the value in the coming years.
- Pritesh Chheda:** And lastly sir, on Chrome Ore, any impact, how are you managing the Chrome Ore price increase, or if there is any price increase, because we keep on getting confusing trends, so your comments on the Chrome Ore side?
- Siddartha Cherukuri:** I am not sure why it is confusing, because most of the Chrome Ore is very much indexed. And we are able to pass on most of the price increases to our end users. So, I don't see any complexity.
- Pritesh Chheda:** How much that of Chrome Ore price increase?
- Siddartha Cherukuri:** I would say increase was mainly on effects of the freight cost, which our end-users understand, but we have mitigated it in a way that since we are a bulk buyer, we have pivoted in terms of instead of using containers, we started using break bulk, that is a prudent call which we have

taken to bring down the cost in terms of transporting the material. So, still there is an impact of about 20% on the purchase, which we have been successful to pass it on to the end-user.

Moderator: Thank you. The next question is from the line of Sudhir Bheda from Right Time Consultant Services. Please go ahead.

Sudhir Bheda: I have two questions. Actually, one question is already answered. See there is a geopolitical uncertainty, as well as some report of destruction of demand in view of high inflation. So, what are the growth triggers, which lead you to believe that we will continue to grow in the same pace as we are growing in the last Financial Year? So, if you can throw light on the growth triggers going forward for our products?

Siddartha Cherukuri: To answer your question, in fact, it's worked in our favor, the reason being, we have a strong peer in Russia who is having challenges to produce and export the chemicals out of Russia at the moment. So, that has definitely supported overall demand environment globally. But as such, even during the pre-COVID period the end-use market, which we are catering has not been impacted, to a large extent. And, in fact, you are seeing a surge because most of the countries have come out of COVID restriction in exception with China, which has never been our end-user market. So, that gives us more confidence on the year to come.

Sudhir Bheda: So, demand side do you foresee any challenges as far as international demand is concerned?

Siddartha Cherukuri: As of now, it looks very resilient, I would say.

Sudhir Bheda: Full impact of the backward integration will kick in from the 1st April, for the Financial Year '23. So, what is incremental EBITDA that we would get out of that backward integration plan as compared to last Financial Year?

Siddartha Cherukuri: Well, I suppose I have already answered this question. We can't give a guidance on a quarterly basis. But for a whole year, we are expecting at least 300 to 400 basis point improvement in the overall EBITDA.

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

Rikin Shah: Just wanted to understand given, how global events have unfolded in the past and your competitors in probably Turkey and U.S. are now facing challenges. And now CAPEX in Chromium chemical seems a little economical unfeasible, how long do you expect realizations to be favorable now?

Siddartha Cherukuri: Well, we don't expect too much, see I can answer it this way, Mr. Rikin. We don't expect too much of capacity additions in the short term. And when we mean short term to medium, it's about broadly 18 to 24 months globally. Inflation is an issue globally and interest rates are going up. Our input cost are fluctuating to some extent, but having said that, structurally, we are much better placed than our peers. Exports out of China are not a concern for us, Russia is

a competition but they are affected for now. So, for multiple reasons demand and supply is far better balanced, I would say.

So, from capacity point of view, there is very little excess capacity going around which will keep the demand intact. However, we feel that demand is going to come from different sectors, especially let's say talk about India and government focusing on infrastructure spending across the world is good for us. So, with higher commodity prices, what we are seeing right now and also the mining activity continues and with the government focus on infrastructure, construction activities will bound to continue, that will eventually, drive the demand. So, in a nutshell we are much better placed, and that will reflect in numbers in the years.

Rikin Shah: So, now that we are pursuing debottlenecking in Chromium chemicals. So, this additional 10,000 metric tons, how much of it can be ramped up in FY23 because it will start maybe midway this year.

Hanumant Bhansali: So, yes, it's a valid point. The good part is we had already started working on it in the last quarter itself. So, we are progressing well over there. And we are very confident of completing this exercise in the next three months. So, it will take us close to seven months to complete it. And we are confident that we will start full operations in this by Q2, say towards the end of Q2 of this Financial Year. Assuming that, I have shared that we will see a volume increase in Chromium chemicals to the extent of at least 10% on a year-on-year basis.

Rikin Shah: And in Barium Sulfate, can we see that the more material impact in FY24 because you are maybe alluded to the fact that it will come on stream in Q4 FY23?

Hanumant Bhansali: Yes, it would also, while it would come on stream in Q4 or Q1 of FY24, the point over here is that, we have already started the groundwork over there. We are very happy to inform all our shareholders and investors on this call that we are progressing very well on the CAPEX, it has been thoroughly planned. It was part of our expansion plan for quite some time now. And now, we have already started working on it. So, we will see a material impact of that on our consolidated as well as Vishnu Barium's EBITDA from next Financial Year onwards.

Moderator: Thank you. The next question is from the line of Shivam Vashi from Inga Ventures. Please go ahead.

Shivam Vashi: Just wanted to understand in slide#13 you have mentioned that there is a debottlenecking given the surge in demand is up. So, can you just help me understand where this demand is coming from, it's from the export market or it is largely from the domestic market?

Siddartha Cherukuri: Hello. Yes, it's from both. We see demand coming from the domestic market as well as the exports market.

Shivam Vashi: Because what your presentation mentioned is in the Chromium chemistry segment, again the market has the demand of at least 2000 metric tons whereas we are already at 70,000 and with

this we will be at 80,000. So, this incremental demand, I was just trying to understand whether our export share will increase because of this debottlenecking.

Siddartha Cherukuri: It will be hard to give guidance on the percentage, but I can say that the demand is from domestic as well export market. If I can talk about the specific sector, we are seeing more from the electroplating side, as well as the wood preservative chemistry and pigments and dyes where we are witnessing a strong demand.

Shivam Vashi: Lastly, what kind of revenue that we are expecting due to this debottlenecking to this additional 10,000 tonnes?

Siddartha Cherukuri: Let me answer it in a way that we won't give any guidance on the EBITDA margins and everything but

Shivam Vashi: On the topline front sir?

Siddartha Cherukuri: Again, we can't give any guidance on the top-line and on EBITDA margin, but let me put it in such a way as a management when we are making investments, we are very clear on the return. So, looking at today, I mean, we have already shown significant improvement in ROC from 13% to 25%. We at Vishnu Chemicals we are targeting upwards of 30% of ROC in the years to come. At the same time very much focused on the fixed gross asset we are creating to the turnover ratio, targeting at two. And at the same time focus on improving further interest coverage ratio to 8 to 10 times. And at the same time, we are very conservative on bringing the inventory base down if you are seeing from 186 days of inventory it has come down to 105 and that's not it, we are going to see a further improvement on the inventory days coming down to perhaps close to 80, that's kind of guidance we can give.

Shivam Vashi: Just I think the question was answered in the last this thing, it is going to be funded by around Rs. 30 crores internal accruals, right this debottlenecking?

Hanumant Bhansali: Yes.

Moderator: Thank you. The next question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.

Dhruv Bhimrajka: As on date, what is our installed capacity for both Chromium and Barium?

Hanumant Bhansali: The installed capacity in Chromium chemicals is 70,000 tonnes per annum and the installed capacity in Barium is 60,000 tonnes per annum. It was 40,000 tonnes still Feb, in March, we added another 20,000 tonnes so effective this year is 60,000 tonnes per annum in Barium vertical.

Dhruv Bhimrajka: And as per your expansion plan, you said Chromium will go to 80k right?

Hanumant Bhansali: That's right.

Dhruv Bhimrajka: And Barium there is no additional capacity coming in except for the new product launch that you are going to do?

Hanumant Bhansali: I think that is a very big project for us. It's not just in terms of volume, while the volumes will also go up by nearly 30% from 60,000 tonnes to 90,000 tonnes plus. But the key part over here that I would like to correct this narrative is that this is a value added product, it is not manufactured by any key player in India, it's an import substitute, it goes into automobile paints as a filler. So, there is a huge demand for this, not just in India, but globally. So, if we were earlier relying on international manufacturers, and even the Indian paint manufacturers were relying on international producers for this chemical, now, there will be a self-reliance in that matter from an Indian perspective also. So, this is a very niche product in its category. It would also diversify our portfolio in various chemicals. What we have learned from our experience in the past in Chromium chemicals is that having a concentrated portfolio can give you the upside for x number of years, but having the diversified portfolio, especially in our kind of business, it gives you that cushion against industry risk or end-user risk or currency risk. So, that's the reason why we are venturing into a new product.

Dhruv Bhimrajka: And what would be the new capacity for this product?

Hanumant Bhansali: It would be 30,000 tonnes, so from 60,000 tonnes we will be at 90,000 tonnes from next Financial Year FY24.

Dhruv Bhimrajka: And how much time would it take for the optimal utilization for this new capacity?

Hanumant Bhansali: We will have to wait a little bit probably we will be in a better position to answer this in the next conference call.

Dhruv Bhimrajka: And just one last thing on this new product how has been the customer response, because I understand that you would have been talking to prospective clients and customers about this so just wanted to get a sense on that.

Siddartha Cherukuri: I mean, we have already spoken with some big end-users, the response is good. However, they would like to test it and see the end product. That's the kind of response we have got from some big end-users. But I think, definitely, there's a lot of interest because people they are looking forward to move away from imports because it's getting more complex to get materials through containers also given the China issues, because 70% to 80% of this blanc fixe is coming from China, and rest is coming from Italy. And not just in terms of this thing also the quality, what we are going to produce would be superior, and will give them a better finish compared to what they are sourcing from China. So, that's also interesting for them to source from us.

Dhruv Bhimrajka: So, you said the product mainly comes from China and Italy.

Siddartha Cherukuri: Yes this product mainly comes 70% from China 30% from Italy. The Italian are producing a certain higher-grade quality. That's what we are targeting to offer in the market. And we are very confident about achieving those qualities.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS investment. Please go ahead.

Vivek Gautam: My question is how sustainable is this growth and the factors responsible for it, current headwinds, Russia is facing, is it helping us out. What is our USP on this front? And will it sustain in future?

Hanumant Bhansali: On the sustainability part, I will just reflect on one point, what we are seeing is not just an uptrend because of global demand and supply scenarios, but because of the improvement in our or own operations that we have cemented in the last few years. Just for the context so from being a two-product company like we have been saying, we have diversified our portfolio. And that gives us more customers to cater to, that gives us more industries to cater to, that gives us more ability to mitigate large pricing pressures from the commodity side, as well as currency rates globally.

So, with this in mind, a few years ago, we had pivoted our strategy to produce more diversified range of products in Chromium chemical business. And that has now resulted in terms of the growth that you are seeing in our margins. So, across the world, our customers are looking at pricing from the point of view of end user demand, consistent supply and how the supplier can mitigate shipping delays. I think all these factors are helping us believe that the margins are going to be sustainable going forward.

Vivek Gautam: What is opportunity size for us both in India and outside India and for both Chromium and Barium and expected growth rate in future?

Hanumant Bhansali: I think over here in India, we are the largest producers of Chromium chemicals. And in Barium also, we are the largest producers of the products that we are manufacturing. So, the industry is growing at a faster rate compared to what is being suggested in terms of global industry rate. So, India growth story is very much intact, what we believe is the emphasis of Make in India. Manufacturing in India is also going to have a multiplier effect on a company like us, because our products goes into multiple sectors, be it pharmaceuticals, be it industrial, or be it consumer applications. So, that's the reason why we are very optimistic about the demand being intact, going forward.

Vivek Gautam: And exports?

Hanumant Bhansali: Absolutely from export point of view, also, like we have mentioned before, we don't see too much of capacity being added. And that will help us grow in the export market as well.

Vivek Gautam: I believe our new Vizag plant sort of which is stabilizing that has been the key factor behind the improvement of our performance in recent time. And I believe that learning from there, we

have been able to do it in the other segment also. So, how is our Bhilai plant performing? And how helpful is this location of Kadapa mines in close proximity to us for our Barium business product, which is?

Hanumant Bhansali: So, I will just summarize this, the Bhilai operations are also doing well, we produce a very important derivative product out of Bhilai, which is exported in excess of 65% compared to domestic consumption. So, that gives us a leeway into export markets. And like you mentioned, yes, in Vizag we have added a backward integration project that is integrated into the same unit, it's not a new plant.

Moderator: Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital Markets. Please go ahead.

Yogesh Tiwari: Just one question. So, in Q4 there is a negative other expenses of about Rs. 1.3 crores, so just wanted to understand that.

Hanumant Bhansali: Basically, we have spent excess in CSR this year. And as per the provision given by the accounting standards we are carrying forward the excess spent on CSR, and we will be utilizing it over the next three years. So, that's why you see this reversal.

Moderator: Thank you. The next question is from the line of Anil Jain from Equipassion Capital. Please go ahead.

Anil Jain: I just wanted to know what is our net debt as on March '22? And how do we see it moving in the next in FY23 and FY24?

Hanumant Bhansali: Our consolidated total debt as of 31st March 2022, Rs. 353 crores. And from a debt to equity point of view, it is 1.3 times. We believe that over the next year the debt to equity we are targeting internally to bring it down to less than one. As we can see that there is a CAPEX going on in our Barium subsidiary. So, there would be a marginal increase in our total debt in absolute terms, but it would be still under the range of debt to equity of one. So, we are going to see an increase of close to about Rs. 30 to Rs. 35 crores in debt over the next one year, but since we are repaying close to about Rs. 30 crores in principal repayments in our standalone business this year, we are going to see a marginal impact.

Anil Jain: You are targeting 1:1 by March '23?

Hanumant Bhansali: We are targeting less than 1:1. We are hopeful to achieve that. We are very confident of what we have seen in the past should fructify into good deleveraging in the coming year also.

Moderator: Thank you. The next question is from the line of Anurag Roonwal from Moneybee Investment Advisors. Please go ahead.

- Anurag Roonwal:** In the earlier participant, you mentioned about one of our competitor in Russia was facing issues. So, what sort of capacity must have gone offline through this? And has this resulted in any spike in the realization of our products?
- Siddartha Cherukuri:** We are talking about a capacity of close to 80,000 tonnes, is what is coming out of Russia. As of now how we see it, is it's out of the market. In terms of realization improvement, we are already witnessing it as we speak. However, the sea freights globally are still playing a spoilsport. When I am saying that we, as an exporter of India are more impacted than others because the outbound strikes in Asia, even compared to China now, is higher out of India for some reason. So, that's something we are dealing with.
- Anurag Roonwal:** I was under the impression that our outbound freight are a pass on to our customers, is that understanding correct or?
- Siddartha Cherukuri:** Yes, we did pass on, but if you calculated, let's say we had a lower freight, the margins would have improved also right, we are able to pass on our CIF increase, but an absolute basis in case if freights were lower, our margins would have improved, because we are working on a CIF basis, although it's FOB plus actual. But there has been an improvement on the sea freight but not to the extent of what we are seeing in China, because in China the sea freights have reduced. But that's not happening completely in India yet but we are hoping that it will happen in a few months from now.
- Anuraj Roonwal:** And so is this mainly because they are not able to source raw material why this capacity has gone offline? Or is it that due to the sanctions on Russia, they are unable to export?
- Siddartha Cherukuri:** It's a combination of everything. It's also the customers are shying away from sourcing from Russia. I think it's not a short term impact we see because where the things are going. I don't think Russia is going to take a back foot on what they have embarked on. So, I am sure U.S. will continue to put pressure and they will be isolated from the global market in terms of supplying chemicals or any other related products manufactured in Russia. I think they will have a long term impact, when I say long term at least a few years from now. And also, to source a container from, a lot of big names are shying away from going to Russia and shipping out of Russia. So, they are having challenges to source a container.
- Anurag Roonwal:** And on the Barium side, a big chunk of our exports is to Europe, as highlighted in the presentation, and Europe going through the geopolitical issues as well as energy crisis. So, are we seeing any slowdown on the demand side on that part? And again, on the Chromium side, has there been any further price hikes in Quarter 1?
- Siddartha Cherukuri:** I will start off by answering the Barium, we are not seeing any slowdown in the demand. It's still, I mean the order book is looking good and we are receiving more inquiry. However, what we have been very careful is about the Euro Dollar conversion rate, which is a bit of concern right now. So, we are discussing with our customers to work on Dollar basis versus Euro

because Euro has been kind of under pressure as we all are aware of. So, that's a matter of concern but we are taking care of that.

Regarding Chromium chemical, there has been a price hike since Quarter 1, but I mean not in all the products but a few of our derivative.

Anurag Roonwal: I had a bookkeeping question. In our P&L we mentioned this consumable so if you can just highlight what all things are booked under the consumables?

Hanumant Bhansali: On the consumables, we have the energy consumables I will just name a few, like petcoke, coal, it is already provided in the Schedule to accounts, the breakup of all these Top 5 consumables that we have.

Anurag Roonwal: So, when we talk about backward integration under what line item, would we see the benefits of that showing in? Would it be under the consumables or would be under the cost of goods sold?

Hanumant Bhansali: Under the cost of raw materials consumed.

Anurag Roonwal: And if you can just lastly, what was the exit utilization rates in both the Chromium and the Barium side?

Hanumant Bhansali: The utilization rates in Chromium chemicals were close to about 90%. And in Barium side, the utilization was close to about 85%.

Anurag Roonwal: And this bottlenecking exercise would it result in any sort of downtime or anything on the production side?

Hanumant Bhansali: No, nothing at all.

Anurag Roonwal: There is news flow that there was power issues that were going on in Andhra Pradesh. So, just wanted to confirm if Vishnu is facing any issues on that side or are we able to procure power? And is there any escalation that we are looking on that side?

Hanumant Bhansali: Overall, our power costs as a percentage of revenues on a year-on-year basis have come down from 4.6% to 4.2%, in FY22. And at the same time, we understand that there are concerns about power outages in Andhra Pradesh and other area and in certain areas in Telangana, also. But we have already planned for it, we have been planning for it. And that's the reason why we are now moving to solar power in our Vishnu Barium subsidiary. This will help us maintain the power costs for FY23 and beyond. At the same time, it also is a step towards self-sufficiency and sustainability.

So, from an industry point of view, of course, it is tough, okay, we have the ability to absorb the power costs due to our improved realizations and operating leverage but if you ask me what is a concerning point and that is, if the power outages affect our customers, and all of

them are not operating at scale. So, there are industries which are sub-scale, and they might be impacted by grid power. So, that is something that we are watchful about, and we are supporting our customers who are getting impacted due to such power outage issues. So, in a nutshell, we don't see a significant impact on a year-to-year basis in power cost.

Anurag Roonwal:

Any production side issues as well, so power is available for our requirements?

Siddartha Cherukuri:

Anurag, just to answer that question and since I am on record that we have not lost any production on account of power shortage. The reason being we produce 40% of our own power that is through turbine rolling, we produce about 4 MW of power a day. So, that investments which we have done over the last four years has really helped during these challenging times. And at the same time, there was no power cuts in Andhra Pradesh, there were restrictions on the power usage, let's say we are using, just to give you an example 10 MW of power, we are entitled to use about 5. So, there was no power cuts, there was load shedding on a daily basis. So, how we mitigated this challenge is since we are producing our own power, up to 5 MW that really supported during this shortage time. And also at the same time, we do have a direct feeder, where we are entitled to source power from outside.

Anurag Roonwal:

On the Barium sulfate, if you can just throw some light on the market size and the opportunity that we are looking at over here?

Siddartha Cherukuri:

The total global market for Barium Sulfate is close to 140,000 tonnes, India, there is a demand of close to 25,000 tonnes. And everything is imported. There is no domestic producer. That's the sort of guidance we can give you right now.

Anurag Roonwal:

And our capacity would be primarily catering to domestic or it would be a mix of domestic and exports?

Siddartha Cherukuri:

Well, to start off with, I think domestic will be our market of focus. But as we progress it, it could change.

Moderator:

Thank you. The next question is from the line of Kaushik Dani from SATCO Capital. Please go ahead.

Kaushik Dani:

Just a couple of questions. When we mentioned the volume growth, let's say around the teens and around 20% for Chromium for the coming years, are we expecting this sort of volume growth from the same set of clients or we expect some new clients to get added in both the segments?

Siddartha Cherukuri:

We are definitely targeting new clients and at the same time we are receiving additional demand from the existing clientele as well in certain --

Kaushik Dani:

And sequentially, what was the realizations of the Barium?

Siddartha Cherukuri:

We don't give a guidance on that.

- Kaushik Dani:** Okay, but is it an increasing trend or was it flattish or something? Any color?
- Siddartha Cherukuri:** It's on an increasing trend but let me put it this way I mentioned during this call today that volume is going to be a substantial volume increase by virtue of which better operating leverage so our pricing power will improve.
- Kaushik Dani:** With regards to this Precipitated Barium Sulfate typically, we have seen OEMs are usually not so keen on changing the vendors. So, do you think are the OEMs ready to select new vendors, whether there would be a material price difference in our cost versus Chinese or Italian producers? How does it happen?
- Siddartha Cherukuri:** Definitely they would contemplate since this is a specialty product, it takes time for them to amalgamate into their recipe. But since we had our discussions, we have been having discussion with end-users, they are really serious to consider as a supplier and speed up the process of amalgamating in their paint in use. So, especially in India, that's what I am saying our target is to start off to cater to India, because the capacity we are creating, let's say we eventually let's say you are able to cater to 100% of the market, that will be it what we can produce and supply, but the idea is to, again, to create a balance of 50% export and 50% domestic. But to start off with I think domestic market is interesting, we are seeing a lot of interest from the end-users and they are looking forward to get the samples and amalgamate and get it approved by their end-users. However, like I said, it might take a few months' time, but we can definitely speed it up.
- Kaushik Dani:** So, in tonnes, basically, any stats on what is the sort of India demand for this Barium Sulfate?
- Siddartha Cherukuri:** I did mention it's 24,000, this information is shared with you often referring to the Import stat and speaking to the --. And everything is imported, then there is no Precipitated Barium Sulfate producer in India.
- Kaushik Dani:** And we said we are going to begin this somewhere in Q1 of FY24. So, that would be what the QC side or it will be commercially bringing from Q1 '24.
- Siddartha Cherukuri:** Commercially beginning from Q1 '24. Like we said, it's, it will be hard to give you a timeline, probably after our first semester of this year is probably we can give a better guidance on that project, how it's progressing.
- Kaushik Dani:** And I think this time we have declared equity dividend. So, dividend on the preference capital?
- Hanumant Bhansali:** Last year, the promoters of company forego 6% out of the total preference dividend of 7%. That is part of the capital allocated by them in the company. So, they have taken 1% for the last year.
- Kaushik Dani:** So, for FY22, it is 1%?
- Hanumant Bhansali:** Correct.

Kaushik Dani: And typically for FY22, what has been the power cost as a percentage of total revenue?

Hanumant Bhansali: It's been about 4.2%.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Hanumant Bhansali for closing comments.

Hanumant Bhansali: Thank you everyone for joining the conference call of Vishnu Chemicals Limited. This is our second conference call and it means a lot to see such participation from different funds, different research houses, everyone. I would like to thank all of our colleagues in Vishnu whose dedication and expertise has helped us create the value for the customers and the shareholders.

One thing that we obviously don't talk too much, but it means a lot to us at Vishnu and that is safety and well-being of our talent and people, it is going to be a very important and key priority for us going forward also. So, I can't help but to reemphasize my pride for our Vishnu team and what we have and will be able to accomplish for the shareholders and investors now and going forward. So, I am just going to say thank you, to all of you for your interest today. Our next conference call will be post our second quarter results. We do it on a semi-annual basis. So, if you have any questions in the meantime, feel free to contact us.

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.