

11th November, 2021

VCL/SE/57/2021-22

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

Scrip Code: 516072
Through: BSE Listing Center

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

NSE Symbol: VISHNU
Through: NEAPS

Sub: Transcript of the Earnings Call for Q2 F22

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find the attached transcript of the Earnings Call for Q2 results of FY21-22 held on Monday, November 8, 2021, at 10.30 AM IST to 12.20 PM IST.

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
Q2 FY2022 Earnings Conference Call”**

November 08, 2021



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

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY2022 Earnings Conference Call of Vishnu Chemicals Limited. This discussion will include a number of 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. This call will begin with a brief discussion by the company's management on its performance followed by interactive question and answer session. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hanumant. Thank you and over to you Sir!

Hanumant Bhansali: Thank you Ms. Rutuja. Good morning ladies and gentleman and welcome to the conference call of Vishnu Chemicals Limited where we shall discuss our results and developments for the quarter and half year ended September 30, 2021. Our investor presentation has been uploaded on the stock exchanges for your ready reference. Hope you were able to access it.

Let me introduce the speakers for the day. We have with us Mr. Siddhartha Cherukuri - Joint Managing Director of Vishnu Chemicals Limited and myself Hanumant Bhansali, Vice President Finance.

We are going to keep our prepared remarks brief and then turn straight to your questions.

Vishnu Chemicals Limited is a pure play manufacturer of high performance specialty chemicals. Our products find applications in over 12 industries like pigments & dyes, pharmaceuticals, construction, glass, leather and more. The company sells its products across all major continents.

Moving on to the consolidated financial highlights for the second quarter and half year.

The total income for the second quarter was Rs 242 Crores as compared to Rs 182 Crores for the corresponding quarter previous year up by 32% on a y-o-y basis and 22% on q-o-q basis. For the half-year our income was Rs 440 Crores as against Rs 335 Crores in the corresponding six months last year, up by 31% on y-o-y basis. At the current run rate we are operating at nearly 20% higher utilization compared to last financial year.

The consolidated EBITDA margin for the quarter was 14.3% compared to 11% in Q2 last year, an increase of 330 basis points. The EBITDA margins for the half year were 14.2% compared to 11.7% in the corresponding six months last year, an improvement of 250 basis points on a year-on-year basis. The margins are a result of improved operational efficiencies and improved ability to pass the price.

The PAT increased by 123% at Rs 16.6 Crores compared to Rs 7.4 Crores for the corresponding quarter previous year. For the half year our PAT was Rs 28 Crores against Rs 20 Crores in the

corresponding six months last year, up by 42% on a y-o-y basis. The net profit margin of the company in Q2FY22 was 6.8% compared to 4% in Q2 FY21.

On the balance sheet front, we are getting better and taking additional steps to improve our collections as well as focus on inventory management. Our consolidated gross fixed asset turnover ratio has improved to 1.4 times compared to 1.1 as on 31st March 2021.

Both domestic and export markets continue to remain strong. Our domestic sales accounted for 46% of business in the first half as against 44% for the same period last year. At the moment demand from domestic as well as exports is looking healthy and we are seeing good number of enquiries from both the markets.

Overall the company is pleased to share that this is the best quarterly performance since inception. The company is thankful to its employees and stakeholders that helped it achieve nearly 80% of FY2021's consolidated PAT in the first six months of the current financial year. This puts us on track to deliver robust and sustainable earnings and sales growth for the entire financial year.

With this I request Ms. Rutuja to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudhir Bheda from Right Time Consultancy Services. Please go ahead.

Sudhir Bheda: Good morning and season greetings to team Vishnu. Sir first of all congratulations to entire team for outstanding and stupendous performance in all the fronts. I have two questions first if you see when most of the chemical companies are reporting pressure on the margins but Vishnu has reported increase in the margins q-o-q so what led to such an outperformance and will that be continued in Q3 as well, so this is my first question and the second question what is the outlook in respect of demand, volume growth and margin for FY2023 after this backward integration?

Hanumant Bhansali: Thank you Mr. Sudhir for the question. Seasons' greetings to you. I request Mr. Siddartha to answer the first part of the question on margin sustainability.

Siddartha Cherukuri: Hello Mr. Sudhir, this is Siddartha Cherukuri with you. Thank you very much for your comments and regarding your first question indeed I would say these margins are sustainable, A because if you observe our volumes are increased by over 20% on y-o-y basis and also at the same time over the last few years we have developed a flexible product mix where we are using our sodium dichromate mostly to our derivative chemicals and this has given us a lot of flexibility in terms of improving the customer base, having more visibility on what gross margins we would like to have on annual basis, so we are taking a very conscious call on which product, out of five products, what we produce, which one is to be produced in this quarter so it is very dynamically we are making those calls and able to quickly switch to the product which is giving us a better margin and also at the same time we are also very positive about, very confident on our backward integration which is going to be fully operational during the Q4 which will further improve our

EBITDA margin especially in weaker business cycles which may come after few years but still our EBITDA margins will be quite sustainable in the coming years..

Hanumant Bhansali: As we look forward to the next six months, we are optimistic that we would be able to do better than what we have achieved so far. As a company we are not providing any guidance on the topline or the overall EBITDA but the first six months has given us a lot of learning and taking cue from it we are optimistic about performing better than this in the next six months.

Sudhir Bheda: Backward integration which is a one of the finest project and very highly technical project so what would be the incremental EBITDA we can expect after commencement of this project?

Siddhartha Cherukuri: Given the current sodium carbonate market pricing since it is going over the roof so our ROI on the investment what we have made over the last three years are even better, coming to the point on what would be the incremental EBITDA improvement I would say around 500 basis points will be the incremental EBITDA addition. Current soda ash market pricing as well as sulfuric acid pricing in the market definitely it will be 500 basis points or perhaps even more.

Sudhir Bheda: Great. Thanks for the opportunity and all the best.

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

Pritesh Chheda: Thank you for the opportunity and Seasons greetings to the team Vishnu. Sir a couple of questions first of all I will take the barium chemicals, there is a marked improvement in the performance of barium chemical if you could help us understand this change and this 40000 tons capacity that we have are we running at full utilization that we see in the first half and do you see these kind of margins or performance sustainable?

Siddhartha Cherukuri: Talking about the capacities right now we are operating at over 90% last year our average output was close to 32000 for the whole year last year and this year it is 10% more than that given our current installed capacity and also we have made investments for over last year we increased the capacity from 40000 to 60000 tons, this is going to come online during Q4 of this financial year itself. Regarding the margins the big upsize for Vishnu Barium is I would say the location where the plant is located, a) close to the feedstock which is derived to be around less than 100 km from our plant and is the highest grade available I would say in the world at the moment and also our ability to export, we have three major ports like Krishnapatnam, Kattupalli and Chennai which gives us a lot of leverage to export to over 60 countries around the world. In comparison with our peers who are mainly out of China they are very much in the middle of China where they have to move this product almost over 2000 km so we definitely have an edge with respect to the raw material quality, the logistics, and also the product quality and also the China plus 1 strategy is helping us a lot. When we started in 2015 we were an option to the end users but now we are the first source for them so even the way they are looking at Vishnu in terms of the primary supplier that will definitely keep us moving and keep also the margin at this level moving forward so what we are looking forward to is to add more volumes because we are seeing more demand, as

of now we are not able to take all the orders what is coming to us, so we are looking forward this new capacity to come online during Q4.

Pritesh Chheda: So is there an increase in the barium realization which also is swinging the numbers?

Siddartha Cherukuri: Yes if you see on y-o-y basis our EBITDA today is around 21% EBITDA level for barium versus about 16% last financial year and being very cautiously optimistic this will perhaps sustain in the long term and perhaps increase in the medium term, that is what how we see to it.

Pritesh Chheda: So looks like this Rs.40 per kg realization you think it will sustain in the medium term and in fact increase in the longer term?

Siddartha Cherukuri: We are seeing a slightly higher realization in the medium term over Rs.40 that Rs.40 will be sustained in the long term.

Pritesh Chheda: Sir my second question is on chrome chemical side, so at the 70000 tons capacity that we have showed in the presentation so on the chrome chemical side what kind of utilizations are you seeing on the 70000 ton capacity and I think this avoids the double counting when we do a conversation of 70000 tons?

Siddartha Cherukuri: I got your question. I think definitely this year we will set a benchmark. We have already set a benchmark for the first six months by achieving the target and the way things are going with respect to the order book and the production and now that all the maintenance is through we are going to be over 90% operating levels I would say so.

Pritesh Chheda: 70000?

Siddartha Cherukuri: 70000 tons.

Pritesh Chheda: It will be this year?

Siddartha Cherukuri: This financial year.

Pritesh Chheda: Okay so 90% you are mentioning and what it was last year then?

Siddartha Cherukuri: Last year we were operating at close to about 70 to 72%.

Pritesh Chheda: Is there any increase in realizations here?

Siddartha Cherukuri: Yes there has been decent realization in this vertical also.

Pritesh Chheda: What kind of increase is there?

Siddartha Cherukuri: We cannot divulge the information on vertical basis but if I can tell you on a blended basis what we have seen is in chromium chemicals there has been price increase due to the increase in raw

material prices also that we have been able to pass on to the customers and due to the increase in freight expenses the overall prices across all the products that we sell have seen an upfront.

Pritesh Chheda: Here on the chrome chemical, will soda ash price increases which we have seen during September end should it disturb any of our numbers or we are hedged on soda ash before that processing comes in?

Siddartha Cherukuri: That is a very good question Pritesh. Like you say it is positive and negative. Positive because the investments what we have done I think the ROIs are looking much better whereas it is a very steep increase from almost 30% to 40% increase what we have seen and fortunately we are covered with soda ash sourcing till January and by December is when backward integration will come fully online from using 100 kilos of soda will come down to 50 kilos of soda, so even at that level since our finished product also is increasing so there would not be much impact to some extent because my budget will remain the same because I am sourcing it compared to last year and my finished product prices are increased.

Pritesh Chheda: Okay, perfect sir. Lastly what is the plan of debt reduction from here on?

Hanumant Bhansali: If you observe Mr. Pritesh, our debt has come down, yes they were at higher level because we were looking at 3.4 debt to equity on a consolidated basis in FY2018, which came down to 1.7 as of March 31, 2021 and as of September 30, 2021 our debt to equity on a consolidated basis stands at about 1.5.

Pritesh Chheda: If you could give the absolute debt movement if possible, so what is the net debt now and how do you see the net debt moving for you over the next couple of years corresponding with whatever capex that we have planned?

Hanumant Bhansali: Our long-term debt is close to about Rs 90 Crores and that would be repaid in the next three to four years so that would bring down our long-term debt completely.

Pritesh Chheda: How about the total debt so you had Rs 375 Crores if I am not wrong total debt at the end of FY2021 this Rs 375 Crores how do you see it moving over the next two years?

Hanumant Bhansali: Sure Mr. Pritesh overall if you see our debt comprises of three parts, one is our term loans which I already explained it is about Rs 90 Crores, second is our working capital loans which stands at about Rs 125 Crores and then there is quasi equity infused by the promoters of the company in the form of CRPS and unsecured loans, so that combined stands at about Rs 110 Crores. Our term loans are already scheduled to be repaid in the next three to four years that eases our overall absolute debt figures. Our short-term borrowings are looking very healthy right now, we have not seen much movement over there because of our inventory management and once the soda ash plant becomes operational, it will help us improve our overall working capital. On the quasi equity that is infused by the promoters that is about Rs 110 Crores, the company would start making a decision on this probably at the end of the financial year.

- Pritesh Chheda:** So basically you do not see any major change in the working capital requirement for you over the next couple of years as you scale up the business on a capacity utilization moving in barium and some scope available in chrome and the whole margin change which brings in you think that the working capital should not increase for you there is a scope for repayment only?
- Hanumant Bhansali:** In the next six months, if the overall raw material cycle continues to remain in the uptrend we might see an addition in the working capital to the tune of Rs 10 Crores but nothing more than that. On an overall basis, we see this close to about Rs 129 or 130 Crores by the end of this financial year.
- Pritesh Chheda:** What about the capex for the next couple of years?
- Hanumant Bhansali:** We have not taken any decision right now on the future capex. I think we all are busy right now to complete the capex in hand so once our backward integration plant as well as the expansion in barium is completed then we would sit down and take a decision on future capex and expansion.
- Pritesh Chheda:** Perfect Sir but what is the maintenance capex is it less than depreciation or equal to depreciation?
- Hanumant Bhansali:** Equal to depreciation.
- Pritesh Chheda:** Thank you very much Sir and all the best to you for the future.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Congratulations to Vishnu team for fantastic result. Sir my point is what is the hedging policy that we export 65% of our topline and this enhance the EBITDA margin and profit after tax margin possible up to which period, up to how many future period I mean to say?
- Hanumant Bhansali:** As a company policy, we do not leave any portions on the dollars so even though the hedging cost is on the higher side about 4% to 5% we do not like to leave a lot of unhedged exposures so despite the Indian currency being less volatile compared to peer countries we still hedge our imports.
- Ravi Naredi:** So in nutshell, we are net importer or net exporter?
- Hanumant Bhansali:** We are a net exporter company and we have a natural hedge against 100% of our imports.
- Ravi Naredi:** What is this enhanced margin will you comment in the next six months or one year this margin will be maintained?
- Hanumant Bhansali:** You are saying margins on the EBITDA side?
- Ravi Naredi:** EBITDA or net profit margin both.

Hanumant Bhansali: Yes Mr. Ravi we are very positive about it though as a company we would not like to give a guidance on absolute EBITDA or absolute PAT but what we have been seeing is there was a principle in passing the prices to the customers and that was earlier driven by the market but now what we have been seeing is because of our improved operating levels and flexible product mix we have been able to penetrate in the markets in which we were not there earlier so our overall penetration in domestic market as well as export market is quite large in the last three to four years and now we have been able to stabilize our derivatives product mix which helps us sell consistently, but having said that right now the euphoria that we are seeing because of abnormal rise in raw material prices, to a certain extent we have been able to pass these prices to our customers and going forward in the next six months our policy would be to pass any increase in input prices to the customers on a larger front.

Ravi Naredi: That is right because in chemical industries or export industries there are more volatility due to freight cost and raw material cost that is why my point is there whether we will be able to maintain this or like this that is my point.

Hanumant Bhansali: Absolutely spot on, freights have been a discussion point but the price rise in the freight has been quite abnormal . There is very little that we can do about it in the longer run. We are assessing all the options available to us and based on current business scenario we are trying to offer best freight routes that are available for us.

Ravi Naredi: Can you give some idea how many more months the freight will be higher priced or something your prediction only may be right, may be wrong?

Hanumant Bhansali: The freight has been moving because of a lot of factors. Sharing statistics in front of you, the sea freight from India's largest major port which is in Thane to USA in October 2020 for a TEU was 2200 dollars. Today it is 10000 dollars this is an increase of almost 350%. Similarly the freight for a TEU to Europe one year ago was about 700 dollars and today it is 7000 dollars, an increase of about 900%. China plays an important role, China is known to be the factory of the world and it is witnessing challenges yet it is very hard to predict It is a net exporting country and Chinese exporters in the last few months have been facing problems due to power shortages. So one assumption that can finally bring the prices down could be a lack of export volumes from China and with the production lead time of about 30 to 45 days from when energy rationing to factories begin, one could see the effect hitting around November or December of this financial year.

Ravi Naredi: Thank you.

Moderator: Thank you. The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Congratulations on the great set of results. My question is from a little longer term perspective that how does company plan from next three to five year perspective are we looking to expand capacity or focus on further backward integration or what could be our aim from a five-year angle?

Siddartha Cherukuri: We are seeing a very steady demand in both our verticals, both chromium and barium verticals. In the next five years from the barium point of view we see a good demand for carbonate and at the same time we want to develop a flexible product mix, similar to how we have developed in our chromium vertical, in the barium family produce three more products. Similarly, there are plans to add capacity on the chromium side and taking it up to 100000 ton capacity and also looking at another derivative what we are very focused on to produce this chromium metal which goes into the super alloy industry.

Bhavesh Chauhan: Okay Sir. That is helpful. Thank you.

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

Vivek Gautam: Ours is a very old listed company so my query is we have recently started tracking it, so are we more into a commodity play or is it a specialized chemical play and what are the most for our business and the sector behind recent improvement in the performance?

Siddartha Cherukuri: I will start off by saying I think this is a very important narrative we want to correct, we want to be very clear we are a specialty chemical player we are not into commodity if you closely look at our industry in both barium and chromium we are the only producer not just in India but in the South East Asia we are the only producers of barium and chromium chemical so over 30 years we have nurtured this business we have improved upon quality of the products, the process and we have mastered the whole production process, over the last 10 years our exports have been growing on y-o-y basis so that is where we are.

Vivek Gautam: Who are the competitions for us?

Siddartha Cherukuri: Our peers are basically based out of Turkey, United States, and Russia. The Indian market demand is close to 60000 tons per annum directly and also derivatives. We are covering around 65% of the market, rest is coming through imports into India there is no second supplier out of India.

Vivek Gautam: How is the opportunity size and sustainability of margins and topline growth and bottomline growth?

Siddartha Cherukuri: Thank you so much for this question. On the sustainability part I will just reflect on one point that what we are seeing is not just a uptrend because of what we are thinking as larger chemical sector it is because of the improvement in our own operations that we have cemented in the last few years 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 give us more industries to cater to, that gives us more ability to mitigate larger pricing as well as currency rates globally so with that in mind we have started the activity a few years ago to producing more diversified products in chromium chemical business and that is fructifying in fact that has fructified in FY2021 also but because of the COVID impact we could not see the full impact of our portfolio last year but what

we are seeing is yes the EBITDA margins and the PAT margins we will see better momentum going forward once our backward integration project fructifies and we are hopeful to start a trial run for that in this quarter and probably from November end or December we will start the trial runs and that will give us a good indication of the full impact that would come from Q4 onwards.

Vivek Gautam: How are we placed regarding the raw material sourcing availability and any concern from that part of the raw material prices fluctuate a lot and do we also source from in India the Sukinda valley in Odisha the only source for the chromite I think so?

Siddartha Cherukuri: One of our key materials we are going into backward integration is the sodium carbonate, so that will reduce our dependency further so instead of using 100 kilos we are going to use 50 kilos of sodium carbonate in Q4 so our overall demand will come down in terms of requirement. The chromite ore we are majorly sourcing it from South Africa. Offlate yes, there have been some challenges to find containers to import but with our very prudent purchasing policies we have maintained enough stock and also the mode of transport we used to use containers now we have switched to breakbulk because we have sizeable volumes where we can afford to bring in breakbulk vessels. When it comes to coal, it has been commodity which has been on rise since July and now we have already see that cooling down we have been hearing the prices in Indonesia have also started coming down so that could also add to our margin in the coming quarters as the coal prices are very much likely to come down in the coming two quarters.

Vivek Gautam: Sir the freight charges are we able to pass on to our customers directly?

Siddartha Cherukuri: Yes, we are able to pass on the freight charges.

Vivek Gautam: Thank you Sir. Keep up the good work and thanks for arranging this all and keep on repeating this every quarter this will really help us better rerating of our company. Thank you very much.

Siddartha Cherukuri: Thank you very much for the feedback, the idea for now is to do it on a half yearly basis the next call is planned for financial year end, we take your update into consideration.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Good morning and thank you for taking my question. I just wanted to understand what is the capex outlook for FY2022 and just to clarify we have only two projects that we are expecting will be commissioned by end of year one is the backward integration soda ash plant and the second is the increased capacity for barium, is this correct?

Hanumant Bhansali: That is right, yes.

Alisha Mahawla: What is the total capex we are looking to do for these two projects?

- Hanumant Bhansali:** For the first six months our outlook towards the capex projects have been about Rs 30 Crores with 30% allocation towards the backward integration project, for the next six months it is more to do with completing our existing projects and that could be about Rs 20 to 22 Crores.
- Alisha Mahawla:** Okay and we are not looking at taking any further debt to complete these projects?
- Hanumant Bhansali:** In fact I would like to say with lot of humility that the barium carbonate expansion that is right now we are at 40000 tons and we are expanding to 60000 tons an increment of 20000 tons we are completing this project through internal accruals and the entire CWIP that you see right now in barium is all allocated via our internal accruals in the subsidiary.
- Alisha Mahawla:** Okay that is reassuring. Sir my second question is with respect to your working capital cycle or more specifically to your working capital or your inventory base which is quite high at 200 to 250 it has been at this level for the last couple of years, just wanted to understand the need for such high inventory and maybe post the backward integration are we expecting this number to reduce?
- Hanumant Bhansali:** Our inventory at a consolidated level was Rs 202 Crores as of September 30, 2021 and that has on inventory days basis that has reduced from 102 days as of March 31, 2021 to 83 days at the end of this quarter.
- Alisha Mahawla:** Understood. Sir just one last question with respect to chromium while you have mentioned that there are multiple sectors where our products are used, are there any one or two sectors that contribute to major part of our revenue or demand?
- Siddartha Cherukuri:** I would say mainly pharmaceuticals, also the electroplating in the automobile industry as well as pigments and dyes, these are the industries which we look up to see how our products will perform in general how they are doing, how these end user industries are working will help us to take a call on what to produce in the quarters to come and assess the end user demand.
- Alisha Mahawla:** So these three would be contributing to 50% to 60% of our..
- Siddartha Cherukuri:** That is right.
- Alisha Mahawla:** Got it great Sir. Thank you for time.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity and congrats on good set of numbers. Diwali extended wishes to the entire team. The first question in terms of demand environment just a while back you talked about the downstream industries where our products have been used auto, paints, pigments; however, the demand has not been that great for these segments because of some auto sector-related issue in terms of chip shortages, raw material inflation, however; our performance in the quarter was quite good so is it because we were able to supply the material from domestic market

and the enforced demand has come down but since we are a domestic manufacturer we have got an advantage over this. Just trying to understand how the demand is shaping up given that the pricing challenges have been quite vibrant now? Thank you.

Siddartha Cherukuri: Good question Mr. Nagraj. You see coming to the automotive sector the application of plating is not just limited to a four wheeler automobile, it is going into two wheelers. When I say two wheeler it is going into cycles and to bikes; as well as home decorators like you see your daily bathroom fittings and door handles which are plated with chromium, so the application is quite wide and also chromic acid is also going as a wood preservative chemical although there is no application in India as such today but in United States, Oceania which includes Australia and New Zealand there is big consumption of wood preservative chemical where chromium trioxide is going into, so our demand wise we have also been cautious to understand will the chip shortage will affect the overall demand because four wheeler market is still by far the bigger market. Fortunately, it did not impact us in anyway and we do not see it happening in the coming quarters reason being our balances in between exports and domestic, chromic acid almost 60% is exported, 40% for domestic market and if we see this is going to happen and that we are going to see a special demand we can push into the wood preservative sector where we are receiving more insight.

Rohit Nagraj: Got it. The second allied question to that is whether the imports have come down because of the freight cost being higher plus availability issues, etc., your sense on that?

Siddartha Cherukuri: I would say to some extent yes but if you see Asian exports are most affected in comparison with European exports so our price market is mostly linked to what Chinese are staying out of China export whereas our peers were located in Turkey and United States are not fully impacted. There have been impact in pieces but not as abnormal as the Asian sector exports outbound. Yes, still there is an impact in availability issue in Turkey and US so we are still able to export but also there is inflationary pressure coming out of Turkey if you are seeing the currency depreciating a lot, inflation is at all time high, so there also inflationary pressure of their raw materials and other operating costs keep going up. So it is multiple factors so it is not just the price inflation and we are seeing a slightly higher demand coming from the plating and super alloy sector in general whereas production out of China has decreased over the last few quarters.

Rohit Nagraj: Right got it. The second question is now our Brownfield expansion for barium will be completed by Q4 and backward integration by Q3 after that you just alluded that probably on a three to five year basis on the chromium side we increase the capacity from say 70000 to 100000 for putting up any Brownfield expansion after Q4 of this financial year normally how much time will it take for us to complete the entire project just to understand in terms of growth prospects how the volume growth will pan out over the next maybe two to three years?

Siddartha Cherukuri: You know Brownfield expansion if it is planned for business for higher volume I think we can kind of come up with a proper timeline but it is something which I was talking about a derivative, a new application, a new product, it is very hard to define the timeline in general because we need to stabilize the product and at the same time get approvals from the end user industry. Right

now like I said we are quite busy with barium carbonate brownfield expansion as a plan which is going to come online during Q4 of this financial year and thereafter like I mentioned we are looking into other derivatives in barium as well which are still under discussion period in terms of investments and understanding the end user industry in detail because this product we are very excited because it is going to be an import replacement there is no other producer for this particular paint filler but it is very hard to come up with a timeline for this new product but our discussions are at a very advanced level and we are very motivated to make this investment.

Rohit Nagraj: Got it Sir. Thank you so much and best of luck.

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

Abhishek Jain: This is Abhishek Jain from Arihant Capital. I have three questions. Is management has any plan to go for debt free at some point of time or maybe larger dividend on the cards right now, is there any dividend policy on the cards going forward because we have limited capex at this point of time, second if you can explain a little bit in detail about backward integration, how our realizations are much lower than the market price of soda ash at this point of time right now and what is the process there and what is the reason for differentiation and third thing do you see because the Turkish Lira has been continuously depreciating right now, so do you see any pricing pressure going forward or maybe the compensative intensity?

Hanumant Bhansali: On the dividend policy, right now we have no policy that is framed but as a company we are very responsible and paying dividend every year, in fact in the last 4 to 5 years we have been consistently paying dividend every year. Right now there are no discussions around announcing the dividend policy but we will take your feedback positively and have a discussion on this with the management and the Board when the time permits. Coming to your next question on sodium carbonate, the decision to set up a backward integration project in sodium carbonate was fueled by cost escalation that took place in sodium carbonate between 2012 and 2018. It became very important to find our own consistent supplier of one of the key raw materials instead of depending on vendors to fuel all our raw material suppliers that is the reason why we went into backward integration. For us it is a process that allows us to produce sodium carbonate indigenously without procuring too many raw materials from the market. It would help us save close to about 50% of our soda ash consumption so if we are procuring like the example that Mr. Siddhartha mentioned if you are procuring 100 kgs from the market today we would be procuring only about 50 to 60 kgs from the market once this plant is fully operational so that would give us a significant benefit in terms of not just cost reduction but also having a own consistent supply of key and vital raw material and be less dependable on external factors.

Abhishek Jain: If you can give the process because how we can generate it at a much lower price relatively to the peers if you can throw some light on this thing?

Hanumant Bhansali: It is a very unique process. There is only one company globally which is doing this right now apart from us so we would be the second company to set up this process and we would be utilizing our own byproducts and gases that we collected from our own equipments would be

used to convert into high grade carbon dioxide, recover high grade carbon dioxide and use it in the process to produce our own sodium carbonate so today I am procuring at about Rs.25- 30 a kilo I would not have to procure 100% of that from the market I would be able to generate close to about 50% to 60% indigenously so that shapes my overall profitability to expand by close to about 4% to 5% and looking at the current prices of soda ash it could be even more than that and it is not that we are going to adhere to the standard process of making sodium carbonate we do not have to do that because the process that we have implemented gives us the kind of output that we need for chromium chemicals generation so we do not have to adhere to the standard process of limestone.

Abhishek Jain: Last question on the Turkish Lira thing if you can throw some light on, it will lead to some more pressure on the global price reserve or will it make it more competitive going forward?

Hanumant Bhansali: It is a very good question Mr. Abhishek. There are two things that I can share and probably that will throw a lot of light. Turkish Lira in last 10 years has depreciated by close to 440%, in the last one month it has depreciated by 9% and Indian currency has depreciated by hardly almost 48% to 50% in the last 10 years. However from a global competitive point of view we would have been severely impacted if we would have been restricted to one or two products but today we have a very good portfolio, flexible portfolio that keeps us active in our global customer's country so we do not have to depend on one or two products to generate our overall turnover and the entire reason for pivoting into derivatives was not to focus on one or two industry but to diversify our portfolio of industry. We have been quite successful in this matter because from being dependent on one or two industries say seven, eight years ago today we are selling to more than 15 industries be it soap and detergents, be it papers, ceramic tiles, wood preservative. I will give you simple example after COVID pandemic broke out leather industry became sluggish to a certain extent; however, we were okay with it, we could take that, absorb it very diligently and we moved our production line to produce more for pharmaceutical industry so having that product mix mitigates a lot of these issues, so even if Turkish Lira depreciates further it would be competitive but it would not take away our margins.

Abhishek Jain: Thank you Sir.

Yogesh: Congratulations for a good set of numbers. I had some queries regarding some data; can you share the volumes for second quarter and one off for barium and chromium?

Hanumant Bhansali: Right now we are not providing data it is not a published information but overall on the chromium as well as barium vertical we have produced close to at a run rate of 20% more than last year so that is being our run rate in the first six months, so our overall utilization in chromium chemicals has been in the range of 85% and in the barium chemicals in the range of 88% to 90%.

Yogesh: So in the barium segment can we touch above 90% for the full year since we are like 88% to 90% so can we maintain this run rate going forward or 90 plus above?

Hanumant Bhansali: 90% and above for these are very minor factors, the key thing was to move from, we were at 75% capacity utilization last year and we see that we have moved from 75% to almost 88% to 90% as I am speaking to you I think that is a significant jump. From here it needs a lot of focus on the ground as well as technical efficiencies have to be improved substantially to reach above 90%. We are also working on those fronts and we are going to keep ourselves busy in getting better in terms of generating more volumes from both the verticals.

Yogesh: One question on the gross profit margin for the quarter it has been quite higher so it was the best quarter in terms of gross profit margin about 45% and this is because of you cost of material consumed as a percentage of sales that has come down drastically in both actually chromium and barium so any reason for it, the cost of material as a percentage of sales coming down?

Hanumant Bhansali: The key factor is that we have been able to pass the increase in the prices to our customers so that has been a process that we had started from probably Q3 of last financial year. Surely some of our contracts with major customers are adjusted every three to six months and based on what is happening with raw materials we do this a lot of time from a customer point of view to focus on negotiated pricing, so as raw materials prices go up we also do a lot of continuous conversations and say okay the prices just went up recently but we have to increase our prices yet again and here is why and what is happening to our cost and we have to make this case in front of our customers and follow it up very, very responsibly so that is the majority what I would call the straight negotiation part in terms of pricing. While there is a market factor to it that determines the prices but there is a raw material factor to it and to certain extent we have shown that our products have been able to meet quality specification of our customers and we have been able to pass the prices to them.

Yogesh: One last question on this finance cost, on a quarter-on-quarter basis your finance cost has slightly increased by 3% so if I look at your long term borrowing that has come down compared to March 21 but your short term borrowing has increased by about 5 Crores so what would be the reason for that increase in short term borrowing and the finance cost has also increased by about 3% quarter-on-quarter although on a year-on-year it has declined so if you can share some light on that?

Hanumant Bhansali: Overall our finance cost, it would be very difficult to track it on a quarter-on-quarter basis but let me be very specific over here that we are looking at bringing down our finance cost on year-on-year basis so which was around Rs 25 Crores for the last financial year, we are looking at achieving close to Rs 23 to 24 Crores this year, it can be further down but we are still working on those factors. Yes you have observed it correctly there is a small increase in our short term borrowings, our working capital but that is more to do with our payment and our credit cycles with our raw material suppliers.

Yogesh: In the last quarter because of the China factor there were some problems with imports in India of chromium and barium so is the scenario similar now also in the current quarter?

Siddhartha Cherukuri: We have not faced any problems related to import of chrome over in India. In fact we have not seen any disruption in our supply over there. We have not seen any disruptions as such. Yes we have taken a very conscious call because we used to use containers to import now we have gone for breakbulk so we are well positioned in terms of getting the raw material on time and it will not hamper our production in any way.

Yogesh: Sir just to correct myself I actually meant is that there were some problems in the industry regarding import of chromium and barium chemicals at the industry level because of the China factor because of which the prices had increased for these chemicals so is it similar now also in the current quarter?

Siddhartha Cherukuri: I have not heard anything as such, if there is anything please share with us. Like I say China is not our competitor when it comes to global market. On chromium verticals I say chromium chemicals produced in China are sold in China, perhaps only 2% to 3% is exported so they are not our competitor outside China if I would say. Barium yes, barium they have been facing very strong headwinds with respect to supply and they will continue to have those challenges that is how we see because not just freight because of the cost pressure and other operational issues.

Yogesh: Okay sure. Thank you Sir. That is all from my side. Thank you very much and best of luck.

Moderator: Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: Good morning gentlemen and Seasons greetings to the team Vishnu. It was a very nice presentation and understanding about the company. Sir my question was regarding our business, our sales is more of an order based or contract based and it is directly to customer or we are selling it through dealers?

Siddhartha Cherukuri: It is a combination of both I would say with some big end users we have a very long term understanding which will cover about 25% of our sales in a way and rest is on a quarter-on-quarter base contracts and with respect to the spread B2B versus B2C we do have strong relations and establishments with our indentors as well as retailers in the market because a few of the end users are not in a position to import full container, they might need it on a consignment basis and they will buy it as a basket from the retailers who he or she are involved in those markets, so we have planned in such a way that we got indentors and distributors in the country where we see demands of chromium and barium chemicals and just to give you an idea we are exporting close to 83 countries today and we have very strong relationship with the end users as well as distributors in those countries.

Sanjay Shah: So how is the receivable cycle among them?

Siddhartha Cherukuri: The receivable cycle is 90 days.

Sanjay Shah: We do not do any bill discounting or any such?

- Siddartha Cherukuri:** We do not discount any bill at the moment.
- Sanjay Shah:** My next question was regarding our capacity new coming on stream and even backward integration what we are doing, so how do you see that panning out after that everything is on schedule and which are the new derivatives which we are focusing on?
- Hanumant Bhansali:** Right now our focus is on completing these two projects. There is no other derivative that we are focusing right now. So our endeavor would be to complete these two projects and made them successfully operational by fourth quarter of this financial year so that we can see the full benefits of this going into the Q4 as well as Q1 from next financial year.
- Sanjay Shah:** Thank you. That is from my side. Wish you a good luck Sir.
- Moderator:** The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My first question is on the global supply scenario, so if my understanding is correct in chromium segment we are the second largest in the world and in barium also we are among the top four, five players so if you can talk about the global supply chain as of now and has it changed in the last two, three years?
- Siddartha Cherukuri:** I would put it in this way pre-COVID and post-COVID. Pre-COVID there was pretty much a balance in between demand and supply and during COVID period yes demand was quite sluggish because market was speculating about industry coming down so we have seen less demand especially during 2020 thereafter since January 2021 there has been a good demand coming out of rest, specifically general demand has been quite robust could be the reason that because of the stimulus being pumped by Europe and US overall the consumption and demand across the sector has improved a lot and we see this is going to continue for a while now.
- Aman Vij:** I was asking more in terms of supply. If my understanding is correct the Turkish player and the US player were much bigger I am talking about barium segment first, so has the ranking changed or all of the companies are doing well?
- Siddartha Cherukuri:** I am just giving you an idea on the overall demand. In supply we have not seen adding capacity over the last three years so I would say being in India we were the only supplier who are actively investing in backward as well as forward integration over the last three years so this will give us an edge over our peers who have not actually invested during this period whereas this additional demand I think Vishnu Chemicals will be the frontrunners to cater to the demands coming out of the rest I would say in the coming years. On the barium side even in China is the same scenario as such we have not heard any capacity increases over the last few years whereas out of India like we have mentioned over the call that our new capacity is going to come online during the Q4 and the demand especially in the construction in Europe is booming especially on the brick market, the tile consumption continues to go up as well as the bricks, so we think the demand is going to

continue whereas supply will be tight because there was no additional capacity coming out of China.

Aman Vij: Sure Sir that helps. The second question is on the number of products which we have as of now if you can talk about the same in both chromium and barium segment and what is the addition in the last one, two years as well as what is the contribution from derivatives as of now?

Siddartha Cherukuri: Well the chromium till 2016 we were pretty much doing sodium dichromate and basic chromium sulfate. Over the last three years we have added chromic acid, chrome oxide green where we are consuming internally more sodium dichromate to produce this derivative. Moving forward also we are very actively working on to produce chromium metals which will end the value chain in the chromium chemicals because chromium metals is mainly consumed in the super-alloys as well as the welding industry going into the aerospace, so if you ask me the mix how much of dichromate is sold as dichromate I would say third of our production is sold as sodium dichromate and rest two third is consumed internally to produce derivative and this is very flexible depending on the end user demand we will be able to switch on a quarter-on-quarter basis. On the barium carbonate side our current operating levels are over 90% and we are planning to add 20,000 tons more barium carbonate output by Q4 where after like I mentioned over this call we are looking at other barium derivatives like barium sulfate, barium chloride, barium hydroxide we are actively working on to develop a similar flexible product mix what we have done in chromium because during a challenging business cycle this would help the company a lot to keep up the volumes as well as the margins for the company.

Aman Vij: Sure Sir, the next question is on the end user segment, three, four years back we were quite dependent on leather industry and glass and you had currently pointed out now the other segments like electroplating and maybe pharma and all those things have also grown so what is the dependence we still have on the leather and the glass industry as of now?

Siddartha Cherukuri: I will keep it very simple, it used to be more than third two years ago today it has come down to 27% to 28% and the way we look at it, it will be quarter of our sales price in a way in terms of value perhaps, in terms of volume it might come down because you like to allocate more dichromate to other derivative where we get stronger order book. Given the way the plant is structured and operated we do not want to strategically make it zero because we have developed this market because this margin is important but it is not the only factor which will drive the production planning and everything, so keeping this in mind the chromium sulphate which goes into the leather tanning will come down below 25% of our overall sales revenue.

Aman Vij: Sure Sir and on the glass industry?

Siddartha Cherukuri: Glass industry is very marginal, I would say 3% of our overall sales.

Aman Vij: The final question is on the chromium side, what is our current market share globally and what are we targeting or aspiring in the next two, three years and same if you can talk about the barium

side, if include all derivatives, what is our market share currently and what is our aspiration in the next say three years?

Hanumant Bhansali: Currently, we have 70000 tons of capacity, globally lot of research and industry reports have suggested that there is capacity for 700000 ton in chromium chemical, so right now we are at about 10% of the global market share. What we want to achieve is probably in the next two to three years we would like to move to not just focus on one product but overall industry growth is in the range of 3.5% to 5% anticipated in the next three to five years, so taking that into consideration we would also be moving in tandem and maintain our market share of about 10% globally. In barium chemicals we are close to about 7% of the global market share. There are two parts, one is lot of Chinese companies are also involved in manufacturing of barium chemicals and the other supplier being based out of Germany and India. In India we are already one of the leading manufacturers and thanks to the technology that we acquired in 2015, our product is at par with any other global company in the world there are no questions on quality in our barium chemicals at all, so taking that into consideration once we have the added capacity becoming operational we will be moving to close to about 10% of global market share.

Aman Vij: Yes that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. Currently as you have told that domestically we are the only player present in the segment so what are the key entry barriers so that we have ordinarily remained and there is no competition as such and about this raw material mix if you could give, the key components are soda ash and chrome ore and such as the ferrochrome production chrome ore are the same which we are purchasing?

Hanumant Bhansali: I answered the question on the first part. So what we have been seeing is in chromium chemicals as well as barium chemicals we have seen a good traction so far in this financial year and the last few financial years also, but last year was a COVID impacted year and that is why we could not see the full impact of that in our annual results, but overall if you see with key raw materials that is in chromium chemical this chrome ore as well as sodium carbonate are the two key raw materials that constitutes to more than 60% of our raw material expenses and with sodium carbonate being with our backward integration project fructifying we will be able to safeguard our interest in terms of supply as well as inflationary pressures in sodium carbonate so majority of that capex as we mentioned towards this plant is already completed. We will manufacture sodium carbonate by utilizing our own gases from the equipments and byproducts which will substantially reduce our cost, vis a vis the cost of production from a standard procedure and we are hoping to see that this trial starts by the end of the November and December and start operating the plant from Q4 onwards.

Saket Kapoor: Sir my question was that the key entry period why there is no competition in this segment and Sir if you could give the mix again Sir what is the proportionate of soda ash and chrome ore in the raw material today?

Hanumant Bhansali: Sure. The key entry barrier over here is only one and that is the high capital intensive nature of the business. You cannot setup a plant with a 5000 tonne capacity or a 10000 tonne capacity because you will never be able to achieve operational efficiency and that is where the management of our company took a decision way back in 2006 to increase our production from almost 5000 tonnes per annum to 70000 tonnes per annum so that has helped us stay in the market and that is also helping us achieving the better market share in other global markets, so that is the key entry barrier. If anybody wants to think of setting up a Greenfield expansion today they would have to start from at least upwards of 50000 or 60000 tonnes if they want to achieve an EBITDA of at least 10% to 15% because below that you will not be able to sustain your operational expenses. The manpower is not easily available in India. Over the years, you will have to train them, get them used to the processes, make them learn as they work on day-to-day shifts and that kind of manpower is not going to be repetitive. You will not find any other factory in India that has that manpower other than Vishnu's so these are some of the advantages. I will not say that these are the things we thought out when we started out, but these are the competitive advantages that we have today vis-à-vis any other entrant who would like to set up today.

Hanumant Bhansali: The raw material front, we do not like to share the breakup but just to give an indication as I mentioned chrome ore and soda ash both combined constitute to close to about more than 60% of our raw material in chromium chemicals.

Saket Kapoor: And in the barium part?

Hanumant Bhansali: In barium we do not use sodium carbonate. We use barytes, barytes is the key raw material over there.

Saket Kapoor: Sir for the chrome ore I was asking are these the ones which are sourced from the OMCs, the same which are used in production of ferro chromes in the stainless steel industry?

Siddartha Cherukuri: No it is not the same ore because we have to further beneficiate chromites to produce certain specification which are lower on impurities. It is not a ferro chrome grade, no.

Saket Kapoor: Come again Sir. I missed the last point?

Siddartha Cherukuri: I am saying that it is not the same ore which is used for producing ferro chrome. It is a purer form of chrome based which has to be further beneficiated to reduce the impurities in the raw chromites.

Saket Kapoor: It is the same sourcing of the chrome ore then we have to go for further beneficiation to produce?

Siddartha Cherukuri: Yes you are right.

Saket Kapoor: Then the process is more costlier than going through the process for ferro chrome preparation that is what you pointed?

Siddartha Cherukuri: Right.

Saket Kapoor: Chrome ore prices have also moved up significantly and they are being on the higher side?

Siddartha Cherukuri: But mainly in India whereas in coming out of South Africa they have been quite subdued. It has not impacted us because ore prices out of South Africa have been subdued in spite of freight increases so yes there has been a marginal increase of prices mainly on account of price but in India it is completely different. India the export prices are increased so as of now we are not sourcing much from OMC. It is mainly imported.

Saket Kapoor: Major of the chrome ore I think it is from?

Siddartha Cherukuri: The policy of OMCs offering on month on month basis will not work for Vishnu Chemicals, whereas when we source out of other countries we have a very long term plan or it is six months pricing which gives us more clarity on the budgeting and also gives more flexibility for our marketing teams to actually offer the product in India and across the globe.

Hanumant Bhansali: Not just chrome ore. The reason why we are seeing an overall impact, earlier we used to track chrome ore per se only to factor in our prices but today the prices of almost every other consumable and raw material has increased. Soda ash has increased by close to about 80% to 90% since the beginning of 2021. Sulphuric acid has increased by more than 100% in the last three months. Energy consumables so you are aware of it almost 30% to 100% across every product and every raw material that can provide energy to a plant. Caustic soda, we do not have any application for that but the prices are for everyone to see. Yes what we have been doing is for our customers we have been in the initial phases they were absorbing the prices but when it became out of control and beyond the imagination of every operational factor we had to pass on these increases to the customer, but at the end of it the customers are also able to absorb these prices because of the high end user demand. So leather industry is able to buy products from us at a higher price as an example. That is because there is a good demand for those leather products and this is an example, but that is how the industry is right now. We have seen a very good demand across sectors globally. That is driving the demand for chromium as well as barium products that we sell.

Saket Kapoor: Sir very short point is you are telling that from South Africa the imports are on a six months basis or the import parity prices are lower than what the ones which are prevailing domestically from OMCs?

Hanumant Bhansali: To a certain extent yes. The domestic chrome ore we have a sourcing place. For the last six years or so we have been consistently procuring our chrome ore from South Africa. The quality of chrome ore that we found in domestic does not meet our internal requirements and that is the reason why it would not be a fair comparison also.

- Saket Kapoor:** Lastly Sir on the soda ash front if you could give us some color what has been the reasons for the increase in price trend and you are telling that they will be 80% increase from the beginning of this calendar year?
- Hanumant Bhansali:** Yes close to 80% since the beginning of 2021 January.
- Saket Kapoor:** What has been the increase for this month? Are these prices revised every month for us or how is the math work for us or they have long-term contracts here also quarterly contract I think you have said we have done till March or January you told?
- Hanumant Bhansali:** We cannot share the individual price for soda ash and all, but if you have more questions on this we can connect separately and walk you through our how we procure and give you more insights whatever published on that.
- Saket Kapoor:** A small point on the taxation front Sir what is our tax rate currently, if we look at the cash flow, in the cash flow there is a small amount is mentioned so if you could clarify? There is a tax provision of only Rs.6.50 lakh if I am not wrong? Because there is net additions Sir when we look at the cash flows, the below line items cash generated from operations, the income tax paid is providing us a credit of Rs.6 lakh so that was my reason although you have made the provision but actually in the cash flow there is a credit on a totality under the income tax head so that is the reason Sir I have asked how as the tax?
- Hanumant Bhansali:** The cash outflow in terms of payments of course because of a higher overall income tax our profitability has increased and overall tax provisioned will also increase. Even tds is in proportion to this.
- Saket Kapoor:** Sir I am talking about the standalone cash flow statement for the half year September 30, 2021 mentioned in page number 10 of the slide of the press release of the stock exchange wherein we find that the cash generated from operations is Rs.35.58 Crores and under the income tax paid line item there is a credit of Rs.650,000 and the net cash flow used from operating activities thereby increase to Rs.35.65 Crores that is what my reason? Actually there has been no outflow of cash on account of income tax? There is a credit to the tune of Rs.649,000?
- Hanumant Bhansali:** We need to add tds to the figure that you are saying. Probably I would like to speak to you after this call, but overall we will definitely answer your question on that.
- Saket Kapoor:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Anurag Roonwal from Moneybee Investment Advisors. Please go ahead.
- Anurag Roonwal:** Congrats on good set of numbers. Just wanted a clarification so in terms of the backward integration that is happening in the chromium segment, I wanted to know when would we see the full effect of this flowing into the P&L and similarly in terms of the expansion that has happened

in barium, when exactly would we see the full effect coming in the P&L? When will the new capacity be optimum utilized?

Hanumant Bhansali: Thank you Mr. Anurag. Both the facilities are expected to be operational by Q4 of this financial year and it would be marginal accretive in the longer term. Right now, I cannot put a date to it, but once it is operational, it does not work in tranches we will see more or less full impacts from the time it is operational.

Anurag Roonwal: What you are trying to say is that the ramp up will not take much of time?

Hanumant Bhansali: No. The ramp up will not take much of a time because as we say we define it as the capex phase and then the trial run phase. The trial run phase would take care of most of these issues related to stabilizing and then we would see full ramp up once it is operational.

Anurag Roonwal: Thank you so much.

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

Kaushik Dani: Congratulations Siddartha and team on good set of numbers. Many of my questions have already been answered so I will just touch up on the incremental part? I really appreciate on thoughts as to how you have explained that how product mix and process change could improve the margins, but I think the focus on underlying always remains so with regards to chromium and barium first of all are we facing any difficulties in importing some of the raw materials that is my first question?

Siddartha Cherukuri: No Sir. I think the answer is no. We are not facing any import challenges, but there are some delays. To mitigate that we have maintained some higher inventory of the raw materials because there have been delays so what we have done is instead of using containers, we are using breakbulk fit and since we have sizeable volumes even the cost is kind of workable for us to use the breakbulk container. I can tell you that on account of availability of raw materials, the plant has not even stopped for a day and it will not happen even in rest of this year.

Kaushik Dani: Generally what sort of inventory levels do we keep for the raw materials?

Siddartha Cherukuri: The key raw materials, we will maintain three months of inventory. In this scenario, probably, we have gone up to four in order to avoid any unforeseen delays, which are you must have heard across the industry about this so in order to avoid such kind of situation and the loss of production will be very expensive therefore we have taken a conscious call to maintain slightly higher raw material inventory till this price or the supply chain chaos comes to an end.

Kaushik Dani: You said because of the new technology process almost 50% of the soda ash requirements would come down right? So typically let us say on the like-to-like basis if based on the new technology process, what could be a like-to-like cost of soda ash basically of that process so that we know

the breakeven of soda ash has come down to so and so point? What I am trying to understand at what particular point of time soda ash would be cheaper than the new technology process?

Siddartha Cherukuri: First thing, let me correct you by saying that yes we are going to bring down the soda ash consumption by 50%. At the same time, we are going to eliminate usage of sulphuric acid which is also we have sizeable consumption and it is a key contributor for our variable cost as well so that will be completely eliminated. If I factor in the sulphuric acid which we are procuring close to 30000 tonnes a year, if I take that cost into consideration then I would say the cost of soda ash manufacturing is nil because I am knocking out sulphuric acid, which also costs me Rs.13 odd to Rs.14 a kilo in today's market so that is technically you would say the cost of my soda ash production so that will completely if I can kind of outweigh both in a way so the cost of my internal soda ash production is nil.

Kaushik Dani: Got it so typically assuming we are able to optimally use the new technology process then at peak levels also minimum how much soda ash will in any case will have to be bought in percentage terms or is the new process totally being crushed?

Siddartha Cherukuri: I would have to still hold 50% of my requirement for the next year but on a clearly basis it will be 40%. The requirement will be 40%, but that we may achieve even the manpower, the downtime has to come down so taking the downtime into consideration, we will be a little conservative saying that it will come down by 50% but ideally it should come down by 60%, which might not happen in the first year, but it might happen in the years to come, our team also gets hands on with the process. I am confident on that 50% reduction, but greater than 60%, it might take some time.

Kaushik Dani: Great so basically chrome ore and sulphuric acid together will be what percentage roughly for the total raw material cost?

Hanumant Bhansali: For the raw material cost chrome ore and sulphuric acid?

Kaushik Dani: Yes?

Hanumant Bhansali: Both of them would be close to about 50%.

Kaushik Dani: Got it and for barite it would be what percentage of the total barium?

Hanumant Bhansali: I would not like to share that because that would give out competitive information.

Kaushik Dani: I respect that. With regards to the logistics cost for the current quarter how much was logistics cost as a percentage of the expenses?

Hanumant Bhansali: On a consolidated basis our shipping and forwarding charges this quarter was 9.6%.

Kaushik Dani: And sequentially how much?

- Hanumant Bhansali:** 9.2%.
- Kaushik Dani:** 9.2% is now 9.6% right?
- Hanumant Bhansali:** That's right.
- Kaushik Dani:** And this was Y-o-Y how much?
- Hanumant Bhansali:** It was 6% last year.
- Kaushik Dani:** Are we seeing any change in the dry freight rates going ahead?
- Hanumant Bhansali:** It is very dynamic Mr. Kaushik. To be honest with you, it is hard to predict. We hope that it corrects for the better not just for us but for our customers also.
- Siddartha Cherukuri:** We are keeping our purchase as well as marketing team in form so whatever raw material cost increases will be passed on to the end user so that is happening across the industry so we do not see that as a big challenge but we have to keep our eyes and ears open like how we do on what is happening in with respect to our key raw materials.
- Kaushik Dani:** You mean to say FOB basis, you will be having a larger share?
- Siddartha Cherukuri:** I did not get your question.
- Kaushik Dani:** Typically the clients will bear the logistic and the freight and forwarding cost?
- Siddartha Cherukuri:** That is right.
- Kaushik Dani:** But currently major portion is borne by us only that is how the mechanism is right?
- Siddartha Cherukuri:** Yes.
- Kaushik Dani:** You said that volumes are up 20% over last year in the first six months? Yes till FY2021, I believe our realizations were around 110000 in chromium do we have any number for the first six months?
- Hanumant Bhansali:** You will be able to derive that very easily but for the first six months, we saw increment of close to about 5% on a year-on-year blended realization.
- Kaushik Dani:** And same for barium?
- Hanumant Bhansali:** For barium, first six months we saw increment of almost 15%.
- Kaushik Dani:** I think I got it. Basically do we have any antidumping duties on the finished products for chromium and barium to be imported in India? Is it unviable to import?

- Hanumant Bhansali:** There is no antidumping duty levied on chromium or barium products in India.
- Kaushik Dani:** Broadly we are competing on same grounds with regards to imports? Any end user can import this with equal ease right?
- Hanumant Bhansali:** Any end user can import with equal ease yes that is an option available for every customer not just domestically but even globally. The question over here is availability of the material that you want to procure and what is the quantity that you want to procure and are you ready to withstand the delays due to freight, shipments and live with the uncertainty in prices. These are the factors that always drive the decision to buy from local market or export, not just for our business but I think it is applicable to most other businesses.
- Kaushik Dani:** I generally presume most of the contracts more than 90% let us say would be renewed on the existing contracts so they are pretty long term in nature or do we have long term contracts?
- Hanumant Bhansali:** As we mentioned earlier, more than 70% of our contracts are not long term in nature. We renegotiate the contracts with them on a quarterly basis. Of late we have started negotiating with them on a monthly and 45 days basis also and it is equally easy for us to discuss these terms with our customers once they have a complete grip on the changes and market dynamics, be it raw material prices or freight costs.
- Kaushik Dani:** Great. Going by the trend, I believe we are going to a healthy profitability so is there any particular formula as to when the coupon for the preferential capital would be exercised any updates on that?
- Hanumant Bhansali:** Last year, it was nil %. The promoters decided to forego total 7% preferential dividend last year and the company paid 1% this year.
- Kaushik Dani:** No further update on that and finally basically are there any changes in the pledge percentage for the current quarter?
- Hanumant Bhansali:** No. There are no changes right now. For this current quarter, there are no changes. Overall, the promoters have infused this capital to help the company seek bank borrowings and going forward in the next two to three quarters, the overall pledge we assume would also come down.
- Kaushik Dani:** Great and generally going by the industry standards, I safely assume that generally the second half is better than the first half right?
- Hanumant Bhansali:** We do not have cyclicity in our business. Overall, our business is sector agnostic. So, we are going by what we see in our orders. We see that the next six months are looking good.
- Kaushik Dani:** Great. All the best, Hanumant, Siddartha and the entire team. Best wishes.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to like to hand over the conference over to Mr. Siddartha for closing comments.

Siddartha Cherukuri: Thank you everyone. Given there are no questions, we will end the conference call now. I want to thank all of our colleagues in Vishnu whose dedication and expertise helps to create the value for our customers and shareholders. Ensuring the safety and well-being of our people is and will continue to be a top priority for us. So I can't help, but to re-emphasize my pride for our Vishnu team and what we have and will be able to accomplish for our stakeholders and investors, now and going forward. I am going to thank all of you for your interest today. Well, our next conference call will be post our annual results. So if you have any questions in the meantime, please feel free to contact us. Once again thank you very much for interest in Vishnu Chemicals. We wish you all a very Happy New Year. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Vishnu Chemicals Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.