VISHNU CHEMICALS LTD

Date: August 05, 2026 **VCL/SE/39/2026-27**

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

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

Subject: Transcript of the Earnings Call held on August 03, 2026 on Q1FY27 Financial Results

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find transcript of the Earnings Call held on Monday, August 03, 2026 to discuss Financials Results for Q1 FY27.

This information will also be available on the website of the Company www.vishnuchemicals.com.

This is for your information and record.

Thanking You.

Yours faithfully,

For Vishnu Chemicals Limited

Vibha Shinde
Digitally signed by Vibha Shinde
Date: 2026.08.05 15:03:23 +05'30'

Vibha Shinde
Company Secretary & Compliance Officer

"Vishnu Chemicals Limited Q1 FY27 Earnings Conference Call"

August 03, 2026

MANAGEMENT:	**MR. SIDDARTHA CHERUKURI – JOINT MANAGING DIRECTOR – VISHNU CHEMICALS LIMITED** **MR. HANUMANT BHANSALI – VICE PRESIDENT, FINANCE AND STRATEGY – VISHNU CHEMICALS LIMITED**
MODERATOR:	**MR. ARYA PATEL – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to Vishnu Chemicals Q1 FY27 Earnings Conference Call, hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference call, please signal for an operator by pressing star and then zero on your touch-tone telephone.

I now hand the conference over to Mr. Arya Patel, Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Arya Patel: Yes. Thank you, Farah. Good morning, everyone, and welcome to the earnings call of Vishnu Chemicals Limited for Q1 FY27. I would like to welcome the management and thank them for giving us this opportunity to host them. We have with us today Mr. Siddartha Cherukuri, Joint Managing Director; and Mr. Hanumant Bhansali, Vice President, Finance and Strategy.

Before we begin this call, I would like to point out that the discussion during this call may contain forward-looking statements reflecting the company's current view of future events and their potential effect on the company's operating and financial performance. These statements involve uncertainties and risks, which could cause actual results to differ. The company is under no obligation to provide subsequent updates to this forward-looking statement.

I shall now hand over the call to the management for their opening remarks. Thank you, and over to you, Mr. Siddartha.

Siddartha Cherukuri: Thank you, Arya. Good morning, everyone, and welcome you all to the first quarter earnings FY27. We are pleased to report a good set of results for the first quarter, continuing the momentum we built during the previous financial year.

Despite an uncertain global environment, we believe we have delivered over 20% year-on-year growth in both operating revenue and PAT, reflecting the underlying strength and resilience of our business.

Geopolitical and logistics environment, however, remain challenging at this current juncture. While we have not experienced any significant supply disruptions, ocean freight costs have increased sharply amidst the ongoing geopolitical tensions in West Asia. We believe such levels are unsustainable, and we expect freight rates to gradually normalize over the medium term. Against this backdrop, our diversified geographic presence continues to serve us well. During the quarter, our revenue mix stood approximately 45% domestic and 55% export.

Coming to our individual chemistries.

In chromium, we continue to strategically shift our product mix towards higher value-added product derivatives compared to base specialty chemicals. This transition contributed to margin improvement during the quarter and allows us to participate relatively less competitive product categories.

Our barium business continues to perform consistently with operations running at optimum capacity utilization. We are further investing in our backward integration, which will improve raw material security and enhance product quality for our customers. We are also encouraged by the progress in strontium business and expect the business to deliver value in the remaining quarters of the year.

In South Africa, we are progressing with multiple activities required to restart operations, including refurbishment, engineering and stability assessments, recruitment, contractor mobilization, and we expect operations to commence during the second half of this financial year.

Another important initiative in our continued investment in renewable energy and cost efficiency. We are planning to add approximately 20 megawatts of solar power capacity, which will increase our solar power generation capacity, nearly 6x from the current level, whereby the average power cost will come down significantly over the years.

Another important -- I beg your pardon. Looking ahead, we have multiple growth levers across the business. Upcoming capacity additions in new specialty chemicals, further backward integration in barium, scaling up of strontium and South African operations are expected to support our growth over medium term despite the near to medium-term headwinds for global and domestic market due to West Asia crisis.

Our focus remains on being the lowest cost producer in the chemistries we operate and disciplined execution that would lead to deploying capital in value-accretive opportunities for long-term value. With that, I would now hand over to Hanumant to take you through our financial performance.

Hanumant Bhansali: Thank you Mr. Siddartha, and good morning everyone.

Let me now take you through the consolidated financial highlights for the Q1 FY27 results of Vishnu Chemicals Limited. On a consolidated basis, the company reported operating revenues of INR433.4 crores in Q1 FY27 compared to INR346.9 crores in Q1 FY26, a growth of 24.9% Y-o-Y.

The gross profit for the quarter stood at INR193.9 crores compared to INR158.2 crores in Q1 FY26, a growth of 22.6% Y-o-Y. EBITDA stood at INR65.5 crores in Q1 FY27 compared to INR55.7 crores in Q1 FY26, a growth of 17.5% Y-o-Y. EBITDA margin stood at 15.1% in Q1 FY27 compared to 16.1% in corresponding quarter last year.

The profit after tax for the quarter stood at INR39.6 crores compared to INR32.2 crores in Q1 FY26, a growth of 23% Y-o-Y. PAT margin stood at 9.1% compared to 9.3% in Q1 FY26. On a sequential basis, the performance moderated a bit due to maintenance shutdown taken in our Vizag facility during the quarter.

Overall, we are happy to start FY27 on a positive note with healthy year-on-year growth metrics across key financial numbers.

With this, I conclude my remarks, and now we can open the floor for Q&A session. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sagar Jethwani from PhillipCapital.

Sagar Jethwani: My first question is what is the reason for the sharp correction in the barium segment margins? The margins have just dented sequentially and Y-o-Y. And what are the sustainable margins in the barium segment? Could you please help us with that?

Siddartha Cherukuri: Thank you, Mr. Jethwani. Answering your question, well, our barium business is progressing as per the business plan. And also -- with that being said, the EBITDA margins are not impacted in the quarter gone by. There was a one-off expense, which was factored in where the baryte prices were retrospectively charged for the last 2 years. It was an adjustment. Whereby there was a one-time impact for the last quarter close to INR8 crores. This will not be a going concern moving forward.

Sagar Jethwani: Yes. Good to hear that. And what's the sustainable margins of this segment?

Siddartha Cherukuri: We remain to be very positive. I mean, barium carbonate, it's 70% of the production is exported. And also one of the byproducts, which is coming sulphur, even the product value has gone up over 300%, 400% in the last few months. So the blended realizations have improved and will continue to improve because for both the products, barium carbonate, sulphur, barium sulphate and sodium sulphide. The demand environment remains robust. I think we believe the EBITDA margins will continue to remain at 25% moving forward.

Sagar Jethwani: Yes. Good to hear that. And secondly, a couple of quarters back, European Union did announce a higher ADD on the Chinese vendors on the Barium Carbonate. Has the benefits of that started to flow in? Any quantification of these benefits can you share?

Siddartha Cherukuri: It's already visible in the EBITDA margins. It's hard to quantify them segment by segment, region by region. But we always look at the blended realization and overall product mix ideally to achieve a 25% EBITDA margin. So again, it's always based on the marketing plan and the volume allocation in the various regions. So we go by that.

We are not focused on one particular continent. We look at it a lot more broadly, domestic U.S. market, Latin America, Far East and generally how the demand environment is there for these particular products because most of them are linked to infrastructure growth and real estate in those regions.

Sagar Jethwani: Yes. What I was trying to understand is basically the number of inquiries that you may be looking at or maybe hearing at and any benefits that are visible. I'm not asking for any dissection here, the bifurcation, but...

Siddartha Cherukuri: The benefit already captured in the numbers, let me put it that way. So we have -- I mean it has added 4%, 5% margin on top of the regular pricing what we see in other markets. And that we believe will continue. However, there is a headwind in terms of higher logistics cost for the current quarter, which we are trying to see how much we can pass on and how much we should absorb. So that remains to be a little bit of a challenge that it's more short to medium term rather than a medium to long term, I would say.

Sagar Jethwani: And third is that, what was the revenue from the Strontium Carbonate during the quarter? Could you please help us with that number?

Siddartha Cherukuri: INR25 crores was the revenue from strontium for the quarter gone by.

Sagar Jethwani: Okay. And what's the freight cost as a percentage of revenues?

Siddartha Cherukuri: I mean, as a business as a whole or for?

Sagar Jethwani: Consolidated, yes.

Siddartha Cherukuri: For the quarter gone by, it's about 9% to 10% is the logistics cost, but it is going to change quite a bit for this quarter. It could be upwards of 20%, depending on this.

Sagar Jethwani: Yes. And last question is our tax rate is slightly elevated since last couple of quarters. Do we see some normalizations here going forward?

Hanumant Bhansali: Good morning, Mr. Sagar. Hanumant with you on this. Yes. So the tax rate in this quarter was 28%, precisely about 28.05%. So on an average throughout the year last year, FY27, the tax rate was 27.17%, which is in line with our tax regime that we follow.

Moderator: The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: Sir, on the stand-alone side, good to see that our EBITDA margins are gradually improving. But in this quarter, we have some shutdowns also. So just wanted to know if you can help us with either volume or value, what kind of figure was impacted because of this shutdown? And if that would have been there, would it be a better furthermore improved margin on the business?

Hanumant Bhansali: Good morning, Mr. Rohit. Thank you for your question. Yes, your observation is right. Overall, the chromium business performed better in this quarter compared to the quarters gone by. The margin improvement in our stand-alone chromium chemical business was because of 2 fronts.

One was the blended realization for the business improved over the quarter, and that was due to the strategic shift that we have decided to take to sell more of higher value-added derivatives such as Chromic Acid or Chrome Oxide Green over our base specialty chemicals such as Basic Chrome Sulphate or Sodium Dichromate. So this has changed the entire product mix for chromium as a stand-alone business.

And the higher value-added derivatives contributed to nearly 50% of our sales in the quarter gone by as compared to, say, 40% in FY26 as a year. So you can observe that we have improved our overall sales in Chromic Acid, Chrome Oxide Green and other variants of chromium derivatives.

In fact, I would like to add on this that though we took a maintenance shutdown during the quarter, we still had inventory that we could sell throughout the quarter, and that did not impact our overall revenues as a whole in stand-alone business.

Rohit Sinha: Got it. So coming quarter, we'll have further better top line and these margins should sustain before any benefit coming in from that South Africa mine?

Hanumant Bhansali: I would request Mr. Siddartha to answer this question for you.

Siddartha Cherukuri: Yes. Well, we remain positive for H2 FY27. Basically, I mean, we are expecting the chromite ore benefit to fall in from second half of this year. For the current quarter, I mean, there are certain headwinds related to higher sea freights, which we are finding it a bit challenging to pass on completely. But we are working very closely with the customers and seeing what we can do on that front and also looking at product mixes where sea freight -- there's a marginal impact of sea freight where we are looking for higher value-added products for this quarter.

Rohit Sinha: Okay. Okay. And just on the power cost side, as you indicated that we'll be saving some bit on that. So just wanted to understand on an annualized basis, what sort of saving we could be making on this?

Siddartha Cherukuri: Like currently, we are operating a 5-megawatt solar power plant, out of which the realizable power will be close to 55%, 60%. And from a 20-megawatt, similarly, we'll be able to rest 11 to 12 megawatts. I think saving will be close to 15%, 20% because 100%, we are not in a position to use solar power because of the AP, Telangana rules with a certain amount of power should be availed from the DISCOM. But still, there will be a significant savings. Would not be able to quantify at this juncture because we need to see the output and it will be gradual.

Rohit Sinha: Got it. Got it. And sir, on the barium side, any -- I mean, we have seen strong top line. So it's a volume increase significantly or the pricing realization we have gained there?

Siddartha Cherukuri: Both actually. I mean, everything is going as per the budget in terms of production as well as the sales planning. Things we remain positive, and we expect it to grow 15%, 20% this year in the barium division as well. Also, at the R&D level also, we are looking at what other value-added products we can derive from in the near future.

Moderator: The next question is from the line of Nirali Gopani from Unique PMS.

Nirali Gopani: So Siddartha, you clearly explained the reason for the margins impact in the barium part, this INR8 crores exceptional item. But when I look at barium and strontium combined, it combined be able to deliver a 25% EBITDA margin, say, from the next quarter onwards because you mentioned that barium is at 25%.

Siddartha Cherukuri: That's right. Not a combination. We are talking about barium as stand-alone. Strontium, again, currently, we have achieved the volumes, but not the targeted EBITDA. So we remain EBITDA positive at the moment. Let me put it that way. So we need to ramp up volume, improve the yields and so on. I mean we remain positive in strontium probably by end of this year, we'll be at those EBITDA levels, given the traction from the customers.

Nirali Gopani: Okay. So to be clear, for the remaining part of this financial year, when we do consol minus stand-alone, the margins will still not reflect the complete impact because of some negative impact from strontium?

Siddartha Cherukuri: It will -- let me put it this way. It will still remain over 20% for the consol, I mean, consolidate -- I mean, removing stand-alone, combining barium and strontium, it will still remain 20%.

Nirali Gopani: Yes. Perfect. Very clear. And are we still confident about DMSO and chrome metal starting to contribute from next financial year?

Siddartha Cherukuri: We do. I think it's as per the plan. I mean, the construction as well as implementation of the equipment is progressing. So we remain positive that we'll be able to start commercial production by next financial year.

Nirali Gopani: Perfect. And just one last clarification. So with chromium, the EBITDA margin improving on that side of the business and barium and strontium, so next financial year on a consolidated level, can we look at a 20% EBITDA margin because you're very confident on growth part of the business, just on this margin part?

Siddartha Cherukuri: Let me throw some light on the business rather, and I'll come to the number part later. What we are going to see is more visibility in terms of business. In the coming months, we're going to enter into a long-term supply agreement for one of our key derivative Chrome Oxide Green to a European client. This will become -- bring a lot of visibility to our volumes as well as margins moving forward.

And this will give us a lot more leverage in terms of product mix, what we want to take it up in the quarters to come. Also, at the same time, this is more -- I'm talking more on the upstream side. And on the downstream also the second half -- from the second half of the year, we are expecting the chrome ore to come in and it will definitely improve the margin.

So -- margins will improve on not just on account of downstream benefits coming through chrome ore, also through upstream product mix improvement. So with that being said, yes, we will be -- very soon, we'll be achieving the 20% margin. Will that be next financial year? Yes, I remain positive to that.

Moderator: The next question is from the line of Shivam Gupta from Trinetra Asset Managers.

Shivam Gupta: I want to know like strontium order mainly coming...

Siddartha Cherukuri: Your voice is not clear, Mr. Shivam. Can you be a little loud?

Shivam Gupta: Is it clear now?

Siddartha Cherukuri: Yes.

Shivam Gupta: Initial strontium order mainly from Indian customer or export. Also application is the strong -- where the demand is coming strongest from magnet, ceramic or other?

Siddartha Cherukuri: Sorry, I could not get your question. Can you repeat, please?

Shivam Gupta: Like initial strontium order mainly from Indian customer or exports? Also, which application is seeing the strongest demand, magnet or ceramic?

Siddartha Cherukuri: Mostly flexible magnets.

Shivam Gupta: Sorry, flexible?

Siddartha Cherukuri: Magnet.

Shivam Gupta: Okay. And the Visakhapatnam plant was shut around 3 weeks during this quarter. What was the impact on production and revenue?

Siddartha Cherukuri: There was no impact. In fact, it was positive because we had some carryforward stocks, which values have increased and that didn't really impact our margins. Also, given the capacity, what we are having, we were able to cover up the volumes lost during the maintenance.

Moderator: The next question is from the line of Sudhir Bheda from Bheda Family Office.

Sudhir Bheda: Congratulations for continuously declaring the good results. And my questions are like, can you throw some light on your mining operation? I believe that the processing plant and mining together will add substantial EBITDA to our chrome business. So can you throw some light when it will happen, when the first consignment from the South Africa will arrive in the plant so that the forward integration can be done?

Siddartha Cherukuri: Good morning, Mr. Sudhir. Thank you very much for your question. I did update a bit in my opening note that currently, multiple activities have been taken up, including stabilizing the asset as well as engineering and refurbishment of the asset, and we are currently working with the contractors to mobilize things up.

This we are -- I mean, we are expecting the production to start anytime towards end of this month. With that being said, volumes will start coming from the second half of this financial year. The mining activity is progressing very well. We are currently working on improving the wash plant.

Sudhir Bheda: Okay. And how is the quality of the chrome ore? It's as per what we are using because we have used material from this mine in the past. We don't foresee any challenges. Okay. So from second half of the year, when we start getting the chrome ore from our own mines, what could be the improvement in our gross margin?

Siddartha Cherukuri: It's very hard to comment on it now because we need to -- we have to go by arm's length pricing on where the market is in a few months from now. But I can tell you, currently, our gross margins, we are at 44%, 45%. Ideally, we will be getting to 50% -- towards the end of this year. That will definitely get us to what we are targeting of 20% EBITDA, let me put it that way.

Sudhir Bheda: Great. And sir, my last question is we have spent close to around -- did heavy capex last year, INR240 crores, INR250 crores to INR300 crores kind of capex. So in which vertical we have done the capex and what kind of ROI we are looking at this capex which happened last year?

Siddartha Cherukuri: So we invested this amount into our existing product mix to expand a value-added derivative, which is Chrome Oxide Green, for which we are anticipating a long-term supply agreement and a strategic relationship moving forward. Also into DMSO, where the major investment has gone into upwards of INR200 crores. This is again a value-added derivative and the first organic product, which we are venturing into.

Moderator: The next question is from the line of Ashish Khurana from Ank Capital.

Ashish Khurana: Firstly, congrats from my side as well for a decent quarter given the context of the overall situation and the plant shutdowns. And I think heartening to see that on the Chromium side, we are moving to value-added products like chrome metal in the future and Chrome Oxide Green. So congrats for that.

So firstly, my question was on the strontium side. So I think we have previously indicated that the gross margins there we are expecting are in the range of 50-odd percent. But this quarter, I mean, were we able to hit that because there were some news that some of the raw materials like Celestite, etcetera, had seen spikes. So are we at 50% already? Or is there a temporary margin pressure there?

Hanumant Bhansali: Thank you so much for your question. More than the margin pressure, it's a stabilization phase for our strontium chemistry business. It's very hard to say that the current margins that we have achieved in strontium are the normalized ones because we are anticipating that as we improve our chemistry, as we improve our operations, the operating leverage as well as the efficiencies will also start coming in, in this business.

What we can see in terms of market confidence is that our operating revenues itself in Q1, like it was highlighted earlier, have crossed INR24 crores, which was nearly the entire revenues for the full year last year. So as we go ahead -- as we see the quarters going forward, we are going to have a better clarity on the gross margins and EBITDA margins that this business will deliver.

Ashish Khurana: Sir, correct me if I'm wrong, but I mean, the yield benefits, cost benefits, operating leverage benefits would maybe sit below the gross margin line. But on the gross margin itself, I mean, are we at 50% or wherever you want to be? Are we there currently? Or...

Hanumant Bhansali: Yes, that's a good question. So right now, because we have not yet fully stabilized the chemistry by that, if I can simplify it, the input/output ratios that we are anticipating from this chemistry is still suboptimal, which will improve in the quarters to come. And that will automatically improve our gross margins.

Ashish Khurana: Got it. Secondly, on the mining side, while -- the answer to the previous participant kind of hinted on that, but am I correct to assume that the ore transfer to India would mostly happen at cost and the profit benefits would sit in our stand-alone business and not in the subsidiary, right?

Hanumant Bhansali: See, we have to follow the transfer pricing mechanism, which is already in place. And we have to look at that aspect before deciding on the price at which the transfer will happen because we cannot have too much of margin sitting in either of these countries. And because the transaction is between related parties, we need to be very clear on the transfer pricing mechanism. So whenever there is a trade between our South African entity and Indian entity, it will be as per the regulatory norms as prescribed in transfer pricing regulations.

Ashish Khurana: Got it. That is fair. Just 2 bookkeeping questions. So on the subsidiary -- sorry, on the stand-alone side, I think so there was a shutdown. And I mean, we saw the costs, including the power cost, selling cost and all that come down, but the manufacturing cost line item on the stand-alone side went up by around 200 basis points. I think earlier in our annual reports, it had labor costs and some other costs. So what was the reason for that, like for that increase in that line item?

Hanumant Bhansali: In manufacturing cost, one of the line items is also repairs and maintenance. And because we had a maintenance during the quarter, there was more spending that was done on repairs and maintenance, which is captured under the manufacturing head.

Ashish Khurana: Got it. So one-time cost. And lastly, so there is a spike in other income. So is that foreign exchange related or something else in this quarter sequentially?

Hanumant Bhansali: That's correct. The other income, as you rightly observed, increased as a result of 31% higher exports during Q1 FY27 in comparison to Q4 FY26. And as a result of that, we saw higher net foreign exchange gains equivalent to INR11.9 crores, -- thereby the overall other income reported in the company stood at close to about INR12.87 crores.

Moderator: The next question is from the line of Disha from Sapphire Capital.

Disha: Am I audible, sir?

Hanumant Bhansali: Yes, Disha. Please continue.

Disha: A couple of questions. Firstly, sir, the revenue growth this quarter, you've seen around 20%. How much of this was driven by volume? And how much of this was driven by increase in realization?

Siddartha Cherukuri: Your question was not clear, Disha. Could you please repeat?

Disha: Yes, I was just asking the revenue growth this quarter. If you could just give me a breakup between how much of this was driven by volume and how much of this was driven by value?

Hanumant Bhansali: So we achieved a total revenues, operating revenues of INR433 crores in this quarter. In comparison to Q1 FY26, that is same quarter last year, we saw increase in revenues because of multiple factors. One is our strontium business is operational now, which is also contributing to the overall revenue as well as volume.

Our barium business capacity utilization as well as the blended realizations have improved over the last 1 year. And overall, even the chromium business, we have seen a shift in the product mix, which has led to higher realizations. So it's a combination of both volume increase as well as value increase.

Disha: Will it be possible for you to quantify how much is the volume by how much?

Hanumant Bhansali: No. As a company, we do not quantify our volume or value growth.

Disha: Okay. But we do expect this momentum to sustain that there was no...

Hanumant Bhansali: Over a long-term fundamentals, yes, definitely. In the near to medium term, we need to look at the global factors, which also come into play. And those are the reasons wherein it's very hard to quantify how a particular quarter will look like. So instead of focusing on quarter-to-quarter variability, we would like to talk about year-on-year aspects of our company.

Disha: Right, sir. And sir, the strontium business, so I think that was the contribution this quarter was INR25 crores. What is the current utilization there? And what sort of overall contribution from this segment are we looking at for this year and for the next year?

Hanumant Bhansali: Thank you for your question. So yes, we have a capacity of close to about 10,000 tonnes in strontium business. We are currently operating at 50% utilization over there. And we would like to end the year at close to about 65% to 75% capacity utilization. Also, as the business improves, as our chemistry improves, we are also going to see better margins flowing in this business.

Disha: Sir, what will be the total capex for this year?

Hanumant Bhansali: This year, we are -- we have a total capital outlay, capex outlay of close to about INR200 crores to INR250 crores.

Disha: And could you give a break of where -- how much will we be spending in there?

Hanumant Bhansali: Yes. In DMSO, our total project estimated capex is between INR205 crores to INR240 crores, of which we have spent close to about INR68 crores up to 30th June. Chromium, we are expanding our derivative base. Almost INR50 crores will be invested over there. I'm saying in total, some of that is already spent in the last year. South Africa business, the capital outlay will be very limited in the range of INR20 crores to INR25 crores. Barium business, we are expanding our backward integration line, and we are likely to see an investment of close to about INR40 crores to complete these projects.

Disha: Okay. And just the last thing, sir, on the margins. You said the second quarter, we are expecting margins to go down further because of the freight cost increase. But then in the second half, what sort of margin levels are we looking at? And on a blended basis for FY27, what sort of EBITDA margins are you looking at?

Hanumant Bhansali: We are not giving any guidance for the second quarter or the year as a whole. Of course, on a targeted level, we are looking at 20% EBITDA margin. That's our stated target for a very long term, right. And for that, we would like to see overall momentum from the macro environment also to come into picture.

However, if we look at our growth factors, it will be a combination of the capex that we will complete through the year, including the one that we highlighted about launching the new specialty chemical, DMSO, and completion of our backward integration in barium business.

Moderator: The next question is from the line of Mahek Talati from Agility Advisors.

Mahek Talati: Sir, just wanted to understand…

Moderator: I'm sorry to interrupt, sir, your voice is not very audible.

Mahek Talati: Is it audible now?

Moderator: Yes, it is.

Mahek Talati: Sir, just wanted to understand, you mentioned that there will be 20% logistics cost in Q2 FY27. So will the entirely increase in the logistics cost be passed on to the customers?

Siddartha Cherukuri: We are working on it. It remains a challenging and a sensitive area. Given our relationship, we'll be able to marginally pass it on because some of our peers like in South Africa and Turkey, they are not impacted by the Red Sea or Hormuz because most of the cargo is flowing through Cape of Good Hope and the Mediterranean side. So in certain accounts, we've been successful. Rest of them, we are continuously engaged and seeing what we can do on that side.

Mahek Talati: So how much are we expecting an impact on our margins this quarter because of this increase in logistics cost? Any ballpark number, sir?

Siddartha Cherukuri: I won't be able to share because we are still negotiating with the shipping lines parallelly also with customs.

Mahek Talati: There would be some...

Siddartha Cherukuri: As a strategy in order to outweigh this impact, we are trying to focus more on the domestic sales for this quarter and quarter 2 going by. So we -- I mean, both our domestic and exports team are working hand-in-hand and seeing what volumes are available and going as per the production plan, what we need to tweak for this particular quarter. And we'll make adjustments because we remain very dynamic given the environment we are facing.

Mahek Talati: Understood -- and sir, you mentioned 4 different capexes, DMSO, chrome metal and barium backward. Are we expecting all the capex to go live by FY28 or there would be some push forward as well?

Siddartha Cherukuri: DMSO, yes, I think we are -- we remain positive. The capex is going as per the plan. Chrome metal, very soon we'll be -- I think we've been going back and forth with this for quite some time, but we decided to take a call now. I think you'll receive an announcement very soon, which will be a little strategic in nature, which is linked to a long-term supply and a strategic business partnership moving forward.

So this will definitely change the way our product mix as well as the business will function moving forward in the chrome and gives us a lot more visibility in the upstream, both in terms of revenues and margins and gives us a lot more leverage in terms of which products to manufacture rather than depending on lower margin derivatives. FY28.

Mahek Talati: Okay. And sir, given chrome metal is a bit of a complex material, are we planning any tech transfer or tech tie-up for development or everything will be done by in-house R&D?

Siddartha Cherukuri: Like I said, I reiterate what I said that you will be getting an update from relatively soon. And like I said, it will be linked to a strategic long-term supply as well as a strategic business partnership moving forward. We're very excited about this. Let me put it that way.

Moderator: The next question is from the line of Yash from Mavira AMC.

Yash: Congrats on a good set of numbers. Sir, my question again is around the chrome portfolio, the long-term tie-up that you spoke about. So one is that it will be margin accretive rather than margin dilutive. Is that understanding correct, sir?

Siddartha Cherukuri: Yes, indeed. It's going to be margin accretive, a, and also it gives a lot more visibility because it's tied to a long-term supply agreement and a formula-driven pricing.

Yash: Understood, sir. Sir, any color around the quantity of the contract?

Siddartha Cherukuri: I'm afraid not at this juncture because we have signed an NDA, so we won't be able to talk much about it. But I can say we are very excited. It's going to bring a good visibility for our chrome business moving forward.

Yash: Understood, sir. And sir, how much capex are we doing on the solar project from 5 to 20 megawatt?

Hanumant Bhansali: The total capex outlay for solar will be close to about INR5 crores to INR6 crores, and the rest will be under the SPV model, wherein we will be able to buy the solar at a fixed price on the longer term.

Moderator: The next question is from the line of Siddharta Mathew.

Siddharta Mathew: Am I audible?

Moderator: Yes, sir, you are. Please proceed.

Siddharta Mathew: Just a follow-up on this supply agreement that you were talking about. When you say that it will give the company a lot of visibility, what exactly do you mean? Can you share a little more?

Siddartha Cherukuri: Well, I think we are looking at a certain fixed volumes for the over next 10 years, specifically for our Chrome Oxide Green product. And this supply will be a binding supply agreement linked to an exchange plus the incidentals like the logistics cost and movement -- whereas in the current environment, the products, what we do is more on a quarterly like on a spot basis, what our peers are doing, whereas this one is a lot more strategic in nature, kind of a take-or-pay agreement where we are -- where both parties are obligated, and it gives us a lot more visibility moving forward.

Siddharta Mathew: Right, right. Okay. Okay. And just a question regarding the current debt levels. Can you let me know how much debt the company is carrying?

Hanumant Bhansali: Thank you, Mr. Siddhartha, for your question. So let me answer your question that we pay tax at full 27% plus levels. Sorry, your question is related to debt?

Siddharta Mathew: Yes. How much debt is currently on the books?

Hanumant Bhansali: Yes. So our -- as per the balance sheet that we have reported ending 31st March, the total debt in our books is about INR527 crores. That includes our long-term borrowings and short-term borrowings, which is at a debt-to-equity level, so 0.49.

Siddharta Mathew: Okay. Okay. And that's for the current quarter as well, including the planned debt capex?

Hanumant Bhansali: No, we don't share the balance sheet figures on a quarterly basis. So we will be able to update you the balance sheet figures only on -- once our second quarter results come out.

Moderator: The next question is from the line of Dhimant Shah from ITI Mutual Fund.

Dhimant Shah: Just a quick one on how long before we see a massive improvement owing to the starting of your mine in South Africa. We see no improvement in the gross margins whatsoever. So is it likely to come from the second quarter or any timelines on that?

Siddartha Cherukuri: Thank you for your question, Mr. Dhimant. Like I said, the gross margin improvement will be a function of both upstream and downstream, like I mentioned.

Dhimant Shah: No. Just a moment. Because when we took over such a big asset, the idea was that this gives us a reasonable protection in terms of gross margin behavior, but nothing is visible whatsoever. So what is the endeavor? Because if you cannot prove improvement in the gross margin, then the whole acquisition goes for a toss or the very basis of acquiring and waiting such a long period means that the capital allocation has not played out the way it was envisaged. So can you quickly comment on this?

Siddartha Cherukuri: Yes. We look at it slightly differently because this is a new line of activity and the time lines are more or less way we are looking at. I think the acquisition has been completed in the November 2025. Thereafter, it took 2 months to transfer. And like I mentioned, it takes time to refurbish and organize the manpower and so on. So yes, I agree there is a delay, but not to an extent where it raises the alarm.

So we still remain positive and things are progressing very well with respect to mining and the product, what we are seeing on ground seems to be suitable for our production. With that being said, we are expecting the material to start flowing into India from the third quarter of this financial year. Now, if you ask me, how much -- will that improve the gross margin by 50% right away from 44%?

I think partially, yes, it will get closer, but it will be hard for me to quantify exactly when it will be -- when we'll be getting to 50%, ideally towards end of this year. That will be a combination of both upstream as well as the downstream support, upstream in terms of this product mix change as well as downstream, the chrome ore falling. Because as you know, currently, chrome ore being a commodity and freight play a very big impact. Even the movement cost within South Africa from the mine to the plant, the costs have gone up.

Dhimant Shah: No, no, by far, but your relative advantage still remains, right?

Siddartha Cherukuri: Our relative advantage still remains, but it's hard to quantify how much. But definitely, relative to our peers, yes, we do remain competitive. And what will be retained in the business, what will be passed on to the customer moving forward, we need to take a strategic call.

Dhimant Shah: Okay. No, no. But if you treat the acquisition on a stand-alone basis...

Siddartha Cherukuri: Also the cost and the mining is also a function of the quantities what we produce where the unit economics play a very important role as we go up...

Dhimant Shah: By far, I mean, the entire thesis was that it gives us the -- no, no, it gives us the pole position in whatever we are doing. So entire thesis was of acquiring this mine was only that, right, that it gives you competitiveness against the Chinese and puts you in the top echelon of the cost curve. And hence, any vagaries of any variety can be smoothened out or will be reasonably bypassed in a way.

Siddartha Cherukuri: Yes. The question is the scalability, which we are going to do in the second half of this year. I think I'll be able to better answer your question towards end of this year. On when we would be able to get to 50%, I think I'll come back to you with a clear answer, let me put it that way.

Dhimant Shah: No, but that's on track. That's the...

Siddartha Cherukuri: That's on track. That's the reason I'm saying that I have to see the volumes coming out. I have to see the scalability happening, which we remain positive.

Dhimant Shah: Right. Secondly, after -- in your barium bi-sulphate, which was -- it took time for you to see that with the paint guys. Again, only one-of-a-kind manufacturer. Again, that also seems to not have given any advantage? Or is it still pipeline in the works? Or can you just...?

Siddartha Cherukuri: I mean, it's already visible in the numbers since it's -- we are not quantifying and actually, we don't in terms of what product, what is the margin. But it's as per the plan. I think in terms of demand visibility as well as customer approvals are already in place, both in the domestic and export market. And during our last con-call, I also did mention about increasing the volumes moving forward, even that plan is on.

Dhimant Shah: Yes. But with due respect, 2 things that we have done for positive incremental gross margin impact don't seem to be working. So what is pulling it down? Is there a certain category where we are losing the margin ability or which you can -- only you can highlight?

Siddartha Cherukuri: I would say, well, I mean, generally, the demand environment for chrome, especially the leather industry continue to remain challenging. But what I mentioned that moving forward, product mix would change even in this quarter, it was visible. It's not that we are going to do away with our Basic Chrome Sulphate, the leather volume, but we're going to bring that volumes down sequentially over the year.

And our focus will remain to be on Chrome Oxide mainly going into chrome metal, refractory segments as well as Chromic Acid going into functional plating. And once we move in the direction which we are, there will be a lot more -- there will be improvement in the gross margin.

Dhimant Shah: And lastly, what -- I just joined the call. Can you enumerate -- and for the -- sorry for the repetition, but can you enumerate what are the different things that we would be now looking to deploy capital for incremental capex towards?

Siddartha Cherukuri: Yes. We are investing close to INR360 crores into capex. Bulk of this investment is going into Dimethyl Sulfoxide, over INR200 crores being invested into this product, again, an import replacement. It's a solvent going into pharma and agro industry as well as in order to meet this long-term agreement, we are enhancing our Chrome Oxide Green production at our Vizag plant itself, whereby more Sodium Dichromate will be used into producing Chrome Oxide Green moving forward. So close to INR350 crores is going into this. And over and above certain capex will be happening in our mine as well for some improvement, but that will be marginal.

Moderator: As there are no further questions from participants, I hand the floor over to the management for closing comments.

Hanumant Bhansali: In conclusion, kindly note that our results, earnings release and investor presentation have been uploaded on the stock exchanges, and they will also be available on the company's website. If you have any questions, feel free to connect with us on investors@vishnuchemicals.com. Thank you, everyone, for your valuable time.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services Limited, that concludes this conference call. Thank you for joining, and you may now disconnect your lines. Thank you.