



P R E P A R E D



Visaka Industries Limited
Annual report 2010-11

Forward-looking statements

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral –that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such

statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’ ‘believes’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even

inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Visaka Industries encountered an industry downtrend in 2010-11, marked by an increase in raw material costs on the one hand and a decline in realisations on the other.

However, the Company is adequately prepared for a rebound in industry fortunes.

		Through timely investments in plants, processes and intellectual capital.						
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Through a combination of product quality and operational scale.

Through strong customer loyalty generated from the day the Company went into business.

Visaka Industries is a cement fibre sheet and a textile yarn company. The Company addresses the growth coming out of India's building and textile sectors.

- Incorporated in 1981, Visaka Industries entered the production of corrugated cement fibre sheets (36,000 TPA) in 1985 and diversified into a textile yarn manufacture in 1992. In 2009, the Company expanded its building products division to manufacture non-asbestos fibre board and panels (flat products).
- The promoters own 37.7% of the Company. The Company enjoyed a

market capitalisation of Rs. 159.60 crore. as on March 31, 2011. The Company's stock is actively traded on the Bombay Stock Exchange and the National Stock Exchange.

- The Company is headquartered in Hyderabad (Andhra Pradesh), with manufacturing plants across nine regional locations and eight marketing offices.

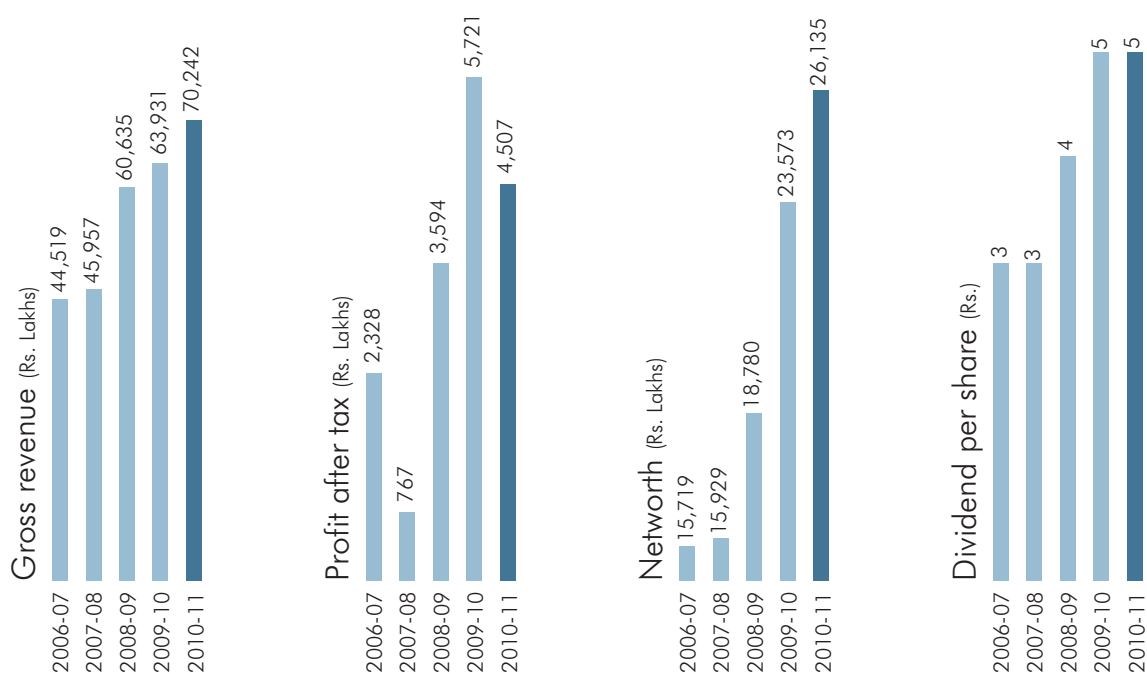
Products	Manufacturing locations	Installed capacity, 31 March 2011
Cement asbestos products	Patancheru (Andhra Pradesh), Paramathi (Tamil Nadu), Midnapur (West Bengal), Vijayawada (Andhra Pradesh), Tumkur (Karnataka), Raebareli (Uttar Pradesh) and Pune (Maharashtra).	6,52,000 MT
Flat products	Miryalguda (Andhra Pradesh)	60,000 MT
Panels	Miryalguda (Andhra Pradesh)	1,50,000 Nos. per annum
Textiles	Nagpur (Maharashtra)	1,816 spinning positions

Financial performance

The salient features of the financial performance are:

- PBT was lower by 20.92% – from Rs. 8,637 lakhs in the previous year to Rs. 6,829 lakhs in the current year.
- PAT was also lower by 21.22% from Rs. 5,721 lakhs in the previous year to Rs. 4,507 lakhs in the current year.
- EPS was lower at Rs. 28.38 in the current year compared with Rs. 36.03 in the previous year.
- EBIDTA fell from Rs. 11,569 lakhs in the previous year to Rs. 9,446 lakhs in the current year.
- Gross block increased from Rs. 33,098 lakhs as on 31st March, 2010 to Rs. 33,750 lakhs as on 31st March, 2011.
- Capital employed increased from Rs. 40,970 lakhs as on 31st March, 2010 to Rs. 47,310 lakhs as on 31st March, 2011.
- Working capital increased 19.65% from Rs. 19,048 lakhs as on 31st March, 2010 to Rs. 22,791 lakhs as on 31st March, 2011.
- Interest cover declined from 10.59 to 9.67
- Debt-equity ratio stood at 0.72 against 0.69 in the previous year.

Highlights



Managing Director's review

When we had previously communicated through our annual report, we sounded upbeat for a number of reasons – buoyant demand, attractive realisations and growing production capacity.

However, our industry reality transformed significantly thereafter. Industry demand declined and input costs rose. Our assets could not be fully utilised and average capacity utilisation declined from 92% to 90% in cement asbestos business during the year under review. The result of the dual combination was that our topline grew 7.6% to Rs. 65,030 lakhs and our bottomline declined 21% to Rs. 4,507 lakhs.

Challenges faced

The year was challenging for several industry-driven reasons:

The year witnessed rising raw material prices, which could not be passed on to consumers. Margins declined although we were able to contain the decline by monitoring market appetite and producing accordingly. This controlled oversupply in the marketplace, preventing further price erosion.

*Our cement asbestos products division reported a lower profitability by 34% due to increasing input costs (specially imported fibre and cement) which could not be passed on to consumers. Our

new business of fibre cement sheets showed an improvement in terms of revenue and reduction in losses as compared to the previous year.

* Our textiles division recorded a profit before tax growth of 46% to Rs. 2,192 lakhs, owing to improved realisations and higher sales. A shortage of cotton resulted in rising cotton prices, which strengthened the demand and realisations of synthetic yarn (manufactured by us).

Capacity additions

Despite the downtrend in asbestos products during the year under review, we are optimistic about the national consumption appetite and our industry's prospects.

In view of this, we expect to commission a 1,00,000 TPA cement sheet asbestos product plant in Sambalpur (Orissa) in June 2011. Our Rs. 40 crore investment has been funded largely through internal accruals. This strengthened our regional penetration on the one hand and increased our cement asbestos sheet production capacity from 6,52,000 lakh TPA to 7,52,000 lakh TPA. This plant is expected to break even in 2011-12.

The expansion and modernisation undertaken at our Pune plant is operational, stabilised and streamlined. The plant reported a profit during the year under review, vindicating

our investment.

Outlook

The Indian economy continues to be robust, GDP growing 8.6% in 2010-11 on the back of higher rural incomes, rising agricultural production and stronger government support. Since the monsoonal outlook is positive for the current year, we expect a rebound in offtake to translate into higher industry realisations. Visaka is attractively placed to capitalise on this improvement through a higher capacity, high asset utilisation, dispersed national presence and stronger brand building.

G. Saroja Vivekanand

Managing Director

profit before tax growth
on textiles

46%

Strengths

Business mix: The Company's product portfolio – from textiles to building solutions – is relatively counter-cyclical.

Technology excellence: The Company's high-tech fibre cement plant is fully automated, incorporating the latest and most sophisticated technology while its yarn manufacturing units use state-of-the-art twin air jet spinning technology from Murata, Japan.

Market share: The Company – with 16% market share – is the second-largest player in the cement asbestos product industry (four players comprise 65% of the industry).

Intellectual capital: The Company's senior level management is highly experienced, with most personnel having been with Visaka for over ten years.

Wide market: The Company's products cater to a wide market, the product mix ranges from roofing to interior solution to textiles.

Clientele: The Company caters to an established customer base in the domestic and export markets. Its domestic textile clients include Siyaram's, Pantaloon, Harry's Collection, RVIVA, Rolson Industries, BK Lane, among others.

Scale: The Company possesses the second-largest production capacity of cement asbestos in India. It possesses the single largest twin air jet equipment installation in India.

Quality: The Company's fibre cement plant is certified by the ISI. The V-Board division possesses HPSC technology conforming to IS 14862-2000. Visaka's yarns are environment-friendly and OEKO-TEX certified. The Company's adherence to stringent quality processes resulted in the ISO certification.

I. Building products division

1. Cement asbestos products

Rs.
47,301
lakhs (net) revenue

73%
Revenue contribution

14.66%
EBIDTA margin

6,52,000
TPA Capacity installed

Rs.
408
lakhs sales increase

90%
Capacity utilisation

The Company, with a capacity of 6,52,000 TPA and 16% market share, is India's second-largest cement asbestos product manufacturer.

Visaka's high-tech cement asbestos products plant is fully automated and incorporates the latest state-of-the-art sophisticated technology, resulting in a consistency in physical properties, which exceeds standards prescribed by national quality authorities.

Highlights, 2010-11

- The Company's sales increased by 0.87% (Rs. 408 lakhs) despite a 5% increase in volumes. The increase in raw material, power and freight costs could not be fully passed on to consumers.
- The Company revamped its Pune plant

through expansion (1,00,000 TPA from 70,000 TPA) and modernisation initiatives in 2009-10, the benefits of which were now reported.

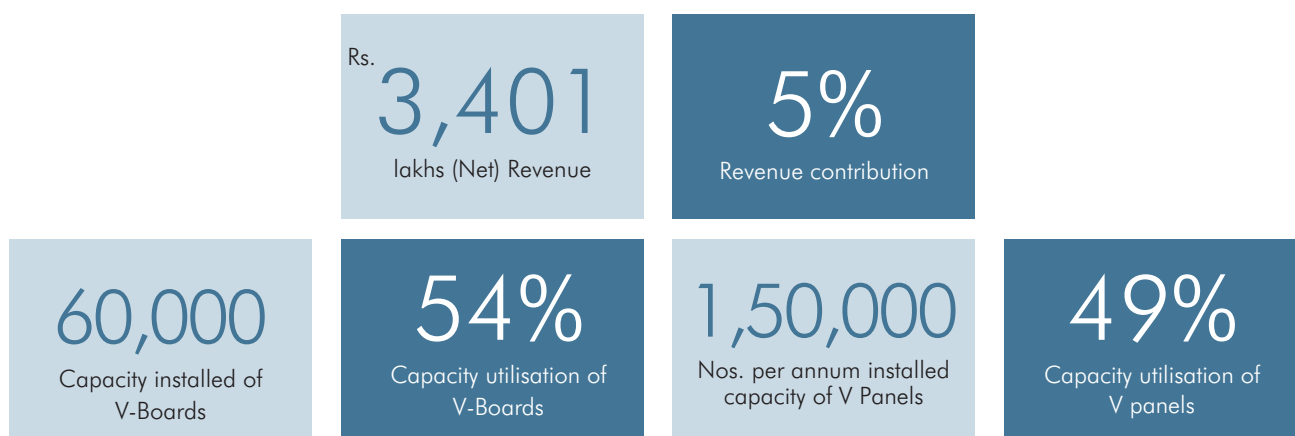
Challenges

The cement asbestos market is marked with entry barriers for small entrants owing to the high need for safety standards. The difference in the cost of substitute products (galvanised and coloured iron roofing) declined from 25% to 35%, resulting in consumers switching their preference.

Road ahead

The Company expects to commission a 1,00,000-TPA cement asbestos unit in Sambalpur (Orissa) from June 2011.

2. Fibre cement sheets (Flat products) – V-Boards and V-Panels



The Company established its V-Board business with HPSC technology conforming to IS 14862-2000 in May 2008. V-board, a non-asbestos product, is placed at par with international standard fibre cement sheets. The product - using cement, fly ash, pulp and silica – is positioned as a plywood substitute in interior solutions. The cement component reinforces strength and durability while the pulp imparts workability and flexibility. V Panels were introduced by the Company in

January 2010 (installed capacity 500 panels a day).

Highlights, 2010-11

- The Company reported a favourable year in terms of sales volume. The Company reported sales of 33,457 tonnes (17,644 tonnes in 2009-10)
- The Company did not pass on rising raw material costs to customers and retained its pricing competitiveness in a challenging marketplace

- The Company exported the product to the Middle East
- The Company focused on enhancing capacity utilisation and sales
- The Company widened its distributors' network across India

V-Board's applications

V-Boards find application in false ceilings, wall partitions, wall and door paneling, mezzanine flooring, back liners and various other interior and furniture applications.

Programme	Allocation	Purpose
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	Rs. 40,000 crore	For providing 100 days of wage employment to each rural household opting for it
Pradhan Mantri Gram Sadak Yojana (PMGSY)	Rs. 20,000 crore	For providing connectivity to eligible unconnected rural habitations through good, all-weather roads and their systematic upgradation
Indira Awas Yojana	Rs. 10,000 crore	For providing assistance to rural BPL families for house construction and upgradation of kucha houses
National Rural Livelihood Mission (NRLM)/Swarna Jayanti Gram Swarozgar Yojana(SGSY)	Rs. 2,914 crore	For establishing micro enterprises in rural areas

Road ahead

Going ahead, the Company looks to expand its presence across the Middle East, Australia, South Africa and Africa. The Company plans to increase its V-Board production to 45,000 tonnes in 2011-12 and is also studying expansion plans. The Company expects to strengthen its brand through advertising.

Drivers for the building products division

The Company sees India's rural market catalysing demands for the following reasons:

Better monsoons/agricultural growth: India's agricultural growth target for 2010-11 was 4% but the country's agriculture output expanded 5.6% following good monsoons. India's farm growth may cross 4% in 2011-12 on the back of a normal monsoon in 2011.

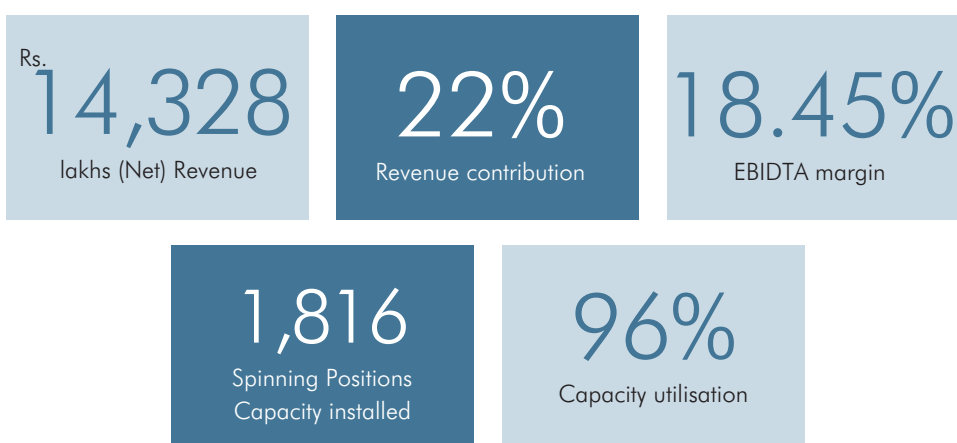
Government schemes: With the

government's thrust on rural development, the Union Budget 2011-12 proposed a 12% increase in rural development outlay from Rs. 66,100 crore to Rs. 74,100 crore for 2011-12.

Increased rural purchasing power:
With 152 million rural households in

India, rural consumption expenditure outstrips total urban consumption expenditure by 30%. The estimated consumption of rural India in FY10 was US\$ 202.3 billion and the government will be spending US\$ 23 billion over three years to support rural consumption growth.

II. Textile division



The Company's textile division manufactures a range of cotton and synthetic fibres including melange yarns, high-twist yarns and specialty yarns with different blend styles. The Company possesses state-of-the-art Twin Air Jet Spinning technology from Murata, Japan with 28 MTS machines equivalent to 50,000 spindles. Visaka is the world's largest unit with MTS installation. This division is ISO and OEKO-TEX-certified and was awarded the Star Export House Status in 2004.

Highlights, 2010-11

- The Company reported a favourable good year for the following reasons:
- Turnover increased to Rs. 143 crore (Rs. 120 crore in 2009-10)

- EBIDTA margins improved to 18.45% (17.19% in 2009-10)
- Net profit before tax increased to Rs. 22 crore (Rs. 15 crore in 2009-10)
- Cotton prices increased following crop shortage, which incentivised a conversion to synthetic alternatives, increasing realisations and sales.
- The Company exported 27% of its yarn output in 2010-11, a growth of 7% over the previous year. Export markets include Italy, Belgium, the UK, the USA, Spain, Germany, Turkey and Australia.
- The Company's domestic clients include Siyaram's, Pantaloon, Harry's Collection, RVIVA, Rolson Industries and BK Lane, among others.

Industry performance

The Indian textile and clothing market is currently estimated at US\$ 55 billion. The textile sector in India grew 7.5% in 2010-11, accounting for about 17% of the country's export earnings. The Indian textile and clothing market is expected to grow from US\$ 55 billion to US\$ 100-billion by 2015. The global per capita fibre consumption is expected to grow steadily to 11-12 kg per capita by 2025, indicating a growing global requirement for fibre.

Road ahead

The Company plans to increase value-added product exports even as yarn realisations are expected to decline.