



# Perseverance

VISAKA INDUSTRIES LIMITED®  
ANNUAL REPORT 2013-14

FORWARD-LOOKING STATEMENT

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 our 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. Readers should bear this in mind. 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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WHERE PEOPLE SEE CHALLENGES,  
VISAKA PREFERS TO PERCEIVE  
OPPORTUNITIES.

WHILE PEOPLE WAIT FOR THINGS TO  
GET BETTER, VISAKA WOULD RATHER  
PROACTIVELY INVEST IN REINFORCING  
ITS BUSINESS.

SO EVEN AS REALISATIONS REMAINED  
LOW AND DEMAND STAYED SUBDUED  
DURING A CHALLENGING FY14, VISAKA  
SELECTED TO MAKE THREE TIMELY  
INVESTMENTS.

ONE, TOWARDS ENHANCING CONSUMER  
AWARENESS ABOUT CEMENT ASBESTOS  
PRODUCTS. ANOTHER IN A 72,000 TPA  
FIBRE CEMENT PLANT. AND FINALLY, IN  
A 2.5 MW SOLAR POWER PLANT.

THESE INVESTMENTS WERE DONE WITH  
THE OBJECTIVE TO BE IN THE RIGHT  
PLACE WITH THE RIGHT CAPACITY AT THE  
RIGHT TIME WHEN DEMAND REBOUNDS.

ONE COMPANY. TWO  
BUSINESSES.

OVER THE YEARS, VISAKA  
INDUSTRIES HAS INVESTED  
IN TWO DIVERSE SECTORS -  
BUILDING PRODUCTS AND  
TEXTILES.

WITHIN THE BUILDING  
PRODUCTS SEGMENT, THE  
COMPANY HAS INVESTED IN  
A VARIETY OF PRODUCTS.

WITHIN THE TEXTILE  
SEGMENT, THE COMPANY  
DELIVERS A RANGE OF  
SYNTHETIC YARNS.

WITH THE OBJECTIVE TO  
REMAIN COMPETITIVE AT  
ALL TIMES.

#### ABOUT US

Visaka Industries Limited (established 1985) is engaged in two businesses – building products (cement asbestos products and fibre cement flat products like V-Boards and V-Panels) and textiles.

#### LISTING

The equity shares of Visaka Industries Limited are listed on the Bombay and National Stock Exchanges.

The Company enjoyed a market capitalisation of ₹115.60 crore (March 31, 2014). The promoters held 37.65% of the Company's equity share capital.

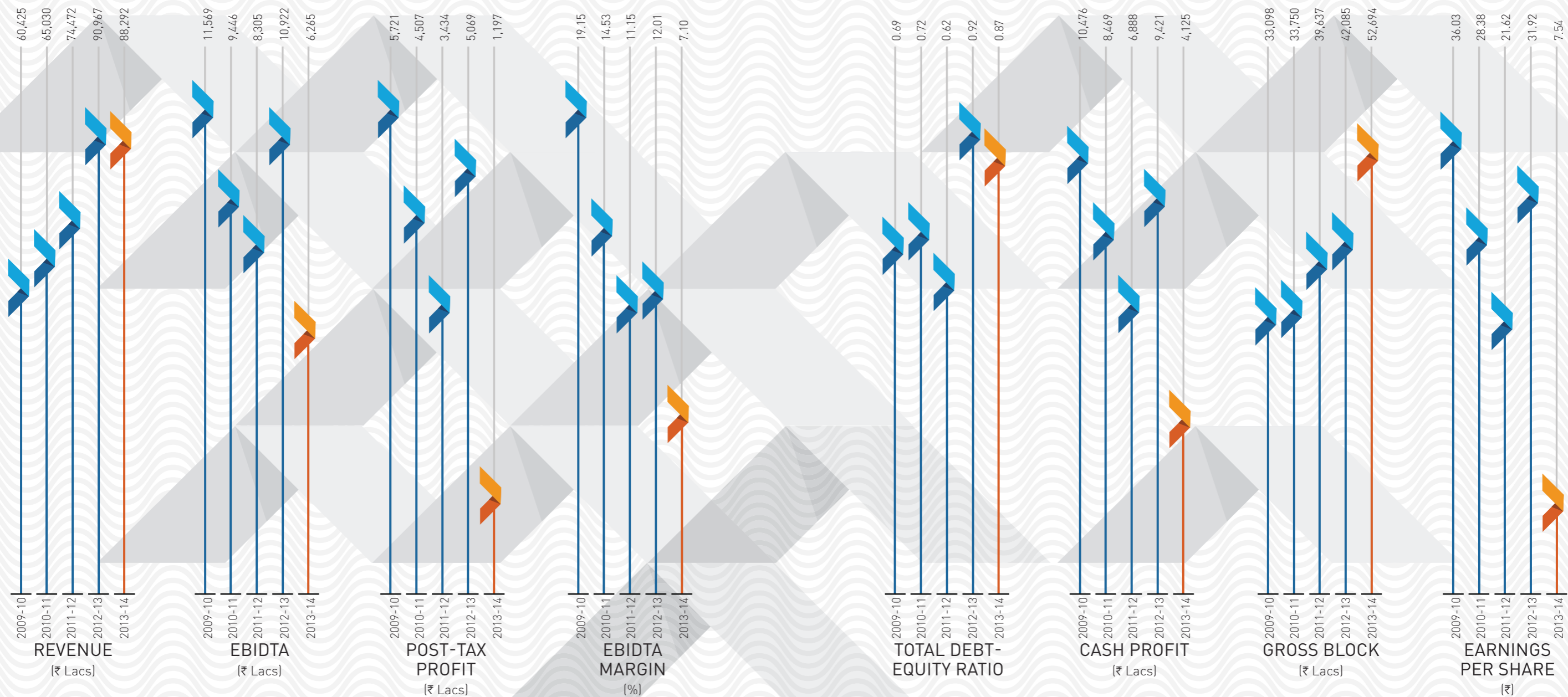
#### PRESENCE

The Company's corporate office is located in Hyderabad. Its manufacturing facilities are spread across 11 locations supported by nine marketing offices.

#### PRODUCTS

Products	Manufacturing facility	Cumulative installed capacity (March 31, 2014)
Cement asbestos products	Patancheru (Andhra Pradesh)	7,52,000 MT
	Vijayawada (Andhra Pradesh)	
	Paramathi (Tamil Nadu)	
	Tumkur (Karnataka)	
	Midnapur (West Bengal)	
	Rae Bareli (Uttar Pradesh)	
	Pune (Maharashtra)	
Fibre cement flat board products	Sambalpur (Odisha)	1,29,750 MT
	Miryalguda (Andhra Pradesh)	
	Daund (Maharashtra)	
Textiles	Nagpur (Maharashtra)	31 MTS M/CS

# OUR PERFORMANCE



# FINANCIAL HIGHLIGHTS, 2013-14

## REVENUES

### BUILDING PRODUCTS DIVISION

This segment reported revenues worth ₹705 crore and contributed 80% (82% in 2012-13) to the Company's overall revenues.

### TEXTILE DIVISION

This segment reported revenues worth ₹178 crore and contributed 20% (18% in 2012-13) to the Company's overall revenues.

## PRODUCTION

### BUILDING PRODUCTS DIVISION

- Production declined 19.5% for the cement asbestos segment with a capacity utilisation of 80% (99% in 2012-13).
- Production of V-Boards and V-Panels grew by 23%.

### TEXTILE DIVISION

Yarn production grew 9% to 8,614 tonnes (7,897 tonnes in 2012-13) with a capacity utilisation of 96% (95% in 2012-13).

## SALES

### BUILDING PRODUCTS DIVISION

- Sales volume declined by 6% for the cement asbestos segment.
- Sales volume for V-Boards and V-Panels grew by 21% and 26% respectively. Exports of fibre cement grew by 16%.

### TEXTILE DIVISION

Domestic sales grew by 12% to 6,913 tonnes of yarn (6,158 tonnes in 2012-13) while exports stood at 1,609 tonnes (2,094 tonnes in 2012-13).

# OUR COMPETITIVENESS

## DIVERSIFIED PRODUCT LINES

By definition, a corporate that focuses on a narrow range of products will only have access to a limited number of customers. Keeping this in mind, Visaka established its presence along multiple products and service lines (building products and synthetic blended yarn).

## WIDESPREAD MARKET PRESENCE

The Company addresses a range of customers - from rural Indians who buy cement asbestos sheets to global institutional customers who buy yarn to individual-cum-institutional customers who buy fibre cement flat products (V-Board and V-Panels).

## CAPITAL COST PER TONNE

The Company has invested in production capacities in markets with incipient demand and aims to capitalise on attractive equipment prices. The result is that the Company possesses one of the most competitive cement asbestos capacities in India (expressed in one of the lowest capital costs per tonne within its sector).

## RICH MANAGEMENT BANDWIDTH

The Company's management possesses a unique combination of experience and stability. Moreover, a majority of the senior managerial personnel has been with the Company for more than 15 years. With a keen emphasis on entrepreneurship, the senior management chalks out annual business plans, sets targets (revenues and profits) and defines employee responsibilities.

## CUTTING-EDGE TECHNOLOGICAL PLATFORM

The Company has reconciled global technology with unskilled labour across each of its businesses. Its fibre cement plants are fully-automated; its yarn manufacturing units use state-of-the-art twin air jet spinning technology (Murata).

## VALUE-ADDED

The Company has ventured into the manufacture of value-added customised yarn varieties that are relatively insulated from price-based competition. The efficacy of this strategy has been vindicated through enduring customer relationships.

## MANAGING DIRECTOR'S REVIEW

“DURING A CHALLENGING YEAR, WE INVESTED IN OUR BUSINESS TO CAPITALISE ON THE INDUSTRY REBOUND.”

*Dear shareholders,*

The year 2013-14 proved challenging for the Indian economy with GDP growth staying below 5% for the second successive year.

This weak growth was marked by high food inflation, low industrial investments, weak consumer sentiment and a volatile rupee.

The result was that rural consumers – the principal market for the Company's cement asbestos products, its largest revenue source – possessed lower disposable incomes with little purchasing power. With more than 78 million rural homes still not electrified and around 33% of the population (268 million) living on less than \$1 per day, demand was bound to be adversely affected.

As an extension of these realities, the Company's performance was affected. Visaka reported a 3 per cent decline in its topline of ₹892.10 crore in FY 14 (₹915.60 crore in FY13) and a lower profit after tax of ₹11.96 crore (₹50.68 crore in the previous year).

### COUNTERING CHALLENGES

The cement asbestos business, which contributed 75% to the Company's revenues in 2012-13, reported sluggish demand leading to a nationwide oversupply. This brought

down realisations by 4 per cent from their erstwhile peak levels. Moreover, as the rupee weakened and increased the landed cost of raw materials, which could not be passed on to the end-customers. The Company reported a decline in average capacity utilisation from 99% to 80%. Eight cement asbestos plants in the industry were compelled to cease production.

Besides, India's cement asbestos industry encountered a growing threat from the increased offtake of meta-colour roofing sheets. These coloured sheets were preferred by customers on account of their aesthetics, which carved out a sizeable chunk of the market, which was earlier occupied by cement asbestos sheets.

The country's cement asbestos sector is gearing to respond to this reality and expects to reverse this trend by projecting the relative disadvantages of steel sheets, thereby proving that cement asbestos sheets continue to be the most functionally efficient and economically apt rural roofing solution.

### STRENGTHENING THE BUSINESS

Over the last few years, Visaka Industries has utilised every industry downtrend as an opportunity to strengthen its business. The last

financial year was no exception; the Company selected to commission a new plant for the manufacture of 72,000 MT of non-asbestos flat boards. Besides, the Company integrated backwards by setting up a 2.5 MW solar power plant with the aim of curtailing its energy costs and strengthening its competitiveness.

#### Commissioning of a new unit:

The Company's first non-asbestos boards plant at Miryalguda reported a profit for the first time since being commissioned two years ago. This was a result of rising product awareness and operational streamlining on the part of Visaka. The Company is buoyant regarding the prospects of this business as non-asbestos flat boards (V-Boards) and sandwich panels (V-Panels) find growing acceptance in India in line with trends visible in other countries.

In view of this optimism, the Company commissioned a new non-asbestos fibre cement flat sheet plant in Daund (Pune) in October 2013. This expansion made Visaka the second largest player (capacity) in India. The ₹95 crore project was funded through bank borrowings (₹68.70 crore) and accruals (₹26.30 crore). The production and sale from this unit is yet to scale up, even as the Company proactively absorbed a high depreciation and interest costs for this unit during 2013-14.

**Solar power plant:** The Company established a 2.5 MW solar power plant at its first non-asbestos boards plant in Miryalguda at a cost of ₹22 crore, which was funded through accruals. This unit is expected to address 40% of the power requirements of the Miryalguda and Vijayawada plants (cement asbestos plant), helping the units tide over power outages and countering the cost of alternate power during such shutdowns. This plant is expected to start operations from May 2014 and is expected to generate 40 lac units annually with a projected eight year payback.

**Cost-effective:** The Company embarked on a number of initiatives to cut operational expenditure. As a means to this end, the Company widened its business without any manpower accretion and moderated its cement asbestos sheet inventory to moderate holding costs.

#### Strengthening spinning performance:

The Company's spinning division strengthened its competitiveness, growing revenues by 8% following a favourable industry scenario, which is expected to continue in 2014-15.

### WAY AHEAD

The management of Visaka Industries wishes to assure all its stakeholders that it has been through such

demand declines in the past and has lived to fight another day.

The cement asbestos division is expected to perform better in the face of a stronger rupee. Besides, cement and fly ash prices (raw materials) are expected to remain flat. Freight costs are expected to remain stable. The increase in power costs would be offset by the Company's solar power plant.

The performance of the Company's non-asbestos division is also expected to revive. Exports accounted for 25% of this division's production and this is expected to grow too. The Company is investing in educating carpenters, architects, interior designers, project consultants, dealers and distributors with the expectation of enhancing offtake and turning this division around by 2015-16.

In view of these initiatives, the Company is optimistic of capitalising on the sectoral rebound over the foreseeable future.

Sincerely  
**Smt. G. Saroja Vivekanand**  
Managing Director

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## DIVISIONAL ANALYSIS

BUILDING PRODUCTS  
DIVISIONSEGMENTAL  
COMPETITIVENESS

**High rank:** The Company was the seventh largest cement asbestos product manufacturer in India in 1996; it is the second largest today.

**Shopfloor efficiency:** The Company's shopfloor efficiency ensured that the products met the stringent ISI guidelines. Moreover, the Company's manufacturing plants consumed the lowest electricity per tonne.

**Organised distribution:** The Company possessed a strong distribution network comprising over 6,000 retailers (rural and the semi-urban markets). It derived 85 % of its sales from these markets while the rest was derived from institutional sales, governmental agencies, industries and poultry farms. The Company leveraged its superior marketplace knowledge by distributing directly to retailers as opposed to the conventional distributor-retailer model.

**Market share:** The Company's Visaka and Shakti brands enjoyed favourable recall across India's organised cement asbestos market.

**Fabrication capability:** The Company's rich engineering

competence was reflected in its ability to design and fabricate cement asbestos manufacturing equipment for six of its eight plants, helping keep capital costs considerably below the industry benchmark and by reducing project commissioning time.

**Pervasive presence:** The Company's cement asbestos product manufacturing facilities are dispersed nationally - four in Southern India, one in Northern India, two in Eastern India and one in Western India - thereby ensuring that regional needs are adequately addressed.

**De-risked product mix:** The Company's building products division comprises fibre cement boards (non-asbestos) used in urban and semi-urban interiors, giving us the opportunity to expand our customer base and grow the business.

**Advanced technology:** Visaka's fibre cement plant with cutting-edge automation ensures qualitative consistency.

**Superior quality:** The Company's fibre cement plant was certified by ISI. The V-Board division was invested with state-of-the-art HPSC technology conforming with ISO 14862-2000 compliances.

## INSTALLED CAPACITY

CEMENT ASBESTOS  
PRODUCTS  
**7,52,000 TPA**

FIBRE CEMENT  
SHEETS-V-BOARDS  
**1,20,000 TPA**

FIBRE CEMENT  
SHEETS-V-PANELS  
**9,750 TPA**

80%

Revenue contribution,  
2013-14

## CEMENT ASBESTOS PRODUCTS



The Company's building products segment was dominated by cement asbestos products (89% of the segmental revenue). The other segmental products comprised flat products like V-Boards and V-Panels.

The Company possessed 7,52,000 TPA of installed capacity for cement asbestos products. The Company retained its position as the second largest cement asbestos product manufacturer in India with a 17% market share.

The Company delivered superior load-bearing capacity which was higher when compared with the recommended standards. It bolstered its outdoor advertising campaign, influenced decision-makers, marketed the 'perfect shelter' concept and ensured that retailers were

71%

Revenue contribution, 2013-14

7,52,000 TPA

Capacity installed



adequately stocked. The division engaged in periodic dialogues with customers, architects, government engineers and farmers to access feedback and generate awareness.

#### HIGHLIGHTS, 2013-14

- The division's revenue stood at ₹62,901 lac against ₹68,420 lac in 2012-13.
- Capacity utilisation was 80% (99% in the previous year) owing to sluggish product offtake.
- The Company highlighted superior product attributes to customers.

#### OPPORTUNITIES

In India, the offtake of cement asbestos products is largely influenced by rural incomes and how competitively priced the product is compared to alternative materials.

Cement asbestos products represent a convenient intermediate roofing product in rural and semi-urban India. The product's scope is

highlighted by the fact that nearly half the country's rural population lives in kutcha or semi-pucca dwellings, which would need to be graduated to organised homes when disposable incomes increase. The sector's attractiveness is indicated by its size: 68% of India's population is rural, translating into a market of around 83 crore consumers, with a huge rural housing shortage. As per the 2011 census, 59.7% of the houses in India were classified as pucca, 28.06% as semi-pucca and 12.24% as kutcha. Among pucca houses, less than half used RCC slabs; the rest used ready-house roofing products (fibre cement roofing and metal roofing). Interestingly, the cost of a pucca roof using fibre cement roofing was only a third of the cost of a RCC ceiling slab.

#### OUTLOOK

Following focused communication, the Company expects to revive the demand for this product.

#### ADVANTAGES OF CEMENT ASBESTOS SHEETS

**Durability:** Asbestos fibre when mixed with cement increases product longevity. For example, asbestos cement roof sheets last an average of 50 years, longer than other sheeting materials (wood and plastic).

**Inexpensive:** Cement is fairly inexpensive construction material. The real cost lies in the additive material known to increase the strength of the concrete, which leads to a cheaper construction piece (wall sheet or pipe) but with the same durability.

**Fireproof:** Asbestos fibres are resistant to fire and chemical damage. Asbestos doesn't burn, so using asbestos cement in areas prone to fire (electrical components or in commercial buildings with high heat sources) is considered safe.

## FIBRE CEMENT SHEETS (NON-ASBESTOS) – V-BOARDS AND V-PANELS



The Company's building products division manufactures flat products like V-Boards and V-Panels.

The Company possesses an installed capacity of 1,20,000 MT of V-Boards (Fibre cement flat sheets) and 9,750 MT of V-Panels. The Company proactively commissioned a 72,000 TPA plant at Daund (Pune) during the year under review to address growing product demand. As a result, the Company possesses the second largest fibre cement sheet capacity in the country.

In the last few years, the use of flat products (V-Boards and V-Panels) increased on account of a superior price-value proposition over alternatives. A shift in application



9%

Revenue contribution, 2013-14

1,29,750<sub>TPA</sub>

Capacity installed

25%

Sales increase, 2013-14



from plywood, particle boards and MDF boards to cement fibre sheets could catalyse demand leading to increased onward use in interiors, partitions, panelling, door panels and mezzanine flooring, among others.

### V-BOARDS

The Company established its V-Board business in May 2008. The products are buoyed with HPSC technology conforming to ISO 14862-2000 norms. The offtake of cement bonded boards grew following enhanced product awareness, shift from timber products (due to advantages of fire, water and termite resistance over plywood and particle boards), higher affordability, low maintenance

costs, low erection cost, greater functionality, easy transportability (rather than having to be mixed on-site) and safety in seismic zones.

### HIGHLIGHTS, 2013-14

- Revenue grew from ₹5,318 lac in 2012-13 to ₹6,619 lac.
- The Company's second unit was commissioned in October 2013, reinforcing the Company's position as a sectoral leader.

### V-PANELS

Visaka possesses an installed capacity of 9,750 TPA. The Company's customers for V-Panels comprise GMR Group, Punj Loyd,



Shapoorji Pallonji, Soma Enterprises, TCS, Gujarat Ambuja port, Eenadu Group, Coastal Projects, Uranium Corporation and Larsen & Toubro, among others.

The product is increasingly preferred for the following reasons:

- This non-asbestos product is ideal in interiors (created using cement, fly ash and polystyrene beads).
- The product is positioned as a dry wall substitute and ideal in disaster-prone areas, low on maintenance, space-efficient and ideal wherever real estate is expensive.
- The product is lighter than bricks, quicker to erect, matches wall

strength and axial load. The product is preferred on account of its superior size-weight ratio and dry wall concept.

- The product is labour-efficient and can be erected by few individuals and reused across locations.

### HIGHLIGHTS, 2013-14

- Increased production from 7,514 MT in 2012-13 to 9,176 MT in 2013-14.
- Increased sales from 6,875 MT in 2012-13 to 8638 MT in 2013-14.
- Grew revenues from ₹990 lac in 2012-13 to ₹1,247 lac; EBITDA stood at ₹94 lac in 2013-14 against ₹61 lac in 2012-13.

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## DIVISIONAL ANALYSIS

## TEXTILE DIVISION

Visaka Industries diversified into the manufacture of synthetic yarn in 1992. Its textile division manufactures yarns using state-of-the-art twin air jet spinning machines (Murata, Japan) with 31 MTS machines (equivalent to 55,000 ring spindles) where yarn quality is superior to conventional ring frame yarn.

## MANUFACTURING CAPABILITIES

Visaka invested in the world's largest double yarn manufacturing plant based on twin air jet spinning. The unit developed mélange yarns, grindle yarns, high twist yarns and specialty yarns with different blend styles.

The unit is the largest global facility using Murata equipment, reporting one of the highest efficiencies. A strong procedural control translated into Visaka being bestowed with an ISO certification as early as in 1995 and Star Export House status in 2008. Visaka's yarns are environment-friendly and are certified as per the demanding OEKO-TEX standards.

The Company's air-jet yarns are marked by low pilling, no singeing, excellent dye pick-up, low picks per inch, low weaving cost, low value loss/ fresher piece length, perspiration absorption, low shrinkage and

smooth appearance value.

## SEGMENT COMPETITIVENESS

**Value-added:** The Company manufactures value-added yarn, enjoying some of the highest margins in its segment.

**Engineering excellence:** The Company produced dyed yarns at a speed higher than the equipment manufacturer's recommendation.

**Large scale:** The Company enjoys attractive scale; it possesses the single largest twin airjet equipment installation in India and one of the biggest such installations in the world.

**Best-in-class quality:** The Company's products figure in the top five percentile of Uster-standards in the world.

**Niche presence:** The Company selected to specialise in the niche segment of a commodity business (polyester spun yarns as well as products from 30s to 76s counts - double yarn) to cater to discerning customers.

**Benchmarked productivity:** The Company's twin airjet productivity is identified as a benchmark by machinery manufacturers (Murata, Japan).

TWIN AIRJET SPINNING  
POSITIONS  
CAPACITY INSTALLED  
**2,032**

SALES INCREASE,  
2013-14  
**8%**

**20%**

Revenue contribution,  
2013-14



**Reputed clientele:** The Company's domestic textile clients comprise brand-enhancing names like Grasim Industries, Siyaram Silk, S. Kumar Nationwide, Shreekar Polyester, Puneet Syntex, Anand Silk Mills, G.M. Knitting Industries, D. C. Textiles, Kalpesh Synthetics and Raj Rajendra Industries, among others.

**Environment-friendly processes:** Visaka's yarns are environment-friendly and OEKO-TEX-certified. The Company's stringent adherence with quality processes resulted in it receiving the ISO certification.

## HIGHLIGHTS, 2013-14

- Revenues grew from ₹16,493 lac in 2012-13 to ₹17,813 lac while EBIDTA stood at ₹2,833 lac in 2013-14 (₹2,219 lac in 2012-13).

- Average realisations increased from ₹200 per kg in 2012-13 to ₹209 per kg in 2013-14.

- Over 19% of the division's production was exported to value-added fabric makers (used in sun umbrellas, venetian blinds, table linen and automotive fabrics).

## OUTLOOK

The Company expects to maintain stable growth, enhancing the production of specialty and value-added yarns.

The global textile and apparel industry is undergoing sweeping changes resulting in a growing usage of textiles in diverse areas. As per the *Global Textile and Apparel Industry: Vision 2015*, the world textile and

apparel trade is expected to grow from 24 MMT to 105 MMT by 2020; polyester is expected to comprise 68% of the global demand growth.

The Indian textile and apparel sector is expected to attain a market size of US\$ 220 billion by 2020 with an annual growth rate of 11%. As per the Federation of Indian Chamber of Commerce and Industry (FICCI), India's textile exports are expected to rise from US\$ 21 billion in 2012 to US\$ 145.6 billion by 2023.

India stands to improve its share of the global textile and apparel trade from 4.5% to 8% and in doing so, reach a US\$ 80 billion size by 2020. The country is poised to enhance its share of the global polyester market from 8% to 10%.