

focused

Visaka Industries Limited | Annual Report 2015-16



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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Notice

At Visaka **focused** means...

...**The ability**
to invest in capacities and
capabilities even during
industry downtrends.

...**The capacity**
to keep the long-term in
mind without being affected
by short-term realities.

...**The consistency**
to believe that a mix of
businesses enhances
corporate stability.

This conviction translated
into superior numbers in
a challenging 2015-16.

Even when the
Company's flagship
business encountered
weakness, the Company
reported a 15% growth in
profit after tax.

Focus pays.

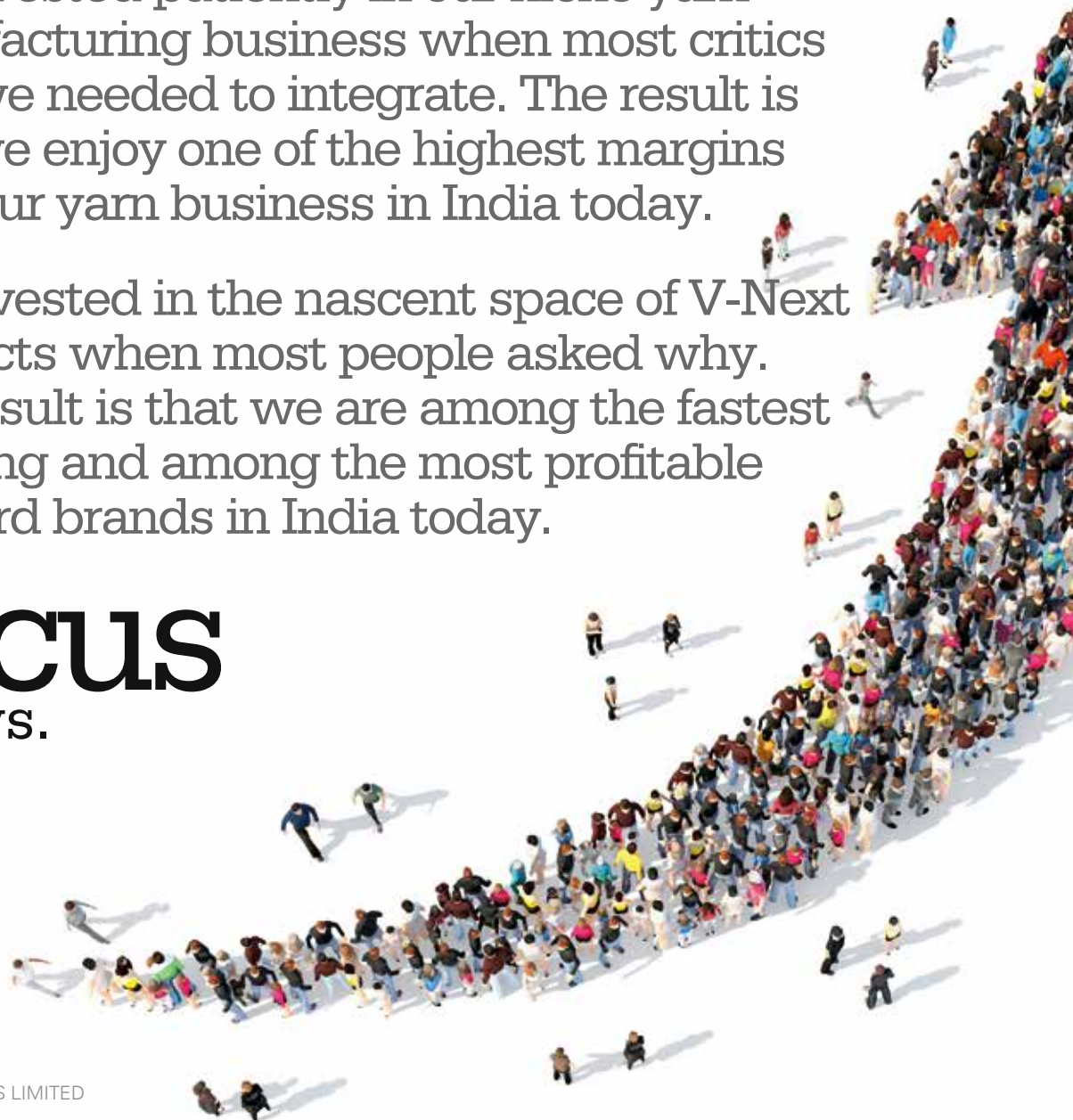
At Visaka Industries, focus represents the cornerstone of our business.

We invested in our asbestos cement sheets business across market cycles. The result is that we are the second largest manufacturer in India with one of the most competitive operating structures.

We invested patiently in our niche yarn manufacturing business when most critics said we needed to integrate. The result is that we enjoy one of the highest margins from our yarn business in India today.

We invested in the nascent space of V-Next products when most people asked why. The result is that we are among the fastest growing and among the most profitable V-Board brands in India today.

focus
grows.



Our vision

Committed to be
“Credible, Passionate
and an Innovative”
solution providing
company.

Our business

Visaka Industries was established in 1985 by Dr. G. Vivekanand, a first generation entrepreneur. The Company is engaged in two businesses – building products (cement asbestos products and fibre cement boards like V-Boards and V-Panels) and synthetic yarns. The building products business accounted for 83% of revenues and the textiles business 17% of revenues in 2015-16.

Our presence

Visaka Industries is headquartered in Hyderabad. The Company has 11 manufacturing facilities pan-India.

The building products facility has been invested with an aggregate annual production capacity of about 8,02,000 tonnes of cement asbestos sheets and 1,29,750 tonnes of fibre cement flat board products. The Company owns a yarn spinning plant rated to produce 9,300 tonnes per annum.

The Company's manufacturing units are supported by nine pan-India marketing offices.

Our reach

Visaka Industries' products are available pan-India, distributed through 41 sales depots and more than 6,000 dealer outlets across cities and villages. The Company's building products (the V-Next Products) are exported to around 15 countries. The Company's textile yarns are exported to 17 countries globally.

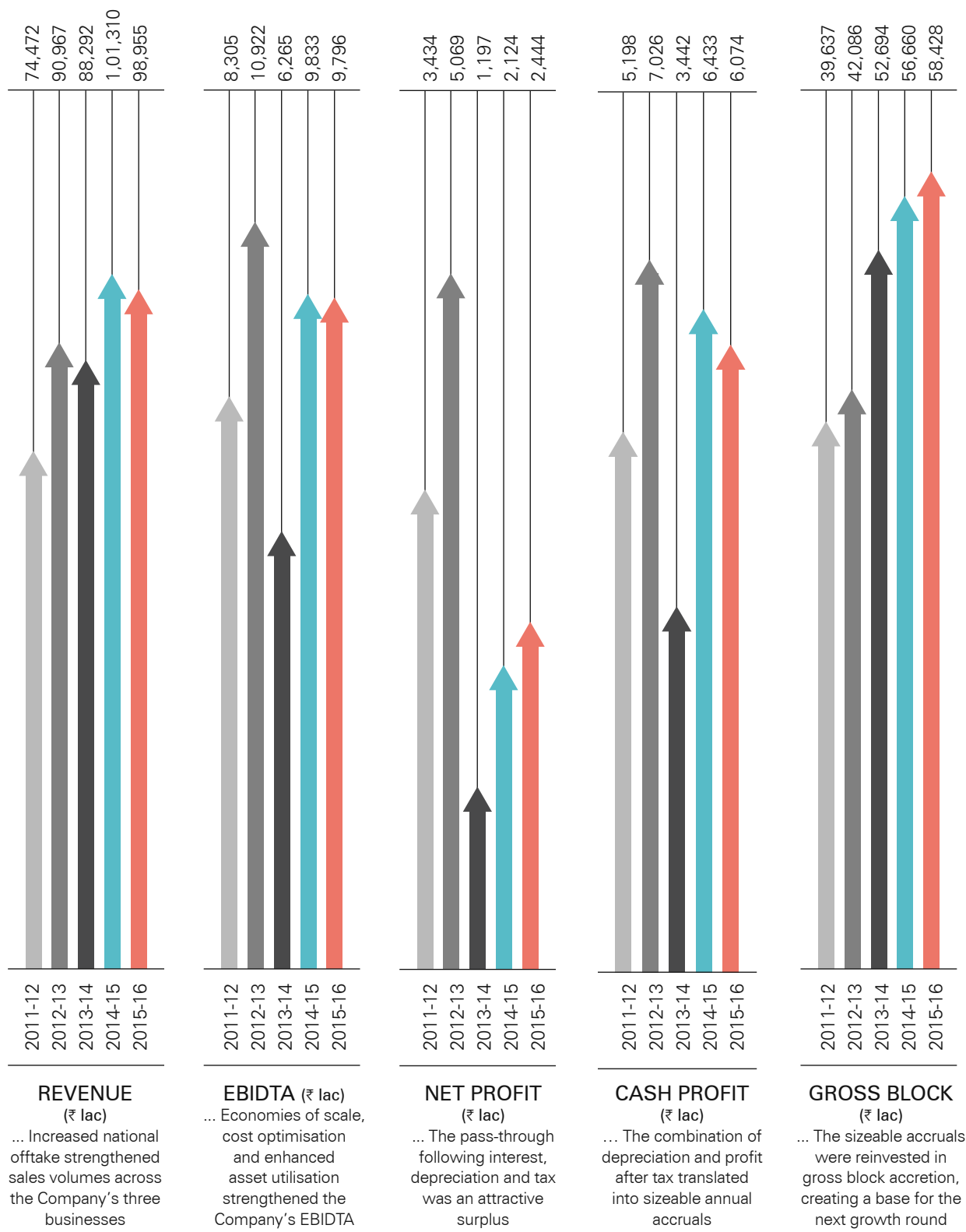
Our listing

Visaka Industries' equity shares are listed and actively traded on the Bombay and National Stock Exchanges.

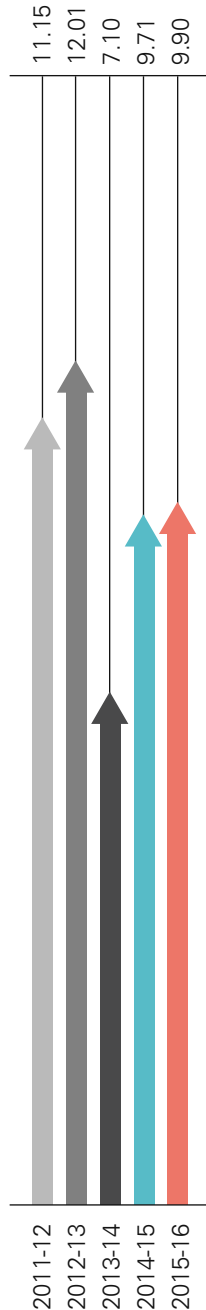
The Company enjoyed a market capitalisation of ₹168 crore as on March 31, 2016. The promoters held 37.54% of the Company's equity share capital as on that date.

Products	Location	Total capacity (MTPA)	Capacity utilisation (% , 2015-16)
Cement asbestos	<ul style="list-style-type: none"> • Patancheru (Telangana) • Vijayawada (Andhra Pradesh) • Paramathi (Tamil Nadu) • Tumkur (Karnataka) • Midnapore (West Bengal) • Rae Bareli (Uttar Pradesh) • Pune (Maharashtra) • Sambalpur (Odisha) 	8,02,000	86
Fibre cement products	<ul style="list-style-type: none"> • Miryalguda (Telangana) • Delwadi (Maharashtra) 	1,29,750	82
Textiles	<ul style="list-style-type: none"> • Nagpur (Maharashtra) 	33 MTS machines	96

Visaka's focus has translated into stable financials across economic cycles

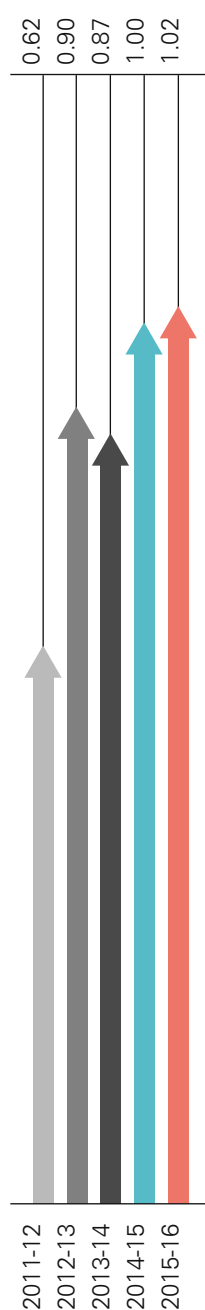


Financial highlights, 2015-16



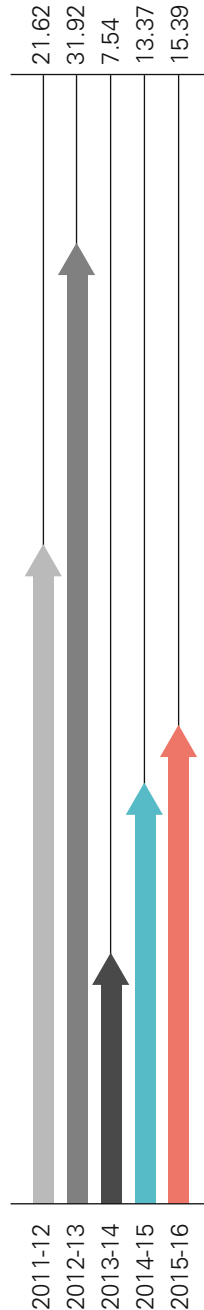
EBITDA MARGIN (%)

... The Company's competitive advantages translated into attractive margins across market cycles



DEBT-EQUITY RATIO (x)

... The Company focused on protecting its Balance Sheet integrity through moderate gearing



EPS (₹)

... The Company's strategic combination of aggression and conservatism translated into attractive shareholder return

Revenues

Building products division

This segment reported revenue of ₹818 crore and contributed 83% (82% in 2014-15) to the Company's overall revenue.

Textile division

This segment reported revenue of ₹172 crore and contributed 17% (18% in 2014-15) to the Company's overall revenue.

Production

Building products division

- Production declined by 10% for the cement asbestos segment in 2015-16 with a capacity utilisation of 86% (96% in 2014-15), to reduce inventories.
- Production of V-Board grew 24%.

Textile division

Production grew 4% with a capacity utilisation of 96.40% (95.90% in 2014-15).

Sales

Building products division

- Sales volume declined by 2.7% for the cement asbestos segment in 2015-16.

- Sales volume for V-Board grew 15%. Exports for the fibre cement v-boards grew 2%.

Textile division

Domestic sales volume declined by 1.4% in 2015-16; exports registered an increase of 16% in volume.



V-Board – Mezzanine flooring, Chennai



V-Premium – Poolside decking, Hyderabad



V-Board – Kitchen cabinets, Hyderabad



V-Plank – External cladding, Hyderabad



V-Board – Acoustic partition panelling, Mumbai



V-Premium – External cladding using CNC cut, Madurai



V-Premium – Duct covering using CNC cut, Ahmedabad



Kerala



V-Plank – Elevation cladding, Vizag



V-Plank – Wall panelling, internal partition, Kerala



V-Premium – Roof underlay, Kerala



V-Plank – Soffit application, Hyderabad

Managing Director's review

Devi Shankar Singh

THE BIGGEST MESSAGE THAT I WISH TO SEND OUT TO OUR SHAREHOLDERS IS THAT THE PERFORMANCE OF THE COMPANY DURING THE YEAR UNDER REVIEW REPRESENTED A VALUATION OF ITS DIVERSIFIED BUSINESS MODEL.

Over the years, a number of shareholders and analysts have questioned the diversified model of the Company on the grounds that the businesses – textiles and building products – were unrelated and represented no synergistic fit. When the Company went one step ahead and introduced a second building product, analysts increased their pitch on the grounds that the diverse business basket for the Company would not prove value-accretive.

For a number of years, we kept defending our decision to diversify our business mix on the grounds that their being unrelated was in itself the single biggest reason why they needed to be reconciled within a single business model. When one business did not perform well enough, another from within the same company would serve as a buffer. The nature of the combination – two unrelated businesses – would itself serve as the basis of the Company's long-term sustainability.

I am pleased to state that this business model was successfully validated during the year under review. The Company reported a 2.3% decline in revenues corresponded by a 15% growth in

profit after tax. This improvement transpired even as the Company's flagship division reported a decline in volumes, revenues and profits. The fact that the Company could report an improvement in its performance when its principal engine underperformed represents a validation of its strategic robustness and overall sustainability.

Our asbestos sheet business

The asbestos sheet segment of the building products business encountered one of its most challenging years. The business delivered a decline in sales volume by 2.7% as against 2014-15, with an installed capacity of 8,02,000 tonnes.

That the Company reported a capacity utilisation as low as 86% for a product considered intrinsic to rural lives was a reflection of the weakness in India's rural economy. Two successive weak monsoons affected rural incomes; new home building and renovations were postponed; asbestos sheet offtake was affected. Food inflation moderated the surplus available with rural Indians that would otherwise have been invested in home building. Besides, the cost of colour coated steel sheets – considered an asbestos sheet alternative - declined as a result of a