

An abstract graphic composed of numerous overlapping, semi-transparent red and orange rectangular planes. These planes are arranged in a way that creates a sense of depth and movement, appearing to converge towards a vanishing point in the upper right corner. The planes are illuminated from within, creating a warm, glowing effect with some areas appearing brighter than others.

Discipline

How disciplined decisions helped
Visaka build a sustainable organisation

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 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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Discipline and Visaka Industries Limited.

The year 2019–20 was challenging for the Indian economy. The economy experienced a structural and cyclical slowdown, growing at a weak 4.2%.

The real estate sector reported subdued growth. Consumer spending weakened. Industrial production and investment slowed. The Covid–19 pandemic disrupted the business environment.

At Visaka, we responded to these realities with a sustained focus on strengthening our fundamentals and providing quality products. Besides, Visaka's investing and execution discipline helped insulate the Company from market challenges.

The result is that Visaka retained its position as the second largest cement asbestos manufacturer in India with 18% market share. Retained its leadership position in the fibre cement boards segment offering a superior range of VNext products. Reinforced its leadership in the twin air–jet spun yarn segment. And introduced a one–of–a–kind solar roofing product, reinforcing its respect as a market–facing company.

Our presentable performance in a relatively weak operating environment comes down to one attribute.

Discipline.

At Visaka, our decisions are as much influenced by ‘what will be’ as much as by ‘what is’.

Making it possible to blend real-time responsiveness with long-term outcomes.

Making it possible to outperform our peers across market cycles.

Strengthening business sustainability.

Our ethos

Vision:

Committed to be a ‘credible’, ‘passionate’ and ‘innovative’ solutions-providing company

Mission:

To be a complete cost-effective and qualitative building solutions provider. To identify potential products, which add value to societal needs. To explore and enhance our niche textile markets. To create value and trust among all stakeholders

Values



Initiative,
responsibility and
accountability



Care,
compassion
and courtesy



Ethical functioning,
fairness and
transparency



Trust, good
faith and
integrity



Rich experience

Established in 1981 by Dr. G. Vivekanand, Visaka Industries Limited is now being stewarded by Mr. G. Vamsi Krishna, son of Dr. G. Vivekanand and Mrs. Saroja Vivekanand. Over four decades,

Visaka has progressed to become one of the leading building construction material providers in the country.



Product basket

The Company started business with the manufacture of corrugated cement fibre sheets in 1985 and in 1992, diversified into the manufacture of synthetic yarns. The Company diversified into manufacture of VNext fibre cement boards in 2009 and in 2018, launched

one-of-its-kind solar roofing product called ATUM. The company's non-asbestos business is expected to account for approximately 50% of the business over the next three years from around 40% today.



Nation-wide footprint

Headquartered in Hyderabad, Visaka has 12 manufacturing locations. Its building products facility possesses an annual aggregate production capacity of 8,02,000 tonnes of cement asbestos sheets and 1,79,750 tonnes of fibre cement flat board products. The

Company's yarn spinning plant possesses an annual production capacity of 2,752 twin air-jet spinning positions equivalent to 82,560 spindles. The Company's manufacturing units are supported by 13 marketing offices across India.



Extensive network

The Company markets products directly to retailers as opposed to pursuing the conventional distributor-retailer approach, facilitating a superior understanding of

marketplace realities. The Company's distribution network comprises >7,000 dealers in India's urban, rural and suburban markets.



Listing

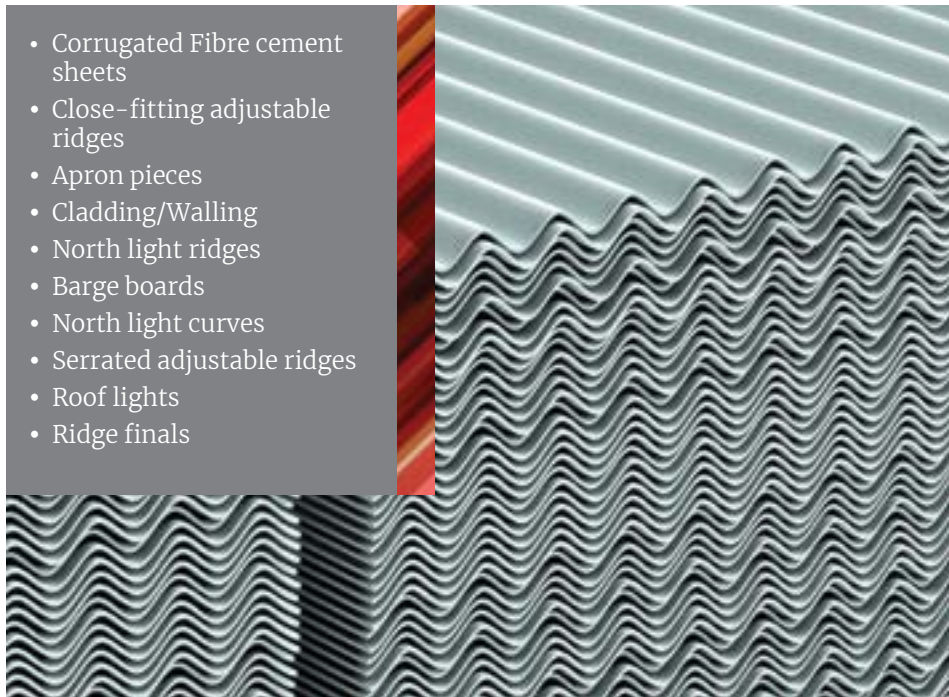
The Company's equity shares are listed and actively traded on the BSE and NSE. Visaka's market capitalisation as on 31st March 2020

stood at ₹214 crore and the promoter's holding stood at 42.46%.

Business segments and products offered

Cement asbestos

- Corrugated Fibre cement sheets
- Close-fitting adjustable ridges
- Apron pieces
- Cladding/Walling
- North light ridges
- Barge boards
- North light curves
- Serrated adjustable ridges
- Roof lights
- Ridge finals



VNext

- VNext Board
- VNext Panel
- VNext Designer
- VNext Plank
- VNext Premium
- VNext Infill



Yarns

Cotton-touch air-jet-spun polyester yarns



Solar roofing

ATUM



How Visaka's discipline translated into growth

Revenues (₹ crore)

FY2019-20	1,047
FY2018-19	1,127
FY2017-18	997
FY2016-17	951

Definition

Growth in sales net of taxes

Why is this measured?

It is a measure that indicates the Company's ability to maximise market import through superior product mix, pricing and value proposition.

What does it mean?

The number measures the sales impact of the various products of the Company.

Value impact

Aggregate sales revenue decreased by 7% to ₹1,047 crore in FY2019-20 following subdued demand for fibre cement sheets and the imposition of a nationwide lockdown during the crucial last week of March 2020.

EBITDA (₹ crore)

FY2019-20	115.49
FY2018-19	155.65
FY2017-18	154.73
FY2016-17	122.90

Definition

Earnings before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax)

Why is this measured?

It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures and can be easily compared with retrospective averages of sectoral peers.

What does it mean?

Helps create a surplus engine that allows the Company to build competitiveness in a sustainable manner.

Value impact

The Company reported a temporary decline in EBITDA due to a slowing economy during the year under review.

Net profit (₹ crore)

FY2019-20	49.30
FY2018-19	67.41
FY2017-18	66.55
FY2016-17	42.78

Definition

Profit earned during the year after deducting all expenses and provisions

Why is this measured?

It highlights the strength in the business model in generating value for shareholders.

What does it mean?

Ensures that adequate cash is available for reinvestment, allowing the Company's growth engine to sustain.

Value impact

The Company reported a 26.9% decrease in its net profit in FY2019-20.

EBITDA margin (%)

FY2019-20	11.04
FY2018-19	13.82
FY2017-18	15.51
FY2016-17	12.93

Definition

EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency

Why is this measured?

The EBITDA margin provides an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

What does it mean?

Demonstrates adequate buffer in the business, which, when multiplied by scale, enhances surpluses.

Value impact

The Company reported a 278 bps decrease in EBITDA margin during FY2019-20 on account of a decline in revenues and realisations.

ROCE (%)

FY2019-20	9.03
FY2018-19	14.92
FY2017-18	16.31
FY2016-17	13.43

Definition

It is a financial ratio that measures a company's profitability and the efficiency with which capital is employed in the business

Why is this measured?

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

What does it mean?

Enhanced ROCE can potentially drive valuations and perception (on listing)

Value impact

The Company reported a 589 bps decrease in ROCE during FY2019-20 due to sluggish demand for cement asbestos sheets coupled with increasing costs.

Gearing (x)

FY2019-20	0.60
FY2018-19	0.57
FY2017-18	0.63
FY2016-17	0.64

Definition

This is derived through the ratio of debt to net worth (less revaluation reserves)

Why is this measured?

This is one of the defining measures of a company's financial health, indicating the ability of the company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the company to sustain growth in profits, margins and shareholder value.

What does it mean?

Adds value in the hands of shareholders especially when gearing is on the lower side, resulting in lower interest costs.

Value impact

The gearing remained more or less constant during the year under review.

Debt cost (%)

FY2019-20	5.90
FY2018-19	7.10
FY2017-18	6.90
FY2016-17	6.50

Definition

This is derived through the calculation of the average cost of the consolidated debt on the Company's books

Why is this measured?

This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

What does it mean?

Enhanced cash flows; strengthened credit rating for successive declines in debt cost

Value impact

This ratio should ideally be read in conjunction with net debt/operating profit (an increase indicating higher liquidity). The debt cost of the company declined 120 bps during the year.

Interest cover (x)

FY2019-20	6.6
FY2018-19	7.8
FY2017-18	8.5
FY2016-17	6.3

Definition

This is derived through the division of EBITDA by interest outflow

Why is this measured?

Interest cover indicates the Company's comfort in servicing interest – the higher the better.

What does it mean?

A company's ability to meet its interest obligations, an aspect of its solvency, is arguably one of the most important factors in guaranteeing sizeable returns to shareholders.

Value impact

The interest cover stood at a healthy 6.6 at the end of the year.

Net worth (₹ crore)

FY2019-20	505.01
FY2018-19	499.50
FY2017-18	445.66
FY2016-17	392.57

Definition

This is derived through the accretion of shareholder-owned funds

Why is this measured?

Net worth indicates the financial soundness of the company – the higher the better.

What does it mean?

This indicates the extent to which the company can sustain business with shareholder funds, generally assumed to be the lowest cost of capital.

Value impact

The Company's net worth strengthened 1.10% during the year.

How Visaka's equity price (CAGR) performed vis-à-vis the BSE Sensitive Index

Year	1 year	3 years	5 years	10 years
Stock price	-67 %	-21%	8%	0.2%
Sensex	-24 %	-0.2 %	1%	5%

Key performance

	FY 18-19	FY 19-20	Increase/ (Decrease)
Working capital cycle (days)	112	124	12
Debtors' turnover cycle (days)	50	49	[1]
Inventory turnover cycle (days)	88	106	18
Return on gross block (%)	23%	14%	[9]

FROM THE JOINT MANAGING DIRECTOR'S DESK

G. Vamsi Krishna, *Joint Managing Director*

The discipline of investing in our capabilities helped us consolidate our market position and growth during a challenging 2019-20.

The rural economy suffered as credit flows weakened, affecting rural demand in 2019-20. Banks were hesitant in assisting NBFCs, given the liquidity crunch caused by an NBFC major, weakening real estate growth.

Investing in discipline

At a time of market weakness, Visaka deepened its discipline around focus and capabilities.

We focused equally on both businesses – our asbestos-based and non-asbestos businesses, strengthening new revenue engines.

We focused on reaching out to a diverse set of customers, broadbasing our revenues.

We enhanced our operating efficiencies that helped moderate costs. We deployed specialised technology to manufacture niche products for brand-enhancing customers.

We focused on global opportunities that widened our international footprint. Our VNext products were exported to the Middle East, Africa, South-East Asian countries and US. The fact that we could market our products internationally enhanced our confidence.

We focused on product development to address market opportunities. We graduated from the commodity end of the business to the more customised boutique end of the business, insulating the business from weaker

THE RESULT IS WE RETAINED OUR POSITION AS THE **LARGEST PRODUCER OF FIBRE CEMENT BOARDS AND PANELS GENERATING A POSITIVE BRAND RECALL.**

realisations. We enjoyed traction for our revolutionary solar roofing solution – ATUM – that was enthusiastically embraced in the marketplace.

We adhered to stringent quality checks to ensure the highest

product quality and customer trust. Our products were certified from laboratories in Singapore and Australia. We received the prestigious UL certification for ATUM that empowered us to sell in America and Europe.

The result is we retained our position as the largest producer of fibre cement boards and panels generating a positive brand recall. We retained our position as the largest twin-jet spinner and second-largest cement asbestos sheet manufacturer in the country. In a sluggish economy for the textile industry, we produced at peak capacity, sold our highest volumes and generated attractive margins.

Attractively positioned

The Government of India played a vital role in empowering farmers by introducing the Direct Benefit Transfer Scheme, raising disposable incomes in rural areas. Progressive policies like Housing for All catalysed building products demand in rural and semi-urban areas.

The Central Government reduced the GST rate on affordable housing