



VISAKA INDUSTRIES LIMITED[®]

CIN: L52520TG1981PLC003072

CORP OFF : "VISAKA TOWER", 1-8-303/69/3, S.P. ROAD, SECUNDERABAD - 500 003.
TEL : +91-40-2781 3833, 2781 3835, www.visaka.co E-mail : vil@visaka.in

Ref: VILSTEX/ConcallTranscript/FY2023/70

Date: 11.11.2022

To,

National Stock Exchange of India Limited, Exchange Plaza, 5 th Floor, Plot No. C/1G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051	BSE Limited, The Senior General Manager, Listing Compliances, Floor 25, P. J. Towers, Dalal Street, Mumbai – 400 001
Scrip Code – VISAKAIND	Scrip Code – 509055
ISIN CODE: INE392A01013	

Sub: Transcript of Analysts/Investors ConCall pertaining to the Financial Results for the second quarter / half year ended September 30, 2022

Dear Sir/s,

Further to our letter Ref: VILSTEX/ConCall/FY2023/64 dated 05.11.2022, please find enclosed herewith transcript of the Analysts / Investors Call held on Monday, November 7, 2022 on the performance of the Company including Audited Standalone and Consolidated Financial Results of the Company for the second quarter / half year ended September 30, 2022.

Link: https://www.visaka.co/assets/website/files/investors/concall_files/TRANSCRIPTION-ConCall-Nov07-2022.pdf

This is for your information and dissemination please.

Thanking you,

Yours faithfully,

For VISAKA INDUSTRIES LIMITED

Ramakanth Kunapuli

AVP & Company Secretary

Encl. a/a

Regd. Office & Factory : A.C. Division I, Survey No. 315, Yelumala Village, R.C. Puram Mandal, Sanga Reddy District, T.S, Pin 502 300.
Factory : A.C. Division II : Survey No. 170/1, Manikantham Village, Paramathi-Velur Taluq, Namakkal District, Tamil Nadu, Pin 637 207.
Factory : A.C. Division III : GAT.No.70/3A & 70/3A/3 & 70/1B &70/1C, Sahajpur Industrial Area, Nandur (V), Daund (Tq), Pune, Maharashtra, Pin 412 020.
Factory : A.C. Division IV : Plot No.11, 12,18 To 21 & 30, Changsole Mouza, Bankibundh G.P. No. 4, Salboni Midnapur West, W.B, Pin 721 147.
Factory : A.C. Division V : Survey No. 90/2A 90/2B 27/1, G.Nagenhalli Village, Kempannadodderi Post, Kestur Road, Kora Hobli, Tumkur Dist, Karnataka, Pin 572 138.
Factory : A.C. Division VI : Village & Post, Kannawan, PS Bachrawan, Tehsil Maharajgunj, Dist Raebareli, U.P, Pin 229 301.
Factory : A.C. Division VII : Survey No. 385, 386, Jujjuru (V), Near Kanchikacharla, Veerulapadu (M), Krishna Dist, A.P, Pin 521 181.
Factory : A.C. Division VIII : Plot No. 1994 (P) 2006, Khata No. 450, Chaka No. 727, Paramanpur (V), P.S. Sason, Tehsil Maneswar, Sambalpur Dist, Odisha, Pin 768 200.
Factory : Textile Division : Survey No. 179 & 180, Chiruva Village, Mouda Taluk, Nagpur District, Maharashtra, Pin 441 104.
Factory : V-Boards Division I : Gajalapuram Village, Kukkadam Post, Vemulapaly Mandal, Adjacent to Kukkadam Railway Station, Nalgonda Dist, T.S, Pin 508 207.
Factory : V-Boards Division II : GAT No : 248 & 261 to 269, Delwadi Village, Daund Taluq, Pune Dist, Maharashtra, Pin 412 214.
Factory : V-Boards Division III : Mustil Nos. 106, 107 & 115, Jhaswa Village, P.S. & Tehsil Salawas, Jhajjar, Haryana, Pin 124 146.



**“Visaka Industries Limited
Q2 FY2023 Earnings Conference Call”**

November 07, 2022



ANALYST: MR. MANISH VALECHA - ANAND RATHI SHARES & STOCK BROKERS LIMITED

**MANAGEMENT: MR. VAMSI KRISHNA - JOINT MANAGING DIRECTOR - VISA KA INDUSTRIES LIMITED
MR. S. SHAFIULLA - CHIEF FINANCIAL OFFICER - VISA KA INDUSTRIES LIMITED
MR. VINAY BATHIJA – HEAD - INVESTOR RELATIONS - VISA KA INDUSTRIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Visaka Industries Limited's Q2 FY2023 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Valecha from Anand Rathi Shares and Stock Brokers Limited. Thank you and over to you Sir!

Manish Valecha: Thank you. Welcome you all to the 2Q FY2023 results conference call of Visaka Industries Limited. We have with us from the management Mr. Vamsi Krishna - Joint Managing Director, Mr. Shafiulla - Chief Financial Officer, and Mr. Vinay Bathija – the Head Investor Relations. Now I would like to hand over the call to Mr. Vamsi Krishna for his opening remarks. Over to you Sir!

Vamsi Krishna: Thank you so much. Very good afternoon to everybody on the call. I welcome you all for Q2 FY2023 call. Thank you all for joining us today and participating. Our performance for the period ended September 30, 2022 second quarter has been relatively satisfying. In a challenging situation, in a challenging environment globally and domestically we have managed to maintain. The revenues of all our business segments have improved compared to previous year same quarter due to the consistent demand of our products. The geopolitical situation of the Russia-Ukraine conflict has led to an increase in our input cost across all parameters and other costs have put downward pressure on our margins. The war has been going on longer than anyone has expected, the rising interest rates, the rupee depreciation and the disruption in supply chain across the segment makes the higher impact affecting our margins. As stated all segments have seen a very good growth in revenues compared to the previous years that shows that it has a very strong and robust demand in terms of the product utility is concerned. In spite of the seasonality which is very evident that all the businesses are growing in terms of revenue though Q2 is not the best performing quarter across the industry due to the (audio cut) 2:56.

I shall start with Vnext as we can see this segment has been performing consistently. The revenues grew 44% year-on-year, the domestic demand has been resilient and our exports have also grown by 50% volume. The countries that we export to are GCC, the UK, and South Africa among others. The Company is continuously working on how best we can improve our margins in this business. We are very bullish on this product segment with our country aspiring to be a 5 trillion economy by 2026-2027 and the government



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spending kicking in anytime soon we see an optimistic growth in this product segment not only in the domestic but we are seeing a very good pickup in the export front to expand our base for this division. Just to brief about the product many companies are using our product today in a variety of commercial, residential, and industrial applications and we are seeing good growth in the residential projects as well. The product continues to be accepted and gaining momentum with several high profile projects. The affordable housing sector also helps us (audio cut) 4:30 transition compared to the other. Vnext is growing as a great alternative to the traditional building materials. The post COVID era the commercial projects and the domestic companies are realizing the true benefit of the Vnext business. The Coimbatore factory which is our fourth factory has started production in the fourth quarter of last year has seen a good rise in the capacity utilization. In addition the front integrated panel factory in Coimbatore has started in July this year as well. We are pleased to announce that all four factories of Vnext across the country are operating at near full capacity. We have also announced the opening of the fifth Vnext board factory in the eastern part of our country in West Bengal, which should be operational by mid 2023. The ATUM solar roof is also experiencing good momentum in the market. The product is settling in and the product which is patented works as a two-in-one solution a hybrid product that works both as a roof and solar with increased power generation compared to the traditional alternatives. The ATUM roof generating products are trying to create various platforms to see the benefits of going green. People see what this product does in term of the financial benefit and going green to help benefit the environment. The uniqueness of this product is helping it enter interesting market spaces and create good clientele like the Mahindra and the Covishield groups with good long term, midterm returns in the pipeline. We have started appointing EPC contractors across the country to have a good spread and growth in the country. In terms of the potential we see that good breakthrough in terms of export market to com. We have received orders from Thailand, Australia, Kenya and South Africa as well, which we expect to have high demand for ATUM in the coming months. With the yarn segment the wonder yarn, the green yarn, all the R&D put in to the backend of the COVID era has paid off. We are one of the first to make an interesting breakthrough in terms of using recycled PET yarns to make sustainable fabrics. The yarn volumes for Q2 has grown 33% year-on-year registering one of the highest and best numbers for Q2 in this segment. Value wise the sales have increased almost 50% year-on-year despite the fact that euro zone which is our major destination for export has been effective to the highest levels because of inflation.



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Now our legacy business that is the roofing business has seen quite a few challenges because of the war situation. The geopolitical situation has therefore caused a tremendous increase in our raw material cost, the inflation and other factors putting a lot of pressure on the margins that we see. The best part out of all this situation is that we still see a very strong demand that demand is growing and is resilient in the main market areas and even in Q2 which is typically the lowest out of the whole year our volumes has grown almost by 12% year-on-year. Last quarter we commenced our new additional line at Rae Bareli which is also operating at more than 80% of capacity as on date. We are cognizant of the fact that margins have suffered due to raw material cost but this is a one-off phenomenon. Visaka being a pan India player is making its best use in terms of how to address the situation in terms of the global and domestic situations to ensure that the right efforts are put in the right areas to bring the best out for the company. Also the goal of our company to build new businesses in terms of Vnext, sustainable yarn and solar continues to be strong supported by good revenue growths in each of the segments. The total income for the company for September quarter grew by 24% year-on-year from 294.30 Crores to 364.7 Crores. The EBITDA for the company in the current quarter is 26.5 Crores and PAT is 7.4 Crores. The building products revenue has grown by 18% from 241 Crores to 286 Crores with volume increase of 17%. The yarn segment has grown by 50% from 51 Crores to 77 Crores with volume growth of 33% for the quarter. The overall situation as the Company as we see that we are still bullish and positive in terms of the market and in terms of the product demand that is a good indicator for us in terms of the way forward that the business is here in terms of demand. The margin pressure which we see is mainly due to the geopolitical situation and the input cost increase across various platforms. As they settle down I think the company will maintain its good course in terms of what we try to create. That is it for now and I will open it up for questions and answers for further interaction and then I can give my closing remarks. 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 Subham Agarwal from Acquitas. Please go ahead.

Subham Agarwal: Good evening everyone and thank you for the opportunity. Sir my first question is related to the V-Board division. I firstly wanted to have a clarification regarding the capacity utilization of our new plant including the panel so what is the current capacity utilization of all the plants put together and the new plant separately?

Vamsi Krishna: All the plants put together we are doing more than 90% to 95%, the new plant is somewhere around 80% as of now.



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Subham Agarwal: Given that we have ramped up all our new capacities so fast which indicates a very strong demand so I wanted to understand in two parts first why are we unable to take realization increase given the strong demand and secondly what are the steps that we are taking in order to reduce our cost?

Vamsi Krishna: I think first half in terms of price realization actually we have taken very good price increases this financial year for the boards segment. The actual unfortunate thing where we are unable to see the real impact of the price increase is because of the impact of the input cost that has gone up, if you really see the input cost has gone up close to about 12% to 15% in terms of the cost impact that has been offset by the price increase, still having a good positive number in the business in terms of net realization. However, once the prices of our input cost stabilize in view of the geopolitical situation, in view of the supply chain issues that we are facing definitely we will be seeing much higher margins in this business, but nevertheless I think the market is absorbing better pricing as we have observed over the past couple of months.

Subham Agarwal: So against 12% increase in input cost how much realization increase we have already taken?

Vamsi Krishna: We have taken almost the same amount if not more in terms of the benefit that we are getting because we are still I think comfortable in terms of the margins in this business almost 11% to 12% positive so I think we are reasonably doing okay but we need to make more efforts to reduce the impact of the expense that we are going through right now.

Subham Agarwal: In this division building product we did EBIT margin of 4.4% and given that you are saying we have almost taken hike equivalent to our input cost increase so is it fair to assume that our asbestos business is either recruiting loss or recruiting very negligible profit currently?

Vamsi Krishna: I will tell you we are not seeing a loss in that we are still positive but the net margin drop is quite high the input cost increase just on the asbestos front has been close to 30% increase in terms of pricing so I think as a company we have still managed to offset that to a large extent but still as you can see in the results we are quite interested in terms of the numbers. I think post the war situation the main input cost in terms of asbestos or in terms of the other logistics in fact as we stabilize I think definitely we will be seeing a more stable numbers. I would say this is a one-off situation in terms of unstable high input cost that has been taken into account for this quarter.



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Subham Agarwal: Okay but what is the current situation like if we have to assume of the results that are expected to come up probably in 3 months or 6 months or 9 months how do you see the input cost currently where are we, have we peaked or is it producing independent kind of idea?

Vamsi Krishna: It is hard to say in terms of how we see because the situation as we are experiencing has been I think extremely long in terms of the war. Honestly we did not see or expect a war in the first place and having said that post war the duration and the length of the war situation is very uncertain. Having said that we should be able to see stabilizing situations coming forward and as things stabilize definitely our margins will be going back to our normal state. I would definitely not indicate that this is something of a standard situation and helpless to do. Definitely because of our input cost the impact has happened which I do not feel is a long-term impact. I think there will definitely be a stabilization that will happen in the coming months to go.

Subham Agarwal: In terms of our effort in reducing other cost what are the key steps that we are taking because if I see historically also in our other expenses we have a very high miscellaneous expense and some of the other cost elements are also very high so where do you think we can reduce and what steps are we taking?

Vamsi Krishna: As you rightly said in terms of managing these expenses and cost I think if you really compare us in terms of other competitors also we will see that we are still doing (inaudible) 19:36 better in terms of maintaining our parameters in expenses. I think the company is trying the best in terms of how best we can limit unnecessary expenditure in terms of maintaining our margins for each division so I think that we are in the right track. The effort is on and we must make the best situation in terms of the input cost.

Subham Agarwal: Anything in terms of freight cost because that is also a big element of our...

Vamsi Krishna: Yes of course everything has gone up in fact freight cost also has increased tremendously because of the fuel cost increase and our businesses are quite healthy on freight dependency because of our distribution of our products so yes definitely that has also impacted us.

Subham Agarwal: It is not trending downwards currently it is stable at higher levels?

Vamsi Krishna: As of now yes.



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- Subham Agarwal:** Okay got it. Sir secondly coming to the yarn division so if we see our volume detail we are consistently selling higher than what we are producing so are we engaging in trading activity and how confident are we of maintaining this margin of 15%?
- Vamsi Krishna:** We are not doing any trading. We are trying our best to increase our production levels in terms of how best we can service the market and margin point of view I think we are stable but we are observing that many companies have started making alternatives because the product is not moving well the cotton-based products and not moving as the price impact is there in the market so due to that we may see a few fluctuations but broadly I think we are in the right market.
- Subham Agarwal:** So you are saying we will be able to maintain the volume also?
- Vamsi Krishna:** Volume yes for sure. Price fluctuations may happen in terms of different market shifts that have happened.
- Subham Agarwal:** Got it. I will come back in the queue Sir. Thank you for answering.
- Moderator:** Thank you. The next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.
- Dhananjay Mishra:** Good afternoon Sir. You said 12% increase in overall input cost and 30% increase in asbestos right, so this is on Y-o-Y basis or this increase is from Q1 to Q2 because Q1 June quarter we already had some input cost but margin was not so bad in Q1, so we had a fairly good margin overall but this quarter impact only this 12% increase is from Q1 to Q2 or this is from last year same quarter?
- Vamsi Krishna:** It is from Q1 to Q2.
- Dhananjay Mishra:** Q1 to Q2. So 30% increase from Q1 to Q2 in asbestos that is why the roofing segment..
- Vamsi Krishna:** Not just in asbestos what I have indicated is in terms of our (inaudible) 23:10 is one indication so what really happens is in terms of the agreement and in terms of the material being received pricing keeps getting allocated according to that so due to that you are able to see a sudden push also because of volumes being low the impact is seen a little higher in terms of actual numbers.



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- Dhananjay Mishra:** Because Q2 and Q3 remains muted for roofing business and Q4, Q1 will be good so once we execute the higher volume in Q4, Q1 at these prices we can have a better margin right?
- Vamsi Krishna:** Typically but the cost impact has been quite high in terms of what we are observing so we are trying our best to maintain and deliver the margins that we can look forward to.
- Dhananjay Mishra:** In terms of market share in roofing segment did we also see some slowdown in terms of demand because one of our competitors which have delivered result they also have seen not good growth in terms of revenue?
- Vamsi Krishna:** Demand point of view like I always said especially for the traditional business in terms of asbestos I think anywhere between 5% and 10% in terms of the overall market and industry is what we can observe every year. In that really in terms of who can capture more market share, who is present in which market in terms of growth rate like for example if you take a look at our Rae Bareli facility where we added 1 lakh additional capacity. We are looking at good growth in Bihar, Jharkhand in those rural beds basically that is where the rural is still growing in terms of adopting new roofing materials so that area will be contributing to us. That is really I think market dynamics in terms of where the product is being used but I think broadly on a large level I can tell you that anything between 5% and 10% is what you can expect in terms of the industry market outlook.
- Dhananjay Mishra:** We are maintaining our market share it is not increasing right?
- Vamsi Krishna:** Definitely this year it will increase because of our new plant and because of the new markets that we are entering with the additional capacity which earlier we were not able to cater to but definitely will be an increase for our sales.
- Dhananjay Mishra:** What was the contribution from ATUM solar roofing in this quarter and have we seen any input cost pressure over there also?
- Vamsi Krishna:** Yes definitely I think this quarter has been little slow in terms of overall product outlay because of the spread of cost, the cost impact has been quite visible in this segment as well. Our booking order is quite strong so in that point of view we are okay.
- Dhananjay Mishra:** So we are still maintaining 60 Crores to 70 Crores revenue for this year in that segment?
- Vamsi Krishna:** We may see a slight decline in that but we are still on the positive growth cycle in that space and we have integrated around 50 Crores earlier.



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- Dhananjay Mishra:** Okay so this quarter was a little bit muted?
- Vamsi Krishna:** Little slow but I am not seeing that as a large impact for our target this year.
- Dhananjay Mishra:** October month how has been input cost for you, or are you still at elevated levels?
- Vamsi Krishna:** Nothing in particular that I can comment on. I think it is on the same increasing trend which we have seen.
- Dhananjay Mishra:** Not seen any softness?
- Vamsi Krishna:** Not to a great extent.
- Dhananjay Mishra:** Okay Sir that is all from my side.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Nidara Capital. Please go ahead.
- Chirag Shah:** Hi good evening Sir. Sir you mentioned that you have started a panel division in July of this year?
- Vamsi Krishna:** Yes.
- Chirag Shah:** So Sir is the unique raw mix of the panel division and the boards division similar?
- Vamsi Krishna:** Panel is more of forward integrated product that goes in, in terms of size, in terms of revenue boards will definitely be much higher than panel but I think margin wise both will be similar.
- Chirag Shah:** Okay alright thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Sunny Wadhwa from Equinix Funds. Please go ahead.
- Sunny Wadhwa:** Hi good evening Sir. Thank you for the opportunity. My first question is on the raw material risk management the world absolutely has no surety when the Ukraine conflict will end and even if it is does a sanction on Russia will not be lifted immediately, also with the currency depreciation and inflation the cost pressure will persist too so one is except for looking alternatives like Brazil what does the company plan to mitigate the



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input and overhead cost and second is like in Europe due to very high inflation does the management feel that some small companies can go out of business in this sector?

Vamsi Krishna:

First half I think in terms of offsetting the situation that we are facing in terms of input cost I think there is a threshold in terms of how much we can take to make an asbestos sheet in terms of costing because we have a higher alternative in terms of making a non-asbestos product so there is a price variation in terms of non-asbestos product and an asbestos product. In terms of technology it is proved. I think I speak for the industry here as well almost all of the companies do have some sort of non-asbestos product which we do cater in the market so it really is the pricing and the margin play where at this cost and at this price I can still depend on asbestos and at this cost I will not depend on asbestos so that is really a call I think we will take if it comes to that stage. We are not expecting that in spite of all these spikes. I definitely look at situation improving once the war situation settles down that is the first point. Second point in terms of offsetting this we are actually trying as a company to increase our exports in view of depreciation of our currency and all of that happening and we are trying our best to increase our exports from the Vnext and other businesses that we are into. Coming to the point of smaller players closing down I do not think I can comment on that in terms of what may happen because as of now I think everybody is comfortable I do not see shutdown situation for the smaller players also so that is the current outlook.

Sunny Wadhwa:

My second question is on price difference in asbestos versus non-asbestos and what is that scenario?

Vamsi Krishna:

They are different variants. There are some variants that have Rs.10 to 15, some have Rs.15 to 20 so it really depends on what we are trying to cater in a market right from simple plain non-asbestos sheet versus a colored non-asbestos sheet as well so we have little room to play there with, but I do not see the complete shift or such a panic situation where we need to look at this as aggressively yes but we are definitely trying to make our best efforts to have as little impact in terms of saying okay asbestos is increasing what is the best alternative for us as a company and we are putting our efforts in that space.

Sunny Wadhwa:

My last question is on company foreign exchange exposure so on quarterly basis what is the average amount of asset remittance and to what extent do we as your exposure does the company have Fx hedging policy?

Shafiulla:

Almost 40 to 45 lakhs exposure is there towards import and it is almost 11 to 12 lakhs exposure is there towards export so right now based on the trends and after checking with



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negotiation with management and banks also whenever required we are booking the forward curve. Earlier rupee was very stable that much fluctuation was not there we were not booking now we have started booking also because from March it was about 75 now it has gone up almost 82 so wherever requirement is there we are booking and earlier we used to take buyers credit for this import now the payment terms have changed to advance so we are making upfront payment so there is no liability towards foreign exchange transaction that is what our way of transaction and handling the forex.

Sunny Wadhwa: What is the FX hedging policy as on date?

Shafiulla: It will have impact of 2% to 3% on the margins if it goes above Rs.4 to 5.

Sunny Wadhwa: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Divyanshi Maghdani from Havells Investments. Please go ahead.

Divyanshi Maghdani: Thank you for the opportunity Sir. My first question is on ATUM solar roof. We still do not have the clarity on the product so first can you explain what the patent is all about like there are other solar roofs and I understand that this is a roof integrated on fiber cement both so what is the patent about if you can please explain and about the life of the patent?

Vamsi Krishna: Quite simply to put it ATUM is where solar is infused into our roofing product. It is not directly the fiber cement board that we make it is actually a variant of our cement board and lot of R&D has gone in, in terms of what type of roof can fit with this product so that is really the integrated roof and we have patent for the product in terms of the technical fusion how the product is made that is what the patent covers and we have the patent for 20 years it is a product patent and we have got in India in US and in South Africa. China and Europe are patent pending as of now so that is the brief.

Divyanshi Maghdani: Following on it we have been hearing since the past eight concalls or something since 2019 that ATUM is a new product but now I guess time is running out can we please get the revenues or order book for it and the margins because we hear a lot about other companies like KPI bagging X worth of orders and we have not heard Visaka ATUM getting any big orders?



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Vamsi Krishna: So first half I think it will take more time because ATUM type of product is not in the market today. What you are talking about is still the traditional solar roofs the companies that you have mentioned and in reality in terms of product outlay, in terms of construction industry what we have observed is the gestation period for a product in the construction space typically is quite long at least what we have observed, with Vnext if you see it has taken almost 8 to 10 years for us to talking in terms of 30% to 35% growth rate in terms of market share and growth rate like product but having said that yes I think we will be definitely able to give you more clear picture in another six months to a year I think we will be able to share positive conversions in terms of the spread and market. I think overall aspect of it since the product has been new and people have not experienced the product like this. I think the conversion that has happened will definitely lead to strong positive growth in the next six months to come so that is the outlay for ATUM as of now.

Divyanshi Maghdani: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sulabh Agarwal from Tree House Investment. Please go ahead.

Sulabh Agarwal: Yes thank you for the opportunity. My first question is on the V-Board segment particularly the market size and competitor. As you have said in the previous call that Visaka is the market leader and that kind of Visaka represents the market so seeing the current robust growth why are not new players coming in, also why would not the ply companies enter the segment considering they are more capital than companies already operating in the industry?

Vamsi Krishna: Why new players are not entering I think it will be almost an assumption to speak on but I think broadly if we look at it. I think ground work that was required for establishing a business now today I think this year we are looking at anywhere between 350 Crores in this division for Vnext and the way the business has been depending heavily on the architecture fraternity and the dealer distribution network which now we have close to around 2500 selling points across the country. In terms of that I think we have been able to establish a good market fit in terms of the utility and that required a lot of ground work, lot of homework which has a long gestation period like I was saying and the immediate competitors in this industry in terms of roofing shifting into a product like cement boards I think most of the large players have made their entry and in terms of their appetite and capacity they have been able to deploy in the market. We have been more aggressive and bullish on the product so I can talk on that basis in terms of saying okay Visaka felt that



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Vnext will be a business that can be built in terms of scale and in terms of impact and we are doing that. I think we would be the only clients who have been setting up plants as aggressively as compared to other competitors also so I can comment on that in terms of that. Why plywood guys have not entered I think couple of plywood guys have tried to do this business I think some companies were trading with cement boards tried to enter the market but the market fit did not happen I think so that is the reason the competitive market has been a little slow in that front, but I think as an industry and the growth that we are experiencing, the product utility we are experiencing I think cement boards will be a very well established business in the next couple of years you will be seeing lot more deployment across all fraternity I can comment as such.

Sulabh Agarwal: Okay thank you. My second question is regarding funding of the new factory does the capex be all internal accruals or whatever debt levels we are looking at?

Vamsi Krishna: Yes we will be taking some amount of debt in that as well. It is going to be a mixture for the new project. We are going to invest about 100 Crores in that space.

Sulabh Agarwal: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Shambhavi from Infinity Funds. Please go ahead.

Shambhavi: Thank you for the opportunity. Sir my first question is on Vnext solutions can you elaborate on that product and what exactly it is the current scope of work, having huge margins order book so basically what is happening in that segment?

Vamsi Krishna: So in terms of Vnext I think first half to mention we started off as a single product play wherein we were really trying to fight against plywood and trying to fight against gypsum board. Today I think that has been very well established. Most people who have never heard what fiber cement board was today they really know what utility a product like cement board has in terms of having three hours by rating or having water resistant or termite resistant and over the years the ground work that we have been able to create today we are seeing many projects directly using our products in terms of the false ceiling against the gypsum board or the dry wall partitions which have three hours fire rating or even in the residential market where people are using our product in the bathroom and in the kitchen areas because it is unaffected by water so that is really the area that this product is taking its position against the gypsum board and against the plywood and today the increase of workmanship in terms of fabricators and carpenters working on our



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product has increased drastically so that is what is really creating a new business for us and also the network that we have been able to create in terms of our distribution we are spread across the country in terms of market spread. The project placement, the manufacturing plant placement also has been well spread out. We are in the north, west and south, now we are expanding in the east as well so we would be the first company in the country to have a pan India presence in terms of having manufacturing capacity as well apart from being the largest in terms of volume in manufacturing and sales and we see that this adoption of fiber cement board is only increasing. Earlier somebody was asking about the price in fact for price increases because of the market situation we could even get a positive response from the market when we took price increases on the product so I think we are on the right track in terms of what we originally sort out in terms of creating a business in Vnext and in the next five years just to share with you in terms of what we are experiencing and expecting I think we should set up a plant every year-and-a-half or every two years for the Vnext business in terms of the demand that is growing so that is a rough outlay for you in terms of what Vnext is trying to create.

Shambhavi:

Alright Sir. My second question is more on the strategic aspect of the organization. We have been listening to the management for the past three to four years where the management speaks about these innovative products and a new segment with forward integration like ATUM which it is I believe then ATUM Charge, Vnext Solution, ATUM Life, etc., but none of the products have performed and now we see ATUM Charge is off the presentation itself, this is somehow showing the lack of clarity of the management or rather if I would be a bit straightforward the inability of the management which is reflecting in the stock prices your comments on this and on company's future strategy please and if you can elaborate on the marketing efforts the company is putting in?

Vamsi Krishna:

I think that it is a little rough and uncalled for Madam. Maybe we will be very happy to sit with you one-on-one to give you some more clarity in terms of what we are trying to do but overall I think we have not gone back on any of the initiatives in fact all the initiatives that we have started are on positive trend. The impact in terms of trying to do something new in terms of introducing a new product in the building space or in the construction space has its gestation time it is not like a technology product where we can scale up within six months in terms of having a download or not using the app. I think I definitely request Mr. Vinay to set up a call with you one-on-one to share what the company is doing and where it is going in terms of the direction that we have proposed. I want to restate that whatever new products we have launched all are in the market, they are commercially ongoing and definitely it will take time to show you the results that we are expecting but I think we are very much on the right track.



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- Shambhavi:** Alright Sir thank you.
- Moderator:** Thank you. The next question is from the line of Rajat Setiya from Ithought PMS. Please go ahead.
- Rajat Setiya:** Hi thanks for the opportunity. About this building product segment we report revenue separately but have you ever consider reporting the margins also separately?
- Shafiulla:** We will share once it works out for us because as per the statutory requirement no segment reporting consolidated we are not reporting anything separately but we will see into that we will see whether we can publish based on that. Anyhow we can tell you on one-on-one basis.
- Rajat Setiya:** Sure it will be good to put those numbers in the presentation that will be really helpful.
- Shafiulla:** Now anyhow these volumes are going up now we can look at that, so far now we were not putting based on the numbers so we are looking into that.
- Rajat Setiya:** Right now at what capacity level did we say we are operating in this boards segment?
- Vamsi Krishna:** Right now we are around 90% to 95% across the four plants.
- Rajat Setiya:** Okay and the fifth one is about to come in?
- Vamsi Krishna:** Fifth one we have just announced so we are going to start construction anytime this month actually.
- Rajat Setiya:** How long will that take to commission?
- Vamsi Krishna:** We are expecting mid of next year something around maybe end of first quarter or something is what we should be having a product out.
- Rajat Setiya:** I think in the past we have mentioned that we will grow this segment by 30% to 40% every year so we would like to understand what gives us the confidence, do we have some sort of visibility or is there a plan in sales and marketing plan in place, so what gives us the confidence that this segment can grow by this high rate every year?
- Vamsi Krishna:** I think the confidence comes from actually achieving it. Year-on-year we are experiencing minimum of 35% plus in terms of growth. Actually the revenue bump up



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that you are seeing in what our company is experiencing in last couple of quarters is from distribution. Having said that in terms of market play there has not been a product like fiber cement board in the industry and market and we have introduced that product substituting traditional materials like plywood and gypsum wood and in terms of market share that is where we are converting people using plywood or gypsum board to use cement board so that is really what is the market we are looking at to convert and our market deployment strategy is quite strong in terms of the rate of adoption. We have touched 2500 selling points like I mentioned we see that number increase or double, triple every year and every half year that we go in terms of distribution network so yes definitely we are looking at such numbers.

Moderator: Thank you. The next question is from the line of Sunny Wadhwa from Equinix Funds. Please go ahead.

Sunny Wadhwa: My last question we see the non-routine revenues have gone up so what is the roadmap ahead do we see demerger of (inaudible) 53:50 4 to 5 years for each product?

Vamsi Krishna: I think definitely the non-asbestos business that we have been committing or we have been sharing over the past so many years is coming to play. We are looking at how best we can increase revenues from the Vnext division and from the solar business. I think now we have touched somewhere around 60:40 is the ratio that we are looking at and I think within the next couple of years with the rate that we are expecting the new businesses to take over definitely we will be seeing a higher contribution from non-asbestos business. We have communicated that the goal is definitely to do more than 50% of our revenues from non-asbestos. I think we have reached the milestone with Vnext touching 25% alone apart from textiles that will be another 20%. I think in the next 1 or 2 good years we should see the actual transition happen.

Moderator: The current participant has moved out of the queue. That was the last question for the day. I hand over the conference to the management for their closing comments. Over to you Sir!

Vamsi Krishna: Thank you everybody for joining us and I think it has been a tough quarter I think for the overall industry and the general market as such but I think we are in the right track. The company is trying to make the best use of its resources and try to maintain the expenses to the minimum in terms of business operations and going forward as the situation stabilizes we definitely expect our company to do better in terms of both revenue and margins. The important thing to notice strong demand always gives a confidence for



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future of the business and I think each of our divisions is experiencing that in spite of the heavy input cost that we are experiencing so I reassure to everybody that we are on the right track and we look forward to going through and creating a good business in the coming months. Thank you everybody.

Moderator:

Thank you. Ladies and gentlemen on behalf of Anand Rathi Shares and Stock Brokers Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.