



“Visaka Industries Limited Q1 FY24 Earnings Conference Call”

August 16, 2023



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Moderator: Ladies and gentlemen, good day and welcome to the Visaka Industries Limited Q1 FY24 Earnings Conference Call.

As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Over to you, sir.

Irfan Raeen: Good afternoon everyone. On behalf of Visaka Industries Limited, I extend a very warm welcome to all participants on Q1 FY24 Financial Results Discussion Call.

Today on the call, I have with me, Mr. Vamsi Krishna – Joint Managing Director and Mr. Shafiullah – Chief Financial Officer.

I hope everyone has had an opportunity to go through the investor deck that we have uploaded on exchanges and on the company's website.

I would like to give a short disclaimer before we start the call. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not guarantees of our future performance and involve unforeseen risks and uncertainties.

With this introduction, I hand over the call to Vamsi sir. Over to you, sir.

G. Vamsi Krishna: A very good afternoon to everyone. I am pleased to share with you the highlights of our Q1 FY24 Performance. But before we start discussing the Quarterly Performance, I would like to give an update with an intent of keeping our investors and analysts familiar with and updated about developments in our businesses. We have had the opportunity to meet some of you at our annual general meetings and otherwise, but we are also interacting with a few of you for the first time. To my mind, it would be worthwhile to dwell a bit on our company and brief you also about the products we manufacture and the applications. I trust this will be helpful to all participants. I must state that all discussions here will be within boundaries reasonably imposed by the company's strategic and competitive position.

Over the last 4 decades, the company has established itself as one of the leading building construction material providers and a dependable synthetic yarns manufacturer in India. With its 13 manufacturing locations spread across the country, we have been growing our manufacturing capacities in line with the optimistic growth of India. What the government is doing on the macro infrastructure side, we are replicating at our corporate scale. In the last 2



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years, Visaka has invested in new and additional manufacturing capacities of our Vnext fiber cement boards and panels and our cement roofing as well. This rapid expansion is helping us to transform the company's growth. We have reached a position where consumers are well aware of our product attributes in order to make a more informed purchase. A large number of projects, including the ones like the Parliament House in New Delhi and the Surat Bourse which are largely talked about in India.

India is possibly the most exciting major economic growth story that we are seeing today. It is growing fast on an expanding base, indicating a critical mass of economic expansion. The two most drivers of this Indian economy comprise its spending per household and increased number of households. The prospects of our company cannot be appraised in isolation. They are linked to what is transpiring in the nation. Our company's products have inevitably capitalized on this reality across all our business segments. Government's various policies to incentivize those seeking to build low-cost homes is inspiring a new tailwind in the country's housing sector from the grassroots and upwards, which is widening the housing market, especially in the rural and semi-urban India. Our products are expected to ride this reality. The need to live better underlines the fact that people will need better roofing, alternate home partitions, and sustainable construction materials and clothes, taking our business product verticals ahead. Coming to a quick review of each business segment and quarterly performance, the company has achieved a revenue of Rs. 447 crores for the current quarter. The building products revenue for the quarter stands at Rs. 385 crores and the textile turnover is at Rs. 62 crores. There is a general slowdown in the global economy with uncertainties and challenges like high commodity prices and high inflation. The demand for consumable products is very low during the present quarter across the globe. However, I would like to say that the demand for our products continues to remain good. Our roofing business, which is our legacy business, has done its highest volumes previous year 2022-23 and is maintaining the same momentum during the current year as well. Last year, we had an increase in our capacity and commissioned a new line at our Raebareli unit to meet some of the demand and our products.

The capacity utilization for Q1 FY24 stood at more than 100% for our roofing businesses. The increase in main raw material costs, i.e., the chrysotile fiber, has impacted the margins drastically compared to our previous year's compare to this quarter. The prices are now looking to be stable and we are expecting to do good volumes for the rest of the year, though rural income is down at the moment.

Moving to our Vnext businesses, the Vnext has seen a tremendous growth in terms of volume of almost 43% over the past year. Speaking about the robust demand for our products, I am pleased to inform you that the capacity utilization of Vnext in Q1 FY24 has stood about 85% and is expected to increase in the coming quarters. Vnext, with its unique advantages over the conventional products, has a huge marketplace. We remain very optimistic about the future as the product's acceptance is increasing day by day. We are glad to announce that the product Vnext is also part of the new parliament building as well as the Surat Diamond Bourse, the



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world's largest office building with a combined covering of more than 5 lakh square feet. Vnext boards are an eco-friendly alternative product to plywood and gypsum board, wherein the product is both fire and termite resistant. The use of our products for such constructions, like the Surat Bourse, has helped to save over 100 trees from being felled and over 45,000 kg carbon emissions.

In order to meet growing demand for our products, we have done a 72,000 metric ton of greenfield expansion at West Bengal's Midnapore, which is expected to be operational in September 2023. By demonstrating the capacity to absorb costs, the company's products continue to deliver a superior price value proposition. The company showcased its resilience in terms of performance on a year-on-year basis. We are optimistic about the industry as a whole given that the building material segment is expected to grow at a pace of 8% to 12% for the next 4 to 5 years due to the various demand triggers including India's urbanization drive. The rebound in the real estate market and healthy outlook for the hospitality and healthcare sectors, we expect our businesses to continue momentum in the coming quarters. The Vnext business, which we started from scratch in 2008, now would likely touch around Rs. 450 crores by the end of this year 2024, and as informed, targeting a turnover of Rs. 1,000 crores by the year 2030, with an estimated investment of around Rs. 500 crores over the years.

Coming to our ATUM business, the solar cells are embedded into the fiber cement boards making it a composite integrated solar roof with unmatched mechanical properties. This business of ours is in line with the national goal of achieving 500 gigawatts of installed renewable energy by 2030, which includes the installation of 280 gigawatts of solar power, making our product a game changer in the industry. We have patents for ATUM, as some of you may already be knowing, in India, USA, and South Africa; and all the 3 countries are great potential for our product.

We have done projects for Mahindra, BPCL, Piramal, and the Rainbow Hospitals and several others in the first quarter, which will lead us to many repetitive orders in terms of traction for the product, and we see that the outlook for this is positive in the quarters to come. Our synthetic yarn business for the current quarter has been reasonably good, considering the sluggish demand in this sector. Most of the textile businesses have shown drop in turnover for the current quarter compared to previous. We were able to manage the turnover with a good price and the demand for yarn produced by recycling of used PET bottles has been rapidly growing. There is great potential in the export market for this product as well. Our capacity utilization for synthetic yarn in Q1 FY24 stood at 88%.

I will now discuss the Q1 FY24 financial performance. The revenues for the quarter stood at Rs. 447 crores versus Rs. 479 crores in Q1FY23..

Segment breakup:



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The building products revenue for Q1 FY24 stood at Rs. 385 crores against Rs. 391 crores in FY23 Q1 and EBIT of Rs. 27 crores as compared to Rs. 53 crores in Q1FY23...

The synthetic yarn revenues for Q1 FY24 stood at Rs. 62 crores against Rs. 88 crores in Q1FY23.. EBIT for the quarter for yarn segment stood at Rs. 8 crores as compared to Rs. 12 crores in Q1FY23..

The EBITDA including other income stood at Rs. 38 crores as compared to Rs. 66 crores, resulting in a degrowth of 42%. On sequential quarter compared to Q4 FY23. The EBITDA grew by 35%. The EBITDA for the previous quarter, Q4 FY23 stood at Rs. 28 crores. There was a huge impact on the raw material input costs mainly of the chrysotile fiber due to the Russia-Ukraine war due to which there has been a significant drop in our margins. PAT stood at Rs. 12 crores as compared to Rs. 38 crores in the previous quarter. And for Q4 FY23, it stood at Rs. 5 crores.

Borrowings of the company: The company has gross debt of Rs. 410 crores which is considered as moderate due to aggressive expansions that we had undertaken in the recent years. The high interest and depreciation also added to decrease in profitability due to higher CAPEX and borrowings currently. With better performance and cash flows in the coming quarters, we expect our borrowings to come down and with lesser interest costs. As the world moves forward with reducing the impact of global warming, we continue to strive towards being sustainable by leading the way across all our verticals, say the Vnext business or the Wonder Yarn business or the Solar ATUM. With this, we open the floor for questions & answers.

Moderator: Ladies and gentlemen, we will now begin with the question & answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Rahul Dani from Monarch Network. Please go ahead.

Rahul Dani: My first question is regarding our Vnext division. We have done pretty well. Just wanted to get some idea as to what kind of order book do we have and what kind of capacity utilization do you expect for the same for this year?

G. Vamsi Krishna: For the Vnext business, the capacity utilization so far has been around 88% to 90% in the first quarter. We are seeing that the uptick is increasing and with our new plant coming in Midnapore, we see that the overall distribution cost for the division will be better as the newer plants come in. Overall, we see the demand for the product is very good. We are seeing a very bullish outlook of almost around 25% to 30% in terms of growth rates in this space. I think we will be able to achieve good numbers in this division.

Rahul Dani: Sir, my second question is, as you know, also we are shifting our concentration away from roofing business to other segments. So, just want to understand in the next couple of years,



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what kind of revenue split do we see from each segment and any CAPEX lined up for the future?

G. Vamsi Krishna:

Actually, I missed to mention this point. We, as a company, had taken up a goal to make our legacy business to new-age business in terms of revenues to equalize, and we are very happy to share that by FY25, we should see a 50:50 ratio in terms of new businesses to the legacy business. And in terms of investments, as I just shared, we are looking at the Vnext division to be a good growth driver for us in terms of the product acceptance and in terms of the product deployment. We will be having a couple of more investments in the Vnext space more seriously as the years progress. We are also looking at smaller investments in the textile space based on how the market outlay is.

Going forward our investments will be more concentrated in the Vnext businesses, the high growth rate business that we are concentrating on. And we look to double our revenues in the Vnext space over the next 5 to 7 years. That's the outlook that we are looking at in terms of growth in this space.

Moderator:

The next question is from the line of Anika Mittal from Nvest Analytics Advisory LLP. Please go ahead.

Anika Mittal:

My first question is, for our asbestos-based product, we have been badly impacted because of our reliance on Russia for the raw material. Do we have similar dependence on any other raw material which we import from any other country? Or do we have multiple sourcing options to avoid such dependence?

G. Vamsi Krishna:

If I understood correctly, you are asking about the raw material import and dependency on Russia for the legacy business and if there is any such similar dependency. No, actually, that is one of the primary reasons why we are looking to expand and invest further into the new-age new-growth businesses where we don't have such dependency. Quite a few multiple sources of raw material inputs and different countries that we have those sources from. So, we are fairly secured our new-age businesses in terms of inputs.

Anika Mittal:

Sir, my second question is, post commissioning of new Midnapore plant in the current quarter, can we expect more order inflows from export business?

G. Vamsi Krishna:

For the export business of Vnext?

Anika Mittal:

Yes.

G. Vamsi Krishna:

Vnext as a product has found great acceptance across the country and across the globe now. In fact, we are exporting to more than 25 to 30 countries across the world. And the demand has been slightly varying because of global impacts that are happening in various parts of the



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world, but the off-take in terms of Vnext has been quite promising. In fact, our exports have been quite stable. We are looking at almost roughly about 25% to 30% of our production that we can cater to the exports market, but it will keep varying based on better pricing structure that we may get in terms of our long-term growth. That's the reason why we are more concentrating in the Indian market.

Anika Mittal:

Sir, my last question is, does the export business have better margins. And going forward, can we expect more traction in that particular direction, as our exports for board division have been 20% or 21 odd percent in the last 3 years?

G. Vamsi Krishna:

It really depends on country to country in terms of margins and that we are very active in terms of what and where we concentrate and what volumes we sell. I think it goes more into day-to-day operations in terms of, are we getting better pricing from so and so country versus what we can do within India or any other country for that matter. It's a case-to-case basis and we try our best to maintain the market and ensure that we get the best profitability for our products.

Moderator:

The next question is from the line and Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra:

Sir, my first question is that you said that we had a very good volume in Vnext. What was the revenue contribution in Vnext in this quarter and what was the growth?

G. Vamsi Krishna:

I will not be able to give you a specific number in terms of the revenue contributions of Vnext, but I can tell you that the growth rate from last year to this year has been around 5% to 10% for the first quarter because we have seen an overall slowdown. But going forward, we are looking back to numbers of 25 plus in terms of our growth rates for the Vnext business.

Dhananjay Mishra:

Because, you also said that we will be doubling in the next 5 to 7 years. In that case, CAGR will be just 13%. Our current capacity is 2.5 lakhs and then we are adding 72,000 tonnes in H2 by September, right? So, what kind of growth are we expecting for this particular year in Vnext. .

G. Vamsi Krishna:

Like I have shared, year-on-year growth we are looking at around 25% upwards. That's the track that we have been having for over the last 2 to 3 years also. Going forward also, we see a similar rate; 25% growth year on year is what we can expect from the Vnext business.

Dhananjay Mishra:

What kind of margin we are doing in Vnext.

G. Vamsi Krishna:

Margins have grown significantly. We can look at upwards of 15% gross.

Dhananjay Mishra:

15% EBITDA margin on a yearly basis?



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G. Vamsi Krishna:

Yes.

Dhananjay Mishra:

My second question is, although all your peers, including you, are saying that the chrysotile fiber price is the new normal and now we cannot expect much decline in the fiber prices. We will have to increase prices to get to our normal margin we used to do in the roofing segment. Is there any possibility to increase prices maybe in Q3 or Q4?

G. Vamsi Krishna:

Let me make myself more clear in terms of asbestos pricing. If you see the history of this industry, I think every 5 to 7 years, there is a spike in terms of the fiber costs over the last couple of decades, if you observe. And this time, unfortunately, it has been because of the war, and the war situation has been quite unprecedented, as we all know. And we have been waiting for that situation to settle down. But what we have been observing is because of that, the input costs have taken almost a 25% upward trend in terms of the impact of cost. And the offset that we could do in selling price was hardly about 2%. It's almost 10x in terms of costs that have gone up in spite of our selling price uptake. That is what we are trying our best to maintain in terms of our expenses and ensure that our input costs come down and ensure that the prices go up. Having said that, the selling price increase, since we all know that this is a rural product, has its price limitations in terms of how much we can push upwards in terms of price. We are trying our best to offset the input cost increase with various other measures. That has been the focus right now for our company.

Dhananjay Mishra:

Lastly, about solar roofing. How has been the response for that product? Do you see that portion or that space to grow in the next 1 to 2 years?

G. Vamsi Krishna:

Yes, absolutely. That has been one of the new initiatives by the company. And I always like to mention that it has been a very exciting journey for us to enter a new space with a new product where even the solar market has not seen such a product. And the gestation period has taken time in terms of product acceptance, in terms of product spread, and we are seeing a very positive sign in terms of getting repeat orders from the same customers that we have supplied over the past 3 years. And that is what is giving us a good boost in terms of an outlook. In the next couple of quarters, you should be hearing a lot more projects in terms of deployments, in terms of execution, and in terms of growth. I would say a good idea for how the ATUM is driving should come within the next maybe 10 to 12 months to be realistic in terms of how well the product is taking off. But let me assure you that we are on the right track in terms of the product deployment.

Moderator:

The next question is from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.

Madhur Rathi:

Sir, from the previous participant's question, when you are saying that our Vnext division is expected to grow 20% to 25% over the next few years, why are we only guiding for doubling



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our revenue in the next 5 to 7 years? Because, it will be a lower target than what the growth we are seeing. If you could help me gain some clarity on that, it would be very helpful.

G. Vamsi Krishna: You are asking, if we are projecting a growth of 20% to 25%, why is there not a faster revenue uptick? Is that what you are asking?

Madhur Rathi: Yes, we are only guiding for Rs. 1,000 crores in FY30; regarding that.

G. Vamsi Krishna: The projections are based on various market conditions, as I am sure you all understand, and the rate at which the product has been accepted and the way we are looking at it, taking all things into consideration, we feel that this will be a good target for us in terms of where we are standing. It took us almost 10 years to reach the stage of growth that we have today. And going forward, I think we are very bullish in terms of how things are. If there is any opportunity at all in terms of speeding this up, let me assure you we will be the first to grab that in terms of market capacity. Since we have started today, we are selling almost Rs. 1 crore square feet per month. That is the deployment that is happening month on month for the product. There is severe competition looking at us in terms of how we are performing. There are new players entering the market. In spite of all that, I feel the brand name that Vnext has created in the network, in the project space, and the architect space, I think this will be a good achievement in terms of the way forward. Having said that, any opportunity that we can do a better and faster job, let me assure you we will be right there and ensure that happens.

Madhur Rathi: So, this will be kind of a conservative number.

G. Vamsi Krishna: Sure.

Madhur Rathi: Sir, under the roofing segment, our revenues have been similar to what we had previous year this quarter, but our margins have improved. Are you seeing some kind of improvement in the asbestos sheet segment altogether? Or how is the industry performing? If you could highlight on that.

G. Vamsi Krishna: Unfortunately, the war's impact has been quite long. We were not expecting the impact to be for such a long time, but nevertheless, that has been the reality. And because of that, the input cost, as I was sharing, has been on an uprise, and the company is trying various methods to offset these increases and ensure that our margins are maintained. It has been a challenge in the first quarter in terms of off-take because of various parameters and the input cost. Going forward, the focus of the company will be to ensure that we curtail our expenses and ensure that we do the best cost benefit analysis in terms of every sale that happens. That is the strategy for the roofing business going forward.



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Madhur Rathi:

Sir, my final question would be, in our AGM, we had guided that our yarn business is a high-margin segment and we are into a specialized kind of recycled yarn. But our margins and revenues have been declining constantly. Why is that and what is the view going forward?

G. Vamsi Krishna:

I don't agree that the margins have been decreasing constantly. It has been only this quarter in terms of a margin drop that we have seen in the textile space. That is because of an overall dip. In fact, many companies have taken severe shutdowns and there have been severe actions taken in the industry, but we have been able to maintain a basic, a smaller drop I can say compared to what has been happening in the industry. The outlook for textile has always been very cyclical and a rapid uptake and rapid downtake in terms of our experience over so many years in this space. I think a good outlay for you would be that we will ensure that whenever the markets are doing well, we are getting the highest premium for the product that we make, which is the reality. And whenever there is a downtrend, we are the least impacted compared to the competitors in this space. Given that we are in that niche. I trust this answers your concern.

Madhur Rathi:

And my final question would be, when do we see both our segments going into steady state and some kind of guideline on what could be our revenues for maybe the next 1 or 2 years and margins as well?

G. Vamsi Krishna:

Definitely the new businesses are in a comfortable position in terms of takeoff, like I have shared and reiterated. The margins are improving for Vnext as well. Last couple of years, we added 2 new plants and this year we will be adding another plant and we are looking at further expansions in this space given the rapid acceptance and growth in the product. The margins also are improving year by year or rather quarter by quarter for the Vnext division. Overall, I think the company's growth will be on track driven by the Vnext space – that's what we are looking at – supported with the solar and the textile businesses. That is what the general outtake is. The roofing business we would see to be a more stable addition in terms of our turnover. We should be able to maintain our costs and our expenses to have steady margins in that space will be a good outlook for that.

Moderator:

The next question is from the line of Sanchita Sood from RoboCapital. Please go ahead.

Sanchita Sood:

Sir, what I wanted to ask was regarding the chrysotile fiber prices. What are they currently and as compared to, say FY23, by what percentage have they gone up? And another question is that when can we expect the overall margins to resume to, say FY22 or FY21 levels? When can we expect them to come back to those levels again?

G. Vamsi Krishna:

In terms of fiber costs, actually the fiber costs have gone up by almost 22% to 25% in terms of last year what we have seen and we have been able to offset hardly 2% in terms of increasing our selling price for that space. Looking at the way things are moving, I think based on the input that our suppliers have been sharing with us, as the war situation settles down, we will



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see a normalization of the prices in terms of stabilizing or reducing from the current levels. Having said that, the company's effort has been constantly to be, I can't say independent as there is dependency on this raw material for making the product, but we are severely trying to come up with how best we can reduce the cost by offsetting different expenses that we undergo.

Sanchita Sood: Finally, I just wanted to ask what would be your outlook on the debt levels for the next 2 years.

G. Vamsi Krishna: The debt levels should be coming down if we are not taking any further expansions in terms of new projects. Actually, the interest costs and the depreciation account has impacted us in terms of the overall numbers, but we are seeing a positive outlay in terms of our cash flows from the new businesses that we are having will kick in, I think the debt will definitely come down in terms of overall outlook. Having said that, once we look at further expansions on new-age businesses like Vnext, we might see a similar line but if not a reduction. That's the general off-take.

Moderator: The next question is from the line of Chirag Vakharia from Budhrani Finance. Please go ahead.

Chirag Vakharia: Sir, just wanted to get your sense for FY24. What margins do you expect for the roofing business? And going ahead, where do you see this?

G. Vamsi Krishna: Margins will be definitely under pressure because of raw material pricing. Based on what we have achieved in Q1, I think definitely with the measures that we are taking in terms of reducing our expenses, we will be definitely slightly better than what we have experienced. But I wouldn't assure a highly bullish picture in terms of the roofing business in terms of the pressure that we are in.

Chirag Vakharia: Sir, for the yarn, you said you were specifying about the margins. What range do you see margins in good times and in bad times?

G. Vamsi Krishna: Margins in the yarn business have been pretty steady. In fact, 15% upwards has been what we have been observing in the yarn space. I think there has been about a 2% to 3% drop in Q1 compared to the previous quarters. But some years, we have even seen about 18% upwards. So, we will say that the yarn business should give good revenues and turnover based on the market situation. The outlook is that in another 6 to 8 months, there will be stability in terms of the overall textile industry.

Chirag Vakharia: Sir, in the roofing segment, in terms of growth and demand, what's your outlook? How is it shaping out?

G. Vamsi Krishna: The roofing has been an interesting space since the last couple of years in terms of demand being there in the rural markets. As you all know, the Indian market is evolving almost every year, and our journey in this roofing space is to capture the rural market. People who are



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moving from thatched roofing to cement roofing is the market space that we cater to. Over the years, if you talk about Visaka being in the market for 40 years, the market has shifted from south to west to east to now north. North and east are the primary markets where the demand is coming from for the overall roofing space. That's the reason why we wanted to increase our capacity in the north to cater to this demand. Overall, as an industry, I think the numbers may be equal, hardly maybe around 3% to 5% growth we can observe in good times. But it is more about how best we can cater to the growing markets in the rural space. That is what the focus of the company should be and to reduce expenses to offset these input costs that we are seeing.

Chirag Vakharia:

Sir, any CAPEX plan for the next 2 years?

G. Vamsi Krishna:

We have some plans for the Vnext business that we will be sharing soon as the time comes. And the textiles we have already shared, I think last quarter also, that we will be taking up some investments to expand in the textile business. Nothing for the roofing space for now.

Moderator:

The next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya:

Sir, if you could just talk about the pricing trends we are witnessing in the roofing segment. Generally, what we see is that in Q2, the industry takes price cuts of around 3% to 5% as compared to Q1. Are we witnessing similar trends this year as well?

G. Vamsi Krishna:

We are trying our best not to get a dip in Q2 in terms of pricing given the pressure for us. We are trying our best to ensure that we do maintain the market – the price in terms of what we are experiencing. I think, to be very fair and open in this space, this Q2 will be a challenge to ensure that the prices don't fall from the Q1.

Aditya:

Have we taken any price cuts in Q2 for the roofing segment?

G. Vamsi Krishna:

No, not at the moment.

Aditya:

And sir, if you could just talk about the capacity addition in the roofing segment. Are the other players in the industry increasing capacities, and what impact would it have, if any, on the pricing?

G. Vamsi Krishna:

I am hearing that one of our competitors is trying to do some expansion for the roofing space. But we are concentrating heavily on increasing and capturing the rural network. Visaka's strength has always been to highlight and capture new markets. That has been a strength for us since the beginning, where we hire new dealers and expand new markets. I wouldn't say totally unaffected, but we will still be in a comfortable position even though competition comes, as our strategy is to constantly capture the growth market. That is what our take would be on that.



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- Aditya:** Which is the geography where the capacity is coming and what would be the size of that capacity? Any idea?
- G. Vamsi Krishna:** You will have to check with the competitors. I will not be able to comment on that.
- Aditya:** Sir, I have a question about the Vnext segment. If the total raw material cost in the Vnext segment is Rs. 100, which are the major raw materials which would constitute that?
- G. Vamsi Krishna:** The major raw material for that would be the pulp cost that we incur for Vnext space. But it is not as similar to what we experience in terms of fiber. The quantity is much lower and suppliers also are plenty in that space. We are in a comfortable situation in that.
- Aditya:** Is the distribution for our Vnext segment and roofing business similar?
- G. Vamsi Krishna:** Distribution for Vnext and roofing, the similar quantum is hardly 10% to 20%, not much. We have deployed a completely new network. In fact, Vnext business is more of an urban dealer; urban metros is what we cater to in terms of our product. Roofing segment is more of a rural market. It's more of a Tier-2 and Tier-3 belt. Just to give you an idea, we have almost about 10,000 selling points for the roofing segment across the country in the rural space. And for the Vnext space, we have reached about 3,500 selling points in the major metros across the country that we operate. That is just to give you a rough outlay in terms of where we stand. And just to add to that, we sell through the gypsum network that is established in the country and through plywood outlets as well. Just an idea for you in terms of where the growth is.
- Aditya:** Sir, which would be the competing materials for our Vnext segment? Would MDF and plywood be the competing materials for the Vnext segment?
- G. Vamsi Krishna:** Actually not MDF. It would be plywood and gypsum board. For the drywall partitions where plywood is being used traditionally, Vnext has substituted them. And for the false ceiling applications where gypsum is used at large, Vnext is substituting that. These are the main pockets where we cater to.
- Moderator:** The next question is from the line of Jasdeep Walia from Clockvine. Please go ahead.
- Jasdeep Walia:** Sir, what kind of EBITDA margins have you been able to achieve in the Vnext business? What has been the trend in the last 3 to 5 years?
- G. Vamsi Krishna:** We have been growing constantly in the Vnext space. For the last couple of years, we have seen margins go up right from 8% to 10%, 12%, and now we are doing an upwards of 14%. We are around the 15% mark in the Vnext business.



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- Jasdeep Walia:** Sir, these margins are now sustainable or with increasing scale, there's potential to increase the margins further?
- G. Vamsi Krishna:** Surely, yes.
- Jasdeep Walia:** There is potential to increase margins?
- G. Vamsi Krishna:** Yes.
- Jasdeep Walia:** What do you think the ideal margins would be in the long term?
- G. Vamsi Krishna:** I think that will be hard to comment because the market has been expanding so drastically and the plywood guys have also activated themselves in terms of protecting their market. But I can give you an idea that it's in a positive trend from where we are standing.
- Jasdeep Walia:** Sir, you mentioned some new competitors have entered this space. Can you name these companies?
- G. Vamsi Krishna:** Not new competitors; the existing competitors themselves are becoming more active. As we have been growing, they are also trying to expand. That is what I wanted to communicate to you all.
- Jasdeep Walia:** I understand you have around 32% market share in this business. Which are the second and third largest companies, and what kind of market shares do they have?
- G. Vamsi Krishna:** I think the second and third will be much behind us because right now we are far ahead in terms of installed capacity as well and we have been adding capacities like I shared. Midnapore also will be opening up next month. I don't want to comment much on the competitors, but I can share that there's quite a good gap between us and the second player as well in terms of installed capacity and sales as well.
- Moderator:** The next question is from the line of Satish Kumar, an individual investor. Please go ahead.
- Satish Kumar:** Sir, in the ATUM segment, when we reach say 60 megawatt full utilization, what revenue can we expect?
- G. Vamsi Krishna:** In the ATUM, if we do about 30 megawatt, we would be seeing anywhere between Rs. 85 crores to Rs. 90 crores in terms of revenue. And 60 would be double of that, around Rs. 170 crores to Rs. 180 crores.
- Satish Kumar:** Sir, last quarter we released some pledges. What is the remaining pledge percentage?



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- Shafi Singanamala:** 5.8% on the one promoter holding and 57% of another promoter holding is still there. I think it will be released shortly. Last time you have seen that release. Again, we are trying to release further also. The promoters are trying to release it. It will not be more than that.
- Satish Kumar:** Sir, last question. What is the asset to turnover ratio we expect from the new West Bengal plant?
- G. Vamsi Krishna:** It is 1:1. The investment is around Rs. 80 crores to Rs. 100 crores and we should be getting around that same for in terms of revenues as well.
- Satish Kumar:** Sir, in Hyderabad I think we are investing around Rs. 75 crores for land. Any plan we have in mind for a plant?
- G. Vamsi Krishna:** Actually, we have been wanting to expand in terms of our setup and get into R&D for that as well. That's the reason why we got into that space. We have plans to make good utility for that. We will share details on that very shortly.
- Moderator:** The next question is from the line of Mukesh Panjwani from WC Securities. Please go ahead.
- Mukesh Panjwani:** Sir, our Vnext division has been performing very well in the past and it is expected to do very well in the future too. Despite the fact we see that the market is not giving good valuations to the entire Visaka Industries, wouldn't it be a good strategy to demerge this Vnext division so that it can unlock the value for shareholders?
- G. Vamsi Krishna:** Sure. We have been discussing that topic internally as well. We will get back to you on the right decision that we end up taking on that space, but point noted. I think it's a valid suggestion. We will discuss on that angle as well.
- Moderator:** As there are no further questions, I now hand the conference over to the management for their closing comments.
- G. Vamsi Krishna:** Thank you everyone for joining us. I think we had a good exchange of thoughts and information. I can assure you all that the company will continue to seek to play its strengths and ensure that we are doing strong and performing well in all our business segments across the country and across each vertical like the roofing, the boards, the textiles, and the solar businesses. We are optimistic of ensuring that we capture the growth attractively and profitably, enhancing value for all our stakeholders. I hope we have been able to answer all your queries. If you require any further details, please do contact us or Orient Capital, our investor relations partner. We will be very happy to have a sit down and go into further depth. Thank you all. Have a good day.
- Shafi Singanamala:** One clarification, sir. Total pledged shares are about 15.68% as on 30th June 2023



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Moderator:

Thank you members of the management team. Ladies and gentlemen, on behalf of Visaka Industries Limited, that concludes this conference call. We thank you for joining us. And you may now disconnect your lines.