

### Company Details

CMP:	Rs.239.20
Face value:	Rs.10.00
Market cap:	Rs.379.45 Crs.
TTM EPS	Rs.25.02
52 week high:	Rs.245.65
52 week low:	Rs.99.95
BSE Code:	509055
NSE Code:	VISAKAIND
Sector	Cement & Const. Material

### Financial Highlights (YoY)

	Rs. In crores		
	FY16	FY15	% Var
Net Sales	1004.85	1021.13	-1.59
Total Expendit	909.62	925.22	-1.69
PBDIT	95.23	95.91	-0.71
Op.Profit	97.96	98.33	-0.38
OPM (%)	9.75	9.63	1.24
PBT	40.37	33.21	21.56
PAT	24.44	21.24	15.07
EPS (Rs.)	15.39	13.38	15.07
Equity	15.88	15.88	0.00

### Nine Months Performance (YoY)

	Rs. In crores		
	9MFY17	9MFY16	% Var
Net Sales	712.06	729.16	-2.35
Total Expendit	625.77	661.55	-5.41
PBDIT	86.29	67.61	27.63
Op.Profit	87.72	69.89	25.51
OPM (%)	12.32	9.59	28.53
PBT	49.75	25.87	92.31
PAT	30.80	15.51	98.58
EPS (Rs.)	19.40	9.77	98.58

### Share Price Graph



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### Company Background

**Visaka Industries Ltd.**, Hyderabad-based Company incorporated in 1981, is a well diversified company with sizeable presence in Fibre cement sheets, yarn, and building products. The yarn business division of the Company obtained ISO certificate in 1995 which has been later upgraded by ISO 9001-2000. It has an installed capacity of 8,02,000 tonnes per annum of Cement asbestos products and 1,29,750 tonnes per annum of Fibre cement sheets with a strong network of 6000 plus Stockists/Dealers throughout India. Apart from this, the Company depots in 36 major cities and towns, country-wide to ensure smooth supply of its products. It exports business accounts for 9% of total revenues of the Company during FY16.

### Financial Performance

The net sales of the Company at Rs.1004.85 crores during FY16 were down by 1.6% but PAT at Rs.24.44 crores was up by 15.1% compared to that during FY15. The EPS, on face value of Rs.10, had improved from Rs.13.38 for FY15 to Rs.15.39 for FY16. The Company has paid dividend of 50% for FY15 and FY16.

The net sales of the Company at Rs.712.1 crores during 9MFY17 are lower by 2.2% but PAT at Rs.30.80 crores is higher by 98.6% over that during 9MFY16 mainly on account of **steady market share gain in asbestos cement sheet (ACS) segment, lower raw material costs and improved cost efficiencies**. The EPS has significantly improved from Rs.9.77 for 9MFY16 to Rs.19.40 for 9MFY17.

### Investment Rationale

- Cement Asbestos Products continue to be in demand because of the efforts made in making inroads into rural markets for the product, its affordability and other qualities such as corrosion resistance, weather and fire proof nature. Currently, there are about 20 entities in the Industry with about 72 manufacturing plants with an annual capacity of 57.00 Lac MT throughout the Country. The Government emphasis on house for all by 2022 augurs well for the industry.
- Further, the favorable industry developments, diversified portfolio and rich expertise in tapping the potential opportunities are going to mark a remarkable business for the Company in the coming years.
- The Company is continuously striving to enhance the product's distribution reach and increased market presence by strengthening network of stockists, resorting to aggressive advertisement campaign and introduction of new colour coated sheets. These, coupled with inherent advantages associated with the product such as cost affordability etc., are expected to result in a growth rate of 5% to 10% in the current fiscal.
- It is expected that asbestos cement sheets' (ACS) profitability to remain strong on the back of increase in demand in monsoon season and subdued fibre cost. The cement boards & panels (CBP) profits to rebound on steady domestic sales and as exports bottoms out in FY17.
- Recently, the Company has started commercial production at its new Textile Unit 5 situated at Chirvah Village, Nagpur District effective from November 01, 2016. The capacity increase in its yarn segment is likely to drive the profitability of this division in coming years.
- **The Company has reduced its debt burden from Rs.299.46 crores at the end of FY16 to Rs.194.90 crores at the end of September, 2017. Its Debt:Equity ratio stood at 0.5:1 at the end of FY16.**
- On a paid-up capital of Rs.15.29 crores, the Company has reserves of Rs.372.47 crores. The book value of the share works out to Rs.238/share at the end of September, 2016. The share of the Company is trading near to its book value.
- The promoters hold 37.6% equity capital of the Company, followed by institutions that hold 4.1% and the balance 58.3% shares are held by the public.

### Concerns

Slow down in global economy, and exchange rate fluctuations are some of the concerns.

**Valuation**

**The share of the Company is trading at a lower P/E of 9.6x against that of industry at 35x.** Keeping in view positive outlook for cement & construction material industry, increasing demand for its products, reduction in debt, improved margins, low equity base, diversify product portfolio and reasonably low PE ratio, we recommend a buy on share of this Company with an expected price appreciation of about 40% over the next 12 months.

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