


Recommendation **ACCUMULATE**
Highlights

- Visaka Industries Limited (VIL) in Q1FY24, generated revenue of ₹447Cr, of which ₹385Cr came from building products and ₹62Cr from textiles.
- Net Sales in Q1FY24 were ₹447Cr, a 6.58% reduction from ₹479.69Cr on a YoY basis.
- There was a decline of 68.99% in the net profit in Q1FY24 from ₹38.52Cr in Q1FY23 to ₹11.95Cr in Q1FY24.
- EBITDA stands at ₹38.6Cr, which represents a 41.9% decrease from the EBITDA of ₹66.5Cr in Q1FY23.
- Similarly, EBITDA margin declined -530 bps in Q1FY24 to 8.6% from 13.9% on YoY basis.
- Earnings per share fell by 68% YoY, from 4.47 to 1.42 in Q1FY23.

Q1FY24 Highlights

Roofing

- The roofing business, which is their legacy business, saw its highest volume in FY23. The revenue for construction goods in Q1FY24 was ₹385Cr, compared to ₹391Cr in Q1FY23, with an EBIT of ₹27Cr, compared to ₹53Cr in Q1FY23.
- Margins in the roofing business have been impacted by high raw material costs, but the company is working to offset these costs and maintain margins.
- Capacity utilisation was greater than 100% in Q1FY24. The increase in key raw material costs, namely chrysotile fiber, has had a significant impact on profits when compared on YoY basis.
- Management claims that prices are now steady and that they intend to perform well for the rest of the year, even though rural income is now down.
- The company is focused on sustainability and leading the way in eco-friendly construction materials.

ATUM

- The ATUM business, which focuses on solar cells embedded in fiber cement boards, has seen a positive response, and is aligned with national renewable energy goals.
- VIL in Q1FY24, completed projects for Mahindra, BPCL, Piramal, Rainbow Hospitals, and numerous others, which would lead to many repeat orders in terms of traction for the product in coming quarters.

V- Next

- Vnext has had a nearly 43% increase in volume over the last year due to strong demand for its products with its unique advantages over the conventional products, has a huge marketplace.
- Vnext capacity utilisation was about 85% in Q1FY24 and is likely to rise in future quarters.
- Management revealed that the product Vnext would be included in the new parliament building as well as the Surat Diamond Bourse, the world's largest office complex with a combined covering of more than 5 lakh square feet.
- To meet growing demand for products, they have completed a 72,000 metric tonne greenfield expansion in West Bengal's Midnapore, which is expected to be operational in September 2023.
- Vnext's business, which began in 2008, is now expected to reach roughly ₹450Cr by the end of 2024, with a target of ₹1,000Cr by 2030, with an estimated investment of around ₹500crs throughout the years.

Yarn

- Revenues from synthetic yarn were ₹62Cr in Q1FY24, compared to ₹88Cr in Q1FY23. The yarn segment's EBIT for the quarter was ₹8Cr, compared to ₹12Cr in Q1FY23. Capacity utilization for synthetic yarn in Q1FY24 stood at 88%.
- Given the sector's slow demand, the current quarter's synthetic yarn business has been quite good.
- The company was capable of managing turnover at a reasonable price, and the demand for yarn created by recycling discarded PET bottles has been constantly increasing as there is great potential in export market as well.
- Fiber costs have gone up by almost 22% to 25% in terms of last year what was seen and they have been able to offset hardly 2% in terms of increasing selling price for that space.

Debt

Because of the ambitious growth company has undertaken in recent years, the firm has gross debt of ₹410Cr, which is deemed manageable. High interest rates and depreciation have also contributed to a fall in profitability as a result of current CAPEX and borrowings. With improved performance and cash flows in the next quarters, management anticipates lower borrowings and lower interest costs going ahead.

Important Data

Nifty	19,254
Sensex	64,831
Price	₹93
Market Cap (₹ bn)	₹8.08bn
52W High/Low	₹133/ 64
20D Avg Volume	554,639
BSE Code	509055
NSE Code	VISAKAIND
Bloomberg Code	VSKI:IN

Shareholding Pattern (%) Jun'23

Promoter	48.42
DII's	3.22
FII's	0.67
Public & Others	47.7

Financials & Ratios

Particulars	FY20	FY21	FY22	FY23
Net Sales	1050	1146	1416	1647
EBITDA	116	202	210	147
EBITA Margin	11%	18%	15%	9%
PAT	49.3	111	119	55
PAT Margin	4.7%	9.7%	8.4%	3.3%
EPS (₹)	6.2	13.7	14.2	6.3
ROE (%)	9.8%	17.7%	17.4%	7.3%
ROCE (%)	9%	20.3	18	7.9
P/E (x)	4.35	7.06	1.71	2.16
EV/EBITDA (x)	3.97	3.86	1.63	3.23

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Segment Revenue

	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ
Building Products	386	391	-1%	390	-1.03%
Synthetic blended yarn	62	88	-30%	63	-1.59%
Total Revenue	448	480	-7%	452	-0.88%

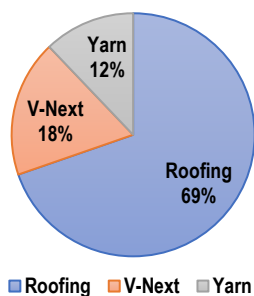
VIEW

Roofing industry maintained excellent volumes and capacity utilisation in Q1FY23. The volume and capacity utilisation of the Vnext vertical have increased, with a promising prognosis for future development and the management expects the revenues for Vnext to double in 5 to 7 years. The synthetic yarn industry has also performed well. The company plans to attain a 50:50 revenue split between legacy and new-age operations by FY25, with a 50:50 split between legacy and new-age businesses enhancing profitability.

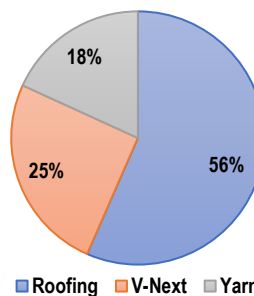
Given that Visaka Industries with its innovations leads and retains a considerable market share in its various key verticals, indicating a strong competitive position that might convert into reliable profitability going ahead. Government actions and economic trends that favour infrastructure development are significant tailwinds for construction material demand likely to benefit Visaka Industries. Hence, **we recommend investors to ACCUMULATE the stock on dips.**

Operational Position

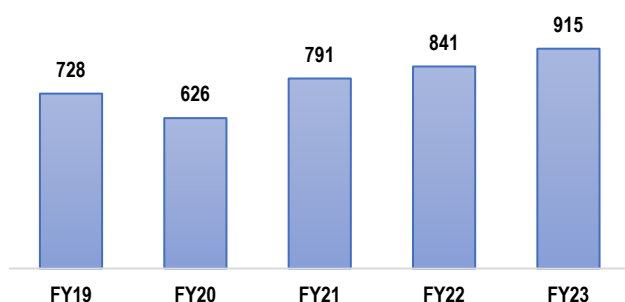
Contribution to Sales - FY21



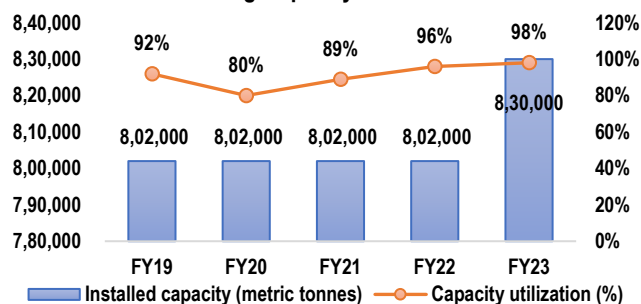
Contribution to Sales - FY23



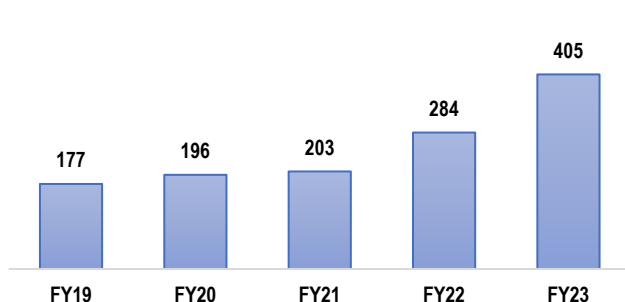
Roofing Annual Sales Growth (₹ Cr)



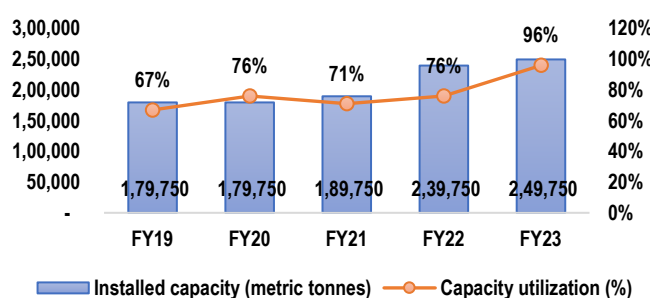
Roofing Capacity Utilisation



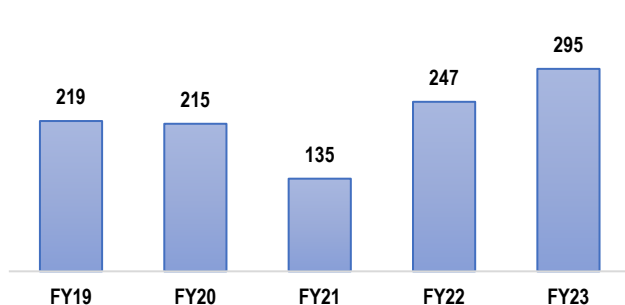
V-Next Annual Sales Growth (₹ Cr)



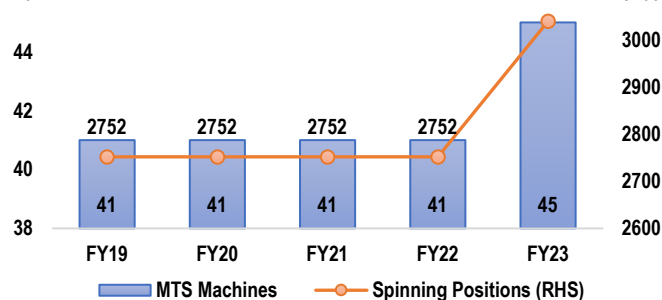
V-Next Capacity



Yarn Annual Sales Growth (₹ Cr)



Yarn Capacity



Source: Company, Way2Wealth

FINANCIAL PERFORMANCE

(₹Cr)

Particulars	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ	FY23	FY22	YoY
Revenue from Operations	448	480	-7%	452	-1%	1653	1416	17%
Other Income	2	3	-33%	3	-33%	11	10	10%
Total Income	450	482	-7%	456	-1%	1664	1426	17%
Expenses								
Cost of Materials consumed	248	222	12%	242	2%	903	697	30%
Purchase of Stock-In-trade	3	1	114%	4	-27%	12	4	200%
Changes in Inventories	-6	22	-128%	20	-131%	-29	-31	-6%
Employee benefits expense	37	38	-2%	34	9%	137	132	4%
Finance costs	8	3	163%	8	-4%	22	12	86%
Depreciation expense	14	11	22%	13	8%	50	38	32%
Other expenses	131	132	-1%	128	2%	492	413	19%
Total expenses	434	431	1%	449	-3%	1587	1265	25%
Profit before exceptional Items and tax	16	52	-69%	7	142%	77	161	-52%
Exceptional item	-	-		-		3		
Profit before tax	17	52	-68%	7	153%	74	161	-54%
Tax expense								
Current tax	5	13	-62%	2	138%	19	42	-55%
Deferred tax	0	0		0		1	0	
Net Profit	12	39	-69%	4	185%	54	119	-55%
Paid-up equity share capital	17	17	0%	17	0%	17	17	0%
EPS Basic (Face Value of ₹2)	1.38	4.46	-69%	0.5	176%	6.2	14.23	-56%

Source – Company, Way2Wealth

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Disclosure of Interest Statement Visaka Industries Ltd. as on 01 September 2023

Name of the Security	Visaka Industries Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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