Twitter Thread by ASAN

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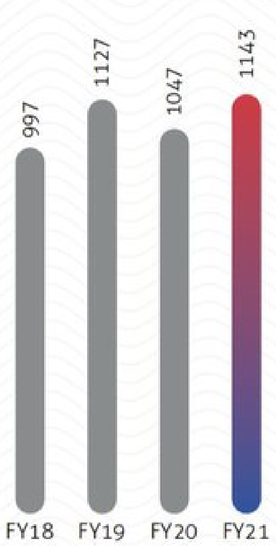
Basics fundamental explained by Visaka industry in its annual report.

Today’s holiday, try to read it.

The coming together of ability, responsibility and sustainability

How Visaka has grown over the years

Revenues
(₹ crore)



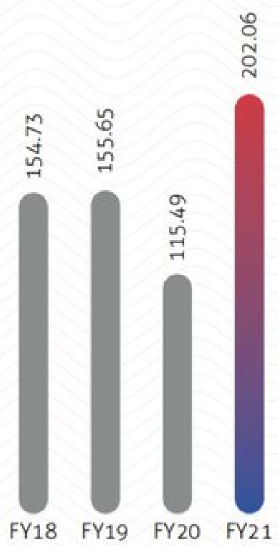
Definition
Growth in sales net of taxes and excise duties

Why is this measured?
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

What does it mean?
Aggregate sales increased 9% to ₹1143 crore in FY2020-21.

Value impact
The company performed better than the sectorial average and reported record revenues in its existence.

EBITDA
(₹ crore)



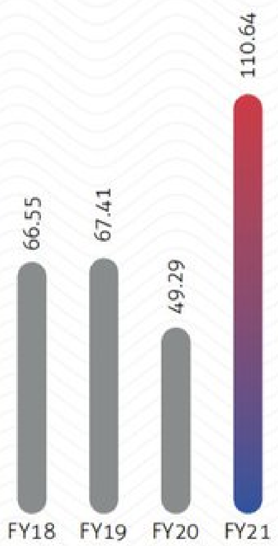
Definition
Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax)

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

What does it mean?
Helps create a robust growth engine and allows the Company to build profits in a sustainable manner.

Value impact
The company's record EBDITA was nearly 30% higher than its previous peak.

Net profit
(₹ crore)



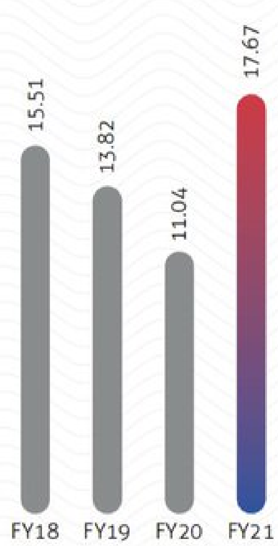
Definition
Profit earned during the year after deducting all expenses and provisions

Why is this measured?
It highlights the strength in the business model in generating value for its shareholders.

What does it mean?
Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to not run out of steam.

Value impact
The Company reported a 124.5% increase in net profit in FY2020-21– reflecting enhanced viability.

EBIDTA margin
(%)



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

Why is this measured?
The EBIDTA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

What does it mean?
Demonstrates adequate buffer in the business, which when multiplied by scale, enhances surpluses.

Value impact
The Company reported a 663 bps increase in EBIDTA margin during FY2020-21 despite market challenges, indicating robustness of the business model.

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Business mix

At Visaka, our objective is the blend our business with a bias for non-roofing non-textile revenues. When we entered this business in the year 2008, our asbestos sheets business accounted for 77% of revenues and textiles for 23%. The non-textiles non-roofing business introduced from a couple of perspectives: to enhance value-addition beyond the commoditised cement asbestos sheets segment; to capitalise on the growing opportunity for panels in India and the world.

During the year under review, our non-textiles non-roofing solutions generated 18% of revenues; thanks to a spike in rural preference, the asbestos roofing sheets business generated 69% of revenues while the textiles business (affected by lockdowns) accounted for 12% of revenues. As a stated policy, the company intends to increase the proportion non-textiles non-roofing revenues to 25% of its turnover by 2022-23.

Business health

At Visaka, our focus is not just the quantitative growth of our business; we focus on the hygiene of our numbers that continues to validate that our business is stable, liquid and sustainable.

Central to this hygiene is the manner in which we manage our working capital. The first index of our financial hygiene is whether we have drawn working capital extensively / completely against the sanctions provided by the banks or moderately. As a policy, we seek to maximise the use of accruals in business growth, moderating the use of borrowed funds. During the year under review, we drew only below 20% of the sanctioned short-term loans (on average), which made it possible to moderate interest outflow and enhance profitability, a virtuous cycle.

We enhanced our working capital hygiene through the following priorities: shrinking our receivables cycle through better terms of trade with our primary customers (trade partners), extension of our payables cycle, marketing products with strong offtake and graduation to a value-added product mix.

We are pleased to report that our working capital cycle (in terms of days of turnover equivalent) declined from 124 days in 2019-20 to 84 days in 2020-21. Our receivables declined from 49 days of turnover equivalent to 33 days; our inventory declined from 106 days of turnover equivalent to 79 days.

Liquidity

At Visaka, we prioritise the role of liquidity in our business. Given a choice of maximising revenues with stretched liquidity or moderate-to-high revenues with enhanced liquidity, we will select the latter each time. This priority was reflected during the year under review, when our interest cover (EBIDTA divided by interest outflow) strengthened from 6.6 to 15.8. This indicated that we possessed adequate liquidity to service our interest liability that fell due during 2020-21.

Over the years, we strengthened our interest cover through stronger gearing; our debt-equity ratio strengthened from 1.02 in 2015-16 to 0.25 in 2020-21 as we strengthened net worth on the one hand and moderated debt on the other.