



Vikas Ecotech maintains steady growth-led annual performance with 20% increase in net revenues in spite of a challenging year

Q4 revenues and profits are higher than the same period last year; however, an extra-ordinary loss of INR 16 crores incurred due to a fire incident in a part of the factory during the quarter

Key highlights:

For FY 2016-17 –

- Revenue increased to INR 373 crore from INR 312 crore on a Y-o-Y basis, a healthy growth of 19.6%. Profit after tax and before extra-ordinary item grew by 54.6% to INR 39 crore from INR 26 crore in spite of a challenging year owing to demonetization.
- Annual Profit after Tax de-grew marginally to INR 23 crore from INR 26 crore on a Y-o-Y basis on account of the INR 16 crore loss incurred on account of fire incident in a part of the factory during the quarter.
- During the year, company consolidated its domestic and international markets with prestigious order wins from global players like Mexichem
- Company commissioned its new unit at Noida (SEZ) in March, 2017, along with the enhanced capacity at its current manufacturing location helped in scaling up business towards exports and local demand.
- The company focused on strengthening its governance and risk measures; on the product front, it received various quality certifications of international stature.

For Q4 FY 2016-17 –

- The company overcame the after effects of demonetization-led sales slowdown in Q4 by registering higher revenues of INR 104 crore as compared to INR 97 crore in the corresponding period of the previous year, an increase of 6.7%.
- The commercial order from a Mexichem, a Mexican petrochemical giant is a strong validation of the company's product efficacy and R&D strengths in line with global standards.
- An accidental fire in a section of the manufacturing plant resulted in damage of assets including raw and finished materials. The company has absorbed an extraordinary loss of INR 16 crore in this quarter.

May 29, 2017, New Delhi:

1. Financials: In spite of a challenging year where the last two quarters saw a severe sales dip due to demonetization and a fire accident at our Rajasthan plant, the company has maintained its growth journey.

With the entire industry facing tough demand challenges, Vikas Ecotech registered topline growth and protected its bottom-line with a slight reduction in Net profit after extraordinary items on a Y-o-Y basis due to its focus on R&D-led premium specialty chemical solutions and offerings.

Figs. in INR Crore

Q4 FY 17	Q4 FY 16	Difference	Results	FY 2016-17	FY 2015-16	Difference
103	97	6.7%	Net Revenues	373	312	19.6%
21	21	2.2%	EBIDTA	69	54	28.7%
15	10	50.7%	PAT*	39	26	54.6%
0.61	0.40	50.5%	EPS*	1.55	1.00	55.0%

*Before Extra-ordinary items

The company recorded a 19.6% increase in revenue of INR 373 crore in FY17 as compared to INR 312 crore in FY16. Profit before Interest, Depreciation and Tax in FY 17 was at INR 69 crore, higher by 28.7% than INR 54 crore of FY 16.

The company faced quite a few unseen external challenges since the middle of the year that resulted in its performance being dragged down. However, the annual results prove the company's resilience in being able to absorb massive shocks yet rebound and continue on a profitable growth path.

The company recorded net revenue of INR 103 crore in Q4, FY17 as compared to INR 97 crore in Q4, FY 16. EBIDTA was at INR 21.04 crore, higher by 2.2% from INR 20.58 crore achieved in the same period of previous year. Profit after Tax but before extra-ordinary item grew to INR 15 crs. from INR 10 crs, a rise of 50.7%.

2. Management comment: Vikas Garg, Managing Director

“The previous year's performance was commendable and we were able to deliver on growth in spite of the various challenges. I am confident that this performance will help us deliver significantly better results in the next year.

Demonetization caused a demand vacuum for almost two quarters, however, our geographic de-risking through exports and premium customer relationships helped us tide it over in a phased manner.

During the year, the company successfully implemented three clear strategies that helped us reap financial benefits, gain customer traction and thereby resulted in improved unit economics –

- We invested in modern manufacturing plants with a dedicated export unit that resulted in quality products and offerings to customers.
- Along with capacity expansion, our premium product range helped in winning marquee global and domestic clients.
- Lastly, our genuine focus on improving governance and risk standards helped us attract senior industry leaders and talented employees.

The last quarter was painful for us. As we were coming out of the effects of demonetization, an unfortunate fire accident in one of our factory building resulted in severe losses. However, we ensured no long-term loss of customers by meeting most of the delivery schedules by implementing our Disaster Recovery Plan with immediate effect. We hope with the settlement of claims; this temporary setback will be reversed in the next few quarters.”

3. Key macro trends:

A. Order passed by National Green Tribunal (NGT) on use of Lead in PVC pipes – NGT wide an order passed on 25th May, 2017 has directed the Ministry of Environment and Forests (MoEF) to lay down standards within **4 (four) months** for use of Lead in Polyvinyl Chloride (PVC) pipes, in consultation with Bureau of Indian Standards. The green panel also directed the MoEF Secretary to draw up a programme for phasing out Lead from PVC pipes which is used to stabilise thermal degradation during manufacturing.

This ruling by NGT and setting up of new standards by MOEF would help in banning of Lead and other toxic metal stabilisers in India. Organotin stabiliser which is the strongest and eco-friendly stabiliser would be the best suited replacement for Lead based stabiliser. The company feels that by this order and the subsequent banning of toxic stabiliser by the Government would open up the nearly 80% of Indian PVC stabiliser market.

Vikas Ecotech is the first and only Indian company with an integrated in-house facility to produce Organotin, which is a US FDA-approved ingredient for the PVC industry. Company is planning to triple its capacity over next 18-24 months to tap into this demand.

4. Key Business Events:

A. Modern manufacturing plants: During the year company added to its manufacturing muscle with capacity expansion at the existing plant and a new export-oriented unit at Noida. Capacity enhancement at the Rajasthan unit has led to increase of Organotin stabilizer capacity from 1,800 to 3,000 MT p.a. and 6,000 MT p.a. of Speciality compounds capacity.

Company shall commence work on 2 new manufacturing units over the next quarter to help address the export markets and new domestic geographies of West and South India.

B. Global client wins & domestic market expansion: Mexichem, a worldwide leader in PVC compounds and PVC piping systems was converted as a customer during the year. While the pilot-project started early in the year, the last quarter saw fructification with winning the first commercial order.

Similarly, in the domestic sector, leading PVC players are becoming our customers. This trend of bagging large clients both in the global and domestic arena is expected to garner speed in the next few quarters.

C. International quality certifications: Vikas Ecotech's Organotin (Lead-free) product gained worldwide acceptance. During the last quarter, Intertek Deutschland GmbH, Germany, certified Vikas Ecotech's product Tinmate, Organotin Stabiliser for Vinyl applications for use as an additive in the production of food contact plastic materials as per European Union regulations.

Similarly, FICCI Research & Analysis Center (FRAC) certified Vikas Ecotech's Tinmate series products as Food grade and for use in Food Safe products. This will help the company enter newer markets like Europe to reach premium customers.

D. Governance board and senior leadership talent: The company constituted an Advisory Board with **Shri G. N. Bajpai**, ex-SEBI chief as its Chairman. Recently one of India's most respected branding gurus and corporate honchos, **Shri Sunil Alagh**, ex-MD of Britannia Industries and a marketing guru joined the Advisory board as Vice-Chairman. A key focus on building a senior leadership team and people with strategic experience, has helped in fine tuning the strategic growth direction of the company.

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About Vikas Ecotech Limited (www.vikasecotech.com)

Vikas Ecotech is an emerging player in the global arena of high-end specialty chemicals players. An integrated, multi-specialty product solutions company, it produces a wide variety of superior quality, eco-friendly additives and rubber-plastic compounds. Its additives and rubber-plastic compounds are process-critical and value-enabling ingredients used to manufacture a varied cross-section of high-performance, environment-friendly and safety-critical products. From agriculture to automotive, cables to electricals, hygiene to healthcare, polymers to packaging, textiles to footwear, the company's products serve a diverse range of global industry needs.

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