

29th July 2025

BSE Limited Phiroze JeeJeeBhoy Towers, Dalal Street, Mumbai - 400 001	National Stock Exchange of India Ltd. "Exchange Plaza", 5 th Floor, Plot No. C-1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051
SCRIP CODE: 523367	SCRIP CODE: DCM SHRIRAM

Kind Attn.: **Department of Corporate Communications/Head - Listing Department**

Sub. : **Transcript of Investors' Earnings Call**

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached Transcript of Investors' Earning Call on the Unaudited Financial Results (both Standalone and Consolidated) for the quarter ended 30th June 2025 held on 23rd July 2025.

Kindly take the above information on record.

The said Transcript is also available on the Company's website i.e., www.dcmshriram.com.

Thanking you,

Yours faithfully,

For DCM Shriram Limited

(Deepak Gupta)
Company Secretary & Compliance Officer

Encl.: As above

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DCM Shriram Limited Q1 & FY '26 Earnings Conference Call July 23, 2025

Moderator: Ladies and gentlemen, good day and welcome to the DCM Shriram Limited Q1 FY '26 Earnings Conference Call.

As a reminder, all participant lines will remain 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Siddharth Rangnekar from CDR India for opening remarks. Thank you, and over to you.

Siddharth Rangnekar: Thank you, Ryan. Good afternoon and welcome to DCM Shriram Limited's Quarter 1 FY '26 Earnings Conference Call.

Today we have with us Mr. Ajay Shriram – Chairman & Senior Managing Director; Mr. Ajit Shriram – Joint Managing Director; Mr. Aditya Shriram – Deputy Managing Director; and Mr. Amit Agarwal – Group CFO of the Company.

We shall commence with remarks from Mr. Ajay Shriram and Mr. Ajit Shriram. Members of the audience will get an opportunity to ask their questions to the management following these comments during the interactive question-and-answer session.

Before we begin, please note that some of the statements made on today's call could be forward-looking in nature, and a note to that effect has been included in the conference call invitation that has been circulated earlier and is also available on the Stock Exchange websites.

I would now like to invite Mr. Ajay Shriram to give us a brief overview. Over to you, sir.

Ajay Shriram: Thank you, Siddharth. Good evening, ladies and gentlemen, and a very warm welcome to all of you. Thank you for taking out time and joining us today to discuss the Company's performance around 1st Quarter of Financial Year '26 Results.



I shall commence with views on industry dynamics and our strategic direction, following which Ajit will share the financial perspectives.

The global economic growth projections continue to be lower. While headline inflation is soft across most regions, tariff-driven cost pressures and geopolitical rifts continue to challenge policymakers with significant risks to market disruptions. Many emerging and developing economies faced headwinds from reduced exports, lower commodity prices, tighter financial conditions and elevated debt burdens, putting the growth perspectives and development goals at risk.

While India is impacted by these global developments, there is higher resilience given the domestic demand, policy fundamentals and strategic fiscal interventions. The RBI's rate cuts and the government's continued support for infrastructure creation and manufacturing have created economic momentum.

Our Company is well-positioned to benefit from India's growth and has over the years taken steps to fortify presence across its businesses. Our investments have been aimed at augmenting capacities and adjacencies through integration, optimizing costs and being competitive across business cycles.

We continue to leverage digital platforms to enhance customer experience, streamline operations and deliver more efficient services across all touch points. We remain committed to follow sustainability as a guiding principle in all our existing and proposed investments.

I will now share with you the industry dynamics across our businesses.

First, I will take up Chemicals:

With uncertainties on U.S. tariffs and deepening geopolitical conflicts, global caustic soda market was impacted with demand reducing from key end-use industries such as aluminum, textiles and paper.

China continued to participate aggressively in the international market, leading to oversupply. The prices of caustic soda that had reached about US\$500 per metric ton FOB last year have retracted to US\$450 per metric ton, signaling softness in prices.

India's caustic soda market continued to be oversupplied with current capacity of approximately 6.5 million metric tons operating at 80% capacity utilization. Chlorine prices also have been under pressure owing to oversupply, coupled with subdued demand of chlorine derivatives. Our capacity utilization is 80% and is ramping up gradually.

We are also witnessing benefits in our cost-saving initiatives, especially in power. Hydrogen peroxide which goes in the existing caustic use segments like pulp and paper, textiles and water treatment is growing at a healthy rate. We are focusing on building our market share. The plant is operating at about 65% capacity utilization. Our target this year is to reach over 80% capacity utilization.

The trial runs of the ECH plant have started and the utilities like Glycerine purification et cetera are fully operational. We will be commissioning within this quarter and the capacity ramp up will happen within the next few quarters.

Our acquisition of Hindustan Specialty Chemicals Limited marks our foray into advanced materials and epoxy resin segments. The transaction is in line with our policy of growing into adjacencies through backward and forward integration. This acquisition shall help in giving us a jump start into this business and provide us a platform for faster growth.

Work on aluminum chloride and calcium chloride capacities at Bharuch continues as per timeline. In line with our objectives, our green initiatives and cost efficiency programs continue to underscore growth initiatives. The additional injection of 6.6 Megawatts of green power at Baruch has started in this quarter, taking the total peak renewable power availability at Bharuch to 50 Megawatts. The 68-Megawatt renewable power project for Kota is progressing as per schedule.

The benefits of the CAPEX programs in our chemical businesses have started showing results by providing volume-driven growth. Successful completion of the plans under implementation, along with capacity utilization reaching optimum levels shall further aid in this growth.

Vinyl:

Global PVC demand has remained subdued and global trends continue to indicate softer prices of PVC. While India remains a spot of confidence, supported by construction and agricultural activities, China continues to redirect surplus PVC to global markets, impacting domestic Indian PVC prices negatively.

The Supreme Court's interim order has cleared the way for a comprehensive anti-dumping investigation into imports of PVC by DGTR, the Director General of Trade and Remedies, overruling the Gujarat High Court's stay. Once imposed, it will bring some respite to the low-cost import prices.

The cost structure in our vinyl business has improved. We will continue to optimize production between PVC and Carbide in order to derive optimal margins from this business.

Sugar and Ethanol:

Global sugar demand for sugar season '24-'25 is expected to be higher than the supply, leading to a reduction of 4 million metric tons in the inventory levels for the current year. This was mainly due to lower production in India over the previous year by 5.8 million metric tons.

The Indian sugar season '24-'25 is expected to end with a stock of 5.2 million metric tons with production estimate of 26.3 million metric tons after diversion of approximately 3.3 million metric tons for ethanol production, consumption of 28 million metric tons and export of about 1 million metric tons.

Current prices are around Rs. 4,020 per quintal and are expected to remain range bound. The demand in Q1 was subdued and is expected to pick up in the coming quarter.

On the ethanol front, the Government of India is planning to increase the target of ethanol blending in petrol and start its mixing with diesel. As of 31st May 2025, ethanol blending in petrol has reached 19%. This bodes well for the ethanol industry.

However, in a regressive move, the UP government has recently leveled export fees on ethanol exported outside the state of Uttar Pradesh, retrospectively from 2018, in view of a judgment from the Supreme Court.

Further, the increase in sugar and ethanol prices has not fully compensated for the increase in sugarcane and grains' prices for ethanol. These steps are regressive in nature and stall the growth of the industry.

In this backdrop, it is important to review and overhaul the sugar policy framework in order to make it remunerative in the long run for the farmers as well as manufacturers.

Our compressed biogas plant commissioned in March '25 is operating at about 90% capacity utilization.

Fenesta Building Systems:

The Company remains committed to expanding its market footprint by deepening the reach of its current offerings and broadening its portfolio through the development of new platforms. Our sales strategy is focused around enriching the customer journey through ensuring long-term sustainable growth.

Meanwhile, our aluminum extrusion project is advancing as per schedule. We have successfully acquired 53% equity stake in DNV Global Private Limited, a Company operating in the hardware space. These strategic actions are said to reinforce our position as an integrated solutions provider in the building materials domain and support the creation of enduring stakeholder value.

Moving on, the Agri-Input Businesses portfolio comprises of Shriram Farm Solutions, Fertilizers, and the Bioseed business.

Shriram Farm Solutions:

This is a consumer-facing business, and it continues its growth momentum. The Company's growth trajectory was led by both robust volume expansion as well as better pricing. Demonstrating agility amid climatic fluctuations, the Company ensured timely deployment of need-based solutions and introduced scientifically developed crop nutrition products that strengthened the crop tolerance to stress conditions.

Notably, in the current quarter, SFS has launched 8 new products in crop protection and specialty plant nutrient verticals, including 2 new products from our own R&D. The business continues to focus on its own R&D collaborations

and exclusive arrangements to bring the new age products and global technologies to Indian farmers.

Fertilizer:

On the backdrop of early onset of monsoon, higher rain expectations and lower imports, the urea demand is expected to be healthy. As the stability in the urea industry persists, we are committed to energy efficiency and boosting operational effectiveness. India has seen stable allocation to subsidies, translating into smoother transfers to producers.

Bioseed:

The Bioseed turnaround is gaining momentum, underpinned by a broader hybrid seed range, that is fueling growth across core sectors. The expansion in corn cultivation driven by attractive crop economies and rising ethanol demand, along with strong paddy performance has boosted overall results. However, cotton acreage is likely to drop for third consecutive year with organized sector in cotton seeds taking a deeper cut in volume.

I will now request Ajit to provide the financial perspectives. Ajit, over to you.

Ajit Shriram:

Thank you. Good evening everyone. I will now take you through the financial highlights for the quarter.

Net revenues for Q1 FY '26 were at Rs. 3,262 crore versus Rs. 2,876 crore last year, an increase of 13% year-on-year. PBDIT for Q1 FY '26 was at Rs. 326 crore versus Rs. 274 crore in Q1 FY '25, an increase of 19% year-on-year.

Chemicals:

The business reported an increase in revenue of 43% year-on-year led by Caustic soda volumes that were up 20% on account of the new 850 tons per day facility that was made operational in May 2024. PBDIT increased by 68%, owing to lower input prices, particularly energy prices, and efficiencies from the 120-Megawatt power plant.

The excess capacities in India is creating pressure on product prices, especially chlorine. However, the downstream projects such as hydrogen peroxide and aluminum chloride, commissioned last year, has also supported the revenue growth. We expect volume-driven growth to continue with operationalization of our projects under implementation and capacity ramp-up.

Vinyl:

The vinyl business had flat revenue at Rs. 209 crore in the quarter versus Rs. 211 crore in the quarter last year. The volumes of both PVC and Carbide were higher. However, prices were down by 17% for PVC. Last year, there was a one-time positive impact of Rs. 16 crore each because of reversal of electricity duty on auxiliary consumption in vinyl as well as chemicals.

Sugar and Ethanol:

Sugar and Ethanol business revenue, net of excise duty, was lower by 14% in the quarter. Domestic sugar volumes were lower by 23% due to lower offtake. Volumes of ethanol were in line. Prices for both ethanol and sugar were slightly better.

PBDIT for the segment was lower at negative Rs. 7 crore versus a positive Rs. 37 crore in last year as the increase in prices did not compensate for the increase in cost of production.

There was also a one-time negative impact of roughly Rs. 36 crore on account of provision for levy of duty on ethanol exported outside the state of UP effective 2018. The industry is exploring legal recourse against this levy.

Fenesta Building Systems:

Fenesta Building Systems' revenue increased 21% year-on-year, led by volumes across the project and the retail segment. The growth was better than the same period last year.

PBDIT for the quarter was similar to last year due to higher fixed expenses for setting up new adjacent businesses, higher marketing expenses and acquisition-related costs. We anticipate continued higher levels of expenditure to support the strategic scaling of our operations and our expansion into newer adjacencies. The order book continues to be healthy.

Shriram Farm Solutions:

Shriram Farm Solutions' revenue increased by 29% year-on-year supported by volumes across verticals, especially crop protection. The prices were also better across the verticals except slight moderation in crop protection vertical.

PBDIT for the quarter was higher by 22% on account of better margins despite higher marketing expenses focused on strengthening of the Shriram brand and higher R&D expenditure.

Fertilizers:

The fertilizer revenue was higher by 19% year-on-year. PBDIT was also higher by 65% led by volumes and better energy efficiency as there was a maintenance shutdown in the last year.

In the current quarter, there is a one-time positive impact of roughly Rs. 24 crore on account of revision in the retention price of Financial Year 2023. Last year also, there was a one-time positive impact of roughly Rs. 20 crore on account of recovery of marketing margin.

Outstanding fertilizer subsidy was at Rs. 236 crore as against 133 crore in the last year.

Bioseed:

The segment saw a revenue increase of 30% year-on-year. Some of it, especially in Philippines, is a timing difference. PBDIT increased by 46%. The improvement is led by better margins across crop segments of corn and paddy.

The Company's net debt at Rs. 1,481 crore as of June 30th, 2025 as against Rs. 1,459 crore as of June 30th, 2024.

Return on capital employed for June 2025 came in slightly lower at 13% as compared to 14% for June 2024, since CAPEX incurred on the projects will start yielding returns in the forthcoming quarters.

By maintaining rigorous financial discipline, we ensure a robust balance sheet that supports agile investments in strengthening existing and adjacent businesses, and cost-saving initiatives.

That concludes my opening remarks, and I request the moderator to please open the forum for the Q&A session. Thank you.

Moderator:

Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Nirav Jimudia from Anvil Wealth Management. Please go ahead.

Nirav Jimudia:

Yes, good afternoon team, and congrats for the superb performance. I have few questions to ask on the Chemical side. Sir, when we see our Q1 performance for the Caustic Soda business, our PBDIT has improved by close to around Rs. 3.20 per kg as compared to Rs. 2.40 per kg in Q1 of FY '25. So, just wanted to understand like the PBDIT improvement of Rs. 3.20, was this eco-improvement of Rs. 2.40, the difference comes to around Rs. 80 paise per kg. So, if you can just help us understand, was it all because of the savings in power or some fixed cost optimization also would have helped us in the improved performance?

Amit Agarwal:

See the improvement in EBITDA is a function of 2 things essentially. One is the improvement in product prices, which as we mentioned have been better than last year.

Second is, the variable costs have been lower. The variable cost ballpark has been lower by about 10% to 12%. So, these are the 2 key reasons. And within variable cost, the major reason is the power cost. Power cost also had 2 components. One because the power rate was lower, given that the fuel rate was lower than same period last year. And the efficiencies, as was mentioned in the Chairman's message as well from the 120-megawatt power plant, that also acted. So, mix of quite a few factors.

Nirav Jimudia:

Correct. And sir, when we have commissioned the plant for the expansion of 850 TPD caustic soda, and 120-megawatt power plant at Bharuch. Let's say before that our fixed cost was 100, how much our fixed cost would have gone up with the commissioning of these two capacities?

Amit Agarwal:

See, it's difficult to give you a number on by how much, pertaining to these 2 facilities. See, overall, the Chemical business is in a growth mode. Therefore, again it has to hire for newer capabilities, like for example, if we are looking at

growing in Epoxy, the capabilities for Epoxy were hired almost about a year back, at least the critical capabilities. So, it's a mix of creating the entire infrastructure of capabilities, and as we are in growth mode, these expenses will go up overall.

Nirav Jimudia: Got it. Got it. And sir, just an add-on on this, like just we divide the production volumes, possibly we would have required 220 megawatts of power for our Caustic Soda business in Q1 of FY '26. So, what was the mix of power between the renewables and our captive power plant?

Amit Agarwal: So, our renewable average that we get in Q1 was about 24-25 megawatts against the total requirement. So, what we produced during the quarter averaged at about 2,200. Yes, you are right. So, therefore, that only about 25-26 megawatts came from renewables.

Nirav Jimudia: Correct. Sir, second question is on the Epoxy side, like the acquired asset has a capacity of 17,000 tons. So, it is all predominantly the LER capacity or does it also include some downstream capacities as well?

Aditya Shriram: You are right. Yes, it does include some downstream capacity as well. But again, this would be the starting point for us, and we will use this acquisition for entry into the business and also for further growth. So, we expect to grow the capacities relatively soon.

Nirav Jimudia: Correct, correct. Sir, one of the interview statements you also mentioned that we intend to almost triple our capacities for the Epoxy business. So, given the kind of expansion what we are looking at, what could be the timeline one could expect on for this expansion, a), and b) What sort of CAPEX would be required if we decide to go ahead with the expansion?

Aditya Shriram: So, it will be hard to share some of those details at this point, but the team is evaluating various technologies, and various capacities, and once the Board approves these expansions, that will be announced.

Nirav Jimudia: Got it. Sir, last bit from my side, if you can share the market size of LER as well as the specialized Epoxy market in India, that would be very helpful.

Amit Agarwal: See, the total market size of the liquid Epoxy resin and its formulations put together, is about 200 kilotons per annum as on date, and expected to grow to about 300 in the next 3 years.

Nirav Jimudia: Got it, sir. Thank you so much, sir, and wish you all the best. I will join back in the queue for further questions.

Ajay Shriram: Thank you.

Moderator: Thank you. We take the next question from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Thanks for the opportunity, sir, and congratulations on a good set of numbers. I will carry the question of the Epoxy side. Can you give a little more explanation and detail regarding the business on few aspects? One is, you mentioned about the increase in capacity, but what we understand is there is enough

supply in India to sort of cater the domestic market. So, how do you see the export side of the Epoxy and what countries, if you can give some sense, how you are pursuing the business in terms of increasing the capacity and utilizing it?

And secondly, how much of the ECH, which we have planned capacity, will be used internally? Yes, so that's my question on Epoxy.

Aditya Shriram:

So, Epoxy, you are right, there is an adequate supply of Epoxy in the market right now. But what we are seeing is that there is a healthy growth in the market for Epoxy. So, as was mentioned already by our CFO, we expect the demand for Epoxy to go up from roughly 200 kt to 300 kt per annum in the next 3 to 4 years. So, I think that will help in absorbing the increased capacity, which we will also be coming up with.

Additionally, we will, of course, focus on domestic demand, but we will also focus on exports. So, we will cater to the global market. And I think with our cost structures being relatively competitive, and we will have to closely monitor the tariffs that are being levied across globally, I think it positions us well for growth in the years to come.

Amit Agarwal:

Ahmed, just to add, lot of capacities in Europe, from players like Huntsman, Westlake, Olin, they are being proposed to be shut down, especially the liquid Epoxy resin facility. And they probably would like to focus more on formulation. So, that will also make liquid Epoxy resin from India, a global product.

And further, a lot of these wind manufacturers are coming to India to manufacture blades and things like that. So, I think there's a lot of growth which is expected to happen within the Indian market, and global market for India to be a key player.

Ahmed Madha:

Got it. And can you answer on the epichlorohydrin part, what percentage we will be using internally, and roughly what kind of margin range you think is sustainable in Epoxy business?

Aditya Shriram:

So, I think it will depend as our capacities grow. Currently, it will be a smaller percentage of our ECH, which will be consumed captively. But as we expand our capacities for Epoxy, then a larger percentage of the ECH will be consumed captively. And therefore, we will grow ECH as well in the times to come. So, this is a growth vertical for us. It will be a dynamic number. But the advantage of being across the value chain, helps position us reasonably well for this business.

Ahmed Madha:

Got it. On the margin improvement part, you explained about the cost structure in terms of reducing whole cost as well as variable cost. I had a question on the increase in the captive chlorine consumption. So, if I do the numbers, your caustic volumes are of 20%, but if I look at the value-added business in the caustic chlorine segment, it looks the number is up 70%-80%, because we have commercialized new capacities for aluminium chloride, hydrogen peroxide, and so on. So, in terms of percentage terms, has our chlorine captive use increased materially in last 3 to 4 quarters? If you can quantify the percentage number or you can even give from the base of 100, how it has moved?

- Aditya Shriram:** So, we actually look at it in 2 parts. One is the captive chlorine consumption directly, but secondly also is our pipeline customers. So, in the last 30 odd years, we have grown, and our pipeline customers have also grown. They are our valued customers, and we have a very strong relationship with them.
- So, after the current expansions, we expect approximately 40% of our chlorine to be consumed captively in Jhagadia, in Bharuch, and approximately 30% will be with pipeline customers. So, roughly 70% across captive and pipeline customers will be consumed in the complex.
- Ahmed Madha:** This 70% includes the commercialization of ECH as well?
- Aditya Shriram:** Yes, that is right.
- Ahmed Madha:** Okay, got it. And in March, we had a Board meeting regarding the corporate restructuring, and we had some update in last call as well. Would you like to comment how the timelines are shaping up? How is the discussion going on with the Board level? If you can give some sense at what level we have reached, and when can we assume that it will be formalized?
- Ajay Shriram:** See, this is under discussion with the Board level as well as internally our own Management, on this entire exercise. It is a major exercise, where our finance team and other teams are working with consultants and others. What is the best way? What is the best time? How can we take it forward as rapidly as possible? So, we are hoping in the next few months, we will take it up to the Board for their approval and then apply to the government for various permissions and clearances, which is a fairly lengthy and complicated process. But we hope in a couple of months to take it to the Board.
- Ahmed Madha:** Okay, got it. Last question on the epichlorohydrin part, we had the delay of nearly 2 years. If I go back to the original timelines, but is it fair to assume that all the process related, component related issues have been resolved, and it will be fully commercialized from Q3 or do you think still 1-2 pieces are yet to be done?
- Aditya Shriram:** Yes, so the timeline for completion of the project has been longer than what we had originally anticipated. But we are happy to note now that we have started trial runs of the plant, and we expect to announce commissioning in the next couple of weeks, and then ramp up in the next few quarters.
- Moderator:** The next question comes from the line of Pujan Shah from Molecule Ventures. Please go ahead.
- Pujan Shah:** Hello, thanks for the opportunity, sir. My first question pertains to the PVC side. So, in the industry perspective, we have seen there was a hike of Rs. 3.5 per kg in April and May. While in our PPT, we are mentioning there is a price correction of 17%. So, I am not able to gauge it. So, can you just please correct my understanding?
- Amit Agarwal:** So, see PVC prices have been soft. If you see in our presentation itself, we have mentioned that PVC prices from April onwards. Actually, if you look at even Q4 of last year, where they were very good in January, 76,000 and then 78,000, and they came down in April and May. May they came down to 66,000, 67,000. So, they are currently continuing at that level.

Pujan Shah: Sir, just wanted to understand that if there was a price hike of Rs. 3.5 per kg, so can we just read out that price increase has again come back to the same level as there is a continuous dumping from the Chinese end?

Amit Agarwal: See, one, I am frankly not aware of this price hike, because these prices what we are giving you, we are also giving you the international prices as well and the Indian prices as well. But yes, you are right, the major reason for this is the continuous dumping from China, and the delay in imposition of anti-dumping duty in India.

Pujan Shah: And sir, today's outcome, we have seen there is a precursor has been announced from the DGTR for the ADD purpose, and soon might it get converted into a final finding. So, just wanted to understand in a broader perspective that how much PVC prices from Chinese. And I understand the duty may be varied from country to country, but just wanted to understand as the dumping continues from China. So, if ADD comes, so what could be the industry pricing, like it would be around Rs. 73, Rs. 74 per kg.

And if it happens, what margins which we will be able to pertain? So, it will be a break-even or flattish around 1% to 2% EBIT level or how we should read on that part.

Ajay Shriram: Well, frankly on this issue of ADD, what you said is right. DGTR in fact has made out the report today. And they have actually now made it public today or they are going to make it public this evening or tomorrow, and waiting for I think maybe a week, 10 days to get feedback on that report.

Thereafter, it is expected this report will go to the finance ministry. And the finance ministry, we hope, will take action on it quickly. As you are aware, there is a court case also being filed by one of the users.

And there, the issue in that is that they are talking or they had talked about a couple of grades of PVC. So, the industry is saying that the decision on the grades of PVC has to be taken by the DGTR. They are the ones who are qualified and educated to understand the various grades and the uses of those grades.

So, that has now come to the DGTR. They are taking action on it. We sincerely hope that in the next couple of weeks' time, it goes to the finance ministry.

And from there, then they take action, so that we are protected. Our expectation is that the price increase should be in the range of at least Rs. 6 to Rs. 7 rupees a kilo to start with, once the ADD comes in. Which all countries they bring it in, we are not sure as yet. But I think China is the main concern right now for the industry, which we are working on with the government.

Moderator: Pujan, I will request you to please join the queue. Thank you.

We take the next question from the line of Raj Vyas from TM Investment Technologies Private Limited. Please go ahead.

Raj Vyas: Thanks for the opportunity, and congratulations on a good set of numbers. So, I guess last time you had given a revenue guidance of around 10%-15%, right, and I guess margins were around 11%-14%. So, for FY '26, for the remaining

quarters, do we see the numbers in line or we are making some bit of changes to the top line as well as in the margins?

Amit Agarwal: We do expect our numbers to be in this range for the rest of the year. Especially Q3 and Q4 should help us make up, because there is seasonality in our business. So, Q3 and Q4 should help us make up the deficit.

Ajay Shriram: But I just want to add, ladies and gentlemen, that you are seeing the geopolitics of the world. You are seeing the way the U.S. is moving on their trades, on their tariffs, and they make 1 level today and another 1 tomorrow. So, we are hoping that India can come to some agreement with the U.S. on at least some fundamental trade terms. So, we have some stability in policy. Otherwise, the uncertainty is very high.

Raj Vyas: Okay. So, coming to the tariff point, like how we are looking at the Chemical business, because in the press release, we have mentioned that the global caustic soda supply chain is disrupted because of the tariff. So, how we are looking things presently, currently, how it is shaping, because it will shape up for next quarter's performance as well.

Aditya Shriram: So, as we have shared, there is unpredictability going forward for all types of businesses, including for caustic soda. India was not exporting any caustic soda directly to the US, neither was China exporting any caustic soda directly to the US. So, there is no direct impact, but there will be second-order and third-order effects in terms of the demand from the consuming industries, including aluminum, or if China exports more to other countries, which it has started doing, so that impacts the global flow of caustic soda. So, we will have to see how this all plays out, but fundamentally, if the demand supply remains balanced, then we expect it to be a reasonable situation for the coming quarters and years.

Raj Vyas: Okay. So, lastly, my question is with respect to the acquisition that we have made in Hindustan Speciality Chemicals. So, though it was a loss-making company, so why we have picked up a loss-making company? And the second question with respect to same is, when do we see the company break even, coming to profitability in numbers?

Aditya Shriram: So, for us actually, this is a strategic decision and a strategic acquisition. The board had approved previously that we will be investing a thousand crore into the advanced materials, which is the epoxy business. So, this is the first major step in that direction. You are right that today some of the cost structures of this organization are not optimal. Luckily for us, with all the backward integration that we have, we will have our own ECH, which will move by pipeline; we have our own caustic, which will move by pipeline; utilities, which are at optimal cost. So, these initiatives or these advantages will help us improve the cost structure for the company. And as we grow, so we will look to grow, so with growth, we will get benefits of scale, we will cater to new markets, which are higher value-added markets. So, we expect this to become an important starting point for our advanced materials business.

Raj Vyas: Understood. So, that's it from my side. Thank you for answering my questions.

Ajay Shriram: Thank you.

Moderator: Thank you. We take the next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Thank you for the opportunity. My two questions are from the Shriram Farm Solutions Vertical. So, firstly, sir, if I am not wrong, we had launched around 7 to 8 products last financial year under this segment. I wanted to understand how much percentage of our total revenue has come from, I mean, especially this growth part of 29% volume has come from our new product launches.

Amit Agarwal: Yes. So, the way to look at the new product launches is, as you rightly said, we have launched about 17 products in Crop Protection and Crop Nutrition Vertical. In Seeds Vertical, within that business, we keep launching new products to maintain the life cycle of seeds and to add to the revenue. Now, within Crop Protection and Crop Nutrition, these new products that are launched, they obviously take time to gather momentum, which is about, let's say, it takes about one to two years to gather momentum. So, the way we assess and benchmark our success of new products is how they performed over the products which have been introduced in the last two, three years, what has been the revenue of that. Now, that is, if I see in FY'25, for the full year basis, that was about 20% of the products that were launched in last two years. Now, that's a very good benchmark. So, generally, industries put that benchmark at about 20% to 30% of the revenue. So, we are pretty much there. And we are getting more aggressive on that. So, out of those 17 products, 8 products were launched in Q1. So, yes, we have got a good pipeline. So, we look forward.

Vignesh Iyer: Also, sir, wanted to understand our capital employed base has almost doubled when it comes to Shriram Farm Solutions. So, I wanted to understand, is it primarily because of any new capital expenditure that we have done or is it because some part of R&D expenses are getting capitalized?

Amit Agarwal: So, it is neither of the two. It is essentially all working capital. And it depends on the seasonality and various factors of the business. So, they will all be, on an average basis, we will be more or less at the same level as last year. But the point is, since we are growing the business, let's say, we are expecting higher volumes in research, So, overall, higher volumes in the business and therefore, the working capital also is higher, along with some bit of timing differences.

Vignesh Iyer: Okay. I am considering that Q2 is the strongest quarter among all quarters. And do we have enough idea of how the business would be in Q2? Primarily because of that, any inventory, stocking, etc. Is it the right way to read it?

Amit Agarwal: If I understood you correctly, you mentioned Q2 is the strongest quarter for SFS, right?

Vignesh Iyer: Right.

Amit Agarwal: But actually it is Q3 which is the strongest quarter because some of its major products get sold in Q3, Rabi season.

Vignesh Iyer: Okay, got it. That is all from me.

Aditya Shriram: Thank you.

Moderator: Thank you. We take follow-up questions from the line of Nirav Jimudia from Anvil Wealth Management. Please go ahead.

Nirav Jimudia: Sir, thanks for the opportunity again. Sir, two clarifications. One on the value-added products for the caustic chlorine business. So, what does it all include? If you can just correct me here. My assumption shows that it also includes our flaker plant, hydrogen peroxide, the hydrogen what we sell in the outside market, and chlorine derivatives. So, is it the right assumption to work with?

Aditya Shriram: Yes, that is right. Absolutely that is right. So, the chlorine downstream would be epichlorohydrin, aluminum chloride, calcium chloride.

Nirav Jimudia: Correct. And, sir, what would be a rough contribution from these value-added products in Q1 of FY'26?

Amit Agarwal: See, I don't have the numbers right away, but just to mention that caustic and flakes, they continue to be the major contributors, and hydrogen; these three products continue to be the major contributors. Others that we recently introduced, so they are going through their life cycle of market development and capacity ramp-up.

Nirav Jimudia: Sir, second question is on the chlorine realizations for Q1 of FY'26, because last quarter you mentioned that it was close to around Rs. 6.50 negative. So, if you can share the similar figures for this quarter as well?

Amit Agarwal: So, that's about a similar level. On average, if you put both our Kota and Bharuch units together, it's in the same range of around Rs. 6.50-Rs. 7.00 as for Q1.

Nirav Jimudia: Correct. And, sir, last bit is on the ECH plant. So, what I could make out from the annual report is that we are also having our own refined glycerin plant. So, we would be importing the crude glycerin, converting it into refined and then possibly to ECH. So, I just wanted to understand from you, what sort of benefits it could accrue to us if we hadn't put up this plant and would have bought directly the refined glycerin without converting crude to the refined one. If you can share your thought process here, it would be very helpful.

Aditya Shriram: Sure. So, there is a margin which comes in when you convert from crude glycerin to refined glycerin. So, in a way that is like a backward integration for us. So, we hope to capture that margin as well and then do further value addition to ECH and to epoxy and beyond. So, we will actually be across this value chain.

Nirav Jimudia: Sir, is it safe to assume that it accrues close to around anywhere between Rs. 5-10 depending upon the prices of both the products put together. On a run rate basis, the benefit of Rs. 5 to Rs. 10 per kg is a benefit which could accrue to us if we keep on converting crude to refined glycerin. Is it the right assumption to make?

Aditya Shriram: I think it will be hard to share an exact range of numbers at this point. But yes, it enables the business to be much more robust and allows us to optimize our purchase decisions.

Nirav Jimudia: Got it. Thank you so much, sir and wish you all the best.

Aditya Shriram: Thank you.

Moderator: Thank you. We take the next question from the line of Rohit Nagaraj from B&K Securities. Please go ahead.

Rohit Nagaraj: Thanks for the opportunity and congrats on a good set of numbers. Sir, first question is in terms of the capital allocation. Now, we have also gone ahead with downstream integration in terms of the inorganic initiative. How are we looking at it from an individual business perspective where the incremental capital will likely be deployed? And in regards to that, are we building up any capabilities in-house to get into maybe further or making inroads into certain other streams or other areas? Thank you.

Amit Agarwal: See, the capital allocation, for us the capital-intensive businesses are essentially chemicals and sugar and ethanol. So, these are the two capital-intensive businesses. The other two businesses which are more focused in terms of growth are Farm Solutions and Fenesta. There, the capital requirement is lower. So, that is point number one. The second is the capital allocation can be for organic or inorganic route. And it will all be a function of need of the business or growth agenda and the return. So, we have particular financial principles or the hurdle rates before we make an investment. So, the capital allocation, so there is fundamental which is chemicals, sugar and the other two businesses. But then each of the businesses can have the capital requirement depending on the opportunity and that becomes the basis to decide. But we want to grow all these four businesses very aggressively.

Rohit Nagaraj: Got that. The second question, historically, we have been only focused from the domestic market perspective given all business segments have been catering to the domestic market. Is there any change in terms of thought process that we are also looking at the exports market? And what gives us confidence that we will be able to make our mark in the exports market in any of the product streams? Thank you.

Amit Agarwal: So, see again, that is again based on the opportunity like what we mentioned in Epoxy, we do see export market picking up. And therefore, we have invested in Epoxy and we feel that some part of our production will get into exports. But yes, we will still continue to be largely a domestic player whatever product we have right now. But we are open to opportunities for exports. Like in Fenesta, we are growing our exports market in a small way. In Seeds, we are growing our export market. So, we are looking at those opportunities. But yes, majority still continues to be domestic.

Rohit Nagaraj: Thanks for answering all the questions and all the best, sir.

Moderator: Thank you. The next question comes from the line of Sneha from SKS Capital. Please go ahead.

Sneha: Hello, sir. Thank you for the opportunity. I just wanted to ask a very specific question regarding the UP tax on sugar that you talked about. Could you elaborate on that a bit more and how much impact did we see? And was it for like the companies who are based out of UP? What is the thing that I wanted to understand that?

Amit Agarwal: So, there was a nine (9) bench Supreme Court judgment in a particular case wherein the Supreme Court decided that the denatured alcohol, which is ethanol is kind of denatured alcohol, is at par with the potable alcohol, which is fit for human consumption. So, they have put in the same list, which empowered the state to levy charges on or regulate the denatured alcohol as well. Earlier, the denatured alcohol was in control of the center. So, as soon as the judgment came, which also reversed a judgment which came in 1990. So, the UP State Government, they came out with a notification to levy 1% export duty on any ethanol, which is exported out of the State of Uttar Pradesh with a retrospective from 2018. So, that's where it stands. Now, we are looking at the legal recourse if available. So, we will take it accordingly as an industry.

Sneha: So, this was the first quarter we were impacted by that?

Amit Agarwal: Yes, because we made a provision on a conservative basis because the demand also was raised by the state. Also, we have not paid the demands. But on a conservative basis, we thought we will account for it from 2018. So, this entire amount that we have mentioned in our results, about 36-37 crore, pertains to amount from 2018 onwards till date.

Sneha: That's it from my side. Thank you so much.

Moderator: Thank you. We take the follow-up questions from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Thanks for the opportunity again. The Farm Solution business, I had a question. What I understand as our portfolio today is still majority wheat and rabi focused. Is there any thinking on building a Kharif crop portfolio and any views on the same please?

Ajay Shriram: Our entire range of products of seeds, we are expanding it continuously. So, at the moment, wheat is, of course, the major crop. Research wheat, which is the major crop which we are selling, but we are also getting into vegetables in a stronger way. We are also getting into other crops in a stronger way. So, our plan is to have a range of products which will be able to be sold throughout the course of the year, depending on the seasonal requirements based on the planting season. So, we are going to expand our range. We are moving ahead with that. And that's part of our growth plan.

Amit Agarwal: And if I may just add, it is also that there are two other verticals which we want to grow little more aggressively than what they are right now. So, even plant nutrition, where we set up our own manufacturing about a year back and crop protection. There also we started our own formulation unit on a lease basis. So, I think we will focus on them as well to grow a little more aggressively. So, I think that will balance out the revenue quarter on quarter.

Ahmed Madha: And for the CAPEX part, obviously we made two good acquisitions for Hindustan Specialty and DNV Global. On the organic side with the renewable power plant, aluminum chloride capacity and Fenesta, what will be the broad organic CAPEX expected in FY'26?

Amit Agarwal: So, you are saying in terms of the cash outflow on organic CAPEX?

Ahmed Madha: Yes, cash outflow.

Amit Agarwal: Yes, so that should be in the range of around Rs. 600 crore to Rs. 700 crore.

Ahmed Madha: Can you give the break-up of the same, if possible?

Amit Agarwal: See, about Rs. 300 odd crore is on aluminum chloride and calcium chloride. And I think about Rs. 100 crore should be on aluminum extrusion and then there will be few others.

Ahmed Madha: Okay, got it. That's it from my side. Thank you so much.

Ajay Shriram: Thank you.

Moderator: Thank you. We take the next question from the line of Pujan Shah from Molecule Ventures. Please go ahead.

Pujan Shah: Sir, just continuation with the previous question. So, let's suppose I understand the carbide. We manufacture PVC from the carbide route and let's suppose the RM prices remain the same. And let's suppose the ADD comes through the place and let's suppose the hypothetical example that the price of what we have assumed of Rs. 6 - Rs. 7 per kg becomes a realization for us. So, do you think that we can make an EBITDA margin of 5%-7% on a blended basis assuming capacity utilization remains 100%?

Amit Agarwal: Yes. So, see, even today, even in Q1, my EBITDA margin was about 7%. So, I think it should only increase from here by about 4%-5% if the prices grow by Rs. 6 – Rs. 7.

Pujan Shah: Okay. So, there won't be any hike in the RM for the PVC, right? Right now, because for the enough capacity has been available for RM purposes. So, that makes better sense so that at least our EBITDA margin would reach around 10%-11% once ADD comes into place.

Amit Agarwal: See, in our business, both input prices are largely the carbon prices. It's anybody's guess that what they should be. We would always expect them to be stable. So, it's very difficult to say whether RM prices will remain at these levels or not. We do work on improving efficiencies and improving our cost structures. But input rates can vary.

Pujan Shah: Right, got it. And my last question on the caustic soda part. So, we have seen a price increase. So, could you state a reason? So, do you think it's a structural and that this price would be stable from here on or it might impact because the industry is already running at 80% capacity utilization and we are also operating at 80%. Now, the industry doesn't have more room to at least grow i.e. increase in the capacity because that will give more chlorine and that will impact the margins ultimately. So, do you feel that the price will remain stable from here on and might inch-up in the coming quarters?

Aditya Shriram: So, it's of course hard to predict how prices will evolve for commodities including caustic soda. There are many factors including domestic and global factors at play. But we do expect prices again in the medium term to be range bound or to move up in the medium term.

Pujan Shah: Okay, thank you so much. That is all my side.

Moderator: As there are no further questions, I would now hand the conference over to the management for their closing comments.

Ajay Shriram: Thank you. Ladies and gentlemen, thank you very much for your participation in our earnings conference call. In a world marked by economic fragmentation, shifting trade flows and geopolitical instability, businesses must remain agile and forward-looking.

Our company is well positioned to capitalize on these strengths. We have consistently invested to expand capacities, improve integration and enhance competitiveness across sectors. We harness digital platforms and embedding sustainability across operations. Our recently concluded CAPEX program sets the stage for the next chapter of volume-driven profitable growth, anchored in operational excellence and a strong balance sheet. Thank you very much once again.

Moderator: Thank you. On behalf of DCM Shriram Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.