



**DCM Shriram Consolidated Limited**  
**Q1 FY2012 – Earnings Conference Call Transcript**  
**August 1, 2011 at 4:00 pm IST**

**Moderator:** Ladies and gentlemen good day and welcome to the DCM Shriram Consolidated Ltd. Q1 FY12 Earnings Conference Call. As a reminder, for the duration of this conference, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "\*" and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Ishan Selarka from CDR India. Thank you, and over to you, sir.

**Ishan Selarka:** Thank you, Melissa. Good afternoon, everyone. Welcome and thank you for joining us on DSCL's Q1 FY12 Earnings Conference Call. Today, we have with us Mr. Ajay Shriram -- Chairman and Senior Managing Director; Mr. Vikram Shriram -- Vice Chairman and Managing Director; Mr. Rajiv Sinha -- Joint Managing Director; Mr. Ajit Shriram -- Deputy Managing Director; and Mr. J.K. Jain -- CFO of the Company. Before we begin, please note that some of the statements made in this conference call may be forward-looking and a note to that effect was sent to you earlier. We will now begin the conference call with opening remarks from Mr. Ajay and Mr. Vikram Shriram, following which we would have an interactive question-and-answer session. I would now like to invite Mr. Ajay Shriram to give us a brief overview on the Company's operation during the quarter and the opportunities is going forward. Over to you, sir.

**Ajay Shriram:** Good afternoon ladies and gentlemen, and a very warm welcome to DCM Shriram Consolidated Limited Q1 FY12 conference call. I will take this opportunity to share with you our perspective on the Company's performance, following which Vikram will take you through the financial highlights of the Company for the first quarter ending June 30, 2011.

Let me begin by stating that we witnessed a better quarter, both operationally and financially. Our Bioseed and Farm Solutions businesses continued to be on the growth path. The Chloro-Vinyl business witnessed growth in earnings of 78% sequentially Q-o-Q, though up by 3.5% year-on-year. The rise in input prices especially that of coal continues to put pressure in margins in this business. In Sugar, margins had improved; however, it still remained negative and need immediate attention of the policy makers.

Let me now give you a segment wise perspective.

The Chloro-Vinyl business comprises of Chlor-Alkali products, PVC Resin and Carbide with coal-based captive power. The business continues to record good operating performance with high capacity utilization. It has faced intense cost pressure with coal prices rising steeply over last year. Our efforts to mitigate the cost along with supportive prices have enabled us to maintain the margin in these businesses.

Our Sugar business has witnessed an improvement in the margins that has reflected in lower losses for the quarter. However, the margins continued to be negative and continue to exert pressure on overall earnings. The key to the performance of this business going forward would be the government's policy response to expected second successive year of excess supply of Sugar. Sugar prices need to go up by 15% to 20% so that the sugarcane farmers could be paid reasonable prices to maintain their interest in Sugarcane cultivation. This is very urgent, particularly as prices of other agri commodities are continuously rising, fully supported by the government. The Sugar industry, on the other hand is given negative support as it is being asked to share the burden of sugar supplies at low prices through the PDS as levy Sugar.

Our Fertilizer business reported satisfactory operational performance; however, increase in uncompensated cost due to the continued delay in finalization of the new urea policy by the government subdued profitability. The uncertainty on new urea policy continues to hurt the sector.

The Farm Solutions business continued to be on the growth path driven essentially by the growth witnessed in the value-added inputs such as seeds, pesticides, etc. The sale of SSP got deferred due to delay in announcement of subsidy rates. Imports of DAP and MOP are also substantially lower due to policy uncertainty. Going forward, we believe that this business will continue to sustain growth on the back of strong demand by the farming community, as well as the differentiated solution based approach followed by the business.

The Bioseed business is witnessing strong demand across the entire portfolio with significant increases in cotton, corn and paddy in India and corn in Philippines. We are confident of sustaining good growth in the medium-term given our strong product pipeline and expansion to new territories. When you look at our results, you should keep in mind that the performance of this business might have significant quarterly variation as the major turnover and profits gets realized in the first and fourth quarter and hence the annual picture provides a truer representation of this business.

Hariyali is registering approximately 30% growth in core retail sales since last two quarters post-implementation of our revised products and value-proposition. This is still lower than our expectations and the levels required for viable operations. We are further strengthening our marketing program to attract more customers and achieve higher sales growth. A new loyalty program has been launched recently to drive more footfalls. We expect better operations in the next few quarters.

Fenesta Windows business has recorded high growth in the retail segment. The project segment has seen a slow growth, leading to lower fresh order booking. The execution against earlier orders, however, was

better, leading to overall growth in sales. We continue to expand our retail business and expect to sustain the growth in this segment.

Overall, while we expect the Bioseed and Farm Solutions business to continue to record good growth, the Chloro-Vinyl and Cement business will face margin pressures due to rising cost and volatile product prices. Sugar is expected to be stable in the second quarter. We also plan to have our fertilizer, cement and power plants annual maintenance shut down in the second quarter. Finalization of the Fertilizer policy and Sugar decontrol by the government would provide much needed support in these sectors. I will now request Vikram to take you through the financial numbers for Q1 FY12.

**Vikram Shriram:** Thank you. Good afternoon ladies and gentlemen. I will now summarize the financial results for the first quarter ended June 30<sup>th</sup> 2011.

Total revenues for the quarter were higher by 20% at Rs. 1,225 crore compared to Rs. 1,020 crore driven by increased contribution from Bioseed, Chloro-Vinyl, Sugar, and Fenesta businesses. PBIT was up at Rs. 53.5 crore as compared to Rs. 7.4 crore in the previous year led by growth in Bioseed and Farm Solutions businesses along with marginal growth in the Chloro-Vinyl business apart from the lower losses in the Sugar business. However, rise in input cost in the Chloro-Vinyl and Cement businesses moderated growth. The interest cost was higher by 40% at Rs. 24.8 crore primarily due to higher borrowings and higher interest rates. PAT for the quarter stood at Rs. 26 crore compared to a loss of Rs. 9.4 crore in the corresponding quarter of last year.

Let me now take you through our business wise performance for the quarter under review.

The revenues from the Fertilizer business for the quarter stood at Rs. 129 crore. Earnings in this segment were subdued as a result of increase in uncompensated costs due to non-finalization of the new urea policy. Further, the Company had received arrears in the previous year, which led to higher profits last year.

The revenues from the Farm Solutions business was higher by 8% at Rs. 212.6 crore despite a dip in sales volumes of bulk fertilizers such as MOP and SSP, primarily due to growth witnessed in the value-added inputs which were up by 40%. PBIT during the quarter was higher by 43% at Rs. 13 crore, due to growth in value-added inputs such as seeds, pesticides, etc.

Bioseed revenues and PBIT for the quarter were higher by 50% and 61% at Rs. 173.9 crore and Rs. 39 crore respectively, due to growth in Indian operation driven by cotton, corn and paddy and Philippines driven by growth in corn.

Revenue during the quarter from the Sugar business increased to Rs. 211.1 crore, up by 29% due to increased sales volumes of free sale Sugar, which were up by 25% and higher sales of co-gen power. Losses in the Sugar business reduced from Rs. 38.2 crore to Rs. 8.1 crore as the free sale Sugar margins

swung from negative Rs. 307 per quintal to Rs. 18 per quintal without considering the subsidization of levy Sugar. Sugar prices however continued to be under pressure and much below the desired level.

In Hariyali Kisaan Bazaar, the overall revenues increased by 8% to Rs. 202.4 crore during the quarter. This growth can be primarily attributed to traction in core retail and fuel category, which were up by 33% and 39% respectively. However, the seeds and commodity-trading vertical, witnessed de-growth because of our decision of not carrying our trades in some crops. We are focusing on higher sales growth in core retail to improve the financial performance of this business.

The revenues from the Chloro-Vinyl business increased during the quarter by 36% at Rs. 253 crore due to higher sale of Chloro-Vinyl products that is Chlor-Alkali, PVC Resin and Calcium Carbide at improved realizations compared to power sales made in the previous year. Though PBIT grew marginally year-on-year, earnings on a sequential basis grew by 78% due to improvement in realizations of Chloro-Vinyl products. On a year-on-year basis, Chlor-Alkali realizations were up by 35%, PVC Resin by 12% and Calcium Carbides by 11%. However, increase in input prices especially that of coal continue to exert pressure on the margin.

The revenues from the Cement business grew by 10% to Rs. 35.2 crore due to higher sales volumes at improved realizations. However, higher input cost subdued earnings performance.

Revenues under the 'other' segment increased by 20% to Rs. 91 crore, driven by healthy performance from Fenesta Building Systems business. Earnings from other segments stood at negative Rs. 4 crore.

Our financial charges were higher by 40% at Rs. 24.8 crore, due to higher interest rates (a reflection of the scenario of higher rates in the economy) and higher borrowing essentially due to higher Sugar stocks as a result of higher production and higher working capital in Bioseed and Farm Solutions businesses.

That concludes my financial review and we would be glad to take any questions that you may have. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Falguni Dutta from Jet Age Securities, please go ahead.

**Falguni Dutta:** If you just take the PBIT and the Chlor-Alkali sales value, then the margins seem to have improved even quarter-on-quarter. So does that show that the realization in Chlor-Alkali is offsetting the coal cost increase?

**J K Jain:** Absolutely, Compared to Q4 FY11, the realizations grew up faster than the coal cost increase.

**Falguni Dutta:** What would be the ECU for Chlor-Alkali products as on date?

**Ajay Shriram:** I don't have the July numbers but let me put it this way. The realization we got in July is comparable to what we got in the earlier quarter or in the month of June. Therefore, the good thing is we have not seen any decline.

**Falguni Dutta:** Haven't we seen a further improvement?

**Ajay Shriram:** No, that has not happened. On the Gujarat side, there is a little pressure on prices. But in the north side, prices are still maintaining fairly well. So in the north, our Kota plant sale is moving fairly well and pressure is not there, but in Gujarat there is a slight pressure. If you see over the last couple of months, the international price of caustic has fallen; it's come down to almost USD 100. So I think that is putting the pressure, but I think a lot of it depends on the supply-demand within India, and that's why there is some pressure faced in Gujarat compared to north.

**Falguni Dutta:** What is the duty on this? Can we have some outlook on this Chloro-Vinyl division, though it is a commodity business and hence difficult to take a call?

**Ajay Shriram:** It is a big segment, but it will be difficult to give a call on what is going to happen because of the uncertainty in international marketplace. The import duty per se on these products is very low. It is about 7.5%. Therefore, that is neither here to there, but people who actually bring in the product are those with advance licenses or the actual users. In addition, chlorine cannot be transported, so it depends on chlorine availability to the large extent from the pricing. As of now, as I mentioned, even in July, the price has been okay.

**Moderator:** Thank you. The next question is from the line of Samir Shah from Sensex Consultants Private Limited, please go ahead.

**Samir Shah:** I am interested in knowing the desired level of Sugar price that you would like to sell.

**Ajay Shriram:** The desired level if one sees the last year's sugar production, the cost of Sugarcane and the conversion cost, I think the ex-factory price should be at least Rs. 30-31 per kg for last year. Now, for the coming year, we still do not know the Sugarcane price. Therefore, once we know the Sugarcane price, then one can take a view. Also, the industry has given their logic and justification to the government that if we take Thailand or Brazil or other countries, normally, the Sugarcane price should be about 65% of the Sugar price. Then 35% is adequate to make sure that you have enough surpluses for conversion cost or interest cost, overhead cost, etc. and a reasonable margin. Thus, the government has set up the Rangarajan Committee, which has got Mr. Nand Kumar and Mr. Kaushik Basu and they have been asked to try to work out a formula for linking the Sugarcane price with the Sugar price.

**Samir Shah:** What is the ex-factory price?

**J K Jain:** It is about Rs. 28.

**Samir Shah:** When can we expect to see profitability from HKB?

**Rajiv Sinha:** We are working very hard to improve the retail Hariyali performance. Hariyali Business has other verticals like commodity trading, seeds, etc. which has suffered during the quarter. Over the years, we have seen with a lot of changes in the basic value-proposition and in sales revenue growth.

**Samir Shah:** But there is still a loss of Rs. 20 crore in each of the last 2 quarters.

**Rajiv Sinha:** That is right, but we have seen improvement in retail performance. As mentioned earlier the loss is also because of no commodity trading undertaken in this particular quarter. The comparable quarter last year, we had commodity trading profits, which we expect will happen in the further part of the year. I think at this point, it is very difficult to say. It will take some time before we can have clarity in terms of when can we improve the situation further, but we expect in the coming quarters, the retail performance both, in terms of revenue and profitability will improve further.

**Samir Shah:** What does the 'others' segment comprise of?

**J K Jain:** The 'others' segment constitutes of three activities essentially, Fenesta, Textiles and PolyTech. The loss in this segment was primarily as we had to take a mark down on the cotton and yarn inventory because of sharp drop in cotton prices, which is not likely to be a recurring feature. So for the year as a whole, we do not see that kinds of losses.

**Samir Shah:** Are the first and fourth quarter going to be better than other two quarters?

**Ajay Shriram:** That is the case only for the seeds business. As we have mentioned, the seeds business in the first and fourth quarter is when we had maximum sales. So, it is more logical to look at the annual performance rather than quarter-to-quarter performance to evaluate the seeds business.

**Samir Shah:** Do you expect your overall profitability to remain the same?

**Ajay Shriram:** Well, I think it depends from business-to-business.

**Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Securities, please go ahead.

**Sachin Kasera:** Our EBIT margin in the Chlor-Alkali business is approximately 20% whereas seeing some of the numbers published by other companies like Andhra Sugar; they have reported ~30% in terms of EBIT percentage.

**J K Jain:** Andhra Sugar must be having Chlor-Alkali only, Sachin.

**Sachin Kasera:** That's right sir, I am only comparing Chlor-Alkali where our revenues for this quarter is Rs. 138 crore and EBITDA Rs. 28 crore. If you see the segmental number of Andhra Sugar on a turnover of Rs. 100 crore they have delivered an EBITDA of Rs. 30 crore, because it is more or less like a commodity and you also have full captive power generation. Could you throw some light as to why should there be such a significant difference?

**J K Jain:** We will have to study our calculations vis-à-vis Andhra Sugars and how they work out their numbers. Nonetheless, let me just mention here that there is a fair amount of regional variation in terms of prices & cost.

**Sachin Kasera:** What is the type of difference in ECU realization that can happen between regions in India?

**Ajay Shriram:** The difference in region-to-region can be up to Rs. 2.5. If you see West and Punjab the realization has Rs. 4-5, it can swing quite a bit.

**Sachin Kasera:** What is the capacity utilization in Chlor-Alkali during the quarter?

**Ajay Shriram:** These are full on capacity utilization in both the plants except maintenance shut down. So, overall, I think it would be 90% plus.

**Sachin Kasera:** How is the outlook looking for PVC the remaining part of the year?

**J K Jain:** We do not give a forward-looking outlook on commodity prices. The demand side and production is looking okay and we will continue to operate on full capacity, but giving price outlook is difficult.

**Vikram Shriram:** Plus our initiatives are based around the cost. All our management initiatives were to bring down cost wherever possible.

**Sachin Kasera:** While I understand you mentioned that the seeds business is a seasonal business so quarter performance cannot be multiplied by four; but purely from a Y-o-Y perspective, this quarter I think you have delivered something like 50% growth in terms of revenues and it is a very, very robust number in terms of growth in the first quarter. So for a full-year FY12 vis-à-vis FY11, can you see these types of strong numbers to continue?

**Ajay Shriram:** We expect that on an annual basis compared to last year, we should have a growth of 30% to 40% in the business.

**Sachin Kasera:** I think there was some margin pressure last year because of the startup in some new countries. So this year the margin levels should be better compared to last year.

**Rajiv Sinha:** We are continuously looking at some new territories. So certain amount of expenditure will continue in the near future on developing the new territories. Therefore, to that extent it will be reasonably similar. Except that, there is some marginal improvement in cotton prices last year from each of the states which will be helpful.

**Sachin Kasera:** But are there any new large segments that you are targeting to launch in the current year, either in India or in overseas territories?

**Rajiv Sinha:** No. In our field crops, we continue to focus on cotton, corn, paddy and bajra; but we are trying to take a higher growth trajectory for our vegetable seeds.

**Sachin Kasera:** There were lower sales of some fertilizers in the Farm Solutions segment because of some government policy. So what is the status?

**Rajiv Sinha:** Lower Sales were because of two main reasons; one is with respect to imported fertilizer which is DAP and MOP, there, the policy uncertainty continues the same and there is no improvement at all. As far as SSP is concerned, the delay was because they announced the new prices almost at the end of April so effectively the industry lost one-third of the quarter. So SSP, we expect improvement, but on DAP and MOP, there is still a lot of uncertainty.

**Sachin Kasera:** If we see for the quarter, the revenue grew by around 8% and SSP is at 43%. So does it mean that the margins in these three segments are much lower as compared to other products?

**Rajiv Sinha:** Yes, the bulk fertilizer margins are very much lower, that is why our focus is on the value-added product i.e. the entire area of seeds, agri protection chemicals, soluble fertilizers etc.

**Sachin Kasera:** The value-added products have grown by 40%. So can we look at similar running growth rate like seed for a full year in this business also?

**Rajiv Sinha:** What we mentioned was in context of seeds that you could not look at a consistent performance in every quarter. It is the kharif and rabi season which i.e. Q1 & Q4, so you generally have growth in the first quarter and bit in the third quarter and then in fourth quarter.

**Sachin Kasera:** On a full year basis, can we look at 25% - 30% type of revenue growth in value-added product?

**Rajiv Sinha:** Yes.

**Sachin Kasera:** If you see a sequential vis-à-vis last quarter, the debt you have not changed significantly. However, the interest cost has gone up from Rs. 19 crore to Rs. 24 crore, is this primarily because of higher rate of interest?



**J K Jain:** Vis-à-vis same period last year both the borrowings and interest cost have gone up, but vis-à-vis Q4, it is largely because of rate.

**Sachin Kasera:** What would our average cost of borrowing at present?

**J K Jain:** For Q1, it was 9% for short-term loans and 8% for long-term loan and break-up between long term and short term is roughly half-half.

**Sachin Kasera:** But that was average for the quarter, what would the rate currently?

**Rajiv Sinha:** This quarter it will be higher by at least 0.75% or so.

**Sachin Kasera:** I believe since last two-three quarters, we have been expecting some improvement in the performance of Hariyali, but I think it is taking much longer. So what exactly is the status there because I believe even now we don't have much clarity in terms of when the business will start to break-even in the immediate future. I think it is almost four to five years since we have been investing a lot of money in this business. So as investors, can you give us some clarity or the timelines in terms of achieving profitability?

**Rajiv Sinha:** I think for the next few quarters, our entire focus is on improving the retail business and we have seen some encouraging results in the last two quarters after we had a very detail review and revamped our value proposition strategy, marketing and promotion strategy, the merchandize and everything else. Hence, we have seen growth in this quarter itself in retail by about 30%. However, as you also mentioned this is not yet good enough to bring the business at par. So I think the next few quarters, we do expect more aggressive improvement in this performance and then we can take a better view of how and when can the business level of.

**Sachin Kasera:** But the way you are shaping up in the last two-three quarters, do you expect to see the extent of losses to be lower compared to the last year?

**Rajiv Sinha:** Yes.

**Moderator:** Thank you. The next question is from the line of Chetan Thakkar from HSBC Invest Direct, please go ahead.

**Chetan Thakkar:** Could you give us a sense on how many packets of seeds that we sold in this quarter?

**J K Jain:** Not all seeds are sold in packets; only cotton is sold in terms of packets. We sold in this quarter about 12 lakh packets of cotton, but for the season as a whole we sold over 20 lakhs packets because you have to see Kharif versus Kharif and in Kharif, we sold about 20 lakhs packets.

**Chetan Thakkar:** What was it last year?

**J K Jain:** I think it was about 18 lakh packets or so.

**Chetan Thakkar:** Were there any product launches which led to a higher revenue growth in this quarter in Bioseed?

**Rajiv Sinha:** Well, in corn, some products were launched last year in small quantities whose volumes have grown and what we call as “commercial exploitation”. So fundamentally, cotton was more or less the same varieties, but larger markets and in corn, yes, some varieties have expanded in this particular season and I think in paddy and bajra, it is almost similar to what we had last year, but larger volumes.

**Chetan Thakkar:** Are there any further launches that expected in this quarter? Because I believe 10 to 11 product launches typically happen in a year.

**Rajiv Sinha:** Yes. Every season we would keep on introducing newer products in case of corn, paddy and cotton. So this process will continue, because we have a strong pipeline in our research area. Therefore, we hope to be able to bring in new products every season and we experiment with small quantities of the new products, and if they work well, then we introduce it in the next season.

**Chetan Thakkar:** So, is there anything particular in mind for the fourth quarter particularly for any new products?

**Rajiv Sinha:** No, fourth quarter is the largely our current portfolio except as I mentioned earlier that we are trying to make a much bigger in vegetable seeds for various vegetable crops. Therefore, we do expect a significant growth in vegetables also in this financial year.

**Chetan Thakkar:** In terms of the Hariyali business, what has been the traction in retail sales and how far is the inventory turning in terms of just the retail segment?

**Rajiv Sinha:** We have seen 30% improvement in retail and we expect in the coming quarters the improvement to be better. I think for the answer to your second question, it is between 3.5 to 4 times.

**Chetan Thakkar:** How does it compare to probably last year same quarter or a quarter back in terms of post the initiatives had been launched and operation had been relooked and revamped again?

**Rajiv Sinha:** The retail business has improved and I think in tonnes would be about similar right now.

**Chetan Thakkar:** Okay. So do we expect that kind of growth going forward as well?

**Rajiv Sinha:** Yes.

**Moderator:** Thank you. The next question is from the line of Grishma Shah from Envision Capital, please go ahead.

**Grishma Shah:** Can you please elaborate on the policy regarding DAP and the MOP.

**Rajiv Sinha:** The issue is that the country imports about 7.5 million tonnes of DAP and about 6.5 million tonnes of MOP. This year, as you might have read also in the news, the actual quantity that has been contracted for so far is not even 4 million tonnes, whereas we are almost now through one season and the second season is just approaching. The reason is that the international prices are very high in case of MOP; there has been kind of a stalemate between the suppliers and the Indian buyers. The large Indian buyers have not even contracted a single tonne of MOP in this season and this stalemate continues because there is a different perception about the prices being offered and the prices, which are acceptable to us. In case of DAP, originally the government had fixed up a price which was later increased to some USD 612 CIF, but today, the availability of the DAP is not less than about USD 660. So, of course, under NBS scheme, we are supposed to be able to pass on this increase to farmers at the farmer gate, but the difference in prices are very large. Hence to date, there have been no new deals as far as we know at the increase in DAP prices. Even that situation is rather unsatisfactory and this is what is causing this problem of uncertainty in the DAP and MOP supply.

**Grishma Shah:** So we might see a drop in volume if at all other stalemate, etc.?

**Rajiv Sinha:** That is right.

**Grishma Shah:** Any clarity from the government on the urea front?

**Rajiv Sinha:** There is a proposal by the government for introducing NBS in urea. It has been there for a while. We are now aware of the timelines for the meeting of the Group of Ministers meeting; however, we expect it to happen in any time in near future. Unless that happens, we will not know the decision of the government in this respect. We have been told that there could be a meeting on August 5, 2011, we have to wait and watch whether it is held or not.

**Grishma Shah:** You sound very positive on the seeds business and it has been doing well for you. So how do you see the entire sector panning out over the next three to five years?

**Rajiv Sinha:** The perspective from everyone is that there are constraints on the land availability and irrigation, and we have to increase food production for our own food security, etc. I think the entire focus would be on high yielding varieties of each of the crops, as well as more balanced and more customized fertilization of soils. I think fundamentally, this is what will drive the growth of the hybrid seed business and on the so-called variety seed, which is like wheat and paddy. There is an increase in seed replacement rate and that will continue to happen. Therefore, whether you come from hybrid seed side or you come from open so-called variety seed side, I think the outlook is very positive for the next few years.

**Grishma Shah:** Do you intend to then demerge or separate the businesses going ahead or they will continue to stay as yet?

**Ajay Shiram:** Well, as we mentioned in the past also that it would depend on the business-to-business situation and the environment externally. We have no plans right now.

**Moderator:** Thank you. The next question is from the line of Chetan Thakkar from HSBC Invest Direct, please go ahead.

**Chetan Thakkar:** What does the commodity trading business comprise of?

**Rajiv Sinha:** Basically, because of our relationship base that we have through our Hariyali outlet, we are looking at some limited commodity trading based on products such as spices, wheat, soya etc. This is what the business consists of and these are back-to-back trading positions that we take.

**Chetan Thakkar:** What are the margins be in this business?

**J K Jain:** About 3 to 3.5%.

**Moderator:** Thank you. The next question is a follow up from the line of Falguni Dutta from Jet Age Securities, please go ahead.

**Falguni Dutta:** Hello, What is deterring you from importing DAP? Is it because of the pricing gap between domestic and international rates

**Rajiv Sinha:** I think it's very difficult to say whether farmers would be willing to take or not, but instead of Rs. 600 a bag, it may mean Rs. 700 a bag.

**Falguni Dutta:** So you mean to say it is better that you do not take that?

**Rajiv Sinha:** No, it is not that. It is just that the government and the industry have to take a final position, and as I said today even with that prices, availability has become very difficult.

**Falguni Dutta:** You mean to say the people like exporters are wanting even higher.

**Rajiv Sinha:** No, it is just that the demand for particularly DAP has been extremely robust in countries like Brazil, USA etc. Hence, there is an overall tightness in the availability itself.

**Falguni Dutta:** Is it fair to assume that the rate at which indigenous people would be willing to sell would be much lower than if you were to import DAP at this rate and therefore why compete with indigenous players?

**Rajiv Sinha:** No, indigenous supply is not even enough to meet our requirement in any case and so we have to import.

**Moderator:** Thank you. As there are no further questions I would like to hand the floor back to the management for closing comments. Please go ahead, sir.

**Ajay Shriram:** Thank you. We would like to once again thank you all for attending DSCL Q1 FY12 earning call. As mentioned during the call, while we expect the Bioseed and Farm Solutions business to continue to record good growth, the Chloro-Vinyl and Cement business will continue to face margin pressure. We also have plans for annual maintenance shutdowns in our Fertilizer segment and Power segment. Thank you once again for participating in this call. Good bye.

**Moderator:** Thank you gentlemen of the management. Ladies and gentlemen, on behalf of DCM Shriram Consolidated Limited that concludes this conference call. Thank you for joining us and you may now disconnect.

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