



For Immediate Release

DCM Shriram Ltd. announces its Q3 FY16 financial results

Revenue at Rs. 1,263 cr (LY: Rs.1,197 cr)

Net Profit at Rs. 60 cr (LY: Rs. 27 cr)

- Sugar business recorded lower losses; primarily due to lower inventory write-off, a result of higher current prices and lower cost of production led by better sugar recovery
- Chloro-vinyl business witnessing declining trend in selling prices in the current year, driven by weakness in global commodity prices, impacting margins
- Capacity expansion plans progressing well

New Delhi, 2nd Feb 2016: DCM Shriram Ltd. announced its Q3 FY16 financial results today.

Q3 and 9M FY'16 Highlights

	Q3		9M	
	FY16	FY15	FY16	FY15
Net revenue	1,263	1,197	4,508	4,330
PBDIT	101	55	414	417
Finance Cost	14	26	67	84
PAT	60	27	246	251

Key Developments and Outlook:

a. Chloro-Vinyl

- PVC prices in the current year have declined by about ~ 14% from the peak witnessed in April 15. Chemical Prices are also lower by ~5% compared to beginning of the year. Input costs are also declining though at a slower pace. Further, new taxes and levies on Coal based Power are imposing additional burden. This is putting pressure on margins. The business is vulnerable to cheaper imports with very low customs duties.
- The improvement in earnings vs. same period last year is because in Q3 FY15 there was unprecedented drop in prices
- Chemicals business is expected to commission expansion of Caustic Soda Capacity by Q1 FY 17 and Coal based power plant by Sept' 16.

b. Sugar

- Sugar recovery till December 15 stood around 10.7% vs. 9.9% last year
- At current prices of ~Rs. 3000/Qtl, the margin for the current Sugar season would be marginally negative (including subsidies in the recently announced UP cane policy). For the last season the margin was negative Rs. 585 per quintal
- Sugar co-gen expansion plan is as per schedule, to be commissioned by Q3 FY17

c. Bioseed and Shriram Farm Solution

- Weather plays a vital role in performance of these Agri-input businesses, which has been adverse for last two years, impacting performance of this business.
- Added to this, Central Government's decisions under newly promulgated 'Cotton seed price control order' will affect the performance

d. Fertilizer subsidy outstanding are rising, impacting the earnings

e. Net Debt of the Company stands at Rs. 435 Cr. as on 31st Dec 15 vs. Rs. 491 crs. as on 31st Dec 14

Commenting on the performance for the quarter, in a joint statement, Mr. Ajay Shriram, Chairman & Senior Managing Director, and Mr. Vikram Shriram, Vice Chairman & Managing Director, said:

"The company reported a satisfactory performance with stable operations and positive improvements in sugar margin structure and outlook.

The policy framework for Sugar business is moving in the right direction with the Govt. and industry pursuing export of surplus sugar, developing a rational cane pricing policy linking sugarcane and encouraging the production and use of ethanol. Weather pattern has also helped in improving the situation. The Govt. and industry has to carry forward the steps being undertaken. Establishing cane and sugar price linkage will provide long term direction to the industry.

Chloro Vinyl business is directly impacted by the Global conditions and faces threat from low priced imports. We continue to focus on improving our cost structure and scale to strengthen our competitiveness.

Growth of our Agri-input businesses is affected by adverse weather conditions. We are further strengthening our product portfolio and intensifying our marketing efforts.

Our capex programs in the Chemicals and Sugar businesses are progressing well and will add to company's performance from FY 17 onwards. Our healthy balance sheet and reasonable cash flows enable us to comfortably fund our ongoing capex programs and give us flexibility to take up future growth projects"

Q3 & 9M FY '16 Performance Overview & Outlook

CHLORO VINYL:

- Current PVC prices have seen a significant drop compared to prices in April 15. Chemical prices also have declined in the same period.
- Input costs are declining at a slower pace
- New taxes and levies on coal based power are imposing additional burden
- Overall margins declining in the current year, though better than Q3 FY 15 wherein the decline was very sharp led by unprecedented low prices
- Increase in Capital Employed of the segment is due to the undergoing capacity expansion at Bharuch

Outlook

- The Business is vulnerable to cheaper imports, with limited custom duty protection. The domestic prices will follow global price trends
- Expect higher Chlor Alkali volumes in Q1 FY 17 as the company commissions its expanded capacity at Bharuch
- New captive power plant at Bharuch to start by Sep 2016
- Maintenance shutdown in Chemicals and PVC businesses planned in Q4 FY 16 at both the Kota and Bharuch plants

SUGAR:

- Lower revenue in Q3 FY 16 vis-à-vis last year was primarily due to lower volumes and realisations, a result of lower opening inventory this quarter
- Operating losses stood lower during the quarter vis-à-vis last year on account of lower inventory write-down, a result of higher sugar recovery in the current season and improved current realizations
 - Sugar recovery in the current season till Dec stood higher at 10.7% vs. 9.9% last season
 - Current prices are around Rs 3,000/Qtl only marginally less than the cost of production

Outlook

- Recently announced UP Cane policy is in line with last year's scheme; SAP unchanged but State Govt's subsidy reduced by Rs 5/Qtl of cane consumed
- Establishing cane and sugar price linkage will provide long term direction to the industry
- Sugar production in India is expected to be less than last year. Govt. / Industry pursuing for exports also
- Sugar co-gen expansion project is on schedule, to be commissioned before the next sugar season

SHRIRAM FARM SOLUTIONS:

- Revenue increase during Q3 FY 16 vs. last year was due to higher sales volumes of bulk fertilisers
- 'Value Added' inputs vertical's revenue stood lower by 5% YoY on account of
 - Delayed sowing in the Rabi season amid distressed farm economics that adversely impacted off-take of crop care chemicals and micronutrients during the quarter

- Lower business earnings during the quarter was primarily on account of weaker margins in bulk fertilizers and lower sales of Value added inputs
- Business' capital employed increased substantially due to rise in subsidy outstandings and higher inventory of bulk fertilisers

Outlook

- Overall performance will depend on weather pattern in Kharif season
- Central Govt. has recently issued Cotton Seed Price Control order. Govt's decision in the matter will affect the performance
- High subsidy outstanding in bulk fertilizers is resulting in higher working capital requirements
- Company continues to focus on marketing initiatives and efforts towards growing distribution network, demand creation and product portfolio to drive growth over medium term for 'Value Added' business vertical

BIOSEED:

- Q3 FY 16 revenues increase was primarily due to higher sales (Corn) in the international business
- Domestic business' revenue also stood higher due to higher sales of vegetable seeds during the quarter vis-à-vis last year
- Earnings improvement was primarily in international operations, as corresponding quarter last year there was one time inventory writeoff
- Weather plays a vital role in performance of this business, which has been adverse in our areas of operations, impacting growth

Outlook

- Central Govt's decision under the newly promulgated Cotton Seed Price Control order will affect the performance
- Business expected to witness growth in the medium term driven by high focus on R&D and a strong product pipeline
- New product offerings and increasing marketing efforts to drive growth in operations

FERTILIZER:

- Increase in Q3 FY 16 revenue was due to higher volumes vs. last year
- In Q3 FY 16, energy efficiency stood better both sequentially and vis-à-vis last year
- Earnings benefited from allowance by Govt. of Rs 200/Thscm of gas as marketing margin
- Tightening in energy efficiency norms under the new Urea policy (effective 1st June 2015) weighed on earnings
- Subsidy outstanding substantially higher vis-à-vis last year, a result of high pooled gas prices

Outlook

- Continuous focus on improvement in energy efficiencies
- Higher subsidy outstanding leading to downward pressure on earnings due to higher finance costs
- Retention prices are not in line with cost increases impacting earnings of this business

CEMENT:

- Higher revenue during the quarter was due to higher sales volumes
- Cement realizations continue to remain soft and stood 2% down sequentially
- Improvement in earnings during the quarter vs. last year was on account of higher revenue and lower cost of key input materials

HARIYALI KISAAN BAZAR:

- Revenues from fuel sales only
- Lower earnings is on account of lower sale of properties

OTHERS

- Fenesta business' revenue stood higher during the quarter primarily due to higher sales volumes from the 'Projects' segment
- Order Booking witnessed strong growth for both 'Retail' and 'Project' segments in 9M FY 16
- Business operations continue to be positive at PBT level

Q3 FY '16 – Segment Performance

Segments	Revenues			PBIT			PBIT Margins %	
	Q3 FY15	Q3 FY16	%	Q3 FY15	Q3 FY16	%	Q3 FY15	Q3 FY16
Chloro Vinyl	293.7	296.5	0.9	60.0	83.6	39.3	20.4	28.2
Sugar	169.6	126.2	(25.6)	(21.0)	(1.9)	-	(12.4)	(1.5)
Agri Inputs	522.6	654.6	25.3	6.1	14.4	137.2	1.2	2.2
- Shriram Farm Solutions	281.5	378.9	34.6	22.7	17.9	(21.4)	8.1	4.7
- Bioseed	29.5	46.4	57.2	(34.7)	(20.4)	-	(117.6)	(43.9)
- Fertiliser	211.5	229.2	8.4	18.1	16.9	(6.5)	8.5	7.4
Cement	31.2	33.0	5.6	(6.8)	(3.7)	-	(21.8)	(11.2)
Hariyali Kisaan Bazaar	119.9	96.6	(19.4)	3.2	0.5	(83.6)	2.6	0.5
Others	67.1	71.2	6.0	0.1	1.3	807.1	0.2	1.8
Total	1,204.0	1,277.9	6.1	41.6	94.2	126.6	3.5	7.4
Less: Intersegment Revenue	7.0	15.0	114.9					
Less: Unallocable expenditure				14.0	17.4	24.0		
Total	1,197.1	1,262.9	5.5	27.6	76.8	178.6	2.3	6.1

9M FY '16 – Segment Performance

Segments	Revenues			PBIT			PBIT Margins %	
	9M FY 15	9M FY 16	%	9M FY 15	9M FY 16	%	9M FY 15	9M FY 16
Chloro Vinyl	934.0	928.0	(0.6)	244.9	253.2	3.4	26.2	27.3
Sugar	710.3	609.6	(14.2)	(12.5)	30.8	-	(1.8)	5.1
Agri Inputs	2,217.7	2,541.4	14.6	148.7	106.8	(28.2)	6.7	4.2
- Shriram Farm Solutions	1,169.1	1,475.9	26.2	70.8	56.1	(20.8)	6.1	3.8
- Bioseed	492.5	443.2	(10.0)	42.9	25.8	(39.8)	8.7	5.8
- Fertiliser	556.1	622.3	11.9	35.0	24.9	(28.9)	6.3	4.0
Cement	102.9	102.5	(0.4)	(4.0)	(3.5)	-	(3.8)	(3.4)
Hariyali Kisaan Bazaar	368.2	293.5	(20.3)	3.9	(0.1)	-	1.0	(0.0)
Others	197.9	215.0	8.7	(4.5)	5.3	-	(2.3)	2.5
Total	4,531.0	4,690.0	3.5	376.6	392.6	4.2	8.3	8.4
Less: Intersegment Revenue	201.1	181.8	(9.6)					
Less: Unallocable expenditure				43.1	54.4	26.2		
Total	4329.9	4508.2	4.1	333.6	338.2	1.4	7.7	7.5

*Rs in Cr

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