For Immediate Release

DCM Shriram Ltd. announces its Q4 FY '18 financial results

Net Revenue down 3%, Net Profit down 68%

Sugar PBDIT turned into -ve Rs 127 crore from +ve Rs 141 crore

- **Sugar & Molasses prices dropped by 13% & 93% respectively, while cane prices increased over last year.**
- **Company took inventory write down of Rs 185 crore as selling prices substantially below costs.**
- **Chemicals Revenue and Earnings up led by 67% increase in prices and 18% increase in volumes (full capacity utilization at expanded facility at Bharuch).**

New Delhi, 24th April 2018: DCM Shriram Ltd. announced its Q4 FY18 financial results today.

Q4 FY'18 Highlights

[Rs.cr]

	Q4 FY18	Q4 FY17	Growth (%)
Net revenue from operations	1,566	1,616	-3%
PBDIT	95	236	-60%
PBIT	59	204	-71%
Finance Cost	20	22	-6%
PAT	51	156	-68%

Key Developments and Outlook – Q4 FY 18

1. **Net Revenues** at Rs 1,566 crore vs Rs 1,616 crore over same period last year:

   a) Chemicals – Revenue up by 89% with volumes gain of 18% led by full utilization of capacity from the expansion at Bharuch and increase in net realizations by 67%.

   b) Sugar – Revenue lower by 28%. Sugar sales volume lower by 14%. Prices of Sugar down by 13%.

c) Traded Products – Revenue of bulk fertilizers and Haryali Kisaan Bazaar (Fuel Pumps) down by Rs 112 crore, part of the plan to reduce these activities.

2. **PBDIT** stood at Rs 95 crore vs Rs.236 crore over same period last year. The drop in Sugar earnings much more than the increase in profits from chemical business.

   a) Chemicals – PBDIT up by 179% at Rs 265 crore.

   b) Sugar – Loss of Rs 127 (LY: profit of Rs 141 crore) at PBDIT level. Charge of Rs 163 crore during the quarter (Rs 185 crore for FY18) as prices below cost of production. Present sugar prices about Rs 2,800/ qtl vis-à-vis cost of over Rs 3,500/ qtl.

   c) Plastics – Production & Costs of Carbide/ PVC adversely affected consequent to ban on use of Petcoke by Hon'ble Supreme Court (use allowed thereafter).

3. **PAT** down by 68% YoY to Rs 51 crore. EPS for the quarter at Rs 3.12 down from Rs 9.63 in Q4 FY'17.

4. **Gross Debt as** on March 31, 2018 stood at Rs. 756 crore vs. Rs 1074 crore as on March 31, 2017. **Cash and Cash equivalents** stood at Rs. 102 crore vs Rs. 146 crore for the same period**.**

5. **The 150 KLD distillery** commissioned in Jan 18 has stabilized. Will contribute to profits in FY 19 with start of Ethanol sales.

6. **New Project Announced during Q4 FY 18:**

   a) Expansion of Caustic Soda capacity at Bharuch by 186 TPD
   b) Expansion of PVC capacity by 40 TPD.

7. **Projects under implementation** at investment of ~ Rs. 1,125 crore over next two years in Sugar and Chloro-Vinyl segments, to be commissioned in phases.

8. **Final Dividend** of 40% (LY: 40%) amounting to Rs 15.66 crore (including DDT) was recommended by the Board. Total dividend for the year is 410% (LY: 290%) amounting to Rs 160.32 crore (including DDT).

FY'18 Highlights

[Rs.cr]

	FY18	**FY17**	**Growth (%)**
Net revenue from operations	6,900	5,788	19%
PBDIT	1,091	818	33%
PBIT	950	704	35%
Finance Cost	83	71	16%
PAT	670	552	21%

Key Developments and Outlook – FY18

1. **Net Revenues** at Rs 6,900 crore vs Rs 5,788 crore over same period last year:

    a. Chemicals – Revenues up by 74% YoY, due to increase in prices and increased volumes (full capacity utilization of expanded capacity at Bharuch).

    b. Sugar – Revenue higher by 29%. Volumes higher by 32% aided by higher cane crush.

    c. SFS – Revenue down in bulk fertilizers by 26% in line with the plan to reduce this activity.

2. **PBDIT** up by 33% to Rs 1,091 crore over same period last year:

    a. Chemicals – Higher Volumes and higher realizations supported by cost efficiencies consequent to technology upgradation last year.

    b. Sugar – Earnings declined due to write down of inventory by Rs 185 crore for FY 18 (valued at net realizations) and higher cost of production. Margins for SY 18 turned negative ~Rs 700/ qtl from positive ~Rs 300/ qtl previous season.

    c. SFS – growth in profits driven by better margins in value added inputs and discontinuation of DAP/ MOP activities which had caused losses in FY 17.

3. **PAT** at Rs 670 crore against Rs. 552 crore for the same period last year. EPS for the FY18 at Rs 41.22 up from Rs 33.97 for FY'17.

4. **ICRA** upgraded the long term rating from 'AA-' to 'AA' during the year. CRISIL assigned highest rating of 'A1+' to commercial paper programme i.e. same as the rating assigned by ICRA.

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

"We are happy to report a satisfactory performance for the quarter and for the year. All our businesses have emerged stronger and more competitive as a result of steps taken over the last few years.

Our Chlor-Alkali business has become stronger with economies of scale and substantial improvement in power efficiencies. The planned capacity expansion and setting up of facilities for chlorine based chemicals will make this business further strong.

Sugar business is experiencing difficult price situation with prices significantly below cost. Industry has been pursuing with government for immediate support as well as a rational policy framework. There is need for urgent action in this regard to ensure that farmers' interests are protected.

Over last few years we have taken several steps to strengthen our Sugar business. The production volume has almost doubled. The level of integration has gone up with increase in power generation capacity & commissioning of distillery. We plan to take further steps for both volume growth and integration, to strengthen this business.

Fenesta is registering good growth and we are taking steps to strengthen the business further.

Overall we are confident of sustained growth with stronger business portfolio going forward."

Q4 FY '18 Performance Overview & Outlook

CHLORO VINYL:

- Net revenue higher by 47%, Earnings up 122%.
- Chlor-Alkali prices increased by 67% YoY and 12% QoQ.

Outlook
- Projects under implementation
  - Expansion at Kota and Bharuch, are progressing as per plan.
  - 332 TPD capacity at Bharuch to come on stream in phases by Q1 FY 20 and 168 TPD capacity at Kota to come on-stream in phases (84 TPD in Q3 FY19 and 84 TPD in Q3 FY20).
- Selling prices have moderated, coal cost are rising.

SUGAR:

- Revenues Lower by 28%.
- Volumes declined by 14% due sales restriction by central government. Sugar Prices for Q4 FY18 down by 13% YoY. Molasses prices down to almost zero.
- Sugar prices presently ~ Rs 2,800/ qtl, significantly below the cost of Rs 3,525/ Qtl.
- Inventory valued at prevailing prices, leading to inventory write down by Rs 185 crore during the year.

Outlook
- The 150 KLD Distillery project at Hariawan unit commissioned during January 2018. Impact on revenues and earnings in FY 19 as sales to start from April' 19.
- Expansion of Sugar Capacity (5000 TCD) and Co-gen (30 MW) - to be completed by 3rd Quarter FY'19.
- Industry unable to make full cane payment. Urgent need for government policy intervention.

SHRIRAM FARM SOLUTIONS:

- Overall revenues lower during Q4 FY 18 by 40% due to lower revenues of Bulk fertilizers, a part of planned directive.
- Turnover of value added products almost same as last year.

Outlook
- Planning to reduce the volume of Bulk fertilizers going forward.
- Enhanced focus on value added products will lead to better growth and profits in medium term.

BIOSEED:

- Bioseed had lower earnings for the quarter.
  - Lower revenues (Q4 generally has low sales volume)
  - Write off of old slow moving inventory.

Outlook

- International operations are stabilizing.
- India operations likely to improve except cotton seed related challenges

FERTILIZER:

- Revenues up 5% primarily due to higher prices (ie reflection of higher energy cost).
- Subsidy outstanding as on 31st March, 2018 stood at Rs 383 crore vs Rs 347 crore as on 31st March 2017.

Outlook

- Government has decided to continue the existing energy consumption norms for 2 more years with some penalty.
- Plant will have a 20 days shutdown in March/ April 2019.

OTHERS

FENESTA WINDOWS SYSTEMS:

- Q4 FY18 Net revenue increased by 28% YoY. FY 18 revenues at Rs 332 crore up by 31%.
- Both Retail and Project segments contributed to the growth.
- Overall order booking up by 9% during the quarter.

CEMENT:

- Net revenue lower by 10% in Q4 FY18.
- Lower volumes due to decline of traded cement volumes.

HARIYALI KISAAN BAZAR:

- Plan to close this activity. Expected to take about 2-3 years.

Q4 FY '18 – Segment Performance

	Revenues			PBIT			PBIT Margins %	
Segments	Q4 FY 17	Q4 FY 18	*YoY % Change*	Q4 FY 17	Q4 FY 18	*YoY % Change*	Q4 FY 17	Q4 FY 18
Chloro Vinyl	**402.3**	**591.2**	***47.0***	**114.7**	**254.0**	***121.5***	***28.5***	***43.0***
Sugar	**527.0**	**379.8**	***(27.9)***	**133.4**	**(136.6)**	**-**	***25.3***	***(36.0)***
- Sugar	468.5	325.1	*(30.6)*	93.7	(181.5)	-	*20.0*	*(55.8)*
- Power	58.4	54.7	*(6.3)*	39.7	44.9	*13.2*	*67.9*	*82.1*
- Distillery	-	0.1	-	-	0.0	-	-	-
SFS	**238.6**	**143.3**	***(39.9)***	***1.6***	**1.1**	***(33.3)***	***0.7***	***0.7***
- Bulk	171.9	75.8	*(55.9)*	2.9	2.4	*(17.3)*	*1.7*	*3.2*
- Value Added	66.7	67.6	*1.3*	(1.3)	(1.3)	-	*(1.9)*	*(2.0)*
Bioseed	**70.2**	**49.9**	***(28.9)***	**(24.9)**	**(45.5)**	**-**	***(35.4)***	***(91.0)***
Fertiliser	**211.6**	**222.8**	***5.3***	**18.7**	**18.3**	***(2.3)***	***8.8***	***8.2***
Others	**196.7**	**195.5**	***(0.6)***	**1.3**	**9.8**	***640.2***	***0.7***	***5.0***
-Fenesta	67.6	86.6	*28.2*	3.2	8.0	*152.4*	*4.7*	*9.2*
-Cement	48.7	43.7	*(10.3)*	2.2	1.1	*(48.4)*	*4.5*	*2.6*
-Hariyali Kisaan Bazaar & others	80.4	65.2	*(18.9)*	(4.0)	0.7	-	*(5.0)*	*1.0*
Total	**1,646.3**	**1,582.6**	***(3.9)***	**244.8**	**101.1**	***(58.7)***	***14.9***	***6.4***
Less: Intersegment Revenue	30.6	16.6	(45.8)					
Less: Unallocable expenditure (Net)				40.6	42.3	*4.3*		
Total	**1,615.7**	**1,566.1**	***(3.1)***	**204.3**	**58.8**	***(71.2)***	***12.6***	***3.8***

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