For Immediate Release

DCM Shriram Consolidated Ltd announces its Q2 & H1 FY14 financial results

Losses in Sugar Business led to sharp decline in overall Net Profit for Q2FY14 to Rs. 1.4 Crore, as compared to Rs. 28.9 crore in Q2FY13

New Delhi, 28th Oct 2013: DCM Shriram Consolidated Ltd announced its Q2 & H1 FY14 financial results today.

Key Highlights:

- **Net Revenue** was at Rs 1,689.9 Crores up from Rs 1,342.2 Crores in the same quarter last year, a growth of 25.9%.
- **PBIT** before exceptional items stood at Rs. 40.9 Crores as compared to Rs. 71.0 crore, in the same period last year.
- **PAT** at Rs. 1.4 Crores as compared to Rs 28.9 crore, in the same period last year.

1. **Contributors to PAT were** :

- Results of the Sugar business had a negative swing of Rs. 56 crore, from a profit of Rs. 31.3 crore to a loss of Rs. 24.7 crore in the current quarter. In Q2, margins declined from positive Rs. 449 per quintal to negative Rs. 249 per quintal .
- Performance of other businesses was encouraging:
  - 'Chloro-Vinyl' and 'Shriram Farm Solutions', witnessed profit growth of 16.2% and 90.6% respectively
  - Hariyali Kisaan Bazaar, post implementation of rationalization plan, nearing break-even level

2. **Cash Profits** at Rs. 35.4 crore vis-a-vis Rs. 67.61 crore

3. Financial expenses remained flat

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 overall performance of the Company for the quarter has been significantly affected due to losses in Sugar Business. The Sugar profits have swung from positive Rs. 31.3 crore to negative Rs. 24.7 crore., corresponding to the swing in sugar margins from positive Rs. 449 per quintal to negative Rs. 249 per quintal.

The operating environment for the Sugar business particularly in U.P is very challenging with State Government fixing very high Cane prices without any linkage with Sugar prices. The resulting high cost structure has made the industry uncompetitive vis-a0vis other States and imports

The Chloro-Vinyl business continues to deliver strong performance. This is a result of our continuous focus on innovative cost reduction measures and firm realizations in Vinyl business.

The Agri input businesses continue to hold strong promise and delivered stable earnings. Shriram Farm Solutions' efforts on growing the value-added input segment is yielding results. While our Bioseeds business in India delivered stable growth, higher sales return in the international markets subdued earnings. We believe that these businesses will deliver healthy growth rates in the medium term given strong research program and healthy pipeline of products.

In Fenesta, increased retail penetration and cost control over the last one year is translating to better performance. At Hariyali Kisaan Bazaar, the efforts of rationalization are demonstrating results in line with plan.

We maintain our view that our business model is strong and efficient and we will deliver noticeably better result, particularly if the Sugar operating structure improves. Besides, with focus on conserving internal cash generation, we are well poised to strengthen our financial positioning going forward."

Results for the quarter

	Revenues*			PBIT*			PBIT Margins %	
Segments	**Q2 FY13**	**Q2 FY14**	**%**	**Q2 FY13**	**Q2 FY14**	**%**	**Q2 FY13**	**Q2 FY14**
Agri Input	**524.8**	**836.2**	***59.3***	**(7.3)**	**0.3**	**--**	***(1.4)***	**--**
- Fertilisers	141.9	145.2	*2.3*	7.1	3.0	*(58.0)*	*5.0*	*2.1*
- Shriram Farm Soln.	350.6	659.8	*88.2*	10.1	19.3	*90.6*	*2.9*	*2.9*
- Bioseed	32.3	31.2	*(3.4)*	(24.5)	(22.0)	*10.5*	--	--
Sugar	**346.5**	**378.4**	***9.2***	**31.3**	**(24.7)**	**--**	***9.0***	***(6.5)***
Chloro Vinyl incl. Power	**270.2**	**286.2**	***5.9***	**72.9**	**84.7**	***16.2***	***27.0***	***29.6***
Cement	**32.0**	**29.4**	***(8.1)***	**2.1**	**(1.3)**	**--**	***6.5***	***(4.5)***
Others	**72.3**	**75.3**	***4.1***	**(4.9)**	**(0.4)**	***91.4***	***(6.7)***	***(0.6)***
Sub Total	**1,245.8**	**1,605.4**	***28.9***	**94.1**	**58.7**	***(37.6)***	***7.6***	***3.7***
Hariyali Kisaan Bazaar	**98.6**	**93.7**	***(5.0)***	**(10.0)**	**1.2**	**--**	***(10.2)***	**--**
Total	**1,344.4**	**1,699.1**	***26.4***	**84.1**	**59.9**	***(28.7)***	***6.3***	***3.5***
Less: Intersegment Revenue	**2.2**	**9.3**	***313.4***		..	..		..
Less: Unallocable expenditure				**13.1**	**19.0**	***45.4***		
Total	**1,342.2**	**1,689.9**	***25.9***	**71.0**	**40.9**	***(42.4)***	***5.3***	***2.4***

Note- PBIT here refers to PBIT before exceptional items.*(Figures in Rs/Crores)

Results for the Half Year

	Revenues*			PBIT*			PBIT Margins %	
Segments	**H1 FY13**	**H1 FY14**	**%**	**H1 FY13**	**H1 FY14**	**%**	**H1 FY13**	**H1 FY14**
Agri Input	**1,211.7**	**1,732.5**	***43.0***	**82.5**	**94.6**	***14.6***	***6.8***	***5.5***
- Fertilisers	278.5	288.9	*3.7*	14.9	9.8	*(34.2)*	*5.4*	*3.4*
- Shriram Farm Soln.	648.5	1,123.4	*73.2*	25.1	40.7	*61.9*	*3.9*	*3.6*
- Bioseed	284.7	320.2	*12.5*	42.6	44.1	*3.7*	*15.0*	*13.8*
Sugar	**626.2**	**716.7**	***14.4***	**27.3**	**(25.7)**	***--***	***4.4***	***(3.6)***
Chloro Vinyl incl. Power	**548.4**	**571.1**	***4.1***	**145.9**	**166.0**	***13.8***	***26.6***	***29.1***
Cement	**69.6**	**59.1**	***(15.1)***	**8.5**	**1.2**	***(85.5)***	***12.2***	***2.0***
Others	**148.7**	**151.7**	***2.0***	**(11.5)**	**(0.8)**	***--***	***(7.7)***	***(0.5)***
Sub Total	**2,604.7**	**3,231.1**		**252.7**	**235.4**	***(6.8)***	***9.7***	***7.3***
Hariyali Kisaan Bazaar	**312.0**	**215.5**	***(30.9)***	**(30.3)**	**0.9**	***--***	***(9.7)***	***0.4***
Total	**2,916.7**	**3,446.6**	***18.2***	**222.4**	**236.3**	***6.2***	***7.6***	***6.9***
Less: Intersegment Revenue	**147.4**	**195.7**	***32.7***					
Less: Unallocable expenditure				**20.9**	**28.2**	***34.8***		
Total	**2,769.3**	**3,250.9**	***17.4***	**201.5**	**208.1**	***3.3***	***7.3***	***6.4***

Q2 & H1 FY14 - Performance Overview & Outlook

Urea

- Operating performance stable
- Earnings reflect uncompensated cost increases due to non-finalization of New Urea pricing policy, partially mitigated on account of energy savings
- High level of subsidy outstanding impacting the business

<u>Outlook</u>

- Expect the plant to operate at full capacity - no planned maintenance shutdown in FY14
- The Company will continue to incur uncompensated cost increases due to delay in announcement of the new Urea Policy
- Subsidy is expected to remain at alleviated levels

Shriram Farm Solutions

- Revenue growth driven by Bulk Fertilisers viz. DAP & MOP (higher by 222% in Q2 and 269% in H1) and SSP (higher by 20% in Q2 & 22% in H1). Value-added inputs business was up by 15% in Q2 & 28% in H1.

- Earnings from value added inputs in H1 were higher by 14%

Outlook

- Continuing focus on expanding the product range especially in the higher margin value-added segment combined with increasing geographical reach expected to drive growth in the medium term

- Subsidy outstanding is an area of concern

Bioseed

- 12% revenue growth in H1 - driven by healthy performance in cotton and corn hybrids in Indian market

    - Growth moderated on account higher sales returns in Vietnam and Philippines markets

- PBIT margins stable in domestic operations; however, subdued international operations reflected in earnings performance

Outlook

- Cotton Seed business to face margin pressures given the oversupply of seeds along with rising costs and selling price controls

- International operations will be under pressure in immediate terms

- Medium to long term outlook buoyant, given the continuing focus on research (conventional and biotech) along with geographic and product diversification

Sugar

- Higher sugar volumes drive revenue growth in Q2 & H1

- PBIT negative due to decline in margins

    - Realization in Q2 & H1 at Rs. 3,064/quintal and Rs. 3,106/quintal respectively

    - In Q2, margins declined from Rs. 449 per quintal to Rs. (249) per quintal , H1 margins were Rs. (207) per quintal

    - Cost of production at Rs. 3,313/quintal, Inventory valued at Rs. 3,125/quintal on March 31, 2013, further written-down at current NRV

Outlook

- Performance of this business will be driven by :

- Cane pricing for sugar season 2013-14
- Movement in sugar prices
- Rationalization of sugar policy on the input side, especially linking the cane and sugar prices

Chloro- Vinyl

- Performance continues to be robust driven by:
    - Lower input costs primarily Power and Carbon Material have enabled healthy margins
    - Higher volumes and realization in Plastics (Vinyl); partly moderated due to lower Chlor-Alkali realizations (Q2 has seen improvement over Q1)
    - Revenues of Plastics (Vinyl) business up 23% in Q2 and 18% in H1. PBIT is up 107% in Q2 and 90% in H1

<u>Outlook</u>

- Performance is expected to remain firm
- Chlor-Alkali prices have firmed up, outlook on realizations remains stable
- Channelizing efforts on continuously improving cost structures to mitigate the impact of rising input costs

Hariyali Kisaan Bazaar

- Performance in line with plan as the Company implemented the restructuring and rationalization plan involving restricting activities to profitable product lines only
- Current revenues primarily from fuel sales
- The Company is focusing on sale of surplus properties

Others

- PBIT loss in "Others" segment lower due to better performance of Fenesta Building System - encouraging results from the retail segment – sales from retail segment grew by 35% and 31% in Q2 & H1 respectively vis-à-vis corresponding periods last year

---