For Immediate Release

DCM Shriram Ltd. announces its Q2 FY ’18 financial results

<u>Net Revenue up 18%, Net Profit up 88%</u>

- **Chloro-vinyl revenue up 47%, a result of expansion in Chemicals completed last year**
- **Sugar revenue up 39% led by volumes, a result of higher capacity utilisation last season**
- **Expansion projects at an investment of Rs. 700 crore completed last year in Q3. Full year benefits accruing in the current year**
- **Company investing ~Rs. 1200 crore in Chemicals and Sugar businesses over next two years** (details on page 2)**:**
  - **Investments under implementation - Rs. 350 crore - to be completed between Jan ’18 to June ‘18**
  - **Announcements made – Rs. 848 crore - to be completed in phases between Q3 FY 19 to Q3 FY 20**
- **Dividend – Board has declared an interim dividend of 200% (LY 110%), Rs. 78.19 crore**

New Delhi, 7th Nov 2017: DCM Shriram Ltd. announced its Q2 FY18 financial results today.

Q2 FY’18 Highlights

[Rs.cr]

	Q2	
	FY18	**FY17**
Net revenue from operations	1,605	1,366
PBDIT	306	132
PBIT	270	105
Finance Cost	20	13
PBT	250	92
PAT	172	91

Key Developments and Outlook – Q2 FY 18

1. **Net Revenues** at Rs 1,605 crores vs Rs 1,366 crores over same period last year:

    a. Chemicals – Volumes were up 24% led by capacity from the expansion at Bharuch, commissioned in phases during last year. Prices have improved. The expanded capacity operating at 90%.

    b. Sugar – Volumes were up 34% led by higher production in the last season

    c. Shriram Farm Solutions and Hariyali (Fuel sales) witnessed decline in revenue

2. **PBDIT** stood at Rs 306 crores vs Rs.132 crore over same period last year:

    a. Chemicals - Higher volumes and better margins led by higher prices.

    b. Sugar – Led by higher volumes

    c. Other businesses also performed better

4. **PAT** up by 88% YoY to Rs 172 crores. EPS for the quarter at Rs 10.6 up from Rs 5.6 in Q2 FY'17

5. **Gross Debt** as on Sep 30, 2017 stood at Rs. 673 crores vs. Rs 737 crore as on Sep 30, 2016. **Cash and Cash equivalents** stood at Rs.710 crore vs Rs 28 crore for the same period.

6. **Projects underway** at investment of ~Rs. 350 crore - Sugar(Distillery) to be completed by Jan'18 and Chemicals (Kota capacity expansion and Aluminum Chloride) to be completed by Q2 FY'19,

7. **New Projects** - The Board has approved following projects at a total investment of ~~Rs. 848 crore

    a. Expansion of Sugar Capacity (5000 TCD) incl Distillery (100 KLD) and Co-gen (34 MW) at an investment of ~Rs. 500 crs. Sugar and Co-gen to be completed by Q3' FY19 and Distillery by Q3' FY20

    b. New 66 MW Power plant at Kota in replacement of old 50 MW plants at an investment of ~Rs. 240 crs. Completion by Q3' FY'20

    c. Capacity expansion of Chlor-Alkali at Kota (84 TPA) and Bharuch (146 TPA) at an investment of ~Rs. 98 crs. Bharuch Expansion to be completed by Q1'FY '20 and Kota by Q2' FY'20

8. **Dividend** – The board has declared an interim dividend of 200% (LY: 110%) amounting to Rs 78.19 crores

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:

"We are happy to report a satisfactory performance for the quarter. All our business reported better operating performance. The investments undertaken over last few years for expansion of capacity and cost optimisation also contributed to better performance.

We are implementing projects involving investments of Rs. 350 crores for setting up 150 KLD Distillery, expansion of Chlor-alkali and setting up Aluminum chloride business. These will be commissioned by Q2 FY'19.

We are undertaking additional investments of ~Rs. 850 crore for capacity expansion as well as cost optimisation in our Chemicals and Sugar business including upgradation and expansion of captive Power plant at Kota. These projects will be commissioned during November'18 to September'19.

We are also taking steps to achieve sustained growth of Bioseed, Fenesta and Farm Solutions business over the medium term.

With our strong Balance Sheet and healthy cash accruals, we are confident of delivering healthy growth over medium term.

Q2 FY '18 Performance Overview & Outlook

CHLORO VINYL:

- Net revenue was up 47% and earnings up 148%
- Volumes at Bharuch Chemicals complex were up by 37%, a result of the capacity expansion project that was part commissioned in Q2 FY17 (full in Q3 FY17). Plant is now operating at 90% capacity utilisation. Chemical volumes at Kota are stable.
- Chlor-Alkali prices have improved significantly over same period last year as well as sequentially
- Vinyl (PVC) is stable
- Input prices of Coal and Carbon material have risen over last year but are stable sequentially. Better efficiencies and economies of scale post completion of the expansion projects have mitigated part of the cost increases emanating from increase in Coal prices.

Outlook

- We expect to sustain / improve on ~90% capacity utilization achieved by end of Q2 FY'18, at Bharuch.
- With global energy prices rising, the Coal and Carbon material costs may start rising again.
- Projects underway - Expansion at Kota and Aluminum Chloride at Bharuch, are progressing as per plan.
- New projects: 146 TPA capacity at Bharuch to come on-stream by Q1 FY 20 and 84 TPA capacity at Kota to come on-stream by Q3 FY'20.

SUGAR:

- Net revenue was up 39% and earnings up 18%
- Volumes during the quarter were up 35%, a result of higher Sugar production in Sugar season 2016-17 at 46.4 lac quintals vs 31.3 lac quintals for previous season.

Outlook

- Current season has started and all our mills have started crushing
- The 150 KLD Distillery project at Hariawan underway unit is progressing as per schedule and will be commissioned by Jan'18
- To take advantage of improving Cane availability and Industry fundamentals, Board has approved expansion of Sugar Capacity (5000 TCD), Distillery (100 KLD) and Co-gen (34 MW) at Hariawan unit, with an investment of ~Rs. 500 crs. Sugar along with Co-gen expected to be completed by 3rd Quarter FY'19 and Distillery by 3rd Quarter FY'20

SHRIRAM FARM SOLUTIONS:

- Net revenue was lower by 37%, earnings were positive vs loss last year
- Net revenue were lower in Value added business by about 24% and in SSP 54% . Earnings were marginally better.
- Last year there was a loss in the same period due to discount passed on Channel inventory of MOP in line with price reduction announced by the government.

Outlook

- The growth in this business is expected to remain muted in the near term

BIOSEED:

- Net revenue was up 21% and losses lower during the quarter
- India - Q2 is an off-season for this business in India. Net revenues were up 33% at Rs. 58 crs. lead by cotton and corn, leading to lower losses
- International - Net revenue stable at Rs. 22 crore. Losses declines with improving margins

Outlook

- International business expected to further improve performance
- Company working towards research led expansion of its crop portfolio and product offerings, to provide stability and growth over medium term

FERTILIZER:

- Net revenue was up 13% and earnings up at Rs. 33 .2crs vs 5.6 crs. in the same period last year
- Sales volumes were up by 14% YoY led by higher production. Last year there was a shutdown of about 11 days
- Margins improved with better efficiencies
- There was a one time +ve impact of Rs. 14 crore on account of arrears related to freight subsidy

Outlook

- Company evaluating measures to further improve energy efficiency
- Inadequate reimbursement of conversion costs continues to adversely impact business profitability
- Position of Subsidy outstanding has improved, but tends to build up in the second half of the year

OTHERS

Fenesta Windows Systems

- Q2 FY 18 Net revenue increased by 35% YoY
  - Volumes in 'Retail' and 'Projects' segment up by 7.1 % and 59.1 %, respectively, vs. last year
  - Retail segment's contribution to net sales stood at 68% vs. 76% in Q2 last year
- Overall order booking down by 29.1 % YoY driven by slowdown in 'Project' segment's order booking
- Business' earnings improved due to higher revenue and margins as compared with Q2 last year

CEMENT

- Net revenue was lower by 5%.
- Lower revenue was a result of significantly lower volumes of traded Cement.
- Earnings improved led by higher sales of own cement that has better margins

HARIYALI KISAAN BAZAR:

- Revenues are from fuel sales only.
- Sale of existing land parcels proceeding slowly. Expected to take about 2-3 years

Q2 FY '18 – Segment Performance

	Revenues (Net)			PBIT			PBIT Margins %	
Segments	Q2 FY 17	Q2 FY 18	*YoY % Change*	Q2 FY 17	Q2 FY 18	*YoY % Change*	Q2 FY 17	Q2 FY 18
Chloro Vinyl	**329.6**	**484.7**	***47.1***	**71.9**	**178.7**	***148.4***	***21.8***	***36.9***
Sugar	**372.7**	**516.5**	***38.6***	**62.5**	**74.1**	***18.5***	***16.8***	***14.3***
Agri Inputs	**481.8**	**428.1**	***(11.1)***	**(5.7)**	**37.8**	**-**	***(1.2)***	***8.8***
- SFS (DAP / MOP)	-9.9	0.0	*(99.9)*	(8.5)	(0.0)	-	*86.1*	*298.4*
- SFS (Excl. DAP / MOP)	251.8	151.7	*(39.8)*	5.4	6.8	*25.1*	*2.2*	*4.5*
- Bioseed	66.2	80.0	*20.9*	(8.1)	(2.2)	-	*(12.3)*	*(2.7)*
- Fertiliser	173.7	196.4	*13.1*	5.6	33.2	*495.7*	*3.2*	*16.9*
Others	**187.8**	**188.6**	***0.4***	**3.1**	**11.3**	***268.1***	***1.6***	***6.0***
Total	**1,371.9**	**1,618.0**	***17.9***	**131.9**	**301.9**	***128.9***	***9.6***	***18.7***
Less: Intersegment Revenue	6.1	13.3	-					
Less: Unallocable expenditure (Net)				27.2	31.7	*16.5*		
Total	**1,365.8**	**1,604.7**	***17.5***	**104.7**	**270.2**	***158.2***	***7.7***	***16.8***

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