DCM Shriram Ltd.

Q1 FY15 - Results Presentation

Safe Harbour

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. DCM Shriram Ltd will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

All figures are consolidated unless otherwise mentioned

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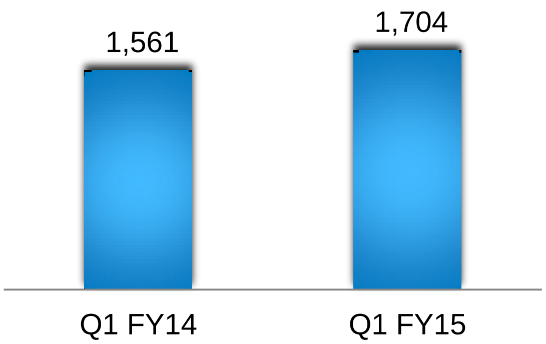
Q1 FY15 – Key Highlights

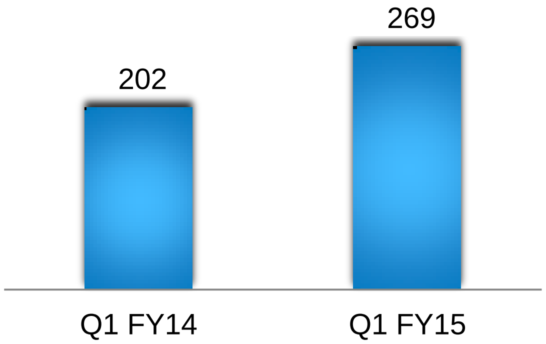
1. **Net Revenues** higher by 9% at Rs. 1,704 crore. Growth driven by Bioseed (up 37%) and Chloro-Vinyl (up 26%)
2. **PBDIT** increased by 33% to Rs. 269 crore vs. Rs. 202 crore, all segments except Sugar register stable to good performance, margins improved :
    a. Chloro-Vinyl earnings improved (up 29%) led by enhanced realizations and volumes
    b. Bioseed profits (up 45%) driven by volume growth. International operations stabilizing
    c. Sugar continues to be in losses at net level
    d. Weak monsoons had an impact on growth in Shriram Farm Solutions business
3. **Finance charges** at Rs. 28 crore down 36%
4. **PAT** up 56% at Rs. 177 crore compared to Rs. 114 crore in same period last year
5. **Net Debt** as on June 30, 2014 stood at Rs. 825 crore vis-à-vis Rs. 1,637 crore on June 30, 2013
6. **Credit Rating** upgraded – Long term from 'A' to 'A+' and Short Term from 'A1' to'A1+' by ICRA
7. **Textile business sold** for a consideration of Rs. 17 crore

Q1 FY15 – Financial Snapshot

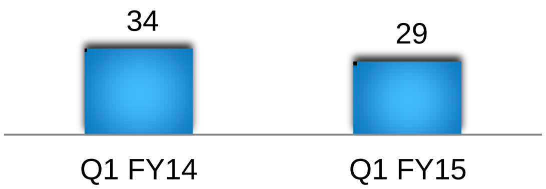
Revenues



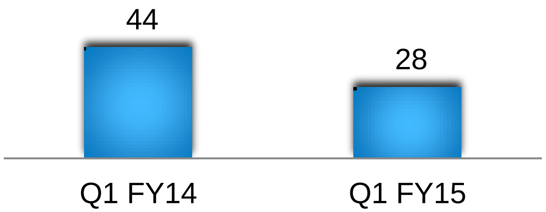
EBITDA



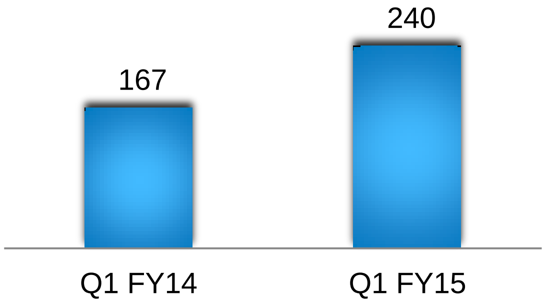
Depreciation



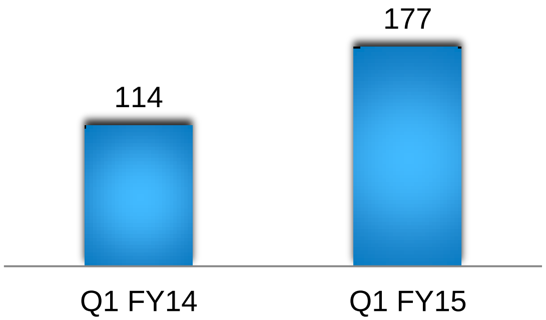
Finance Costs



PBIT



PAT



All figures in Rs. Crore

Q1 FY15 - Segment Performance

Rs. crore

	Revenues			PBIT			PBIT Margins %	
Segments	**Q1 FY14**	**Q1 FY15**	**%**	**Q1 FY14**	**Q1 FY15**	**%**	**Q1 FY14**	**Q1 FY15**
Agri Input	**896.3**	**1,013.0**	***13.0***	**94.2**	**127.8**	***35.7***	***10.5***	***12.6***
- Fertilisers	143.8	169.7	*18.0*	6.8	11.5	*68.4*	*4.7*	*6.8*
- Shriram Farm Soln.	463.6	448.6	*(3.2)*	21.3	20.8	*(2.4)*	*4.6*	*4.6*
- Bioseed	289.0	394.7	*36.6*	66.1	95.5	***44.5***	*22.9*	*24.2*
Sugar	**338.3**	**280.8**	***(17.0)***	**(1.0)**	**8.0**	**--**	***(0.3)***	***2.8***
Chloro Vinyl incl. Power	**285.0**	**358.6**	***25.8***	**81.3**	**113.0**	***39.1***	***28.5***	***31.5***
Cement	**29.6**	**36.8**	***24.0***	**2.6**	**4.8**	***89.0***	***8.6***	***13.1***
Hariyali Kisaan Bazaar	**121.8**	**137.3**	***12.7***	**(0.3)**	**1.1**	**--**	***(0.2)***	***0.8***
Others	**76.5**	**64.8**	**(15.3)**	**(0.3)**	**(1.8)**	**--**	***(0.4)***	***(2.8)***
Total	**1,747.5**	**1,891.2**	***8.2***	**176.4**	**252.9**	***43.4***	***10.1***	***13.4***
Less: Intersegment Revenue	**186.4**	**186.8**	***0.2***					
Less: Unallocable expenditure				**9.2**	**12.4**	***34.8***		
Total	**1,561.0**	**1,704.4**	***9.2***	**167.2**	**240.5**	***43.8***	***10.7***	***14.1***

Q1 FY15 - Performance Overview & Outlook

Fertilisers

- Operating performance stable
- Earnings reflect increase in reimbursement towards conversion costs under NPS III by Rs. 500 per tonne w.e.f. April 1, 2014
  - While this is a positive step, it does not fully compensate the cost increases since FY03
- The business continues to be impacted by high level of subsidy outstanding. However, loans against subsidy with interest subvention partly moderated the impact

Outlook

- Planned maintenance shutdown in Q2 FY15
- The earnings of this business will continue to be under pressure until the Government further revises the retention prices to compensate for cost increases and improves subsidy payment cycle

Shriram Farm Solutions

- Weak monsoon impacted sales volumes during the quarter
- Decline in sales volume of SSP (down 40%) moderated topline growth
- Value-added inputs' revenues were up 3.5%. Seeds register good growth, but other products did not grow. Overall earnings were lower on account of one time fixed expenses

Outlook

- Company imported DAP / MOP in Q1 and sold partially, majority to be liquidated in coming quarters
- The near term performance is dependent on the extent of pick up in monsoons in Q2. The business has element of seasonality
- High subsidy outstanding in Bulk Fertiliser business (DAP/MOP/SSP) is an area of concern
- Medium to long term outlook buoyant - focus on expanding product range especially in higher margin value-added vertical & increasing geographical reach which is expected to give growth going forward

Q1 FY15 - Performance Overview & Outlook

Bioseeds

- Revenue and profit growth driven by better performance of BT Cotton hybrid seed in Indian Market
  - Overall volumes of BT cotton for Kharif season up 63%
  - BT cotton sales in south and central markets witness robust growth
  - Delay in monsoons has adversely affected seed sales of other field crops
- International operations stabilizing, post one-time sales return and inventory write-offs during last year

Outlook

- The performance of the business has seasonality, with Kharif being the major season in India
- Bioseed India expected to sustain performance – growth in cotton seeds to come primarily from South and Central markets
- Medium to long term outlook buoyant given continuing focus on research (conventional and biotech) leading to product innovation along with geographic reach and strong market development efforts

Sugar

- Lower revenues due to decline in sugar sales volumes
- Sugar prices have improved since March 14, but it still continues to be losses at net level

Outlook

- Expanding and upgrading co-gen capacities at a capex of Rs. 125 crore, adding value to the sugar by-product chain – expected commissioning by November 2015
- Cane availability expected to be lower in the ensuing season
- Rational cane policy from government that links cane prices to sugar realizations is a must, to ensure sustainability of the industry

Q1 FY15 - Performance Overview & Outlook

Chloro-Vinyl

- Performance continues to be robust driven by:
  - Higher realizations in Plastics (Vinyl) on a Y-o-Y as well as Q-o-Q basis
  - Realizations in Chlor-Alkali business are firm over Q1 FY14, it has moderated over Q4 FY14
  - Volumes are marginally higher in both the businesses
- Sustained increase in prices of coal, freight and salt is leading to higher input cost costs impacting the margins

Outlook

- Performance is expected to be driven by realizations of Chloro-Vinyl products - present outlook on realizations remains stable
- Input costs are rising - channelizing efforts on continuously improving cost structures to partially mitigate the impact of rising input costs

Cement

- Higher sales volumes driven by better demand and realizations drive performance
- Impact of rising input costs impacting the margins

Hariyali Kisaan Bazaar

- Current revenues primarily from fuel sales
- The Company is focused on sale of surplus properties

Others

- Fenesta witnessed improved revenues as well as order booking in retail segment; however, institutional sales are lower. Business remains focused on volume increases
- Company has sold its Textile business for a consideration of Rs. 17.1 crore, marginal gain over book value
- JV with Axaill Corp. for PVC Compounding business under the name Shriram Axiall (P) Ltd. operationalised in Q1 FY15

Management's Message

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 enthused to begin the new financial year with robust operational and financial performance. All segments except Sugar have reported improved performance with higher profits. Shriram Farm solutions had lower growth due to weak monsoons.

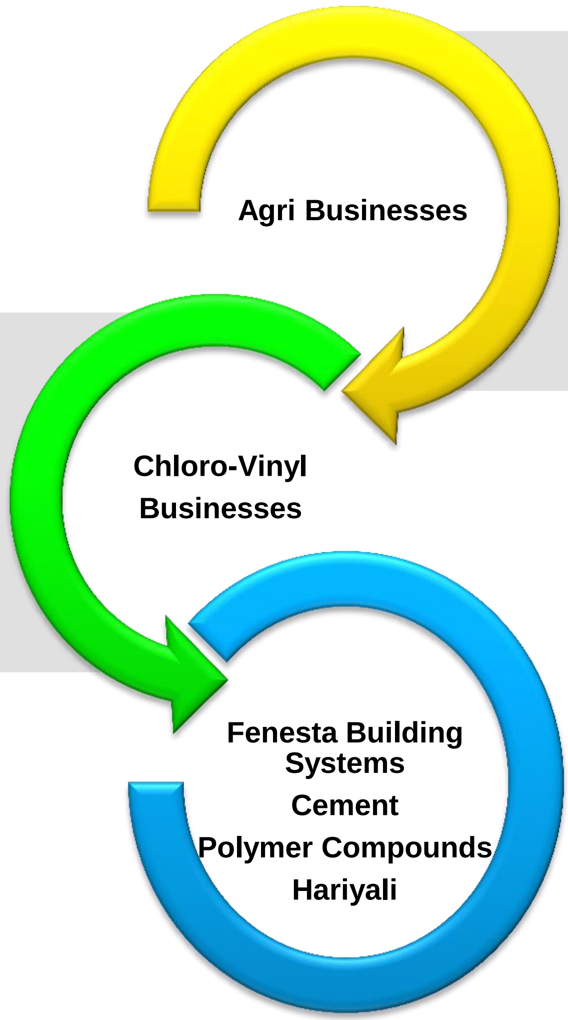
The performance of Bioseed business has been very encouraging. The new Cotton seed products are gaining acceptance in south and central India and are expected to drive growth going forward. International operations are moving towards stability.

Sugar prices have improved but are insufficient to sustain the present cane price and provide positive net margin to sugar Industry. Linking of Sugar cane prices to Sugar prices is a must, in order to improve the fundamentals of the industry as well as for the prosperity of the farmer.

Chloro-Vinyl business continues its robust performance and is expected to remain firm. In Fenesta, our focus on growing the retail segment is progressing well and we believe that the business will witness substantial growth over the medium term.

We have taken up a project to augment power co-generation capacity in sugar at an investment of Rs. 125 crore. We are also working at other investment options within our existing businesses. Company continues to focus on maintaining a healthy balance sheet."

Segmental Overview



- Agri- Inputs
  - Fertilisers
  - Shriram Farm Solutions
  - Bioseeds
- Sugar

- Chlor – Alkali
- PVC Resins
- Calcium carbide
- Power

Agri- Input Businesses

The Agri input business contributed to 59% of the total quarterly revenues of the Company. The Company continues to focus on these businesses given the huge opportunity in this area where the Company can capitalize on its long standing understanding of varied Agri businesses and the rural consumer; its established infrastructure; services & product portfolio; and a deep rural presence. The Agri Input Business includes:

- Fertiliser (Urea)
- Shriram Farm Solutions
- Bioseed

Fertilisers (Urea)

	Operational		Financial	
Particulars	**Sales (MT)**	**Realizations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY15	**101,011**	**16,778**	**169.7**	**11.5**
Q1 FY14	106,049	13,517	143.8	6.8
% Shift	*(4.8)*	*24.1*	*18.0*	*68.4*

- Production during the quarter was lower - will be made up in the balance part of the year
- Maintenance shutdown scheduled in Q2 FY15
- Increased compensation on conversion costs by Rs. 500 /MT w.e.f. April 1, 2014 by the Fertiliser Ministry under NPS III partly mitigated the impact of uncompensated costs, resulting in better profitability
- This increase does not fully compensate the cost increase and the earnings of this business is expected to be under pressure until the Government further revises the retention prices to fully compensate for cost increases
- The business continues to be impacted by high level of subsidy outstanding; however, loans against subsidy with interest subvention partly moderated the impact

Shriram Farm Solutions

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY15	**448.6**	**20.8**
Q1 FY14	463.6	21.3
% Shift	*(3.2)*	*(2.4)*

- The portfolio comprises value-added products such as Seeds, Pesticides, Soluble fertiliser, Micro-nutrients etc. along with bulk fertilisers (DAP, MOP, SSP)
- Weak monsoon impacted the sales growth across product categories
  - Overall topline moderated due to lower sales of SSP
  - Value-added inputs segment's revenues delivered a moderate increase with Hybrid Seeds registering good growth, moderated by marginally lower volumes in other products
- Earnings are lower on account of higher one time fixed expenses
- Performance in the near term to be determined by weather conditions
- 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 – long term
- This business is seasonal in nature and the results in the quarter are not representative of annual performance

Bioseed

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY15	**394.7**	**95.5**
Q1 FY14	289.0	66.1
% Shift	*36.6*	*44.5*

- Bioseed business is intensely research based and is uniquely diversified across key crops (Cotton, Corn, Paddy, Bajra and Vegetables).
- India is the key market with presence across all above crops. International presence is in Vietnam , Philippines and Indonesia wherein the key crop is Corn
- Domestic operations registered a topline growth of 26% and earnings growth of 29% driven by better performance of BT Cotton hybrid seed . For the Kharif season:
  - Our cotton seed saw a growth of 63% with all markets registering growth. Performance of Yuva and Bindaas reflect higher acceptance
  - Weak monsoon in southern and central regions limited offtake of other field crops
- International operations (Philippines and Vietnam) now stabilizing
- Growth rates in the medium to long term expected to be robust driven by products launched in the last 1-2 years, especially Yuva and Bindaas, healthy product pipeline, continued focus on R&D (conventional and biotech) along with geographic spread and strong market development efforts
- Quarterly results are not representative of annual performance as this business is seasonal in nature

Sugar

	Operational			Financial	
Particulars	Sales (Lac Qtl)		Realizations *(Rs./Qtl)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
	Free Sugar	Levy Sugar			
Q1 FY15	**7.7**	**-**	**3,198**	**280.8**	**8.0**
Q1 FY14	9.3	0.04	3,160	338.3	(1.0)
% Shift	*(17.2)*	-	*1.2*	*(17.0)*	-

* Free Sugar

- Lower sugar sales volumes resulted in decline in revenues
- Realizations were flat Y-o-Y, sugar margins at net level continue to be negative
- Despite improvement in sugar realizations since March 14, prices are still soft and are below the level required for profitable operations
- Cane area expected to reduce for the ensuing season
- Policy environment still uncertain. Linking the Sugar cane and sugar prices likely to determine the prospects of this sector

Hariyali Kisaan Bazaar

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY15	**137.3**	**1.1**
Q1 FY14	121.8	(0.3)
% Shift	*12.7*	-

- Current revenues only from fuel sales
- Earnings a result of profit on sale of a properties
- Company is focused on sale of properties. Expected to be completed over next 2-3 years

CHLORO-VINYL BUSINESSES

The Chloro-Vinyl business of the Company has highly integrated operations with multiple revenue streams and economical captive power generation facilities. Chlor-Alkali operations are at two locations (Kota – Rajasthan and Bharuch – Gujarat). Chloro-Vinyl operates with full captive coal based power capacity of ~145 MW. The multiple revenue streams enable the Company to optimize operations in a manner to maximize the contribution per unit of power that is produced.

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY15	**358.6**	**113.0**
Q1 FY14	285.0	81.3
% Shift	*25.8*	*39.1*

Chlor-Alkali

	Operational		Financial	
Particulars	**Sales (MT)**	**Realizations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY15	**66,095**	**25,947**	**187.0**	**59.9**
Q1 FY14	61,770	22,465	151.1	42.5
% Shift	*7.0*	*15.5*	*23.8*	*40.9*

- Operations at both, Kota and Bharuch continued to deliver optimal Chlor-Alkali production.
- Realizations improved vis-à-vis last year. However, sequentially, the realizations are lower by 9%
- Further augmenting performance are the cost efficiencies post commissioning of 9th Electrolyser in Dec 2013 at Bharuch Complex
- Margins improved from 28.1% in Q1 FY14 to 32.0% in Q1 FY15
  - On sequential basis the margins have come down from 35% in Q4 FY14
- Input costs (salt & coal) on an increasing trend - Company continues its focus on cost containment initiatives

Plastics

	Operational				Financial	
Particulars	**PVC Sales (MT)**	**PVC XWR Realizations (Rs./MT)**	**Carbide Sales (MT)**	**Carbide XWR Realizations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY15	**18,303**	**76,638**	**5,691**	**42,923**	**171.6**	**53.2**
Q1 FY14	14,952	63,876	8,166	40,178	133.8	38.8
% Shift	*22.4*	*20.0*	*(30.3)*	*6.8*	*28.3*	*37.1*

- Company optimized the production of PVC and lowered the Carbide sales
- Significant increase in realizations (Y-o-Y & Q-o-Q) of PVC Resins resulted in improved topline
- Better realizations helped in expanding the margins
  - Margin in this business have improved from 29.0% in the previous year to 31.0% - partly moderated due to increase in power and carbon material costs
- The enduring focus of the Company is on cost containment initiatives

Cement

	Operational		Financial	
Particulars	**Sales (MT)**	**Realizations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY15	**94,068**	**3,251**	**36.8**	**4.8**
Q1 FY14	82,438	2,920	29.6	2.6
% Shift	*14.1*	*11.3*	*24.3*	*89.6*

- The Cement business is Ltd. in size since its capacity is driven by the waste generated from carbide plant
- The Company markets its cement under the ‘Shriram’ brand
- Higher sales volumes at improved realizations drive topline performance
- Earnings growth moderated on account of input cost pressures

Other Businesses

DSCL's other operations, reported as 'others' in the financial results, include its businesses of Polymer Compounding (now under JV) and Fenesta Building Systems.

Revenues under 'others' stood at Rs. 64.8 crore in the quarter under review compared to Rs. 76.5 crore in the corresponding period last year. PBIT for the quarter stood at Rs. (1.8) crore vis-à-vis PBIT of Rs. (0.3) crore in Q1 FY14.

Fenesta Building Systems

	Operational	Financial
Particulars	**Order Book (nos.)**	**Revenues (Rs. cr.)**
Q1 FY15	**25,459**	**40.4**
Q1 FY14	37,372	42.4
% Shift	*(31.9)*	*(4.7)*

- Fenesta with its diverse product line is regarded as a brand and product leader on a pan India basis. The brand has become synonymous with UPVC windows
- The response from the retail segment is encouraging. The Company continues its focus on the retail segment. The order book in retail has improved from 17,596 windows to 22,252 windows, an increase of 26%.
- Decline in volumes and revenues is primarily due to reduction in Institutional sales
  - Retail segment sales grew by 8.6% in Q1 FY15
- Significant changes made to the operating model over the last few quarters has resulted in sustainably better operating and cost efficiencies. Expect the business to grow substantially in the medium term

About Us & Investor Contacts

DCM Shriram Ltd. is an integrated business entity, with extensive and growing presence across the entire Agri value chain and Chloro-Vinyl industry. The Company has added innovative value- added businesses in these domains primarily Fenesta and Bioseed. With a large base of captive power produced at a competitive cost, the Company aims at maximizing value creation in its Chloro-Vinyl businesses.

For more information on the Company, its products and services please log on to **www.dcmshriram.com** or contact:

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