DCM SHRIRAM

DCM Shriram Ltd.

Q1 FY16 - 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

Table of Content

Q1 FY16 – Key Highlights

1. **Net Revenues** increased by 6% YoY to Rs. 1,806 crore primarily on account of higher sales of Bulk fertilizers during the quarter

2. **PBDIT** stood at Rs 191 crore vs. Rs 269 crore last year:

   a. Sugar business' financial distress increased on account of further fall in realizations of Sugar as well as the by-products. Sugar margins are at historical low of –ve ~Rs 810/Qtl. Incremental Inventory write-down during the quarter was Rs. 40 cr. State govt. notified cash subsidy of Rs. 8.6/Qtl amounting to Rs. 25.7 crore

   b. Urea business' earnings affected during the quarter due to extended maintenance shutdown that led to lower average efficiencies and volumes

   c. Bioseed business' earnings were affected by erratic monsoons patterns leading to lower demand; international operations taking time to recover

   d. Lower earnings in Chloro-Vinyl business resulting from lower realizations YoY, however sequentially there is improvement in realisations

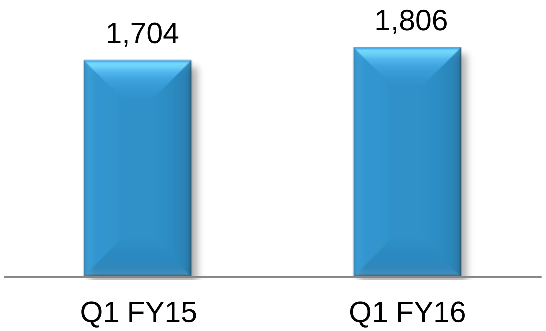
   e. Shriram Farm Solutions 'Value added inputs' business sustained earnings despite low volumes, Fenesta improved significantly

3. **PAT** stood at Rs 123 crore compared to Rs. 177 crore in same period last year

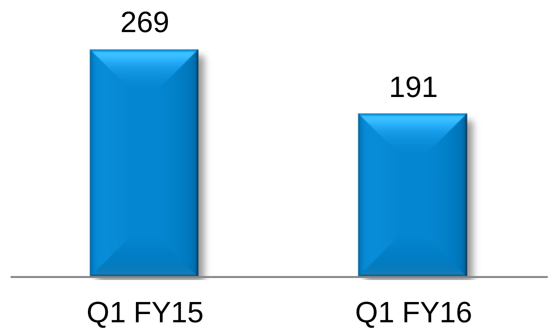
4. **Net Debt** as on June 30, 2015 stood at Rs. 696 crore vis-à-vis Rs. 688 crore on March 31, 2015

Q1 FY16 – Financial Snapshot

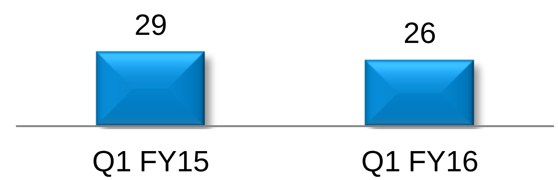
Revenues



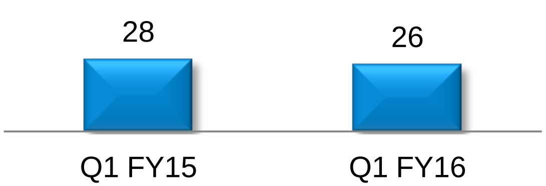
EBITDA



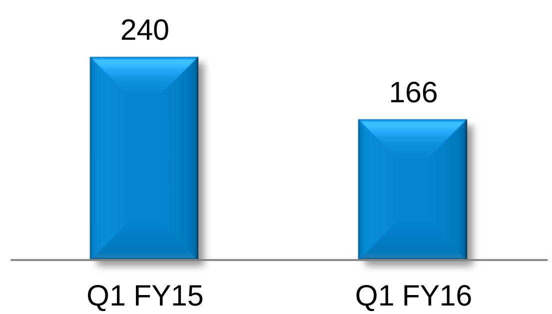
Depreciation



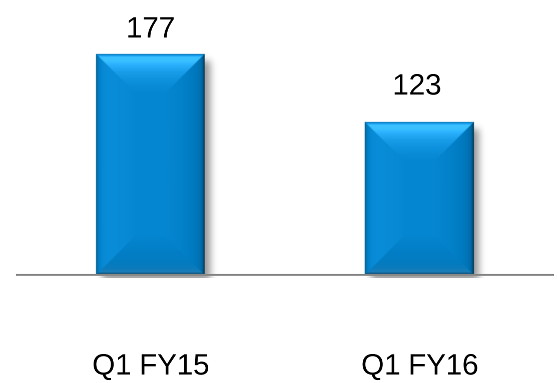
Finance Costs



PBIT



PAT



1. All figures in Rs. Crore
2. PBIT is before exceptional items; PAT is after exceptional items

Q1 FY16 - Segment Performance

Rs. crore

	Revenues			PBIT			PBIT Margins %	
Segments	**Q1 FY15**	**Q1 FY16**	**%**	**Q1 FY15**	**Q1 FY16**	**%**	**Q1 FY15**	**Q1 FY16**
Agri Input	**1,013.0**	**1,131.1**	***11.7***	**127.7**	**101.2**	***(20.8)***	***12.6***	***8.9***
- Fertilisers	169.7	155.6	*(8.3)*	11.5	(4.9)	-	*6.8*	*(3.2)*
- Shriram Farm Soln.	448.6	610.3	*36.0*	20.8	21.8	*4.8*	*4.6*	*3.6*
- Bioseed	394.7	365.2	*(7.5)*	95.5	84.3	***(11.7)***	*24.2*	*23.1*
Sugar	**280.8**	**305.2**	***8.7***	**8.0**	**(16.4)**	**-**	***2.9***	***(5.4)***
Chloro Vinyl	**358.6**	**315.9**	***(11.9)***	**113.0**	**93.9**	***(17.0)***	***31.5***	***29.7***
Cement	**36.8**	**33.2**	***(9.7)***	**4.8**	**(0.8)**	**-**	***13.1***	***(2.5)***
Hariyali Kisaan Bazaar	**137.3**	**113.5**	***(17.3)***	**1.1**	**0.5**	***(55.5)***	***0.8***	***0.4***
Others	**64.8**	**70.1**	***8.3***	**(1.8)**	**2.5**	**-**	***(2.8)***	***3.5***
Total	**1,891.2**	**1,969.1**	***4.1***	**252.9**	**180.7**	***(28.5)***	***13.4***	***9.2***
Less: Intersegment Revenue	**186.8**	**163.2**	***(12.6)***					
Less: Unallocable expenditure				**12.4**	**15.1**	***21.8***		
Total	**1,704.4**	**1,805.9**	***6.0***	**240.5**	**165.6**	***(31.1)***	***14.1***	***9.2***

1. PBIT is before exceptional items

Q1 FY16 - Performance Overview & Outlook

Fertilisers

- Revenue declined by 8.3% YoY due to lower volumes, a result of extended maintenance shutdown during the quarter; maintenance shutdown also impacted average efficiencies which led to fall in energy savings and contributed to operating losses during the quarter
- Revised energy efficiency norms under new Urea policy (effective 1st June 2015) also impacted the earnings

Outlook

- Company continues to work towards improving energy efficiencies
- New Urea policy will impact earnings going forward primarily due to increase in energy efficiency norms. Pooling of gas prices likely to lead to higher subsidy bills and hence higher working capital

Shriram Farm Solutions

- Revenue higher on account of higher sales of bulk fertilizers during the quarter
- Revenue of ‘Value Added’ inputs vertical impacted by uncertainty over monsoons this year and shift in sowing patterns that impacted sales volumes during the quarter

Outlook

- This business is dependent upon weather patterns which significantly affects business performance
- Focus on aggressive marketing and growing distribution network and product portfolio to drive growth over medium term for ‘Value Added’ business vertical
- High subsidy outstanding in bulk fertilisers continues to result in higher working capital requirements

Q1 FY16 - Performance Overview & Outlook

Bioseed

- Bioseed business' revenue declined primarily due to lower sales volumes due to uncertainty over monsoons
- International operations to take a couple of years to recover

Outlook

- There may be some improvement in performance, if monsoon recovers in South/Central region
- Augmenting product portfolio and marketing efforts to drive growth in international operations – expected to take couple of years
- Medium to long term outlook buoyant given continuing focus on research and pipeline of products

Sugar

- Revenue increase is due to higher volumes. The increase was limited by lower realizations during the quarter viz same period last year
- Sugar prices were a downward spiral which led to record –ve margins and inventory losses during the quarter and resulted in high losses at the operating level
  - Sugar margins currently at –ve ~Rs. 810/Qtl
  - Sugar inventory revalued at Rs 2,250/Qtl from Rs 2,575/Qtl in March 15, leading to an incremental inventory loss of Rs 40 crore during the quarter, including revaluation of Molasses (Inventory write-down in Q4FY15 was Rs. 98 cr.)
- Business accounted for cane subsidy of Rs. 8.6/qtl in Q1 FY 15 amounting to Rs. 25.7 crores

Outlook

- There is need for urgent measures to restore the financial health of the Industry, with measures that have a long term impact. The Industry is going through financial turmoil
- Expect UP Govt. to fully implement its sugar cane policy for SY2014-15 and notify / disburse the balance cash subsidy immediately.
- Sugar co-gen expansion project is in the process of taking environmental approvals

Q1 FY16 - Performance Overview & Outlook

Chloro-Vinyl

- Revenue stood lower primarily due to lower volumes of PVC (on account of sale of high opening stock in same period last year) and lower realizations of PVC viz last year, however they are better sequentially
- Production is stable
- In line with the recent decline in global commodity prices, Vinyl prices have started softening from June 2015 onwards
- Costs of key raw materials like Imported coal, Salt and Carbon material has witnessed decline viz last year; however cost of Power has risen at our Kota complex post budgetary changes by Centre as well as State governments

Outlook

- Prices expected to follow global commodity price trends
- Chlor-alkali expansion project progressing as per plan

Cement

- Cement business' revenue declined by 10% YoY resulting from sluggish demand which led to 20% YoY decline in realizations
- Lower revenue and higher limestone and power costs led to a PBIT loss vs. profit last year

Hariyali Kisaan Bazaar

- Revenues from fuel sales only
- Focus on sale of properties progressing slowly, expected to take about 2-3 years

Others

- Fenesta business' revenue up 18% y-o-y to Rs 48.4 crore on account of higher sales volumes during the quarter
  - Volumes in the 'Retail' segment went up by 38% YoY
  - 'Project' segment witnessed improved traction
  - In Q1 FY 16, operations stood positive at the PBT level
- JV with Axiall Corporation for PVC Compounding business is progressing satisfactorily

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:

"The company has performed satisfactorily given a challenging business environment, a result of our diversified and integrated business portfolio and comfortable debt levels.

The unfavorable monsoon patterns and financial stress in agriculture sector has adversely affected demand for agri-inputs leading to lower revenues of Bioseed and Value Added products.

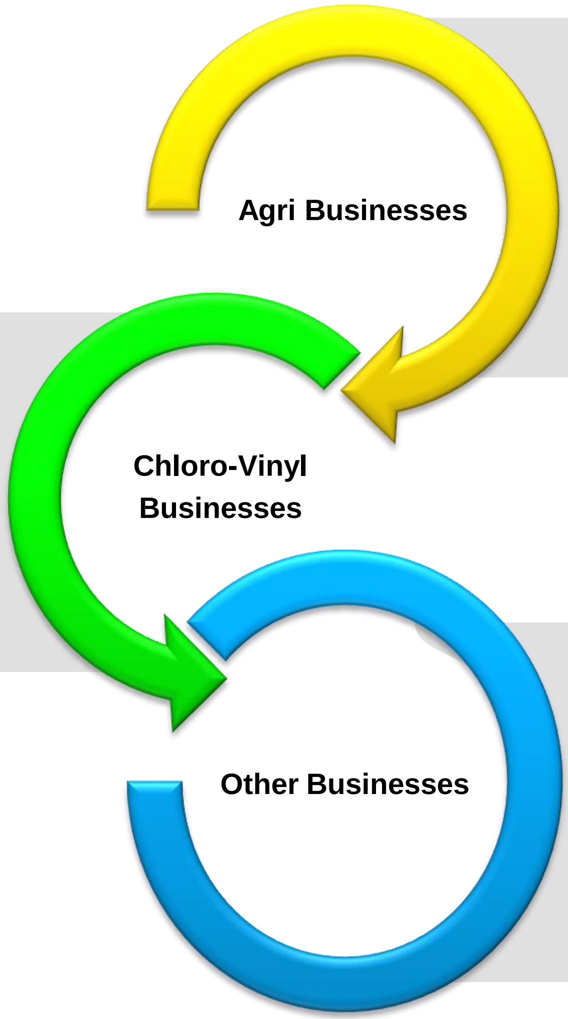
Sugar prices are in a downward spiral with continuing surplus production in the country and weak global prices. Sugar margins are at unsustainable levels. A rational long term policy framework is needed urgently to improve Business fundamentals and restore the health of the Industry on a sustained basis.

Chloro-vinyl businesses have done better sequentially despite high power costs due to additional taxes and levies by the Govt. We continue to take steps towards cost savings and achieving economies of scale.

The expansion of Chlor-Alkali capacity at Bharuch and Power co-gen capacity at sugar are progressing as per plan.

Our debt levels continue to be at comfortable levels."

Segmental Overview



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

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

- Fenesta Building Systems
- Cement
- Polymer Compounds
- Hariyali Kisaan Bazaar

Agri- Input Businesses

The Agri input business contributed to 63% 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)**	**Realisations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**	**Cap. Employed (Rs. cr.)**
Q1 FY16	**80,131**	**19,251**	**155.6**	**(4.9)**	**342.0**
Q1 FY15	101,011	16,778	169.7	11.5	357.2
% Shift	*(20.7)*	*14.7*	*(8.3)*	-	*(4.3)*

Performance Overview

- Revenue stood lower by 8.3% YoY to Rs 156 crores due to lower volumes resulting from extended shutdown during the quarter
- Higher realizations during the quarter was primarily on account of increase in spot gas prices and Gas pooling mechanism under the New Urea policy effective 1st June 15
- Lower average efficiencies due to the shutdown led to fall in energy savings and contributed to operating losses during the quarter
- Revised energy efficiency norms under new Urea policy (effective 1st June 2015) also impacted the earnings

Outlook

- Increase in efficiency targets under the New Urea policy expected to impact energy savings
- Company continues to work towards improving energy efficiencies
- Pooling of gas prices likely to lead to higher subsidy bills and consequently higher working capital
- Business would continue to face cost pressures until the Govt. adequately increases the retention prices to compensate for cost increases
- High Subsidy outstanding remains an area of concern

Shriram Farm Solutions

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY16	**610.3**	**21.8**	**587.5**
Q1 FY15	448.6	20.8	550.1
% Shift	*36.0*	*4.8*	*6.8*

The portfolio comprises Value-added products such as Seeds, Pesticides, Soluble Fertiliser, Micro-nutrients etc. along with Bulk Fertilisers (DAP, MOP, SSP). This business is seasonal in nature and the results in the quarter are not representative of annual performance

Performance Overview

- Revenue went up by 36% YoY on account of higher sales volumes of bulk fertilizers during the quarter
- Revenue of the 'Value Added' input vertical stood lower vis-à-vis last year due to uncertainty over monsoons and shift in sowing patterns that adversely impacted volumes.

Outlook

- Weather will play a crucial role in business' performance going forward
- Focus on aggressive marketing and growing distribution network and product portfolio to drive growth over medium term for 'Value Added' business vertical
- High subsidy outstanding in bulk fertilisers continues to result in higher working capital requirements

Bioseed

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY16	**365.2**	**84.3**	**336.7**
Q1 FY15	394.7	95.5	365.5
% Shift	*(7.5)*	*(11.7)*	*(7.9)*

Bioseed business is intensely research based and is 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. The performance of the business has seasonality, with Kharif being the major season in India.

Performance Overview

- Uncertainty over monsoons and stress in farmer finances, led to lower volumes in BT cotton Seeds and Field crops
- Sales of BT Cotton in South/Central during the quarter in line with last year, but did not witness growth as expected. Volumes in north were lower.
- International operations taking time to recover

Outlook

- There may be some improvement in performance, if monsoon recovers in South central region
- Augmenting product portfolio and marketing efforts to drive growth in international operations – expected to take couple of years
- Medium to long term outlook buoyant given continuing focus on research and pipeline of products

Sugar

	Operational		Financial		
Particulars	**Sales (Lac Qtls)**	**Realisations (Rs./Qtl)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**	**Cap. Employed (Rs. cr.)**
Q1 FY16	**10.7**	**2,549**	**305.2**	**(16.4)**	**612.6**
Q1 FY15	7.7	3,198	280.8	8.0	614.6
% Shift	*38.2*	*(20.3)*	*8.7*	-	*(0.3)*

Performance Overview

- Revenue increased by 9% YoY due to higher volumes. This increase in revenue was limited by lower realizations that stood 20% down vis-à-vis last year
- Sugar prices declined to multi year lows which led to historically low –ve margins and inventory losses during the quarter resulting in losses at the operating level
  - Current sugar margins are –ve ~Rs. 810/qtl
  - Sugar inventory revalued at Rs 2,250/Qtl from earlier Rs 2,575/Qtl leading to an incremental inventory loss of Rs 40 crore during the quarter (Rs. 98 cr. in Q4FY15), including revaluation of Molasses inventory.
- Business accounted for a cash cane subsidy of Rs 8.6/Qtl in Q1 FY 15, post the notification on the same by the UP Govt., amounting to Rs. 25.7 cr.

Outlook

- Industry is in turmoil and is operating in a highly unviable environment
- Output in the next season is also expected to be surplus
- There is need for urgent measures to restore the financial health of the Industry, with measures that have a long term impact.
- Expect UP Govt. to fully implement its sugar cane policy for SY2014-15 and disburse the cash subsidy immediately as it will help timely payments to farmers.
- Sugar co-gen expansion project is undergoing environmental approvals

Hariyali Kisaan Bazaar

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY16	**113.5**	**0.5**	**155.5**
Q1 FY15	137.3	1.1	194.6
% Shift	*(17.3)*	*(55.5)*	*(20.1)*

Performance Overview

- Revenues from fuel sales only
- Focus on sale of properties progressing slowly, expected to take about 2-3 years

Chloro Vinyl Business

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY16	**315.9**	**93.9**	**511.6**
Q1 FY15	358.6	113.0	527.9
% Shift	*(11.9)*	*(17.0)*	*(3.1)*

The Chloro-Vinyl business of the Company has highly integrated operations with multiple revenue streams and 143 MW captive power generation facilities. Chlor-Alkali operations are at two locations (Kota – Rajasthan and Bharuch – Gujarat). The multiple revenue streams enable the Company to optimize operations in a manner to maximize the contribution per unit of power .

Chlor-Alkali

	Operational		Financial	
Particulars	**Sales (MT)**	**Realisations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY16	**68,333**	**24,807**	**187.7**	**66.2**
Q1 FY15	66,090	25,947	187.0	59.9
% Shift	*3.4*	*(4.4)*	*0.4*	*10.6*

Performance Overview

- Q1 FY 16 revenue stood flat on the back of a marginal YoY increase in volumes amid lower realizations vis-à-vis last year. Realisations have witnessed significant improvement sequentially.
- Costs of key raw materials like Salt and imported coal have witnessed decline viz last year. However cost of Power has risen at our Kota complex post budgetary changes by Centre as well as State governments wherein increases in coal freight, electricity duty and Green cess limited the earnings improvement

Outlook

- Continuing focus on improving cost structures to sustain margins
- Capital expansion project at Bharuch is progressing as per plans

Plastics

	Operational				Financial	
Particulars	**PVC Sales (MT)**	**PVC XWR Realisations (Rs./MT)**	**Carbide Sales (MT)**	**Carbide XWR Realisations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY16	**15,168**	**67,843**	**4,501**	**42,737**	**128.1**	**27.6**
Q1 FY15	18,303	76,638	5,551	42,923	171.6	53.2
% Shift	*(17.1)*	*(11.5)*	*(18.9)*	*(0.4)*	*(25.3)*	*(48.0)*

Performance Overview

- Revenue stood lower by 25.3% YoY primarily due to PVC Resins' lower volumes and realizations during the quarter. Comparative lower volumes were a result of higher opening stock in Q1FY15. Production has been stable.
- Realisations have improved sequentially however they are witnessing a decline since June 15. Although they are better than lows witnessed in Q3FY15
- Input cost for Carbon Material has declined however Power cost has gone up led by recent statutory increases in coal freight, electricity duty and Green cess on coal impacted earnings during the quarter

Outlook

- Realizations will follow the global price trends, especially that of crude
- Company focused on improving its cost structures specially through dynamic sourcing of Power.

Cement

	Operational		Financial		
Particulars	**Sales (MT)**	**Realisations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**	**Cap. Employed (Rs. cr.)**
Q1 FY16	**106,170**	**2,585**	**33.2**	**(0.8)**	**8.6**
Q1 FY15	94,068	3,251	36.8	4.8	13.3
% Shift	*12.9*	*(20.5)*	*(9.7)*	-	*(35.4)*

The Cement business is small. since its capacity is driven by the waste generated from carbide plant. The Company markets its cement under the 'Shriram' brand

Performance Overview

- Decline in revenue on account of lower realizations, a result of continuous sluggish demand in the sector
- Lower revenue and higher input costs led to a PBIT loss of Rs. 0.8 crores vs. a profit of Rs. 4.8 crores last year

Outlook

- Improving economic scenario expected to result in higher demand and support realisations in the medium term

Other Businesses

DCM Shriram's other operations, reported as 'Others' in the financial results, include its businesses of Polymer Compounding (now under 50:50 JV) and Fenesta Building Systems.

Revenues under 'Others' stood at Rs. 70.1 crore in the quarter under review compared to Rs. 64.8 crore last year. PBIT for the quarter stood at Rs. 2.5 crore vis-à-vis PBIT of Rs. (1.8) crore in Q1 FY 15.

Fenesta Building Systems

	Operational	Financial
Particulars	**Order Book (Rs cr.)**	**Revenues (Rs. cr.)**
Q1 FY16	**71.2**	**48.4**
Q1 FY15	44.6	41.2
% Shift	*59.8*	*17.5*

Fenesta a pan India brand has become synonymous with UPVC windows. Includes Retail and Project Segment

Performance Overview

- Fenesta business' revenue went up by 18% y-o-y in Q1 FY 16 to Rs 48.4 crore on account of higher sales volumes during the quarter
  - Volumes in the 'Retail' segment went up by 38% YoY
  - 'Project' segment witnessing good traction in Booking, however the billing is low due to financial stress in Real estate segment
  - In Q1 FY 16, operations stood positive at the PBT level

Outlook

- Focus is on growing the 'Retail' segment along with revival of 'Project' sales to provide profitable volume growth
- Improving economic scenario and accompanying growth in the real estate sector will accelerate growth.

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 Bioseed and Fenesta. Access to captive power at all key manufacturing units enables the businesses to optimise competitive edge.

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

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