



DCM Shriram Ltd.

Q1 FY17 - Results Presentation

Aug 9, 2016



Safe Harbour

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All figures are consolidated unless otherwise mentioned

Table of Content

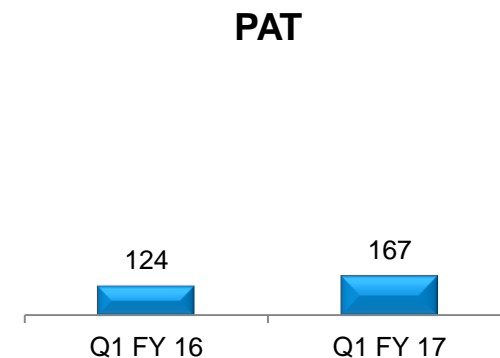
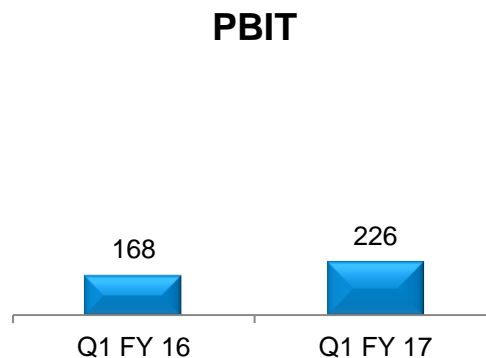
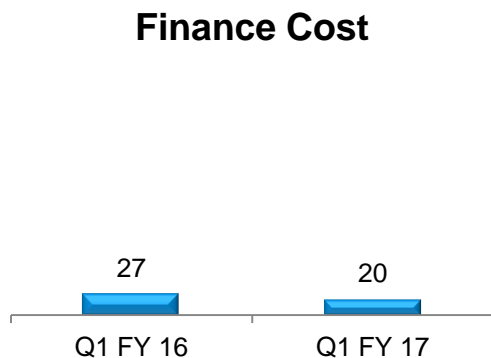
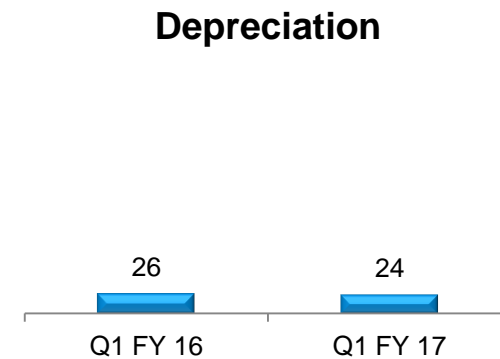
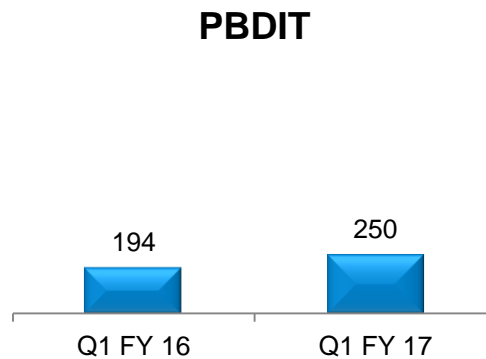
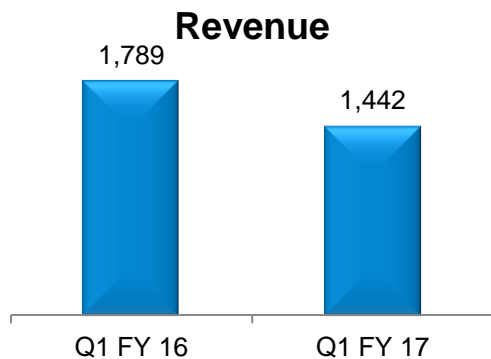
Title	Slide No.
Q1 FY17 Key Highlights	4
Q1 FY17 Financial Snapshot	5
Q1 FY17 Segment Performance	6
Q1 FY17 – Performance Overview & Outlook	7-9
Management’s Message	10
Chloro-Vinyl Businesses	12-14
Sugar	15
Agri Input Businesses	17-19
Other Businesses	21-22
About Us & Investor Contacts	23

Q1 FY 17 – Key Highlights

- 1. Net Revenues** lower at Rs 1,442 crores vs. Rs 1,789 crores last year, led by:
 - a. Suspension of DAP/MOP trading business
 - b. Lower hybrid seed volumes, primarily BT cotton, and lower volumes of Sugar
- 2. PBDIT** up 29% YoY to Rs 250 crores due to:
 - a. Earnings improvement in Chloro-Vinyl businesses, driven by lower costs and higher product prices
 - b. Better margins in sugar business driven by higher prices and lower costs due to better recoveries in Sugar Season 15-16
 - c. Fertilizer business reported positive earnings. Last year Q1 was impacted by a maintenance shutdown that affected volumes and efficiencies. Current quarter also had a one time impact of FICC arrears

Earnings in our Agri-input businesses were however impacted by delay in monsoon, weak agrarian economy, and lower acreage of BT Cotton in key markets
- 3. Finance costs** stood lower at Rs 20 crores down from Rs 27 crores in Q1 FY 16
- 4. PAT** increased by 34% YoY to Rs 167 crores. EPS for the quarter at Rs 10.3 up from Rs 7.7 in Q1 FY 16
- 5. Net Debt** as on June 30, 2016 stood at Rs. 1,071 crores vs. Rs 690 crores as on June 30, 2015. Increase in net debt vs. last year was mainly due to the ongoing expansion projects
- 6. Projects** - The ongoing Chemicals project, that will increase capacity from 780 TPD to 1285 TPD, was partially commissioned in June at Bharuch. Full commissioning including power expansion expected to be completed by Oct 2016. Sugar Co-gen expansion is on schedule with completion expected by Q3 FY 17
- 7. Board** has approved a project in Chemicals business at Kota complex to increase Chlor-Alkali capacity (including liquid and Flakes) at an estimated investment of Rs 97.3 crores. Completion expected by Q3 FY18

Q1 FY17 – Financial Snapshot



Note: All figures in Rs. Crores

Q1 FY17 - Segment Performance

Rs. crore

Segments	Revenues			PBIT			PBIT Margins %	
	Q1 FY 16	Q1 FY 17	YoY % Change	Q1 FY 16	Q1 FY 17	YoY % Change	Q1 FY 16	Q1 FY 17
Chloro Vinyl	315.9	329.4	4.3	93.6	121.2	29.4	29.6	36.8
Sugar	305.2	260.3	(14.7)	(16.4)	31.6	-	(5.4)	12.1
Agri Inputs	1,131.1	740.1	(34.6)	104.6	88.6	(15.3)	9.2	12.0
- Shriram Farm Solutions	610.3	286.7	(53.0)	25.3	11.0	(56.4)	4.1	3.8
- Bioseed	365.2	283.6	(22.3)	84.2	60.7	(27.9)	23.1	21.4
- Fertiliser	155.6	169.8	9.1	(4.9)	16.9	-	(3.2)	9.9
Others	197.3	219.3	11.2	1.9	10.1	443.5	0.9	4.6
Total	1,949.5	1,549.2	(20.5)	183.6	251.4	36.9	9.4	16.2
Less: Intersegment Revenue	160.2	107.6	(32.8)					
Less: Unallocable expenditure (Net)				15.2	25.5	68.0		
Total	1,789.3	1,441.6	(19.4)	168.4	225.9	34.0	9.4	15.7

Q1 FY17 - Performance Overview & Outlook

Chloro-Vinyl

- Q1 FY17 revenue up by 4% YoY due to higher product prices and marginally higher volumes in Chemicals as well as in Vinyl business
- Earnings were up by 29% YoY due to higher margins
 - Variable costs stood lower driven by lower input prices and improved power efficiency
 - Product prices improved YoY. Sequentially PVC prices were up by 8% and chemical prices were down by about 3%
- Capital employed stood higher on account of ongoing Capital expenditure in Chemicals business

Outlook

- Board approved an expansion project in the Chemicals business at the Kota plant at an estimated investment of Rs 97.3 crores. Commissioning expected by Q3 FY 18
- Expansion of Caustic soda capacity was partially (420 TPD) commissioned in June '16 and balance along-with additional captive power capacity expected to be commissioned by Sep / Oct 2016. The capacity added in June '16 is operating at partial load pending commissioning of Power plant.
- Cost structure in Chemicals will further improve after completion of expansion project and technology up-gradation of existing facility
- Caustic as well as PVC prices linked to global price trends, which is presently stable

Sugar

- Q1 FY 17 revenue down by 15% YoY due to lower sales volumes vis-à-vis Q1 FY 16; higher realizations moderated the decline in revenue during the quarter.
- Business' earnings turned positive due to better sugar margins, which was primarily due to higher prices and lower cost of production, a result of better recoveries in Sugar Season 2015-16.
 - Earnings during the quarter were adversely impacted by increase in quota on molasses for country liquor to 25% from earlier 15%
- Capital employed higher vs. Q1 FY 16 due to higher closing stock of sugar and lower cane dues

Outlook

- Rational Central and State Govt. policies need to be sustained, to ensure long term viability of the sector
- Sugar co-gen expansion project is on schedule, to be commissioned by Q3 FY2017

Q1 FY17 - Performance Overview & Outlook

Shriram Farm Solutions

- Q1 FY 17 revenue declined primarily due to suspension of DAP/MOP fertiliser trading by the company
- 'Value Added' segment's revenue stood lower by 20% vis-à-vis last year
 - Decline in revenue was on account of lower volumes of BT Cotton seeds led by substantial decline in acreage in key markets. Capping of BT Cotton selling price under Seed Price Control Order of the Central Govt. also impacted revenue during the quarter
 - Delay in monsoon and weak agrarian economy, after two years of weak monsoon also impacted volumes
- Business' earnings were impacted due to drop in volumes and margins

Outlook

- Company's focused marketing initiatives, product portfolio expansion and efforts aimed at geographic expansion to drive growth for the 'Value Added' vertical in the medium term
- Subsidy outstandings, that tend to build up in the second half of financial year, remain an area of concern, although these will be lower in the current year due to lower trading in bulk fertilizer

Bioseed

- Domestic business' first quarter revenue declined mainly due to lower volumes of BT cotton seeds
 - This was driven by decline in cotton acreages in key markets, with north India witnessing the highest decline
 - Cotton Seed Price Control Order that capped selling price of BT cotton seeds also impacted revenue during the quarter
- Earnings lower primarily due to lower volumes of BT cotton seeds. Margins have been stable
- International businesses – Volumes in Philippines improved. However in Vietnam and Indonesia there has been a delay in season due to adverse climate

Outlook

- Industry facing adversities relating to weather and regulatory framework.
- We are working on expanding our crop portfolio and product offerings, which would provide stability over medium term

Q1 FY17 - Performance Overview & Outlook

Fertilisers (Urea)

- Urea production up 23% YoY as last year the business undertook a maintenance shutdown
- Revenue stood higher by 9% due to higher sales volumes, a result of higher production. Realizations stood down vis-à-vis last year due to decline in feedstock prices
- Earnings improved due to higher volumes, better energy efficiencies and one time impact of FICC arrears

Outlook

- Company is undertaking measures to further improve energy efficiency
- Subsidy outstandings, that tend to build up in the second half of financial year, remain an area of concern
- Inadequate reimbursement of conversion costs continues to adversely impact business' profitability

Others

Fenesta Windows

- Fenesta business' revenue stood up by 23% YoY driven by higher volumes during the quarter
 - Volumes in 'Retail' and 'Projects' segment up by 15% and 43%, respectively, vs. Q1 last year
 - Retail segment's contribution to revenue stood at 73% vs. 77% in Q1 last year
- Overall order booking up by 15% YoY driven by the 32% YoY increase in 'Retail' segment's order booking
- Business' earnings up by 18% YoY due to higher revenue during the quarter

Cement

- Revenue stood up by 62% YoY on account of higher volumes and 15% increase in realizations vis-à-vis last year
- Business reported positive earnings as compared with loss last year led by higher realisations and lower input costs

Hariyali Kisaan Bazaar

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

Management's Message

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:

“The company delivered a healthy performance during Q1. All businesses, except Farm Solutions and Bioseed, recorded better performance.

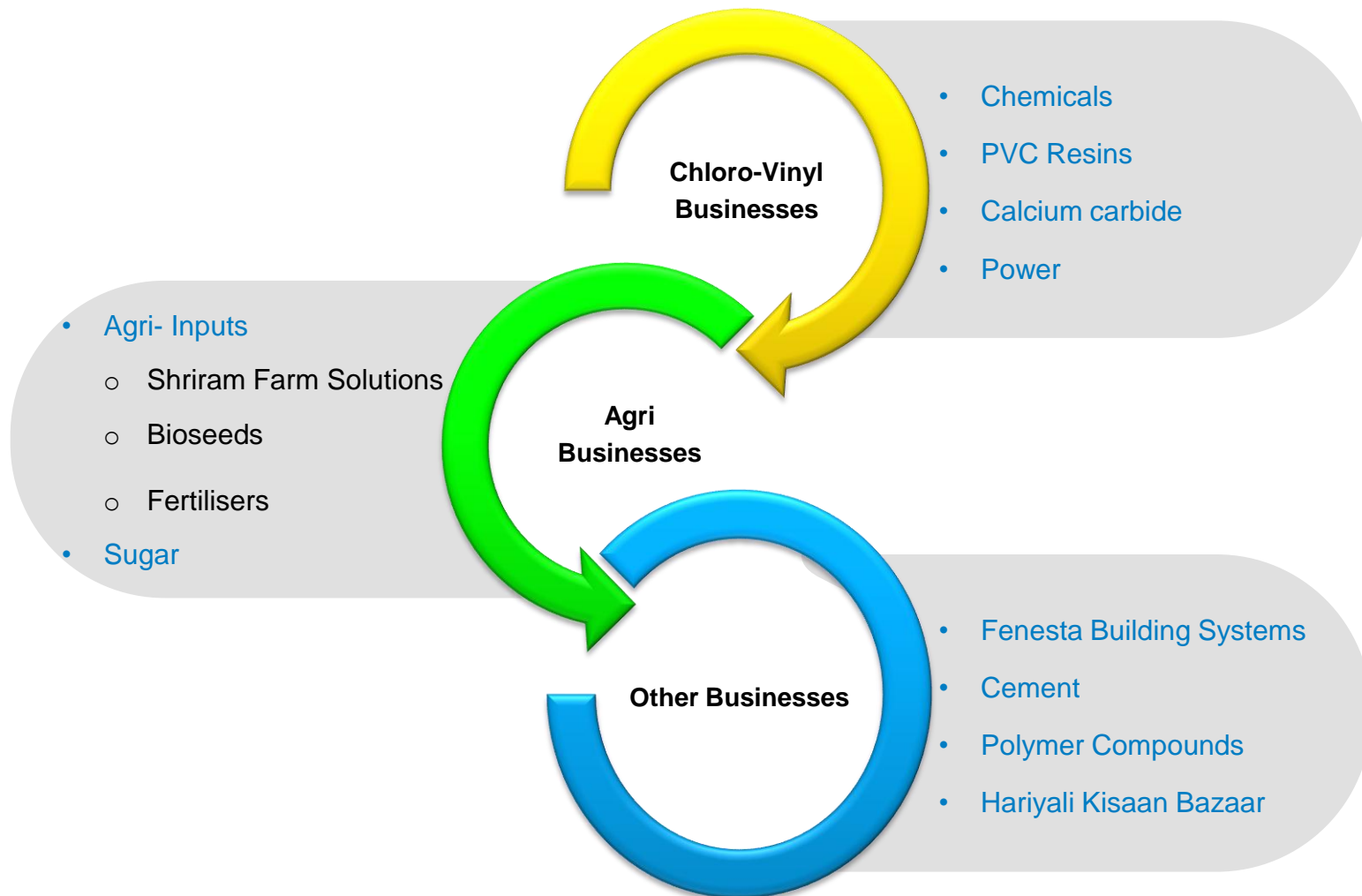
Chloro Vinyl businesses’ continue to deliver improved performance as a consequence of our efforts to strengthen cost competitiveness and grow volumes. Lower input prices also contributed to better performance. Our position will further improve post completion of ongoing capacity expansion and efficiency improvement projects in the Chlor-Alkali business. We have taken up a project to further enhance Chlor-Alkali capacity (liquid & flakes) at Kota at an investment of Rs 97 crores. This would be operational in Q3 ‘ 18 and will provide further growth to this business.

Sugar business’ earnings recovered vis-à-vis last year driven by improvement in the margins. We are investing on value addition to the by-products and to increase cane availability to further strengthen this business.

Farm Solutions and Bioseed businesses were adversely impacted due to delay in onset of monsoons, weak farmer economics and tight funds availability.

The Company is confident of delivering healthy growth in the medium term led by expanded capacity and improved cost structure in the Chemicals business, higher returns from value addition to Sugar by-products and targeted growth in the Bioseed and Farm Solutions businesses. Our healthy cash flows and comfortable gearing enable us to undertake growth investments going forward.”

Segmental Overview



Chloro Vinyl Business

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY17	329.4	121.2	889.1
Q1 FY16	315.9	93.6	509.3
<i>% Shift</i>	4.3	29.4	74.6

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

Chemicals

Particulars	Operational		Financial	
	Sales (MT)	Realisations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY17	69,947	25,813	199.1	82.9
Q1 FY16	68,333	24,807	187.7	66.2
% Shift	2.4	4.1	6.0	25.3

Performance Overview

- Q1 FY 17 revenue up by 6% due to marginally higher volumes and better realizations during the quarter
- Earnings improved substantially due higher revenue and lower variable costs
 - Realizations that were up YoY , softened by 3% sequentially
 - Decline in input prices and improvement in power efficiency led to lower variable costs as compared with Q1 last year
- Increase in Capital employed was on account of the ongoing Chemicals business' capex at Bharuch plant

Outlook

- Board of Directors approved an expansion project in the Chemicals business at the Kota plant that is estimated to involve an investment of Rs 97 crores and commission by Q3 FY 18
- Expansion of Caustic soda capacity was partially (420 TPD) commissioned in June '16 and balance along-with additional captive power capacity expected to be commissioned by Sep / Oct 2016. The capacity added in June '16 is operating at partial load pending commissioning of Power plant.
- Cost structure in Chemicals will further improve after completion of expansion project and technology up-gradation of existing facility
- Global prices are trending steady; realizations to follow international prices

Plastics

Particulars	Operational				Financial	
	PVC Sales (MT)	PVC XWR Realisations (Rs./MT)	Carbide Sales (MT)	Carbide XWR Realisations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY17	15,449	68,323	5,037	44,060	130.4	38.3
Q1 FY16	15,168	67,843	4,802	42,737	128.1	27.5
% Shift	1.9	0.7	4.9	3.1	1.7	39.3

Performance Overview

- Q1 FY 17 revenue stood up marginally due to higher volumes and better prices vis-à-vis last year
- Business' earnings up substantially over last year primarily due to higher margins driven by lower key input costs and better product prices
 - Better operational efficiencies especially power consumption and decline in rates of key raw materials contributed to lower variable costs during the quarter
 - Realizations stood up marginally YoY. Sequentially realizations were up 8%

Outlook

- Domestic realizations linked with global price trends, which is presently stable
- Company focused on improving business' cost efficiencies

Sugar

Particulars	Operational		Financial		
	Sales (Lac Qtls)	Realisations (Rs./Qtl)	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY17	7.3	3,338	260.3	31.6	955.5
Q1 FY16	10.7	2,549	305.2	(16.4)	611.2
% Shift	(31.7)	31.0	(14.7)	-	56.3

Performance Overview

- Q1 FY 17 revenue down by 15% YoY due to lower sales volumes vis-à-vis Q1 FY 16; higher realizations moderated the decline in revenue during the quarter.
- Business' earnings recovered to Rs 32 crores from -ve Rs 16 crores last year due to better sugar margins, which was a result of higher prices and lower cost of production vis-à-vis Q1 FY 16
 - During the quarter, quota on molasses for country liquor increased to 25% from earlier 15% leading to adverse impact on business' earnings
- Higher Capital employed vs. last year was due to increase in closing stock to 15.8 lac qtls from 9.3 lac qtls as on June 30, 2015. Lower cane dues also contributed to higher capital employed

Outlook

- Sugar sector's fundamentals have improved, however continued policy support of Central and State Govt. imperative for making the industry sustainable over the long term
- Sugar co-gen expansion project is on schedule, to be commissioned in Q3 FY 17

Agri- Input Businesses

The Agri input businesses contributed to 51% of the Company's revenues during Q1 FY 17. 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:

Shriram Farm Solutions

Bioseed

Fertiliser (Urea)

Shriram Farm Solutions

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY17	286.7	11.0	574.4
Q1 FY16	610.3	25.3	589.8
% Shift	(53.0)	(56.4)	(2.6)

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

- Q1 FY 17 revenue declined primarily due to suspension of trading of DAP/MOP fertilisers
- 'Value Added' segment's revenue stood lower by 20% vis-à-vis last year
 - Decline in revenue was on account of lower volumes of BT Cotton seeds and capping of cotton seed prices under the Central Govt's Seed Price Control order
 - Lower seed volumes was a result of substantial decline in cotton acreage in key regions as farmers shifted to other crops
 - Late arrival of monsoons this season and distressed farmer economics after two years of deficient monsoons also impacted volumes
- Business' earnings stood lower due to drop in volumes and margins

Outlook

- Company's focused marketing initiatives, product portfolio expansion and efforts aimed at geographic expansion to drive growth for the 'Value Added' vertical in the medium term
- Subsidy outstandings, that tend to build up in the second half of financial year, remain an area of concern, although these will be lower in the current year due to lower trading in bulk fertilizers

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY17	283.6	60.7	404.3
Q1 FY16	365.2	84.2	337.1
% Shift	(22.3)	(27.9)	19.9

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

- Q1 FY 17 revenues declined due to lower volumes of BT cotton seeds and impact of Central Govt's Cotton Seed Price Control Order that capped selling price of BT cotton seeds
 - BT Cotton acreages stood substantially lower in key markets, with north India witnessing the highest decline
 - Erratic weather patterns and stressed farmer economics also impacted volumes
- Earnings during Q1 FY 17 stood lower primarily due to lower volumes of BT Cotton seeds. Margins have been stable
- International businesses – Volumes in Philippines improved. However in Vietnam and Indonesia there has been a delay in season due to adverse climate

Outlook

- Industry facing adversities relating to weather and regulatory framework. We are working on expanding our crop portfolio and product offerings, which would provide stability over medium term

Fertilisers (Urea)

Particulars	Operational		Financial		
	Sales (MT)	Realisations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY17	96,621	16,632	169.8	16.9	258.3
Q1 FY16	80,131	19,251	155.6	(4.9)	342.2
% Shift	20.6	(13.6)	9.1	-	(24.5)

Performance Overview

- Urea production higher by 23% YoY as last year the business undertook a maintenance shutdown
- Business' revenue increased by 9% YoY due mainly to higher sales volumes, a result of higher production.
 - Lower realizations, driven by decline in fuel cost, moderated the revenue increase during the quarter
- Earnings improved due to higher volumes, better energy efficiencies and one time impact of FICC arrears

Outlook

- Company undertaking measures to further improve energy efficiency
- Subsidy outstandings, that tend to build up in the second half of financial year, remain an area of concern
- Inadequate reimbursement of conversion costs continues to adversely impact business' profitability

Other Businesses

DCM Shriram's other operations, reported as 'Others' in the financial results, include its businesses of Cement, Fenesta Building Systems and Hariyali Kisaan Bazar.

Revenues under 'Others' stood at Rs. 219 crores in the quarter under review compared to Rs. 197 crores in Q1 FY 16 last year. PBIT for the quarter stood at Rs. 10.1 crores vis-à-vis Rs. 1.9 crores in Q1 FY 16.

Fenesta Building Systems

	Operational	Financial
Particulars	Order Book (Rs cr.)	Revenues (Rs. cr.)
Q1 FY17	81.6	60.4
Q1 FY16	71.2	49.0
% Shift	14.6	23.3

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

Performance Overview

- Q1 FY 17 revenue increased by 23% YoY driven by a 25% YoY increase in volumes during the year
 - Volumes in 'Retail' and 'Projects' segment up by 15% and 43%, respectively, vs. last year
 - Retail segment's contribution to revenue stood at 73% vs. 77% last year
- Overall order booking up by 15% YoY driven by the 32% YoY increase in 'Retail' segment's order booking
- Business' earnings up by 18% YoY due to higher revenue as compared with Q1 last year

Outlook

- Focus is on growing the 'Retail' segment along with scaling up of 'Project' business to provide profitable growth
- Improvement in the overall economic scenario and uptick in the real estate sector will enable higher penetration of our UPVC window offerings

Cement

Particulars	Operational		Financial	
	Sales (MT)	Realisations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
Q1 FY17	114,451	2,985	53.8	7.2
Q1 FY16	106,170	2,585	33.2	(0.9)
% Shift	7.8	15.5	62.1	-

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

- Revenue stood higher at Rs 54 crores vs. Rs 33 crores in Q1 FY 16
 - Increase in revenue during the quarter was on account of higher volumes and a 15% increase in realizations vis-à-vis last year
- Business reported positive earnings as compared with loss in Q1 FY 16 led by higher realisation and lower cost of key raw materials

Outlook

- Demand is expected to pick-up on increase in Govt. spending towards building up rural infrastructure (mainly Roads/Highways and Urban Infra) and expectation of normal monsoons this year

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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