DCM SHRIRAM
Growing with trust

DCM Shriram Ltd.

Q1 FY18 - Results Presentation

Aug 1, 2017

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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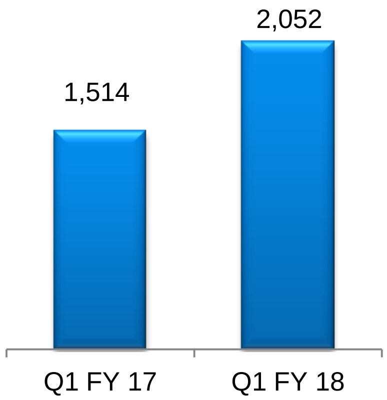
Q1 FY 18 – Key Highlights

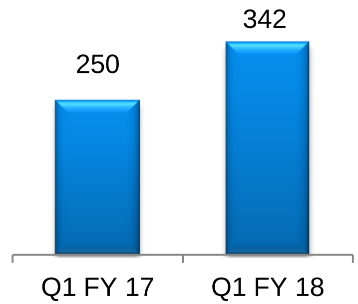
1. **Revenues** higher by 36% at Rs 2,052 crores vs. Rs 1,514 crores same quarter last year
   a. Sugar revenue up 139% led by volumes, a result of higher production in Sugar season 2016-17
   b. Chemicals revenue up 50% led by volumes, on account of capacity expansion at Bharuch last year
2. **PBDIT** up 37% YoY to Rs 342 crores due to:
   a. Sugar – Higher volumes
   b. Chemicals – Higher volumes from expanded facility at Bharuch. Margins are stable.
   c. Bioseed – Improved volumes in India and International Business
   d. Overall PBDIT Margin stood at 16.7% vs 16.5% in the same period last year
3. **Finance costs** stood higher at Rs 24 crores up from Rs 20 crores in Q1 FY 17; post commissioning of the investment program of ~Rs 700 crs.
4. **PAT** increased by 40% YoY to Rs 233 crores vs 167 crores last year
5. **Net Debt** as on June 30, 2017 stood at Rs. 331 crores.
6. **Projects underway** - Total investments ~ Rs 350 crore
   a. 150 KLD molasses based distillery at Sugar unit; commissioning expected by January'18
   b. Capacity expansion in Chemicals at Kota; commissioning expected by June'18
   c. Board has approved to setup a 60 TPD 'Anhydrous Aluminum Chloride' facility at an investment of Rs. 43 crore at Bharuch Chemicals complex. Completion expected by June'18
7. **Credit Rating –** ICRA has upgraded the long term rating from 'AA-' to 'AA' and Short term rating has been reaffirmed at 'A1+'

Q1 FY18 – Financial Snapshot

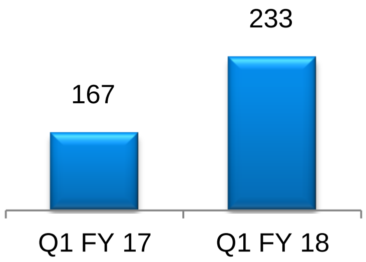
Revenue



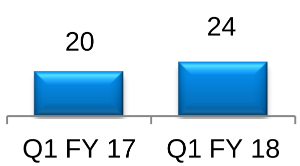
PBDIT



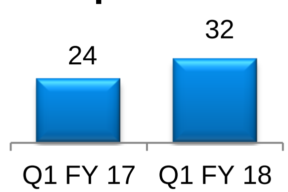
PAT



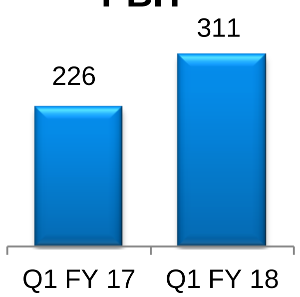
Finance costs



Depreciation



PBIT



Note: All figures in Rs. Crores

Q1 FY18 - Segment Performance

Rs. crore

	Revenues			PBIT			PBIT Margins %	
Segments	**Q1 FY 17**	**Q1 FY 18**	***YoY % Change***	**Q1 FY 17**	**Q1 FY 18**	***YoY % Change***	**Q1 FY 17**	**Q1 FY 18**
Chloro Vinyl	**372.0**	**501.4**	***34.8***	**121.2**	**143.0**	***18.1***	***32.6***	***28.5***
Sugar	**275.9**	**659.8**	***139.1***	**31.6**	**108.1**	***242.4***	***11.4***	***16.4***
Agri Inputs	**737.9**	**751.6**	***1.9***	**88.6**	**91.0**	***2.7***	***12.0***	***12.1***
- Shriram Farm Solutions	286.7	276.7	*(3.5)*	11.0	10.7	*(3.1)*	*3.8*	*3.9*
- Bioseed	280.8	306.5	*9.1*	60.7	79.3	*30.7*	*21.6*	*25.9*
- Fertiliser	170.3	168.4	*(1.1)*	16.9	1.0	*(94.0)*	*9.9*	*0.6*
Others	**232.7**	**237.2**	***1.9***	**10.1**	**10.1**	***(0.1)***	***4.3***	***4.3***
Total	**1,618.5**	**2,150.0**	***32.8***	**251.4**	**352.3**	***40.1***	***15.5***	***16.4***
Less: Intersegment Revenue	104.8	97.9	*(6.6)*					
Less: Unallocable expenditure (Net)				25.5	41.4	*62.1*		
Total	**1,513.7**	**2,052.1**	***35.6***	**225.9**	**310.9**	***37.6***	***14.9***	***15.1***

Q1 FY18 - Performance Overview & Outlook

Chloro-Vinyl

- Q1 FY17 revenue up by 35% YoY:
  - Production volumes in Chemicals business 45% up consequent to completion of Capacity expansion at Bharuch in Q3 FY17
  - Capacity utilization up from 77% in Q4 FY17 to 80% in Q1 FY18 at the Bharuch Plant
- Earnings were up 18% YoY due to higher volumes and stable margins
- Power costs were up due to higher coal costs, partially mitigated by improved efficiencies post expansion and modernization of Chemicals
- ECU Prices of Chlor-Alkali improved (sequentially) during the quarter

Outlook

- Capacity utilization at Bharuch facility is picking up gradually, as the Chlorine consumption improves
- Prices of Coal and Carbon material are putting pressure on margins; prices are stable now
- Expansion of Chemicals at Kota at an investment of Rs. 97.5 cr expected to commission by Jun'18
- Board has approved Chlorine downstream project to manufacture 'Anhydrous Aluminum Chloride' at Bharuch complex with an investment of Rs. 43 crore. Commissioning expected by Jun'18

Sugar

- Q1 FY 18 revenue up 139% YoY due to higher sugar volumes at 15.8 lac quintals versus 7.3 lac quintals last year
- Total Sugar production during the Sugar season 2016-17 at 46.4 lac quintals vs. 31.3 lac quintals for last season.
- Margins improved as cost of production went down due to higher volumes
- Longer season as well as expanded power capacity led to higher power income in Q1 FY18

Outlook

- Sugar prices are stable
- Sugar production in the next season expected to be higher with increase in Sugarcane acreages and yield
- Distillery project at Hariawan unit at an investment of about Rs. 185 cr is progressing as per plan and will commission by Jan'18

Q1 FY18 - Performance Overview & Outlook

Shriram Farm Solutions

- Q1 FY 18 revenue declined by 3.5%
- 'Value Added' segment's revenue stood lower by 12% vis-à-vis last year. Sales of Crop care chemicals and Specialty fertilisers declined, as the sale in the month of June'17 was muted due to lower off-take in the market.
- Business' earnings were impacted due to drop in volumes

Outlook

- Company is re-enforcing its marketing initiatives and product portfolio expansion to drive growth for the 'Value Added' vertical in the medium term
- Subsidy outstanding, that tends to build up in the second half of financial year remain an area of concern

Bioseed

- Revenues in Q1 FY18 increased in India as well as International Business
  - Domestic revenues – Increase in revenues led by corn, paddy & vegetables
  - International Revenues – All territories witnessed improvement in revenues
- Earnings improvement led by volumes in India and overseas business
- International Business PBDIT at Rs. 2.8 crores in Q1 FY18 vs. -ve PBDIT of Rs. 7.4 crores last year

Outlook

- India Business expected have moderate growth with stable margins
- International business expected to improve performance
- We are working on expanding our product portfolio and product offerings, which would provide stability and growth over medium term

Q1 FY18 - Performance Overview & Outlook

Fertilisers (Urea)

- Urea production lower 9% in Q1 FY18 vs same period last year due to shutdown in April'17.
- Earnings were lower than last year since there was an impact of shutdown in the current quarter and there was a one time gain of Rs. 8.7 crores on account of Subsidy arrears in Q1 FY 17
- Subsidy outstanding is at Rs. 165 crores vs Rs. 347 crores in March'17

Outlook

- Company is undertaking measures to further improve energy efficiency
- Subsidy outstanding that tends 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 27% YoY driven by higher volumes during the quarter
- Revenue from 'Retail' and 'Projects' segment up by 17% and 56%, respectively, vs. Q1 last year
- Retail segment's contribution to revenue stood at 68% vs 74% in Q1 last year
- Business' earnings also improved in line with increase in revenues
- Expansion of fabrication and extrusion capacity progressing as per plan

Cement

- Revenue stood lower by 10% YoY on account of lower volumes of traded cement. Own sales volumes were higher by ~7%.
- Input cost increases had an adverse impact

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, in a joint statement, Mr. Ajay Shriram, Chairman & Senior Managing Director, and Mr. Vikram Shriram, Vice Chairman & Managing Director, said:

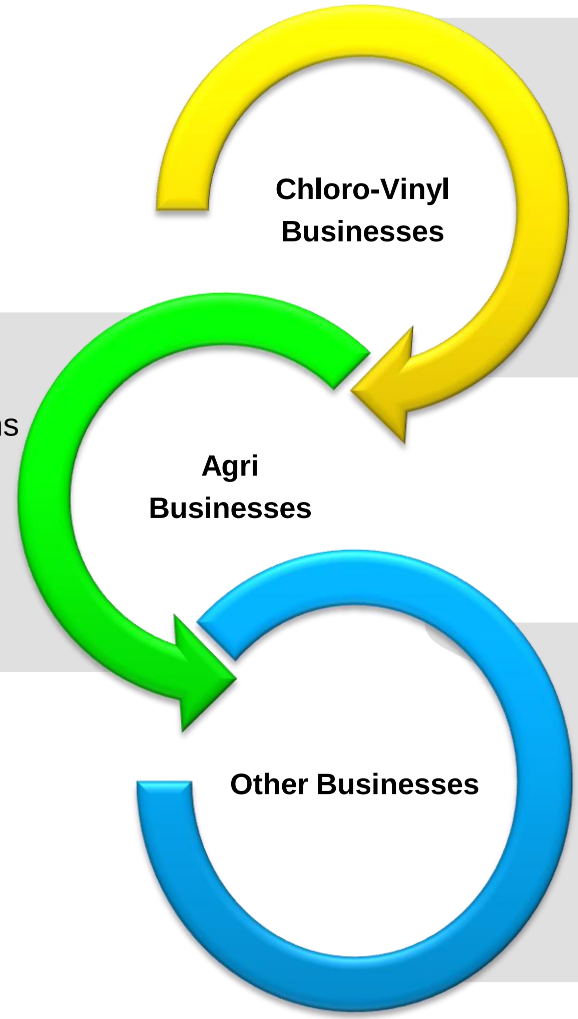
"The company achieved satisfactory results in Q1'18 led by significant volume and profits growth in Chemicals and Sugar Business. Other businesses witnessed stable performance.

The Expanded Chlor-Alkali capacity at Bharuch, is operating satisfactorily. Capacity utilization is registering steady growth. We are pursuing forward integration into Chlorine consuming chemicals which will further strengthen our Chlor-Alkali businesses. Accordingly, the Board has approved setting up Aluminum Chloride business/plant which will be commissioned by June'18. Our ongoing project to further enhance Chlor-Alkali capacity (liquid & flakes) at Kota is planned to be commissioned by June'18.

Our Sugar business achieved 48% higher production in Sugar season 2016-17. The Cane planting for season 2017-18 has registered healthy growth. This would strengthen our competitiveness through economics of scale and higher revenues from co-gen power as well as proposed distillery (to be commissioned by January'18).

We continue to focus on strengthening our Chloro-Vinyl and Sugar business. At the same time we are taking steps to grow our Fenesta Windows business and Farm inputs businesses i.e. Bioseed and Farm Solutions. We expect to sustain overall good growth of the company over the medium term".

Segmental Overview



- Chemicals
- PVC Resins
- Calcium carbide
- Power

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

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

Chloro Vinyl Business

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY18	**501.4**	**143.0**	**1,054.3**
Q1 FY17	**372.0**	**121.2**	**889.1**
% Shift	*34.8*	*18.1*	*18.6*

The Chloro-Vinyl business of the Company has highly integrated operations with multiple revenue streams and about 203 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

	Operational		Financial	
Particulars	**Sales (MT)**	**Realisations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY18	**99,391**	**26,005**	**338.0**	**110.0**
Q1 FY17	69,947	25,813	226.0	82.9
% Shift	*42.1*	*0.7*	*49.6*	*32.7*

Performance Overview

- Q1 FY17 revenue up by 50% YoY:
  - Production volumes in Chemicals business 45% up consequent to completion of Capacity expansion at Bharuch in Q3 FY17
  - Capacity utilization up from 77% in Q4 FY17 to 80% in Q1 FY18 at the Bharuch Plant
  - Sales volumes 42% up vs. last year
- Earnings were up 33% YoY due to higher volumes. Margins are stable.
  - Power costs were up due to higher coal costs, partially mitigated by improved efficiencies post expansion and modernization of Chemicals
  - ECU Prices of Chlor-Alkali improved (sequentially) during the quarter

Outlook

- Board of Directors approved an expansion project in the Chemicals business at the Bharuch plant to manufacture ‘Aluminum Chloride’ (60 TPD) at an estimated investment of Rs 43 crores. Commissioning expected by June’18
- The Company is exploring further possibilities to increase the portfolio of downstream products to strengthen our capability to manage fluctuations in chlorine prices and further strengthen the business
- Prices of Coal and Carbon material is putting pressure on margins ; prices are stable now
- Global prices are trending steady; INR appreciation and Chlorine prices will determine prices going forward

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 FY18	**15,883**	**70,686**	**6,773**	**43,665**	**163.4**	**33.1**
Q1 FY17	15,449	68,323	5,037	44,060	146.0	38.3
% Shift	*2.8*	*3.5*	*34.5*	*(0.9)*	*11.9*	*(13.6)*

Performance Overview

- Q1 FY 18 revenue stood up marginally due to higher volumes in Carbide and better prices in PVC vis-à-vis last year
- Business' earnings were lower due to:
  - Rise in input costs – Power, Carbon Material and Lime
  - Better operational efficiencies especially power consumption helped partially mitigate the impact

Outlook

- Domestic realizations linked with global price trends
- Company focused on improving business' cost efficiencies
- The strategy is to maximize product volumes while ensuring higher net back per unit of Power from the sale of PVC Resin and Calcium Carbide

Sugar

Particulars	Operational: Sales (Lac Qtls)	Operational: Realisations (Rs./Qtl)	Financial: Revenues (Rs. cr.)	Financial: PBIT (Rs. cr.)	Financial: Cap. Employed (Rs. cr.)
Q1 FY18	**15.8**	**3,635**	**659.8**	**108.1**	**781.1**
Q1 FY17	7.3	3,338	275.9	31.6	955.5
% Shift	*116.0*	*8.9*	*139.1*	*242.4*	*(18.3)*

Performance Overview

- Q1 FY 18 revenue up 139% YoY due to higher volumes and sugar prices
- Total Sugar production during the Sugar season 2016-17 at 46.4 lac quintals vs. 31.3 lac quintals for last season.
- Margins improved as cost of production went down due to higher volumes
- Longer season as well as expanded power capacity led to higher power income in Q1 FY18

Outlook

- Sugar prices are stable
- Sugar production in the next season expected to be higher with increase in Sugarcane acreages and yield
- Distillery project at Hariawan unit at an investment of about Rs. 185 cr is progressing as per plan and will commission by Jan’18
- The company will continue to make dedicated cane development efforts focused at empowering and equipping the farmers with latest technologies and improved agronomy practices

Agri- Input Businesses

The Agri input businesses contributed to 37% of the Company's revenues during Q1 FY 18. 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 FY18	**276.7**	**10.7**	**396.2**
Q1 FY17	286.7	11.0	574.4
% Shift	*(3.5)*	*(3.1)*	*(31.0)*

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 18 revenue declined by 3.5%
- 'Value Added' segment's revenue stood lower by 12% vis-à-vis last year. Sales of Crop care chemicals and Specialty fertilisers declined, as the sale in the month of June'17 was muted due to lower off-take in the market.
- Business' earnings stood lower due to drop in volumes

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 outstanding, that tends to build up in the second half of financial year, remain an area of concern

Bioseed

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)	Cap. Employed (Rs. cr.)
Q1 FY18	**306.5**	**79.3**	**406.2**
Q1 FY17	280.8	60.7	404.3
% Shift	*9.1*	*30.7*	*0.5*

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

- Revenues in Q1 FY18 increased in India (at Rs. 274 cr. vs. Rs. 264 cr. last year) as well as International Business (at Rs. 33 cr. vs. Rs. 17 cr. last year)
  - Domestic revenues – Increase in revenues led by corn, paddy & vegetables
  - International Revenues – All territories witnessed improvement in revenues
- Earnings improvement led by volumes in India and overseas business
- International Business PBDIT at Rs. 2.8 crores in Q1 FY18 vs. -ve PBDIT of Rs. 7.4 crores last year

Outlook

- India Business expected have moderate growth with stable margins
- International business expected to improve performance
- We are working on expanding our crop portfolio and product offerings, which would provide stability and growth over medium term

Fertilisers (Urea)

Particulars	Operational: Sales (MT)	Operational: Realisations (Rs./MT)	Financial: Revenues (Rs. cr.)	Financial: PBIT (Rs. cr.)	Financial: Cap. Employed (Rs. cr.)
Q1 FY18	**88,773**	**18,875**	**168.4**	**1.0**	**211.7**
Q1 FY17	96,621	16,573	170.3	16.9	258.3
% Shift	*8.1*	*13.9*	*(1.1)*	*(94.0)*	*(18.0)*

Performance Overview

- Urea production 9% lower in Q1 FY18 vs. same period last year due to shutdown in April'17.
- Earnings were lower than last year since there was an impact of shutdown in the current quarter and there was a one time gain of Rs. 8.7 crores on account of Subsidy arrears in Q1 FY 17
- Subsidy outstanding is at Rs. 165 crores vs. Rs. 347 crores in March'17

Outlook

- Company is undertaking measures to further improve energy efficiency
- Subsidy outstanding that tends 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. 237 crores in Q1 FY 18 compared to Rs. 233 crores in Q1 FY 17 last year. PBIT for the quarter stood stable at Rs. 10.1 crores in Q1 FY 18 vs. last year.

Fenesta Building Systems

	Operational	Financial
Particulars	**Order Book (Rs cr.)**	**Revenues (Rs. cr.)**
Q1 FY18	**76.5**	**85.8**
Q1 FY17	81.6	67.6
% Shift	*(6.3)*	*26.9*

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

Performance Overview

- Fenesta business' revenue stood up by 27% YoY driven by higher volumes during the quarter
  - Revenue from 'Retail' and 'Projects' segment up by 17% and 56%, respectively, vs. Q1 last year
  - Retail segment's contribution to revenue stood at 68% vs 74% in Q1 last year
- Business' earnings also improved in line with increase in revenues
- Expansion of fabrication and extrusion capacity progressing as per plan

Outlook

- In 'Retail', our strategic focus area is to provide exceptional customer experience along with enhancing sales volumes and offering comprehensive product portfolio
- In 'Projects' our focus is on establishing relationship with key accounts and continue to achieve 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

	Operational		Financial	
Particulars	**Sales (MT)**	**Realisations (Rs./MT)**	**Revenues (Rs. cr.)**	**PBIT (Rs. cr.)**
Q1 FY18	**127,497**	***3,277***	**56.3**	**5.2**
Q1 FY17	148,605	*3,283*	62.3	7.5
% Shift	*(14.2)*	*(0.2)*	*(9.5)*	*(31.1)*

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. The operational data is excl. the trading activities.

Performance Overview

- Revenue stood lower by 10% YoY on account of lower volumes of traded cement. Own sales volumes were higher by ~7% (Own sales 122,209 MT in Q1 FY 18 vs. 114,581 MT last year)
- Input cost increases had an adverse impact

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
- The business is focused on further improving its efficiencies and optimizing its cost structure along product mix for generating higher returns

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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