



# **DCM SHRIRAM CONSOLIDATED LIMITED**

**Investor Presentation**

**Q1 FY2011**

**26 July 2010**

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# Consolidated Financials

Particulars (Rs. Cr)	Q1 FY2011	Q1 FY2010	% Shift
Net Revenue	1,020.25	935.28	9.1
EBIDTA	47.29	113.44	(58.3)
Interest	17.70	29.45	(39.9)
Depreciation	39.91	39.34	1.45
PBT	(10.32)	44.65	--
PAT	(9.42)	29.37	--
Cash Profits ( Before Exceptional Items)	25.31	80.51	(68.6)

## Key Highlights

- Sugar earnings swings from Rs. 6.1 Crore last year to a loss of Rs. 38.2 Crore, causing a sharp drop in the overall earnings of the Company
  - Margin drop on free sugar from Rs. 307 per quintal (Last Year) to Rs. (307) per quintal (Current Year)
  - Inventory write down by Rs. 21.9 Crore (at Current NRV)
- Rise in earnings of Bioseed and Fertilizer business cushion earnings
  - Bioseed earnings increase by 97.7% due to growth across all geographies
  - Fertilizer earnings increased by ~Rs. 5 Crore due to improved efficiencies & receipt of freight arrears for 2008
- Lower Interest cost resultant of lower debt (Rs. 1,432 Crore vs. Rs. 1,770 Crore) and lower interest rate



1. **Net Revenues** higher by 9.1% at Rs. 1,020.3 Crore compared to Rs. 935.3 Crore :
  - a) **Farm solutions (Agri Input):** Revenues higher by 28.2% at Rs. 197.4 with higher sales of SSP & MOP
  - b) **Bioseed:** Healthy performance across all geographies (India, Philippines & Vietnam) led to an increase of 40.9% in revenues at Rs. 115.8 Crore
  - c) **Hariyali Kisaan Bazaar:** Growth in commodity trading, seeds and fuel led to an increase in revenues by 73.1% at Rs. 188.1 Crore
  - d) **Sugar:** Revenues lower primarily due to decline in the sales volume compared to previous year
  - e) **Chloro Vinyl:** Revenues declined by 11.4% at Rs. 185.8 Crore as a result of lower realizations in both, downstream products as well as power sales
  - f) **Fenesta:** Improved demand for the product has enabled a growth of 27% in revenues - strong traction is visible



## 2. **EBIT** for the quarter stood at Rs. 7.38 Crore (Last Year Rs. 74.10 Crore)

- a) **Fertilizers:** Increase in earnings by ~Rs. 5 Crore as a result of improved efficiencies on account of energy savings due to gas conversion and receipt of freight arrears for 2007-08
- b) **Bioseed:** Growth of 97.7% at Rs. 24.18 Crore driven essentially by growth across all geographies
- c) **Sugar:** Sugar business witnessed decline in earnings due to:
  - Reduction in free Sugar margins from Rs. 307 per qtl (Last Year) to Rs. (307) per qtl (Current Year)
  - By product prices have halved
  - Inventory write down of existing stock
- e) **Hariyali Kisaan Bazaar:** The business's operating losses have come down, however one time costs being incurred for rationalizing operations has led to higher losses
- f) **Chloro Vinyl:** Lower product prices and rise in coal costs have led to lower margins in this segment
- g) **Cement:** Earnings were under pressure due to decline in realizations and marginally lower volumes

## 3. **PAT** stood at Rs. (9.4) Crore: (Last Year Rs. 29.4 Crore)

- a) **However,** losses were moderated as the Company's financial charges were lower by 39.9% due to reduction in debt as well as lower interest costs



- **Fertilizers:** Earnings to witness positive growth helped by improved efficiencies
- **Farm Solutions (Agri Input):** Higher sale of DAP & MOP along with value-added products to enable a healthy growth in the coming quarters
- **Bioseed:** Should maintain growth momentum under normal weather conditions in all countries we operate in
- **Sugar:** Sugar write offs undertaken in Q1 FY2011. The key to earnings from this business going forward will be the operating conditions for the next sugar season including cane price and sugar price scenario
- **Hariyali Kisaan Bazaar:** Implementing the plan involving a more focused price value proposition and product offering for rural population based on intensive customer feedback. Full benefits of these efforts expected to be visible by Q4 FY2011
- **Fenesta:** Order booking and rate of execution witnessing traction. Expected to accelerate the growth in the coming quarters
- **Finance:** Company continues to conserve cash. However, the increase in interest rates will have some impact on financial charges

**Overall,** the first quarter results have been hugely impacted with deterioration in sugar situation. We can expect better results if the sugar situation improves to normal level.



**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:**

*“Our Performance during the quarter has been adversely affected due to sharp deterioration in the operating conditions in Sugar business. The industry needs strong pro-active government intervention to improve the operating conditions before the start of the next crushing season.*

*Our Agri-Input business, i.e. Fertilizer, Farm solutions and Bioseed business, are expected to record good earning growth with strong demand for high quality Agri-inputs across all countries that we operate in.*

*Fenesta is also recording encouraging customer response and is gearing up for fast growth.*

*We are confident of recording improvements in financial performance of Hariyali business as a consequence of various plans under implementation.*

*With Multiple revenue streams we expect to deliver better performance in coming quarters.*

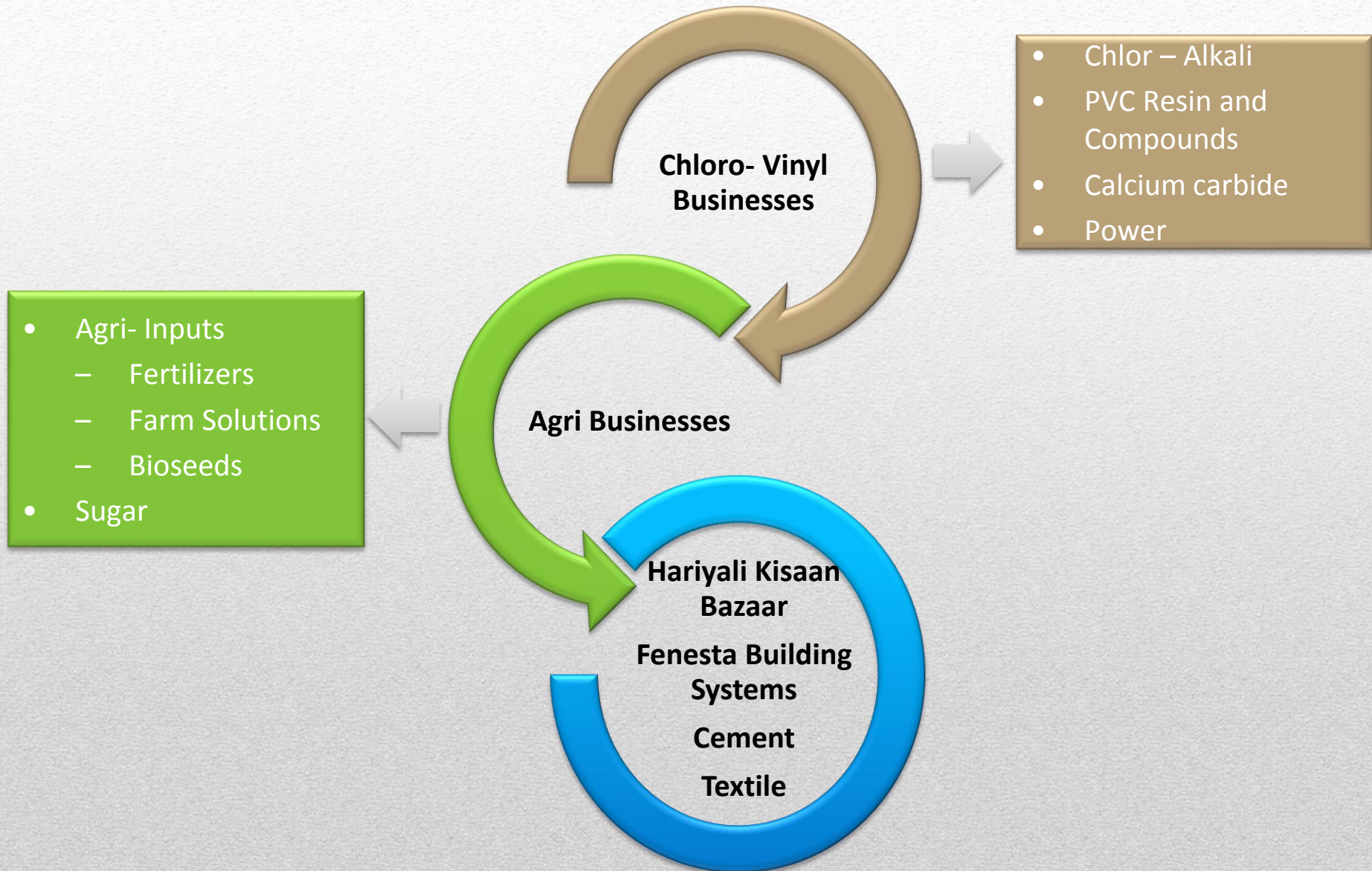


# Segment Performance

Segments	Revenues*			PBIT*			PBIT Margin (%)	
	Q1 FY11	Q1 FY10	%	Q1 FY11	Q1 FY10	%	Q1 FY11	Q1 FY10
<b>Chloro Vinyl incl. Power</b>	185.8	209.8	(11.4)	37.7	56.3	(32.9)	20.3	26.8
<b>Agri Input</b>	430.6	362.5	18.8	43.9	26.9	62.8	10.2	7.4
- Fertilizers	117.5	126.4	(7.1)	11.8	6.9	70.2	10.0	5.5
- Farm solutions	197.4	153.9	28.2	7.9	7.8	1.7	4.02	5.1
- Bioseed	115.8	82.2	40.9	24.2	12.2	97.7	20.8	14.8
<b>Sugar</b>	163.9	203.7	(19.5)	(38.2)	6.1	-	(23.3)	2.9
<b>Hariyali Kisaan Bazaar</b>	188.1	108.7	73.1	(20.2)	(16.6)	-	(10.7)	(15.2)
<b>Cement</b>	32.0	36.0	(11.1)	7.7	12.4	(38.2)	24.0	34.5
<b>Others</b>	83.1	76.9	7.9	(0.7)	0.5	-	(0.8)	0.6

\* Rs. Crore

# Segmental Overview





The Chloro-Vinyl business of the Company has a highly integrated operation with multiple revenue streams and economical captive power generation facilities. Chloro-Vinyl operations are at two locations (Kota – Rajasthan and Bharuch – Gujarat) 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.

<b>Particulars</b>	<b>Revenues (Rs. Cr.)</b>	<b>PBIT (Rs. Cr.)</b>
Q1 FY2011	185.8	37.74
Q1 FY2010	209.8	56.30
<i>% Shift</i>	<i>(11.4)</i>	<i>(33.0)</i>

Particulars	Operational		Financial	
	Sales (MT)	Realizations (Rs./MT)	Revenues (Rs. Cr.)	PBIT (Rs. Cr.)
Q1 FY2011	39,057	17,187	65.4	0.1
Q1 FY2010	44,919	18,548	94.0	15.7
<i>% Shift</i>	<i>(13.1)</i>	<i>(7.3)</i>	<i>(30.4)</i>	-

- Optimized earnings at Kota plant by limiting chemicals production and selling power which delivered better earnings contribution
- Chemical production at Kota plant was limited due to:
  - Unattractive pricing in this business (prices down by 6.0%)
  - Contribution from sale of power was more than contribution from manufacturing of Chlor Alkali
- Marginally higher sales volume (increase of 7.5%) at Bharuch



Particulars	Operational				Financials	
	PVC Sales (MT)	PVC XWR Realizations (Rs./MT)	Carbide Sales (MT)	Carbide XWR Realizations (Rs./MT)	Revenues (Cr.)	PBIT (Cr.)
Q1 FY2011	2,830	52,452	6,510	33,886	38.5	(4.8)
Q1 FY2010	3,864	47,068	6,052	35,584	45.6	0.4
<i>% Shift</i>	<i>(26.8)</i>	<i>11.4</i>	<i>7.6</i>	<i>(4.8)</i>	<i>(15.6)</i>	<i>--</i>

- The Company consciously reduced PVC production in light of relatively lower profitability and taking advantage of its swing capability to sell more power which delivered better realizations

<b>Particulars</b>	<b>Revenues (Rs. Cr.)</b>	<b>PBIT (Rs. Cr.)</b>
Q1 FY2011	81.9	42.4
Q1 FY2010	70.2	40.2
<i>% Shift</i>	<i>16.7</i>	<i>5.5</i>

- The Company took advantage of swing capability in its Chloro-Vinyl operations to reduce production of downstream products at its Kota Complex (due to lower prices of Chlor-Alkali, down by 6.0% for the quarter) and sell power, enabling optimization of returns from every unit of power generated
- The average per unit realization for power sale at Kota has been ~ Rs. 6.4 per unit for the quarter under review



The Agri input business contributed to 39.75% of the total 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:

- 1. Fertilizer**
- 2. Farm Solutions (Agri Input)**
- 3. Bioseed**

Particulars	Operational		Financial	
	Sales (MT)	Realizations (Rs./MT)	Revenues (Rs. Cr.)	PBIT (Rs. Cr.)
Q1 FY2011	100,381	11,687	117.5	11.8
Q1 FY2010	97,979	12,852	126.4	6.9
<i>% Shift</i>	2.5	(9.1)	(7.1)	70.2

- Marginally lower revenues were a result of usage of 100% Natural Gas as feedstock compared to 92% last year as a replacement for high cost Naphtha. This being a pass through cost, did not have an impact on earnings
- Earnings were higher as a result of better efficiencies as well as receipt of freight arrears for 2007-08 amounting to Rs. 3.47 Crore
- The change in feedstock has resulted in lower subsidy outstanding from FICC and hence decline in working capital borrowings



<b>Particulars</b>	<b>Revenues (Rs. Cr.)</b>	<b>PBIT (Rs. Cr.)</b>
Q1 FY2011	197.4	7.9
Q1 FY2010	153.9	7.8
<i>% Shift</i>	28.2	1.7

- The portfolio comprise of fertilizers (DAP, MOP, SSP) along with value-added products such as seeds, pesticides, soluble fertilizer, micro-nutrients etc.
- Extensive Agri extension, marketing and distribution network back these products to enable transfer of latest technology, products and farming practices to the field to enhance farmers revenues
- Revenues during the quarter were higher due to:
  - Increase in sale of SSP
  - Sale of MOP which was Nil last year
- The Government's decision to declare the final subsidy parameters for DAP/MOP before the start of the season has enabled us to restart the trading activity in DAP/MOP
- The Company expects performance from this business to improve further going forward



<b>Particulars</b>	<b>Revenues (Rs. Cr.)</b>	<b>PBIT (Rs. Cr.)</b>
Q1 FY2011	115.8	24.2
Q1 FY2010	82.2	12.2
<i>% Shift</i>	<i>40.9</i>	<i>97.7</i>

- Bioseed is our hybrid seed business with mandated crops- Corn, Paddy, Cotton, Bajra and Vegetables
- The business includes research, production, processing and marketing of hybrid seeds in India, Philippines and Vietnam
- Strong research and strong Agri-extension work with farmers are main strengths
- Increasing geographical presence in Indonesia & Thailand to gain volumes while hedging the swings in the climatic conditions in various countries of operations
- Revenue & earnings growth led by healthy performance across all geographies, with good demand for its Cotton hybrid in India
- It is a seasonal business therefore results of a quarter do not represent yearly results



<b>Particulars</b>	<b>Operational</b>		<b>Financial</b>	
<b>Particulars</b>	<b>Sales (Lac Qtl)</b>	<b>Realizations *(Rs./Qtl)</b>	<b>Revenues (Rs. Cr.)</b>	<b>PBIT (Rs. Cr.)</b>
Q1 FY2011	5.34	2,748	163.9	(38.2)
Q1 FY2010	8.69	2,282	203.7	6.1
<i>% Shift</i>	(38.5)	20.4	(19.5)	--

\* Free Sugar

- Comprises sugar crushing capacity of 33,000 TCD and Power Capacity of 94.5 MW
- The revenues in sugar were lower primarily due to decline in the sales volume inspite of higher sugar realizations
- Earnings from this business were lower due to the following reasons:
  - a) Margin loss due to declining sugar realizations (from +Rs. 307/qtl to Rs. (307)/qtl )
  - b) Due to realizations being lower than the cost of production, inventories have been restated at the estimated realizable value which has led to write down of inventories, during the quarter



<b>Particulars</b>	<b>Revenues (Rs. Cr.)</b>	<b>PBIT (Rs. Cr.)</b>
Q1 FY2011	188.1	(20.2)
Q1 FY2010	108.7	(16.6)
<i>% Shift</i>	<i>73.1</i>	<i>--</i>

- This business continues to evolve as a ‘Rural Business Centre’, symbolizing trust, reliability and respect among the rural community
- This business registered higher revenues during the quarter due to increase in sales in commodity trading, seeds & fuel verticals
- The business’s operating losses have come down , however one time costs being incurred for rationalizing operations has led to higher losses
- Implementing the plan involving a more focused price value proposition and product offering for rural population based on intensive customer feedback. Full benefits of these efforts expected to be visible by Q4 FY2011



- Fenesta provides end to end solutions including design, extrusion, fabrication and installation of windows and internal doors for all kinds of buildings
- 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 the product
- The product is gaining national acceptability with high consumer recall. Fenesta is viewed by consumers as a premium product with superior quality performance
- The Company has established a distribution and an implementation infrastructure to enable it service the customer through 5 Fabshops and a 100 dealer network spread across 51 cities in India
- Revenues were higher by 27% in Q1 FY2011 as compared to Q1 FY2010. Order book of Fenesta Building Systems stood at 2.09 lac windows as on June 30, 2010 which includes 96,101 windows booked during Q1 FY2011
- Order booking and rate of execution witnessing robust growth
- Going forward, the Company believes that its first mover advantage, technology edge, superior designs suitable for Indian conditions and greater acceptability will enable this business to register accelerated growth

Particulars	Operational		Financial	
	Sales (MT)	Realizations (Rs./MT)	Revenues (Rs. Cr.)	PBIT (Rs. Cr.)
Q1 FY2011	90,000	2,773	32.0	7.7
Q1 FY2010	96,916	2,957	36.0	12.4
<i>% Shift</i>	<i>(7.1)</i>	<i>(6.2)</i>	<i>(11.1)</i>	<i>(38.2)</i>

- The cement business is limited in size since its capacity is limited to the waste generated from carbide plant
- The Company markets its cement under the ‘Shriram’ brand which commands a premium in the market place due to its superior quality



DSCL's other operations, reported as 'others' in the financial results, include its value-added businesses of Polymer Compounding, Fenesta Building Systems along with Textiles.

Revenues under 'others' registered a growth of 7.9% at Rs. 83.1 Crore in the quarter under review compared to Rs. 77.0 Crore in the corresponding period last year. PBIT for the quarter stood at Rs. (0.7) Crore.

DSCL is an integrated business entity, with extensive and growing presence across the entire Agri-rural value chain and Chloro-Vinyl industry. The Company has added innovative value-added businesses in these domains. With a large base of captive power produced at a competitive cost, the Company aims at maximizing value creation in its Chloro-Vinyl businesses. The high-value and knowledge based business being incubated by DSCL include Hariyali Kisaan Bazaar, Fenesta Building Systems and Hybrid Seeds.

For more information on the Company, its products and services please log on to [www.dscl.com](http://www.dscl.com) or contact:

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