



# DCM Shriram Consolidated Limited

**Q1 FY14  
Results Presentation  
July 30, 2013**



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 Consolidated Limited 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**

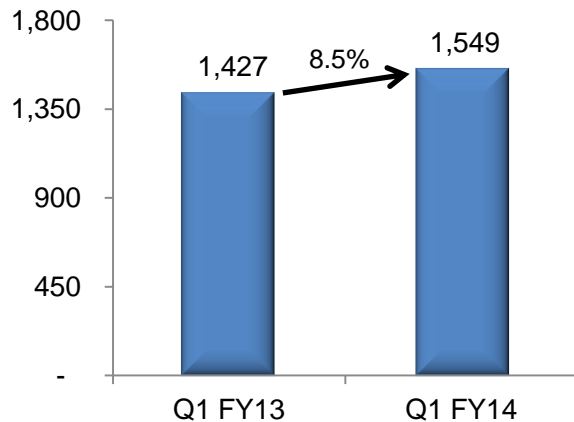
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1. Net Profit at Rs. 113.8 crore. L.Y- Rs. 31 crore (after exceptional item of Rs. 56.3 crore)
  - a) PBIT before exceptional items up by 28% at Rs. 167.2 crore
  - b) Finance Costs flat at Rs.44 crore
2. Contributors to PBIT growth are:
  - a) Chloro-Vinyl Business: PBIT up by 11% at Rs. 81.3 crore.
    - i. Cost reductions mitigated major effects of price drop
    - ii. Last year also had shutdown effect
  - b) Shriram Farm Solutions business up by 42% with value-added inputs up by 19%
  - c) Almost breakeven level in Hariyali business in Q1 FY14 consequent to implementation of the restructuring and rationalization plan involving restricting activities to profitable product lines only
3. Sugar Business facing challenges with Sugar Margin for current season at **negative Rs. 171 per quintal** as compared to **positive Rs. 211 per quintal in last season**
4. The Company's Net Debt stood at Rs. 1,550 crore as compared to Rs. 1,634 crore in June, 12

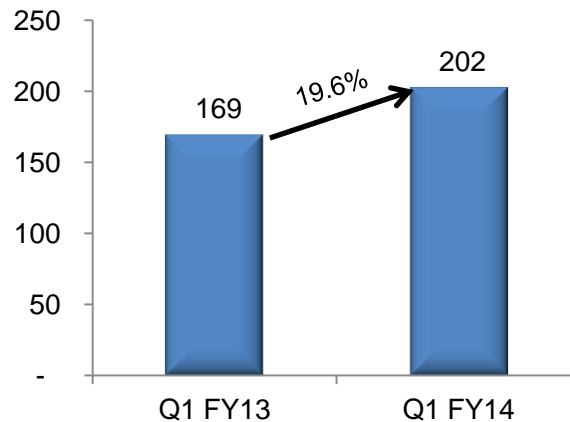
# Q1 FY14 - Key Highlights

All figures in Rs. Crore

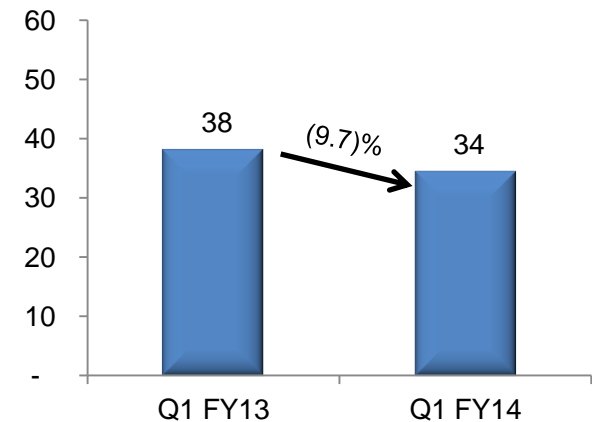
### Revenues



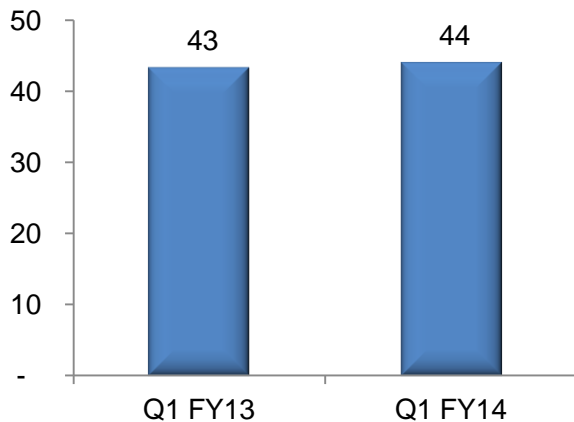
### EBIDTA\*



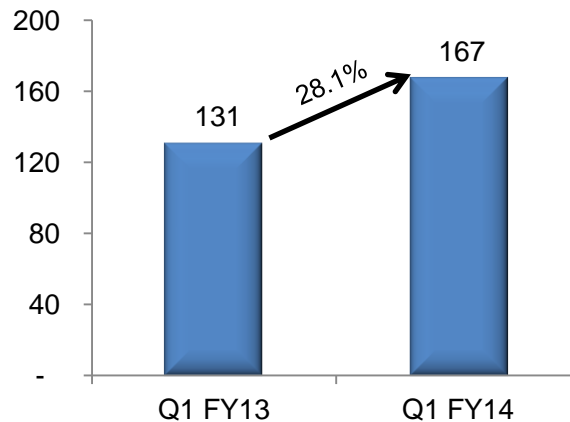
### Depreciation



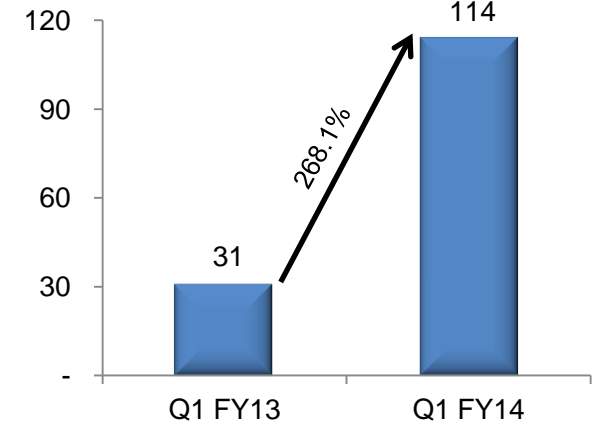
### Finance Costs



### PBIT (before exceptional items)



### PAT



#### \* Note:

- a) Exceptional items include charge of Rs. 56.3 crore taken in Q1 FY13 on account of expenses incurred, losses on sale and provision for impairment of surplus assets consequent to restructuring and rationalization of Hariyali's operations

# Q1 FY14 - Segment Performance

\* Rs. crore

Segments	Revenues*			PBIT*			PBIT Margins %	
	Q1 FY13	Q1 FY14	%	Q1 FY13	Q1 FY14	%	Q1 FY13	Q1 FY14
<b>Agri Input</b>	<b>687.0</b>	<b>896.3</b>	<b>30.5</b>	<b>89.8</b>	<b>94.2</b>	<b>4.9</b>	<b>13.1</b>	<b>10.5</b>
- Fertilisers	136.7	143.8	5.2	7.8	6.8	(12.4)	5.7	4.7
- Shriram Farm Solutions	297.9	463.6	55.6	15.0	21.3	42.4	5.0	4.6
- Bioseed	252.4	289.0	14.5	67.1	66.1	(1.5)	26.6	22.9
<b>Sugar</b>	<b>279.7</b>	<b>338.3</b>	<b>21.0</b>	<b>(3.9)</b>	<b>(1.0)</b>	<b>--</b>	<b>(1.4)</b>	<b>(0.3)</b>
<b>Chloro Vinyl incl. Power</b>	<b>278.3</b>	<b>285.0</b>	<b>2.4</b>	<b>73.0</b>	<b>81.3</b>	<b>11.3</b>	<b>26.2</b>	<b>28.5</b>
<b>Cement</b>	<b>37.6</b>	<b>29.6</b>	<b>(21.1)</b>	<b>6.4</b>	<b>2.6</b>	<b>(60.3)</b>	<b>17.1</b>	<b>8.6</b>
<b>Others</b>	<b>76.4</b>	<b>76.5</b>	<b>-</b>	<b>(6.7)</b>	<b>(0.3)</b>	<b>--</b>	<b>(8.8)</b>	<b>(0.4)</b>
<b>Sub Total</b>	<b>1,358.9</b>	<b>1,625.6</b>	<b>19.6</b>	<b>158.6</b>	<b>176.7</b>	<b>11.4</b>	<b>11.7</b>	<b>10.9</b>
<b>Hariyali Kisaan Bazaar</b>	<b>213.4</b>	<b>121.8</b>	<b>(42.9)</b>	<b>(20.3)</b>	<b>(0.3)</b>	<b>--</b>	<b>(9.5)</b>	<b>(0.2)</b>
<b>Total</b>	<b>1,572.3</b>	<b>1,747.5</b>	<b>11.1</b>	<b>138.4</b>	<b>176.4</b>	<b>27.5</b>	<b>8.8</b>	<b>10.1</b>
<b>Less: Intersegment Revenue</b>	<b>145.2</b>	<b>198.5</b>	<b>36.7</b>					
<b>Less: Unallocable expenditure</b>				<b>7.8</b>	<b>9.2</b>	<b>17.4</b>		
<b>Total</b>	<b>1,427.1</b>	<b>1,548.9</b>	<b>8.5</b>	<b>130.6</b>	<b>167.2</b>	<b>28.1</b>	<b>9.1</b>	<b>10.8</b>

(PBIT here refers to PBIT before exceptional items)

## Fertilisers

- Operational performance satisfactory. Sales volumes higher by 4% as compared to same period last year
- PBIT continues to be under pressure due to non-revision of Retention prices due 3 years ago
- Subsidy payments are now current and regular

### Outlook

- Expect the plant to operate at higher capacity
- The earnings of this business will continue to be under pressure till Government revises the Retention prices
- We hope Subsidy payments does not get into arrears going forward

## Shriram Farm Solutions

- Revenues from this business were higher by 56% at Rs. 464 crore. The growth in revenues was driven by growth in both segments, i.e. value-added inputs (up by 34%) and Bulk Fertilizers (up by 110%). In the Bulk fertilizers, the Company sold DAP (Rs. 80 crore Vs Nil in Q1 FY13)
  - Growth in value-added inputs was mainly due to shift in sale of BT Cotton seed to Q1FY14 from Q4 FY13 due to delay in receipt of licenses from State Governments
  - Margins from Hybrid seed sales were lower as compared to last year
- PBIT from value-added inputs was up by 19%. Overall PBIT went up by 42% due to higher volumes of DAP

### Outlook

- We continue to focus on expanding product range especially in the higher margin value-added segment combined with increasing geographical reach
- We expect the value-added segment to witness healthy growth rates in medium term

## Bioseed

- Revenues of this business were higher by 14% at Rs. 289 crore driven by healthy growth in Indian operations; however, overall growth was moderated due to higher sales returns in Philippines
- Last year had recorded high sales returns in India in Q2. Do not expect that in current year and thus expect better results on "To September" basis
- PBIT for the quarter was flat at Rs. 66 crore
  - Dip in Cotton margins due to rising costs and lower prices consequent to over supply of Cotton seeds
  - Negative PBIT in Philippines consequent to Sales returns

### Outlook

- The Company believes that this business will deliver healthy growth in medium to long term given continuous investment in research (both conventional and biotech) along with geographic and product diversification
- Cotton seed oversupply situation likely to normalize after a year

## Sugar

- Higher free sugar volumes has led to revenue growth of 21% at Rs. 338 crore
- PBIT negative due to negative margins. Realizations at Rs. 3,160/quintal with cost of production of Rs. 3,331/quintal. The Company had valued sugar stocks on 31<sup>st</sup> March, 13 on expected NRV
- Power dues outstanding for more than six months making Power generation un-remunerative

### Outlook

- Sugar margins continue to be negative due to low Sugar prices
- Going forward, the performance of this business will be driven by:
  - Rational Cane prices for Sugar season 13-14
  - Positive support to increase Sugar prices
  - Implementation of the Rangarajan committee report to full extent



## Chloro-Vinyl

- Revenues from this business were up by 2% at Rs. 285 crore
  - Plastics revenues up by 14% driven by higher volumes and realizations (up by 3%)
  - Chemicals revenue down by 6% with realizations down by 19%; volumes have been up as last year had an extended shutdown of plant at one location
- PBIT has gone up to Rs. 81.3 crore (L.Y.- Rs. 73 crore) inspite of sharp drop in Chlor-Alkali prices. This increase is due to:
  - Reduction in direct cost of PVC by ~ 11% as a consequence of various cost rationalizations measures
  - Reduction in direct cost of Chemicals by ~ 10%
  - Higher production in current year as last year had extended shutdown at one of the Chemicals plant

### Outlook

- Prices of both Chlor-Alkali and PVC have seen upward trend in July primarily due to rupee depreciation. Global prices are stable
- Expect to sustain the benefits of cost reductions achieved over last 2 years

## Cement

- Revenues lower by 21% at Rs. 29.6 crore driven by lower volumes (down by 18%) and lower realizations (lower by 3%)
- PBIT lower by 60% at Rs. 2.6 crore due to lower volumes and dip in margins in this business

## Hariyali Kisaan Bazaar

- Revenue and PBIT performance in line with plan as the Company has implemented a restructuring and rationalization plan involving restricting activities to profitable product lines only. Current revenues only from fuel sales
- The Company is focused on sale of surplus properties which is progressing as per plan

## Others

- PBIT loss in “Others” segment lower due to better performance of the Fenesta business due to encouraging results from the retail segment

**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 glad to report a satisfactory performance in the quarter led by:*

- 1. Better Margins in the Chloro-Vinyl business inspite of lower product prices*
- 2. Higher earnings in the Shriram Farm Solutions business*
- 3. Almost Nil losses in Hariyali business consequent to rationalization of its operations*

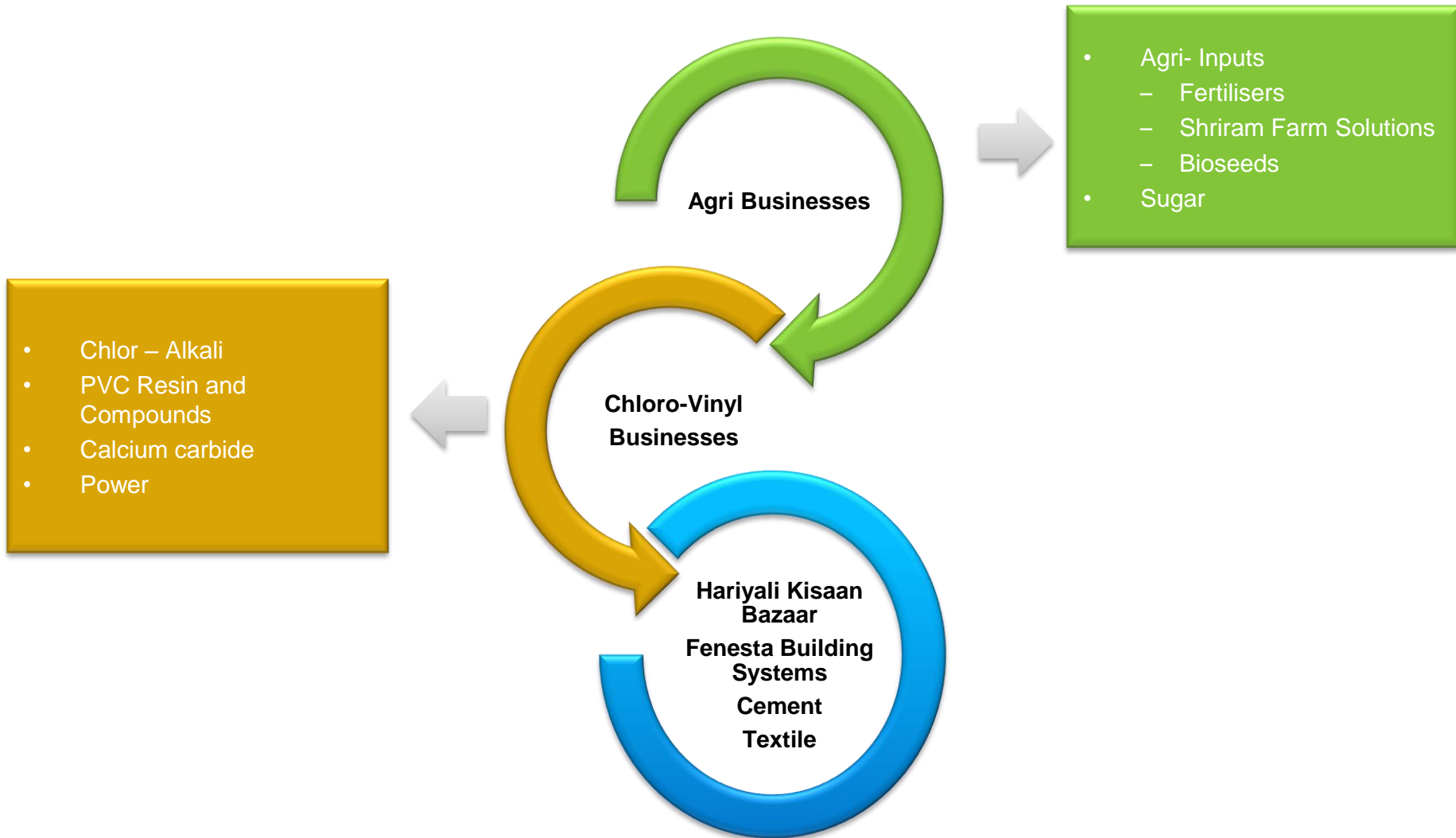
*The Chloro-Vinyl business continues to deliver healthy performance with high capacity utilization and sustainable cost reductions achieved by the Company in the last two years.*

*Bioseed and Shriram Farm Solutions businesses continue to deliver stable earnings which we expect should sustain going forward. We continue to invest in these businesses as we believe that these will deliver healthy growth rates in the medium term given our strong research programme, healthy pipeline of products and increasing geographical presence.*

*In the Sugar business, the Government has taken several steps in the past 6 months to partially de-control this sector on the sales side, including removal of levy quota, release mechanism etc. The Cane prices and some of the by-product prices and sales, continue to be highly controlled and this does not augment well of a healthy sugar industry. This is putting the financial performance of the Sugar companies under stress. We believe, the Government needs to implement the Rangarajan Committee report to full extent to create a more balanced and stable policy framework for Sugar industry which will benefit the farmers as well as consumers.*

*In Fenesta, the focus on expanding presence in the retail segment is yielding encouraging results.*

*Overall, we expect healthy performance going forward. We also continue to conserve our internal cash generation to further strengthen our financial structure and reduce financial charges.”*



The Agri input business contributed to 51% 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:

- 1. Fertiliser (Urea)**
- 2. Shriram Farm Solutions**
- 3. Bioseed**

Particulars	Operational		Financial	
	Sales (MT)	Realizations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>106,049</b>	<b>13,517</b>	<b>143.8</b>	<b>6.8</b>
Q1 FY13	101,587	13,348	136.7	7.8
<i>% Shift</i>	<i>4.4</i>	<i>1.3</i>	<i>5.2</i>	<i>(12.4)</i>

- a) Operational performance satisfactory. Sales Volumes higher by 4% as compared to same period last year
- b) PBIT continues to be under pressure due to non-revision of Retention prices due 3 years ago
- c) **Outlook:**
  - i. Expect the plant to operate at higher capacity
  - ii. The earnings of this business will continue to be under pressure till Government revises the Retention prices
  - iii. We hope Subsidy payments does not get into arrears going forward

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>463.6</b>	<b>21.3</b>
Q1 FY13	297.9	15.0
<i>% Shift</i>	<i>55.6</i>	<i>42.4</i>

- a) The portfolio comprises value-added products such as Seeds, Pesticides, Soluble fertiliser, Micro-nutrients etc. along with bulk fertilisers (DAP, MOP, SSP)
- b) Revenues from this business were higher by 56% at Rs. 464 crore. The growth in revenues was driven by growth in both segments, i.e. value-added inputs (up by 34%) and Bulk Fertilizers (up by 110%). In the Bulk fertilizers, the Company sold DAP (Rs. 80 crore Vs Nil in Q1 FY13)
  - i. Growth in value-added inputs was mainly due to shift in sale of BT Cotton seed to Q1FY14 from Q4 FY13 due to delay in receipt of licenses from State Governments
  - ii. Margins from Hybrid seed sales were lower as compared to last year
- c) PBIT from value-added inputs was up by 19%. Overall PBIT went up by 42% due to higher volume of DAP
- d) Outlook:**
  - i. We continue to focus on expanding product range especially in the higher margin value-added segment combined with increasing geographical reach
  - ii. We expect the value-added segment to witness healthy growth rates in medium term

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>289.0</b>	<b>66.1</b>
Q1 FY13	252.4	67.1
<i>% Shift</i>	<i>14.5</i>	<i>(1.5)</i>

- a) Bioseed business is uniquely diversified across key crops (Cotton, Corn, Paddy, Bajra and Vegetables) and Asian geographies including India, Vietnam, Philippines, Thailand & Indonesia
- b) Robust business model with continuing investments in research and Agri-extension work with farmers – key strength of this business
- c) Revenues of this business were higher by 14% at Rs. 289 crore driven by healthy growth in Indian operations, however overall growth was moderated due to higher sales returns in Philippines
- d) Last year had recorded high sales returns in India in Q2. Do not expect that in current year and thus expect better results on “To September“ basis
- e) PBIT for the quarter was flat at Rs. 66 crore
  - i. Dip in Cotton margins due to rising costs and lower prices consequent to over supply of Cotton seeds
  - ii. Negative PBIT in Philippines consequent to Sales returns
- f) **Outlook:**
  - i. The Company believes that this business will deliver healthy growth in medium to long term given continuous investment in research (both conventional and biotech) along with geographic and product diversification
  - ii. Cotton seed oversupply situation likely to normalize after a year
- g) Quarterly results are not representative of annual performance as this business is seasonal in nature



\* Free Sugar

Particulars	Operational		Financial		
	Sales (Lac Qtl)		Realizations *(Rs./Qtl)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
	Free Sugar	Levy Sugar			
Q1 FY14	9.3	0.04	3,160	338.3	(1.0)
Q1 FY13	7.4	0.61	2,879	279.7	(3.9)
% Shift	25.7	(93.7)	9.8	21.0	--

- a. Higher free sugar volumes has led to revenue growth of 21% at Rs. 338 crore
- b. PBIT negative due to negative margins. Realizations at Rs. 3,160/quintal with cost of production of Rs. 3,331/quintal. The Company had valued sugar stocks on 31<sup>st</sup> March,13 on expected NRV
- c. Power dues outstanding for more than six months making Power generation un-remunerative
- d. **Outlook:**
  - i. Sugar margins continue to be negative due to low Sugar prices
  - ii. Going forward, the performance of this business will be driven by:
    - Rational Cane prices for Sugar season 13-14
    - Positive support to increase Sugar prices
    - Implementation of the Rangarajan committee report to full extent

Particulars	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>121.8</b>	<b>(0.3)</b>
Q1 FY13	213.4	(20.3)
% Shift	(42.9)	--

- a) Revenue and PBIT performance in line with plan as the Company has implemented a restructuring and rationalization plan involving restricting activities to profitable product lines only
- b) Current revenues only from fuel sales
- c) Going forward, the Company is focused on sale of surplus properties which is progressing as per plan

The Chloro-Vinyl business of the Company has highly integrated operations 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>
<b>Q1 FY14</b>	<b>285.0</b>	<b>81.3</b>
Q1 FY13	278.3	73.0
<i>% Shift</i>	<i>2.4</i>	<i>11.3</i>

Particulars	Operational		Financial	
	Sales (MT)	Realizations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>61,770</b>	<b>22,465</b>	<b>151.1</b>	<b>42.5</b>
Q1 FY13	53,749	27,648	160.4	51.4
<i>% Shift</i>	<i>14.9</i>	<i>(18.7)</i>	<i>(5.8)</i>	<i>(17.3)</i>

- a) Operations at both, Kota and Bharuch continued to deliver optimal Chlor-Alkali production with improving cost efficiencies
- b) Dip in Realizations at both locations
- c) Chemicals revenue down by 6% with realizations down by 19%; volumes have been up as last year had an extended shutdown of plant at one location
- d) Despite the dip in realizations by 19%, the margin in this business has dipped from 32% in the previous year to 28% as the Company has implemented several cost initiatives which have improved the cost structures of this business
- e) The Company is continually working towards improving its cost structures by optimizing fuel mix and driving efficiencies that are sustainable to enable better earnings.

Particulars	Operational				Financials	
	PVC Sales (MT)	PVC XWR Realizations (Rs./MT)	Carbide Sales (MT)	Carbide XWR Realizations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>14,952</b>	<b>63,876</b>	<b>8,166</b>	<b>40,178</b>	<b>133.8</b>	<b>38.8</b>
Q1 FY13	12,354	62,221	9,460	39,871	117.8	21.6
<i>% Shift</i>	<i>21.0</i>	<i>2.7</i>	<i>(13.7)</i>	<i>0.8</i>	<i>13.6</i>	<i>79.4</i>

- a) The Company continued to produce and sell Chloro-Vinyl products, i.e. PVC and Calcium Carbide with a view to maximize earnings per unit of Power generated
- b) Plastics revenues up by 14% driven by higher volumes and realizations (up by 3%)
- c) PBIT has gone up by ~80% due to higher realizations and reduction in direct cost of PVC by ~11% as a consequence of various cost rationalization measures

Particulars	Operational		Financial	
	Sales (MT)	Realizations (Rs./MT)	Revenues (Rs. cr.)	PBIT (Rs. cr.)
<b>Q1 FY14</b>	<b>82,438</b>	<b>2,920</b>	<b>29.6</b>	<b>2.6</b>
Q1 FY13	100,145	3,025	37.6	6.4
<i>% Shift</i>	<i>(17.7)</i>	<i>(3.5)</i>	<i>(21.1)</i>	<i>(60.3)</i>

- a) The Cement business is limited in size since its capacity is driven by the waste generated from carbide plant
- b) The Company markets its cement under the 'Shriram' brand which commands a premium in the market place due to its superior quality.
- c) Revenues lower by 21% at Rs. 29.6 crore driven by lower volumes (down by 18%) and lower realizations (lower by 3%)
- d) PBIT lower by 60% at Rs. 2.6 crore due to lower volumes and dip in margins in this business

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

Revenues under 'others' stood at Rs. 76.5 crore in the quarter under review compared to Rs. 76.4 crore in the corresponding period last year. PBIT for the quarter stood at Rs. (0.3) crore vis-à-vis PBIT of Rs. (6.7) crore in Q1 FY13.

	Operational	Financial
Particulars	Order Book	Revenues (Rs. cr.)
<b>Q1 FY14</b>	<b>37,372</b>	<b>42.4</b>
Q1 FY13	46,117	39.3
<i>% Shift</i>	<i>(19.0)</i>	<i>7.8</i>

- a) 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
- b) Revenue up by 8% at Rs. 42 crore. Retail segment witnessed healthy growth
- c) Better performance of the Fenesta business due to encouraging results from the retail segment



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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