



DCM Shriram Limited Q2 & H1 FY'21 Earnings Conference Call October 23, 2020

Moderator: Good day, ladies and gentlemen, and welcome to DCM Shriram Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you. And over to you, sir.

Siddharth Rangnekar: Thank you, Aman. Good afternoon and thank you for joining us on DCM Shriram Limited's Q2 & H1 FY'21 Earnings Conference Call. Today, we have with us Mr. Ajay Shriram -- Chairman and Senior Managing Director; Mr. Vikram Shriram -- Vice Chairman and Managing Director; Mr. Ajit Shriram -- Joint Managing Director and Mr. K.K. Kaul – Wholetime Director, and also joining us is Mr. Amit Agarwal – CFO-designate of the company.

We will begin the "Opening Remarks from Mr. Ajay Shriram and Mr. Vikram Shriram", following which we will have an "Interactive Question-and-Answer Session."

Before we begin, please note that some of the statements made on today's call could be forward-looking in nature and a note to that effect has been included in the 'Conference Call Invite' circulated earlier.

I would now like to invite "Mr. Ajay Shriram to give us a Brief Overview on the Company's Performance and his Views Going Forward." Over to you, sir.

Ajay Shriram: Thank You. Good afternoon, ladies & gentlemen and a warm welcome to the Company's earnings conference call for the second quarter of Financial Year 2021.

I hope and wish that you all and your families are keeping safe, well and healthy.

The Company recorded a healthy improvement in its operating as well a financial performance in Q2 over Q1 of the current year.

In Q1 our Chloro-vinyl and Fenesta businesses were significantly impacted by Covid-19 pandemic related lockdowns, leading to lower volumes. In Q2 the capacity utilisations have moved up to about 80 – 95% from about 40 – 50% in Q1, leading to recovery in company's performance. Our investments last year to reduce power costs helped in improving cost competitiveness.

Our investment in new Distillery last year along with high Sugar exports has led to higher volumes, earnings and lower working capital in Sugar business. In our Agri-input businesses we completed the rationalisation of Bulk fertiliser trading business and sale of the loss making international seed operations at two locations. This has helped in overall improvement in these businesses in the current year with growth in sales and better profitability. On the whole, we remain optimistic that we will deliver healthy performance in the coming months. Now, I would like to share with you the business wise developments:

Sugar

India started the sugar season 19 - 20 with 14.5 mn tons of sugar stock. With supportive policy framework for Sugar exports and promotion of ethanol using B-heavy molasses, the industry is seeing better management of surplus production. Sugar stock is expected to be ~10.6 mn tons as at the end of Sep 2020. For the next season the Sugar production is estimated at 30.5 mn tons and consumption at 26 mn tons. Continued government support in terms of Sugar exports and ethanol from B-heavy molasses remain essential to the health of the industry.

In Sugar season 2019-20 we exported about 22 lac quintals of sugar and diverted about 5 lac quintals to Ethanol using B heavy molasses. This has helped us in significant reduction of working capital. Our closing stock of Sugar as on 30th Sept '20 is 14.7 lacs quintals vs 29.8 lacs quintals in the corresponding period last year.

Chemicals

The capacity utilisation for Chlor-alkali industry has improved post easing of Covid-19 related lockdowns, with increase in demand for Chlorine as well as Caustic Soda. Demand recovery for Caustic Soda is slow, linked to improvement in capacity utilisation in textiles, paper and related industries, which is sub-optimal as of now. Caustic Soda international prices are low at around USD 250-300 per MT. These two factors have led to subdued Caustic soda prices. The exports of Caustic soda from India are witnessing an increase and imports have declined, this is a positive for the industry.

In Q2 our capacity utilization levels have improved to 78% vs 51% in Q1. These are near pre-covid-19 levels of ~81%. We expect demand to pick up in coming quarters as the economic activity further improves, which will be positive for both volumes as well as prices.

We have started working on implementing 120 MW new power plant in order to improve cost efficiencies at Bharuch Complex. The capacity expansion at Bharuch of Chlor-alkali by 700 TPD and Flaker capacity by 500 TPD is being recalibrated. Simultaneously we are finalising our Chlorine downstream plans.

Plastics

The domestic demand has recovered reasonably during Q2 FY21 versus Q1 that was impacted by lockdown in the wake of Covid-19 pandemic. International prices have risen continuously over last 4 months and are currently at over USD 1000/MT as a result of global supply disruptions. Imports in the country are down ~30% YoY for H1 FY21.

In Q2 our capacity utilization levels have improved to 94% vs 44% in Q1. This is better than pre-covid-19 levels of ~90%. Domestic PVC prices have shown a firm trend in line with international prices and are expected to remain at healthy levels.

With the commissioning of our new 66 MW power facility at Kota in Feb'20, the Chloro-vinyl operations are benefitting from better cost efficiencies. This is also enabling better capacity utilisation for Chlor-alkali by supporting margins, given the low product prices.

Agri – Inputs

This segment includes Shriram Farm Solutions, Bioseed and Fertilizer businesses.

With normal monsoon during kharif season Agri-input businesses have performed well and this augurs well for Rabi season as well. Shriram farm solutions business has witnessed about 30% increase in its Value added business verticals in Q2 as well as H1 with growth in all product categories. Rationalisation of trading in Bulk fertiliser business has improved earnings as well brought stronger focus on value added verticals.

The business was able to ensure no supply disruptions during the covid-19 pandemic and the sales promotion and marketing efforts were swiftly shifted to the digital medium.

Bioseed's India operations for Q2 FY21 showed a relative decline YoY which is a timing difference because of early sowing in this kharif season. H1 sales performance is in line with last year and PBDIT is better by 20%. International business in Philippines has performed well in Q2 as well as H1, on the back of better corn and paddy sales. Sale of loss making international operations in Indonesia and Vietnam helped improved profitability in this business.

Fertilisers showed stable volumes although revenues declined because of low gas prices which is a pass through. Gas prices declined from USD 11/mmbtu in Q2 FY 20 to USD 6.9/mmbtu in current quarter. Our subsidy outstanding as at September 30, 2020 stood at Rs. 465 crore as compared to Rs. 358 crore in the same period last year and Rs. 642 crores as on 31st March 2020.

Fenesta

We are seeing satisfactory gains in performance with easing of Covid-19 led lockdowns. Our order book position has shown ~ 9% improvement YoY with traction in the projects segment. With emphasis on three simultaneous aspects of better range, reach and service, our brand is seeing better salience. Fenesta has gone digital and launched a 360 degree VR enabled walkthrough of Fenesta Showroom, showcasing complete range. Digital marketing activity has increased significantly. With further progress in economic activity we anticipate better traction going forward. Here again our operating rate has climbed to 81% during the quarter from 37% in Q1.

With demand scenario improving in key business segments we are closer to normalised operations and utilisation levels across our businesses. Covid-19 has given us an opportunity to re-align our operations and optimise our costs, and we are working towards it. We will continue to move in the strategic direction of enhancing scale, integration and optimizing costs across our diversified businesses to strengthen them, for a sustained profitable growth.

With that I would like to request Vikram to walk you through the discussion on our financial performance.

Vikram Shriram:

Thank you. Good afternoon everyone. I will take you through the financial highlights for our Q2 & H1 FY21 results.

Net Revenues during the quarter came in higher by 17% to Rs. 2,047 crores. The performance during the quarter was driven by strong growth in Sugar business led by higher volumes of Ethanol and Sugar incl exports, in Shriram farm solutions led by higher volumes and margins across product categories of Seeds, Crop care chemicals and Plant nutrition and in Plastics division led by higher product prices and volumes. Chloro-vinyl and Fenesta businesses witnessed healthy recovery from the pandemic impact in Q1 FY'21

Sugar business revenues grew 89% YoY. During the quarter, we sold higher quantities of Sugar at 19.79 lac qtls vs 11.36 lac qtls in the same period last year, including exports of 5 lac qtls vs nil in last qtr. Ethanol sales were up at 334 lac ltrs vs 132 lac ltrs in last qtr as a result of new 200 KLD Ajbapur Distillery commissioned in Dec'19.

Chemical business revenues were lower by 17%. ECU prices were down 24% YoY, which had a net impact of Rs 58 crores on the revenues. Sequentially, revenues were up 50% led by volumes, although ECU was down 7%

Plastics business recorded better revenues YoY as well as QoQ with better volumes and prices. Fenesta business revenues were 22% lower than same period last year but recorded a strong recovery of 130% from Q1 FY'21

Coming to PBDIT, Q2 FY21 stood at Rs 240 crores vs Rs 243 crores during Q2 FY20. Sequentially, PBDIT improved by 25% led by recovery in Chloro-Vinyl and Fenesta business.

Sugar PBDIT excluding the onetime impact stood at Rs. 85 crs vs 42 crs in Q2 last year. The business had to take a one-time impact of -ve Rs. 27 crores, on account of provision against government dues under the investment policy of U P State government announced in 2013, under which company had made investment in Distillery and Co-gen. This unilateral withdrawal of benefits is being contested.

PBDIT for the Chemicals segment was down by 41% YoY at Rs. 94 crs as a result of lower volumes and prices. However sequentially it has improved 54%. Plastics PBDIT was up YoY as well as QoQ at Rs. 52 crs driven by higher PVC prices & volumes. Lower power costs resulting from new power plant at Kota also contributed to cost savings of Rs. ~21 crores, which aided earnings.

Let me also share highlights of the performance for H1 FY21.

Revenues were up 8% YoY at Rs 3,959 crores led by Sugar business and Shriram Farm Solutions business

PBDIT declined by 30% YoY to Rs 432 crores as a result of lower earnings in the Chemicals and Fenesta division, primarily in Q1 FY 21 as a result of Covid-19 related lockdowns and muted economic activity. In Q2 the business performance has improved.

On the balance sheet side, with robust cash flows during the quarter we have reduced outstanding net debt to Rs. 242 crores as at September 30th as compared to Rs. 1,167 crores in June 2020 and Rs. 1,623 crs. in March 2020. We are maintaining sufficient liquidity to meet all our obligations and investment plans. Our balance sheet ratios are strong. Our return ratios are presently not reflecting the full potential given the impact of Covid-19 pandemic.

The execution of the expansion projects is being planned keeping in view the market dynamics and uncertainties of Covid-19 pandemic that continues unabated. We are focusing on keeping our Debt at safe levels and comfortable Liquidity position at all times.

This brings me to the end of the financial discussion and will be happy to take questions that you may have. Thank You.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir, my first question is in terms of the PVC segment. So we have seen a very sharp rise in international realizations over the past three months. So, could you assign any specific reasons for the same and whether these realizations are sustainable at least for the foreseeable future?

K.K. Kaul: The international demand/supply is tightened. There were a few plants internationally which have taken the shutdown. The consumption particularly in PVC in the US market has gone up because of the real estate push there, and also the consumption in the Indian market has gone up. So it is a demand/supply tight situation. And as you would remember that we import almost 50% to 55% of our requirement from outside. So the international prices going up there is tightness in the situation, so the Indian prices have also gone up in line with the international price. But regarding sustainability, it is very difficult. Our opinion is possibly unlikely to sustain because at these prices, many other downstream industries might make a shift from PVC to other compounds. And as the other shutdown plants start up, the prices are going to again come down to a reasonable level. So this clearly is not sustainable.

Rohit Nagraj: Second question is in terms of the chlor-alkali business, how is the current situation and how has been the improvement in demand over the last maybe three or four months, so maybe from June till September has there been a consistent improvement or is it stable and how has been the chlorine realizations behavior?

Ajay Shriram: As I mentioned earlier in my speech also that Q1, Q2, there is a lot of difference in terms of capacity utilization by all companies. And that is because of the demand side. Actually, demand in many industries grown well, but where there is still a lag and is not moving adequately is in areas like textiles and paper, these are two of them. In the last three, four months, it has picked up compared to what it was three months back and four months back, but it is a slow climb. And I think unless and until some more normalization happens in terms of demand of paper... you see all schools, colleges, everything is closed. So that has a major impact on demand of paper. That is having a negative impact on demand of caustic soda. So this is all affecting the demand for caustic soda chlorine. Chlorine prices have been better. But the ECU wise if one takes the combined prices and realization companies get on caustic soda chlorine on the production basis for 1 ton caustic, you get 0.88 tons chlorine. So on that ECU basis, the prices are still much lower than what we had in the last year or two. But our

expectation is let us say the last quarter of this year or early quarter next financial year, prices should be better when the demand will be more stable and consistent growth we are seeing and it should be better a quarter or two down the line.

Moderator: Thank you. The next question is from line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: My question was on the sugar segment. Could you give us some sense around how the government policy is evolving, especially around ethanol prices and sugar MSP, is there anything that we can expect there? And how the overall ethanol contracting is going from the OMC?

Ajit Shriram: On the sugar front, I think the exports are moving well, and so far we have exported 5.5 mn tons and the government has given extension to export up to December of 2020. So, we will be exporting the 6 million tons. As far as the ethanol is concerned, I think the progress has been good. And going forward, we expect the ethanol prices from all three raw materials, which is cane juice, B-heavy molasses and C-molasses to go up. So this will further divert sucrose more into ethanol. So, we are hopeful that in the next ethanol year, which is coming up, more ethanol will be manufactured in India. And also the other factor which we are also expecting is that the transportation rates of ethanol from the distilleries to depots will be decreased. So that will have a major fillip, because in areas especially as far as Northeast of India is concerned, the ethanol consumption is near zero, because the transportation rates are very high in actuals, and the reimbursement is lower. So once there is a parity on that front, we do anticipate the ethanol consumption to pick up in a much bigger way.

Madhav Marda: And what about the sugar prices, how are they trending right now, and any thoughts on the sugar MSP? I think the group of ministers had approved the MSP at 33, but it has not been notified yet. What is happening there if you could just update us?

Ajit Shriram: Yes, the group of ministers has proposed increase in MSP, but due to I think elections coming up and all that, there is a code of conduct in place at this point of time, because of which we feel that it is not being taken up and we do hope it will be taken up as the code of conduct is finished.

Madhav Marda: Do you think sugar MSP will be required by the broader industry like some of the larger players like yourself would be more efficient and do make a profit in the sugar business right now, but for the broader industry to ensure the cane arrears are received every year do you think the sugar MSP hike is required especially with the 30%, 40% of the move which are more inefficient?

Ajit Shriram: As far as the sugar industry is concerned, if you look at the cane price, the cane price is 85%, 90% of the sugar price. Now, no other industry is the raw material price as high as this. If you see internationally, the sugarcane price to sugar price is roughly 60%, 65%. So there is a definite need for the sugar price to be hiked. And going forward, I mean, ideally speaking, one would want the Rangarajan Committee formula, which also says 70% cane price, sugar price in the long run.

Madhav Marda: In case sugar prices remain at the current levels of say Rs.31-32 a kg, will we again have a cane arrear situation developing next year, will that cycle come again or do you think industry is fine at this?

Ajit Shriram: I think it is a little early to say because if you see the cane arrears for the current year, also at about Rs.8,000 crore. So they have not been cleared yet. And the anticipation is that they would only be cleared once the new season starts. So

coming back to your earlier question regarding sugar prices being increased, I think that is a prerequisite for clearing cane arrears.

Amit Agarwal: You mentioned the prices at 31, 32. Just to clarify, it is about Rs.32.5 to Rs.33 is the kind of price prevailing right now.

Madhav Marda: Do you all think the MSP hike is needed by the industry from 31 to 33 sustained sort of profitability or you are okay at 32.5 to 33?

Ajit Shriram: As I mentioned to you earlier, the percentage of sugarcane price, the sugar price is abnormally high in UP. I mean, we are at 85%, 90%, which is a very abnormal price in terms of the ratio, as well as in the last one year, the power rates have been reduced dramatically by Rs.2 a unit for power export from the sugar mills to the grid. So that has had a major negative impact on the industry. So do need to increase in the MSP.

Madhav Marda: In terms of capital allocation, how does the company think for the next two, three years, where do we think we will be investing for growth?

Ajay Shriram: I just mentioned that we actually look at all our businesses, what is the Capex requirements for the existing business for maintaining their efficiencies, improving efficiencies, and for safety, health and environment and for our growth plans. So I think that judiciously we will take a view as and when projects come on a year-to-year basis of how we want to look at our Capex, but as we had mentioned earlier also, chemical downstream, we are working actively on that. That is an area which is on focus. We have invested recently in the last year too. A new distillery has come up, a 66 MW power plant has come up, a 120 MW power plant is under implementation right now, we have 700 tons per day caustic soda plant under plans and 500 tons per day flaker plant under plans. So it is a spread out across all our portfolios.

Moderator: Thank you. The next question is from the line of Chirag Sureka from DSP Mutual Fund. Please go ahead.

Chirag Sureka: I just had a follow up question on the Capex plan. Different businesses of yours seem to have different cycles, but fertilizer has its issue of subsidy otherwise the financial position would have been far better. Sugar seems to be better managed from your narrative and the questions that came, and then your Capex seems to be on aimed at reducing costs, it has worked out really well and limited to in terms of future growth. Could you guide us in terms of how much you would spend per year in Capex so that you maintain a certain set of financial ratios?

Amit Agarwal: We have invested anywhere in the range of around Rs.600 to Rs.800 crore annually at least two years is what our investment has been. This has been low given what CMD mentioned given the COVID scenario, we have been cautious. And given our cash flows, we are capable of investing in that range, going forward, maybe a little more as well. And as the VCMD mentioned, that we look at 1.5x as our debt-to-EBITDA. And that would drive our policy on investment.

Chirag Sureka: So 1.5x would include working capital debt, I mean, your debt-EBITDA of course moves crazy because of the sugar business, so that will be as at March every year, the peak debt-EBITDA?

Amit Agarwal: Yes.

Chirag Sureka: March would be higher than basically?

- Vikram Shriram:** Yes, maybe two or something.
- Chirag Sureka:** Also, the next growth would come from the chemicals business. Would that be correct to say, I mean, the big growth in terms of putting in money and expanding capacity?
- Ajay Shriram:** As we mentioned in the past, and we have all mentioned today, that is an area which is more focused, and we have done a lot of studies on that. We will take a decision at the opportune time and take it up to the board depending on the economic environment around us because as we mentioned, we are not wanting to stretch or overstretch during the times of this pandemic problem. That is why we have restructured the timeframe for our caustic soda expansion, that has also been restructured, but every quarter-to-quarter we will look at this and then take the appropriate decision.
- Moderator:** Thank you. The next question is from the line of Tejas Sheth from Nippon India AMC. Please go ahead.
- Tejas Sheth:** Sugar industry per se or even for your company's operations, you see now this segment is not having much volatility going ahead considering that MSPs is in place and ethanol pricing also improving, how do you see that over let us say little medium-term, not very short-term?
- Ajit Shriram:** In the medium term, what is very important is that the government support for exports carry on so that we are able to export the surplus sucrose out of India till the ethanol program builds up further. Our target of coming to ethanol 20% by 2030 needs to be preponed. So, we do hope that in the next couple of years, we are able to increase our ethanol blending to 12% and then 15% subsequently. So once we are able to divert our sucrose into ethanol, then the industry will become a little more stable in the medium to long term.
- Tejas Sheth:** But even today, it is quite stable than what it was like two, three years ago?
- Ajit Shriram:** Yes, absolutely, the government has been very-very proactive on all fronts vis-à-vis the sugar industry, and to ensure that the farmers are not pained so that the cane arrears which were at a peak two years ago, have really come down dramatically. And we do hope that the proactiveness of the government carries on and the industry becomes more stable.
- Tejas Sheth:** At what level would you think to resume the chlor-alkali expansion, I mean, what would be the factors which will make you... because last quarter also I asked the same question probably said in next three months we will have the clarity. I just wanted to understand this.
- Ajay Shriram:** So, as we mentioned earlier that because of the economic environment, because of the pressure on the chlor-alkali realizations, because of supply/demand, that is why we pushed back our 700 tons expansion, there are other people also done the same thing, Grasim has done the same thing. Though there are two plants which were under implementation and they commissioned in March this year, Meghmani and Kutch Chemicals commissioned two plants this year of about 3.6 lakh tons. But the issue comes in is that there is no point in jumping in for the heck of it. We must have some market balance because the market has grown about 4% last year. And I think with economy picking up, it should be better. So we will take a call in the next quarter or two.

- Tejas Sheth:** And since the day of decision, how much time will it take to complete the whole plant because I think we were in middle of the execution?
- Ajay Shriram:** Yes, the timeframe for the chlor-alkali expansion will be about 12 to 13-months, that is the timeframe. The power plant, which is already underway, that will be approximately 16 to 17-months.
- Tejas Sheth:** So just a last question on the chlorine downstream products, by when the business plan will be ready, because I think that also has kind of deferred a lot, because I think we started that program in last February 2019. Where are we there on the business plan of that?
- Ajay Shriram:** You are right, we actually keep looking and keep exploring what more we can do to add value to our commodity businesses. That is the direction we look at. And that is how we moved forward in terms of as a first stage, how to use our molasses to come to a distillery. So our distillery capacity at 350,000 litres a day, which is a fairly healthy capacity. We have got into country liquor, which has gotten to now and we should start having that product available in maybe January next year. So we are continuously looking at what more we can do to add value to these products. As I said that, we keep discussing with our board also. But we are not wanting to overstretch. And because of the corona problem which came up since March, that has made us restructure some of these investments. So we expect over the next quarter or two, we will be able to take a decision on this.
- Moderator:** Thank you. The next question is from the line of Gaurav Jhanwar from Systematic Shares. Please go ahead.
- Gaurav Jhanwar:** I have a question in the sugar division. I just missed the opening remarks actually. So I am just asking again. In the sugar division, like in sugar, as well as in the distillery segment, we have done pretty good sales, but due to some provisions, our PBIT in the sugar division was lower as compared with the previous quarter. So I just want to know what was that provision if you can throw some light on it? My second question is on the subsidy front on sugar exports. Have we accounted the subsidy in this current quarter? And if we have not accounted in this current quarter, then probably shall we account in next quarter or in Q4?
- Amit Agarwal:** So, with respect to the Rs.27 crore of provision that we have done with respect to the dues from the government on investment policy, I'll just give you the brief, this policy was with respect to the investments we had made in our distillery at Hariawan which we set up somewhere in 2018, which was a 150 Kg distillery and a 34 MW cogen at Ajbapur, we had made these two investments under the policy which came in 2013. Now, for a reason, which is totally unrelated, wherein we have taken some benefits under 2018 in cane payment policy, so wherein we were given a soft loan for payment of cane arrears, government has said that since that benefit has been taken, they said, we cannot take any benefit for any future claims in this policy. Now, as we mentioned in the speech as well that these are two unrelated points, and therefore we are contesting it; but however, for the conservatism principle, we felt it better that we should provide for this for now, and once the cloud clears on this, we will account it accordingly then. On sugar subsidy on export front, so that is a regular thing, as and when we export, we will account for it, sugar subsidy is about Rs.1,048 per quintal, we will account for it.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: I have three questions. One is on our Chemicals Division. In the opening remarks, you mentioned that the utilization rate has been 78% and it was 81% before COVID. Is it fair to assume that in Q2, a lot of Q1 demand would have come in and hence the utilization level of 78% might not sustain going forward, is there apprehension about second half utilization level, can you comment a bit on that?

Ajay Shriram: Now we are running at about 81% and it has got quite stable. See, what happened is caustic soda is type of a product. You cannot really store too much. So it is something where you have to be able to provide it when the demand is there, and the consumption is there of that product to make whatever value add product it goes into. So the good thing we feel is that the demand across the board is picking up. And I do not think one can say it is because of the pent up demand of not having it in Q1, that Q2 demand has gone up. As I was saying, chlorine, you cannot store more than a day or two, three, four days consumption on the outside and caustic soda also, you cannot store very much. So it is a demand pull which has actually helped in terms of the capacity utilization going up further. What did come in a little bit in terms of impact is because of these two new factories which started in March, as I mentioned, Kutch Chemicals and Meghmani, because of that the 3.6 lakh tons capacity per year, that was the impact. But going forward, we think that this level of 80%-plus/minus should carry on. I do not think that should come down.

Anand Bhavnani: Just a follow up to that, how much time can one safely store caustic, is it like a couple of months or six months?

Ajay Shriram: Lye as a product can be stored, but then see, caustic soda in the product, where about what 47% is caustic, the balance is water. So the volume required, the storage capacity required to store this product is very large. So most people do not store it more than maybe five, seven days. I do not think people go beyond that anywhere. And the system has gone into place where, I mean, like for instance, we supply to our consumers, I mean, we supply every week in bulk. So they do not have to store too much. We are producing, we do not have to store too much. So I think it is the whole chain which is sort of worked on. Otherwise, in terms of storage, one can store it, it does not deteriorate, it is not that if you store it, the quality goes down. That is not the criteria. It is just the cost involved and sort of infrastructure involved to store which is the challenge.

Anand Bhavnani: Sure. Sir, my second question was on sugar. Now, in the opening remarks and in answer to one of the participants, you mentioned that the dynamics are getting better. But if you were to compare your positioning with rest of the sugar mills in other parts of the countries, in Maharashtra, Tamil Nadu, do sugar mills which are exposed to Uttar Pradesh have any advantages, disadvantages? If you can give us a broad sense of the dynamics from the Uttar Pradesh region perspective.

Ajit Shriram: If you compare UP with Maharashtra, Tamil Nadu, etc., the dynamics have changed dramatically over the last three or four years. In Maharashtra, the rainfall pattern last two or three years has been very erratic, some years there has been a drought, like for example this year, the rainfall has been good. In Tamil Nadu, there has been a very huge problem in terms of drought for last three or four years consecutively. And as far as UP is concerned, I think we have been fortunate to have regular rainfall, as well as the major change that has taken place in the last three or four years has been a shift in a particular variety of cane that has come in, called Co 0238, and that has brought in roughly 15%, 20% additional sucrose in the cane itself. So the dynamics of the UP industry has changed for the positive in last three or four years.

- Anand Bhavnani:** And this is regarding the weather and the yield, and what about government policy?
- Ajit Shriram:** So the farmer is planting this particular variety on his own. So he's got a affirmative feel towards this cane variety.
- Anand Bhavnani:** Sure. And in terms of state government policy, with regards to their cost of acquisition and the price and volume of sales, is there are any particular advantage or disadvantage we have seeing in the UP?
- Ajit Shriram:** So, there are differences in state policies. For example, you are handling transportation from the field to the mill in the western part of the country, Karnataka, Maharashtra, etc., is much more towards the actuals then what's there in UP. In UP, the deduction for transportation is much lower.
- Anand Bhavnani:** Sure. And with regards to our CAPEX for PVC, PVC you mentioned in the opening remarks that there is a lot of imports. Any plans for us to expand capacity in that segment?
- Ajay Shriram:** In the last about eight months ago, we have in fact put up another polymerizer already, which has increased our capacity now to 220 tonnes a day from about 180 tonnes a day. So this capacity expansion has already taken place. And somehow on an all India basis, the imports are almost 50% of the India consumption, because PVC demand is growing at about 7%, 8% a year on quite a healthy pace. And we are at the moment not discussing or looking at any growth, because we have just put up a new polymerizer which gives us this additional capacity which we are looking at, which we are running now at a higher capacity.
- Anand Bhavnani:** So utilization wise what would be the overall utilization in that segment, PVC, for us?
- Ajay Shriram:** PVC, our production level is about 94%.
- Anand Bhavnani:** Okay. So at such a high utilization level we are not yet contemplating any further capability CAPEX? Because CAPEX itself will take a while for us to commercialize?
- Ajay Shriram:** No. I was saying, for PVC we have not yet looked at any further expansion.
- Anand Bhavnani:** Any specific reason, we have enough cash flows coming in, we have demand that's our there, our utilization levels are quite...
- Ajay Shriram:** All our products and trying to take a view on a judgement of where all we want to invest our money across the board. By God's grace, the price we are getting today has come up in the last six months, it is a very good price. But we have seen the same thing with caustic soda two years ago, when you see a peak you come down also, let's be real. You can't expect these prices to maintain, we are up about by almost what around 40-45% in the last four months. So I think we are taking a judgement call on a long-term basis in our investment plans.
- Amit Agarwal:** And I would just also like to add that our PVC capacity is carbide based, most of the PVC capacities globally are crude based. So for us, to expand in a big way, we probably will have to look at a new route, so it will be a different thought and a much larger investment. So, as CMD said, we will take a call accordingly.
- Moderator:** Thank you. The next question is from the line of Pratik Tholiya from Elara Capital. Please go ahead.

- Pratik Tholiya:** Congratulations on good set of number, considering that we are still not completely out of COVID, despite that the volumes that you have reported are quite encouraging. Sir, actually I had a similar question on the utilization on the caustic side. So this 81% that we have achieved in September, is this sustainable for the full year or you think there will be some moderation that is likely to happen, considering that right now this utilization would have also come because imports are also lower, and some of the capacities may have not fully ramped up. So once the imports start and the capacities start ramping up, is it possible that we will, for the full year, maybe be around 70%, 75% utilization in the caustic segment?
- Ajay Shriram:** Our estimate is that we should be able to continue at about this level. If you take the last year, actually though we did import about 3.6 lakh tonnes of caustic soda, we also exported about 1.7 or 1.8 lakh tonnes of caustic soda. So, it moves both ways. So, I think considering the way the demand is going and our expectations of the textile industry and the paper industry improving quarter-by-quarter, we expect us to continue running at about 80% plus/minus.
- Pratik Tholiya:** Okay, that is very encouraging. Sir, and on the prices front also, once the demand picks up these 20,000 sorts of realization, this can go back to something like 24,000, 25,000 levels?
- Ajay Shriram:** Well, you know, I will be honest, in commodities it's very, very difficult to give a prediction on prices. And I think it's not fair to give anything, because it's a commodity and the price depends on supply, demand worldwide. Now India's in that position where it's worldwide. Our estimate is that we have reached the bottom, we have at least reached the bottom, so our feeling is, the only way to go now is little up. But we know that, look, our own in commodities, your own efficiencies, your own sense of costs, all these play a very crucial role, which we are focusing on in any case. And going forward, we expect that there should be an inching up of prices. Though, as I said earlier also, in the next couple of quarters we should see some advantage coming compared to today.
- Pratik Tholiya:** Sure. And on the export side, you said the exports are actually higher versus imports. Are we also into exports right now of caustic and are we also trying to export our surpluses?
- Ajay Shriram:** No, I will just clarify, I mentioned that the imports were about 3.6, 3.7 lakh tonnes. Export were 1.81 lakh tonnes, so exports is less. But yes, we also did export. And now what has happened is the industry is not only exporting flakes, but also exporting lie in the liquid form. So industry is exporting both.
- Pratik Tholiya:** Okay, got it. Sir, and just one more question on the sugar side. This Rs. 27 crore, you said that you are contesting, sir how confident you are that this will go in your favor and you will be reversing this provision?
- Ajit Shriram:** See, as Amit mentioned earlier, the two policies are completely different and for different purposes. So, the 2014 policy is for investment promotion, and the 2018 policy or the subsidy given was for cane price arrear clearance. So we are in conversation with the government and we are hopeful that this will be resolved soon.
- Pratik Tholiya:** Sure. Lastly sir, can you just give me the volume numbers for the B-heavy molasses-based ethanol that you would have sold this quarter?
- Ajit Shriram:** B-heavy ethanol that we sold?
- Pratik Tholiya:** Ethanol via the B-heavy route.

- Amit Agarwal:** I can give you a number for last two to three quarters, almost three quarters we would have sold close to about 541 lakh liters of B-heavy. In this season we have sold close to 541 lakh liters.
- Pratik Tholiya:** This is for the period 2019-2020?
- Amit Agarwal:** Yes, so from January to now you can say.
- Pratik Tholiya:** But for the quarter specifically?
- Amit Agarwal:** For the quarter, I don't have the exact numbers for the quarter. For B-heavy I wouldn't have it right now. We can connect later, and I can give it to you.
- Ajay Shriram:** Yes. I think we will get the data and give it to you, if you want. Please get in touch with Mr. Amit – our CFO designate, and Amit will be happy to give you the data.
- Moderator:** Thank you. The next question is from line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** Sir, how should one understand the fluctuations in the bioseed and the fertilizer segment quarter-on-quarter? I mean, the turnover for bioseed, the seasonality factor and even on the PBT level the numbers look much better in the June quarter, whereas they are around Rs. 6 crore for this quarter in the bioseed.
- Vikram Shriram:** Bioseed is a seasonal business linked to kharif and bulk of the sales, and a little bit in Rabi. So this year, the monsoon was earlier and the sales were advanced from second quarter to first quarter. That's how you see the total combined for the half year marginally higher than last year. It was an advancing of the sales from July to June.
- Saket Kapoor:** Okay. Sir, the next quarter should be on the better terms in terms of...
- Vikram Shriram:** Time is better but bioseed business is kharif centric.
- Saket Kapoor:** Right. Sir, congratulations also on the debt reduction which you have done and the impact being seen on the finance cost. So sir, going forward, what should we factor in, in terms of the absolute number for finance cost? This quarter has been at Rs. 26 crore, I think it was the lowest. So what is the likelihood, sir? How is this cost shaping up and when is our rating review due, sir?
- Amit Agarwal:** See, Saket, our rating was reviewed in June and where I think we had mentioned in our release as well that the rating by ICRA was reaffirmed at AA. So that is the rating now. And with the CRISIL we have a short-term rating, that will be due for review in December.
- Saket Kapoor:** And for the finance cost?
- Amit Agarwal:** Yes. See, finance cost, the debt is lowest at the September levels because of the sugar sales as well as subsidy realizations in urea, and the debt starts rising with the increase in working capital given the sugar season as well as the accumulation of urea. So, my sense is that, in Q3 also you should see more or less a similar kind of number on interest cost, but it will go up in Q4.
- Saket Kapoor:** Right. And what is our cost of fund currently, interest rate for the shorter term loans we are seeing?
- Amit Agarwal:** For short-term, see, we generally borrow on commercial paper, so our marginal costs would be around 3.75% on short-term.

- Saket Kapoor:** And the long-term borrowing?
- Amit Agarwal:** Long-term in the range of 6.5% to 7%.
- Saket Kapoor:** Sir, just to sum up what the management has tried to guide us is that it is only on the caustic front where the realizations are down, other than that all sectors have more or less come to the levels pre-COVID. And PVC has supported because of this abnormal increase in prices. This is how we should be summing up the entire gamut of our business?
- Ajay Shriram:** I think in the broad picture, yes, what you are saying is correct. But the uncertainty in commodities is there, let's see real on that. And secondly also, on fertilizers or weather and sugar, when stocks go up then our working capital requirement goes up. We know that the government is tight of funds, as it is their debt levels already compared to the budget, the government's debt levels are very, very high. So our apprehension is that the next two quarters the fertilizer subsidy which is paid to the farmer through the industry, that subsidy outstanding may go up more. So we don't know how that's going to impact in terms of our entire cash flow and consequently, cost of funds. So these uncertainties are always there. But our focus on operating our businesses efficiently and being a prime player, whatever we are working on. And we do expect that our Fenesta also should improve in the next couple of quarters compared to where we are. So you are right, our estimate is that caustic is something where the prices have reached a rock bottom and hopefully they should go up marginally.
- Moderator:** Thank you. The next question is from the line of Karthik Sambhandham from Unify Capital. Please go ahead.
- K. Sambhandham:** I have three questions, firstly on Shriram Farm Solutions. We have been able to do quite well here, can you give us a broad sense of how do you see this business developing over next two, three years? What is the ballpark target? Where do we want to get this business to?
- Ajay Shriram:** I think on the Shriram Farm Solutions or SFS as we call it, our focus has been on value added products in three different verticals. One, we are working very strongly on providing different set of seeds from bioseed, seeds portfolio which is there is very strong. Then there is plant growth promoters, various types of plant enhancers and growth promoters which we are also selling very actively. And third is crop care chemicals, that's also moving very actively in the SFS vertical. The management there has focused in the last few years on having tie-ups with many companies to source better quality products, how to provide better service to our customers, how to provide technology and knowhow to our customers in order to improve the farmers' profitability, that is what we are very focused on. That's the direction we want to take up very actively.
- This business is continuously looking at new products which can be inducted into the Indian market, new products which are required. And India is such a large country, our focus on SFS is more North at the moment. So the focus in terms of ensuring state-wise requirements is very high. We are focused very extensively on the digital platform to connect with farmers, share knowledge with farmers, technology sharing with farmers, and having now Kisan Gosthies and conferences with farmers. So all these are a very positive direction. So we are continuously looking at what to do and what new to do. They are also looking at various forms of agri technology and tying up with the companies who can provide agri technology to farmers in a more aggressive manner, that's also under plan of our SFS division. So they have got the plans very clearly articulated for the next couple of years and we expect the business now as the value added segments of business to go up well.

- K. Sambhandham:** Sir, would there be any one-offs in H1 this year? Like the PBIT is Rs. 39 crore versus Rs. 13 crore last year. So, is this large swing of about Rs. 26-odd crore, is there any one-off?
- Ajay Shriram:** We don't think so, because the kharif season has been good across the board and the focus on our seeds business, where we have got some research varieties wheat seeds, which have done very well. So that is something which has grown rapidly and the team there is working with some other seed consultants outside India also to see what we can do. Plus, their focus has been very strong on crop care chemicals, that has performed better; plus on plant nutrients, that has performed better. So it's across the board. Of course, agriculture is a product where monsoon year-on-year can change, government policies can change, that can have an impact. But I think our basic groundwork and our foundation is fairly strong.
- K. Sambhandham:** That was my first question. Sir, second one was about our vision for this segment. In particular, like three years out what kind of numbers can we do? Broadly assuming monsoons are okay and business turns out to be as we expect, what kind of top-line would you expect for this segment?
- Ajay Shriram:** Karthik, I think it would be difficult to give that right now. Because the business looks at what are the new products coming in, what are the new initiatives we are taking. So I think it's an ongoing thing, it will be premature to think of any sort of figure right now.
- K. Sambhandham:** So, the government comes up with policy, the procurement price and so on and so forth for every sugar season in about October, they come up with some policy tweaks. So, any updates on government policy, state or central, for sugar season?
- Ajit Shriram:** We have discussed this in the past also, in this call as well. We do hope that the policy is favorable for the sugar industry, including the ethanol industry, so that the cane arrears to the farmer is at the minimum level. So, we are hopeful for a positive policy and the government has been very proactive in last three years or last four years. So we are hopeful for a positive policy going forward.
- Moderator:** Thank you. We will move to the next question from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** My question is regarding chlorine segment. So chlorine segment you mentioned that the prices have been better, but generally ECU realization probably fall by around 7% this quarter versus Q1. So, have chlorine prices improved Q-o-Q or both are falling? I mean, while chlorine is positive, but has it fallen Q-on-Q as well? Versus Q1 I am asking, not year-on-year.
- Ajay Shriram:** Chlorine actually has inched up a little bit, which is a good thing, but caustic soda has fallen. So that's how the ECU realizations are at this low level right now, that 7% which you are rightly saying. So chlorine has inched up a little bit.
- Prateek Kumar:** Right. And can you elaborate on your chlorine downstream process work, and we will be taking up after one two quarters this caustic expansion. But how are we looking at the chlorine downstream process expansion?
- Ajay Shriram:** There are two, three areas we are trying. What we mentioned before that we are studying various products which will add synergy and where we can get into supplying chlorine or other products also or steam or power or whatever, to add value to the downstream products to actually benefit the company. So these studies, as we mentioned, are on. Next couple of quarters we expect to get much,

much better clarity on where we are today. Simultaneously, we have also tied up in Gujarat operations with five or six industries around us for supplying chlorine by pipeline. So that pipeline supply is a long-term contract, where the requirement of chlorine comes on us. We are discussing with one or two more companies to supply chlorine, one or two companies we are talking of supplying steam. So we are looking at how we can add value and becomes a win-win for our business partners and for us by having a direct pipeline connectivity with some of our customers. So, we have already done it to a large extent and we want to grow that further. So that is something which is very much on the horizon also.

- Prateek Kumar:** And how much chlorine we use for our capita downstream processes?
- Amit Agarwal:** Yes. So for PVC, at Kota we are using around 40% of the chlorine generated at Kota complex. And in Bharuch, it will be about 4%- 5% which is used captively.
- Moderator:** Thank you. The next question is from the line of Dhavan Shah from ICICI Securities. Please go ahead.
- Dhavan Shah:** So I have a question on caustic side. So you have mentioned that the incremental capacity has come up from Meghmani plus the Kutch Chemical. So how is the demand supply situation right now considering the domestic consumption, plus Import minus exports? So, what is the excess capacity available from India side? And what kind of incremental demand do you foresee from textile as well as paper sector, which can absorb that incremental supply, plus help us to improve some realization?
- Ajay Shriram:** Compared to last year, last year our consumption in India grew for caustic soda by about 4%, it went up. Because of Corona, this year the first quarter has been pretty negative, a big problem for all manufacturers and inching up now. So I think it is very difficult to say how it will move on. Because as I mentioned earlier also, it depends on the textile industry, paper industry and a couple of more. So, I think it's going to go up. We think it will go up, but I think giving any percentage or figures will be inappropriate.
- Dhavan Shah:** Right. But is there any figure, like the excess capacity in the market which has led us to realization pressure, like around Rs. 20 per kg. So, is there any figure to that?
- Ajay Shriram:** See, what happens is, whenever additional capacity is added, then automatically if you are running earlier at 83%- 84% capacity utilization across the board in India, for some time that 83%- 84% may come down by 2%- 3% because of additional capacity coming up from someone else. So, that's a normal criterion for any commodity business in any country of the world. So, we are going through the same thing.
- Vikram Shriram:** Also I would add to that the international prices of caustic are at a very low level, as was mentioned earlier, at \$250- \$280, which is very, very low level because of a worldwide glut in caustic.
- Amit Agarwal:** Okay. And just to answer your question, in terms of the total capacity in the country, it is about 4.6 million metric tonnes. And out of that, about 360,000 tonnes got added only in March, which is about 1,000 tonnes per day. The consumption in the country is about 3.8 million tonnes. So, there is a gap and this 1,000 metric tonnes per day which got added in March has definitely created that pressure. And given the COVID where the demand has come down, I think that is further making the situation worse. And essentially, if you look at the paper, textile and dyes, which are the three segments where the capacity utilization currently is about 60% to 70% of pre-COVID level, and these form almost 35%- 40% of total

demand. Now, if that is operating at, let's say, 55% of the pre-COVID utilization, that will put pressure on the demand and given the excess supply. So I think those are the dynamics, which should even out over a period of next two to three quarters, and then we should see better prices as well.

Moderator: Thank you. The next question is from the line of Pratiksha Daftari from Equitas Investment Consultancy. Please go ahead.

Pratiksha Daftari: Sir, I just wanted to know what is our vision and what is the focus on Fenesta business? Where do we see this business in, say, next two to three years, mid-term business?

Vikram Shriram: I think, in this business our basic idea is to carry on expanding our product range, our innovations, our branding and marketing, our geographical reach and our service. So with the combination of these four, we have over the last three, four years, maintained over 20% growth and profitability. And we carry on expanding product range, reach and service. So that is going to continue, and we will come back on track. We are coming back on track. And we hope to come back to a faster rate of growth and come back to normal 20%- 25% a year growth on bottom-line. And that is in spite of the real-estate sector being in a very depressed condition. Actually our strength is with our retail sector where we sell to individual homeowners and individual owners. So almost 60% to 70% of our business is retail business. Whereas seven, eight years ago it was the other way around, 25% was retail and 75% was institutional and developers.

Pratiksha Daftari: And would we need any investments in terms of CAPEX or anything in this segment, for sustaining this 20% growth?

Vikram Shriram: Yes, that requires CAPEX. But the nature of the business is such that the CAPEX is in small bites, Rs. 10 crore, Rs. 15 crore, Rs. 20 crore, maximum. Between Rs. 10 crore and Rs. 20 crore every couple of years. And this is net cash flow positive, there is negative capital employed. Because of advances from customers, because it's a customized tailor-made product, so we need to take advances before we make the window. The customer needs to pay for it otherwise the window is scrapped. So the nature of the business is such that it is a negative capital employed business.

Pratiksha Daftari: Right. And sir, if you could just elaborate a little about the reach we currently have for this business, which are the areas where we would have a presence in this business?

Vikram Shriram: We are present today in about 130 towns and cities of the country. And the plan is to go up to 150 or 160 by the end of the year. And this includes sales and service, because we are the only provider in India who is an end-to-end solution provider. We measure the opening; we make the customized window for the opening and we ship it to the customer and install it. So there is a service capability also at every location.

Moderator: Thank you. Next question is a follow-up question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, just a continuation to the Fenesta part only. If you look at our capacity, what kind of top-line are we envisaging going forward, depending upon the reach which we have developed as of now and the segment having high potential, the roadmap going forward?

Vikram Shriram: I think it's very difficult to actually forecast what is happening, because the real-estate sector is very choppy. Our facilities are incremental, we are operating at

70% to 80%, we continuously debottleneck every year, we put in Rs. 10 crore, Rs. 12 crore, Rs. 15 crore for debottlenecking and increasing our capacities. Because we want to operate at 75% to 80%, so that we can take care of peaks also, because there is peaking demand. And that's the nature of the business. But as I said, the aim is to grow the bottom-line at 20% to 25%.

Saket Kapoor: Right. And if we do any peer comparison sir, in this segment, the way we are doing the work from B2C currently, who should be the competitor in this case?

Vikram Shriram: See, the model that all our competitors follow is different, all our competitors follow a franchise model. So they supply profiles and they don't take care of the fabrication, nor installation. So there is no directly comparable competitor today in terms of the business model.

Saket Kapoor: Okay. And in product, where in the market we look for this product, Fenesta, the nearest one would be which brand or the company which caters to the same, in the branded segment?

Vikram Shriram: I think some of the German brands are there, NCL is there in Hyderabad, Aparna is there in Hyderabad, Kommerling, VEKA are the foreign brands, . But all of them are on the franchise model.

Saket Kapoor: And on the pricing front also we are doing comparison of when we take, there can be a likewise comparison on the product as well as definitely on the pricing.

Vikram Shriram: Marginally, you see. It may vary 5%- 10% with the names I am taking, particularly the MNCs. There is an additional matter, that unfortunately with a franchise model what happens is that there are sort of different selling and servicing practices. So, they show the customer a German profile and they supply a Chinese profile. Then the pricing is not comparable, because that is what happens in a franchise model.

Saket Kapoor: Okay. But then that will not lead into brand building, if that is the way they do work?

Vikram Shriram: That is why we are getting orders from people who have used others in the past.

Saket Kapoor: Sir, any update on the anti-dumping duty front on the caustic soda, and which markets currently ADD is there in force?

Ajay Shriram: I am not aware. I don't know whether Amit or anyone. I think the industry has been trying to take up this anti-dumping duty from a couple of countries. But we will have to check that out.

Saket Kapoor: Currently there is no ADD on any of the items, I think Iran was the one where there was an implementation, if I am not mistaken.

Ajay Shriram: There was something earlier and there is also the system of the origin of manufacturer and there was some licensing agreements manufacturers had to have, until about I think it was till about April or May, that which expired after which the prices came down. So, I think that's something which we can check up, you can just get in touch with Amit and he can give you further details.

Saket Kapoor: Right, sir. And the last point on the DBT front, you spoke that the season coming up and there will be more stress on the finances from the government's front also for the fertilizer sector. Sir, with DBT coming into the play, the model being changed, gas prices being lower, do you think fertilizer is in the same business

environment as it used to be earlier or there will be a lot different way in terms of finances being managed for the fertilizer sector for this season.

- Ajay Shriram:** To be honest, there is not much change, because the DBT in fertilizer has not really come in. There is no system by which the government will give a fixed amount per acre or per hectare to the farmer, and the farmer has a freedom of choice to buy whatever fertilizer they want, that system is not there. Even today the system is that they have what they call a POS machine, point of sale machine with each retailer and there are about 2.7 lakh, 2.8 lakh retailers in the country. Each sale is registered, goes into a data bank, is informed to the ministry product manufacturer wise, based on which the sale is recorded, and we get our subsidy. So DBT actually in fertilizer has not come in. It is still basically the industry is providing the subsidy to the farmer, and the government is paying the industry. So there is no DBT really.
- Saket Kapoor:** Right. And there was some payment also per tonne given for cost efficiency, if I am not mistaken, the changes in the policy, the urea. Have that been implemented and the funds been released?
- Ajay Shriram:** No. Are you talking about the government when they took a decision which is pending as of now?
- Saket Kapoor:** Energy efficiency partner, I think so there was some payment due or you were trying to tell something.
- Ajay Shriram:** I will just bring the facts on the table. The government had said, because from 2002- 2003 the government had not revised the fixed costs of all fertilizer plants. So they did across the board increase Rs. 350 per metric tonne of fixed cost increase for manufacturers, effective for the last four years or so, four or five years. That has been approved, there is additionally Rs. 150 a tonne for plants which are over 30 years old. And we come in that category, and there are others also in the same category. That has also been done. So we have got part payment for that, but we are still waiting for the balance payment on that.
- Saket Kapoor:** That we are accounting for as of now or will be an ad-hoc payment?
- Amit Agarwal:** I would just add here. So this Rs. 350 plus Rs. 150, so we got the notification from the government. But however, it is yet to be filed for previous years. For the current year, from April onwards, out of this Rs. 500, Rs. 350 has been notified and we have been filing our claims on that basis.
- Saket Kapoor:** Okay. So on the revenue front we have been booking this Rs. 350 for the six months before this financial year?
- Amit Agarwal:** Yes, yes.
- Saket Kapoor:** Thank you for all the elaborate answers, sir. And thank you for the effort that the entire team is making. Thanks to CDR and definitely the management, they are taking due care of investor community as a whole, sir. And all the best. It's a great effort. Thank you.
- Moderator:** Thank you. Next question is a follow-up question from the line of Tejas Sheth from Nippon India AMC. Please go ahead.
- Tejas Sheth:** Sir, do we have more room for any value addition CAPEX in the sugar segment?
- Ajit Shriram:** On the sugar segment, as we mentioned earlier, I think our focus really will be on increasing our B-heavy ethanol this year. And we are also value adding in the

sense of going into the country liquor manufacturing and sales, and marketing of country liquor. So that is the focus areas going forward.

Tejas Sheth: Sir, beyond that is what I was actually looking at, because that is already announced.

Ajit Shriram: See, our team is continuously looking at other chemicals as well. But that's on the drawing board.

Tejas Sheth: Okay. And we exited the seeds business in Vietnam. Are there any those of small loss-making businesses where we would be looking to exit in the coming year or two?

Ajay Shriram: No, we have not. We took a strategic decision to divest Indonesia and Vietnam seeds business. And we are not looking at anything else right now.

Tejas Sheth: Okay. Sir, last question. On the chlor-alkali, if I just do the basic calculation of EBIT per tonne, I see the cost per tonne has come off substantially in this quarter. Is there anything on the cost management which you have done where the cost per turn actually on the calculated basis is around Rs. 14,500 to Rs. 15,000 a tonne?

Amit Agarwal: See, there have been savings on account of power costs, and also there have been savings on account of fixed costs. So we probably can look at how you are calculating it. But I think there have been these two major savings which has led to reduction in cost per tonne.

Tejas Sheth: Okay. And this this can be carried forward even when the industry revives?

Amit Agarwal: Yes. See, on fixed cost side there might be some repair maintenance which might have got shifted. Most of the fixed cost would be sustainable savings that we have done.

Tejas Sheth: Okay. And lastly, what would be the cash CAPEX for this year?

Amit Agarwal: See, till now I think our cash CAPEX has been close to about Rs. 100-odd crore, approximately. And I think, depending on how things pan out, maybe another Rs. 100 crore, Rs. 150 crore.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing comments. Thank you. And over to you.

Ajay Shriram: Ladies and gentlemen, thank you very much for your participation in the Q2 financial year 2021 earnings conference call. We have gained from our strategic steps taken over the last few years. Our strong balance sheet allows us to keep investing in growth even during these tough times. We will continuously continue our growth initiatives and efforts will be on to further strengthening efficiencies, augmenting capacities and looking at all forms of integration of our businesses. We expect that over the next few quarters, as the economic activity improves, the volumes and prices will improve further. We are confident of the sustained growth over the medium-term. Once again, I would like to thank you for taking time out and joining us today. And we wish you all good health and safety to you and your families during the difficult COVID times. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of DCM Shriram Limited, that concludes today's call. Thank you all for joining us. And you may now disconnect your lines.