



DCM Shriram Limited Q3 & FY'24 Earnings Conference Call February 02, 2024

Moderator: Ladies and gentlemen, good day and welcome to the DCM Shriram Limited Q3 FY'24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddharth Rangnekar of CDR India. Thank you and over to you, sir.

Siddharth Rangnekar: Thank you, Dorwin. Good afternoon and welcome to DCM Shriram Limited's Quarter 3 FY'24 Earnings Conference Call.

Today, we have with us Mr. Ajay Shriram -- Chairman & Senior Managing Director; Mr. Vikram Shriram -- Vice Chairman & Managing Director; Mr. Ajit Shriram -- Joint Managing Director; Mr. Aditya Shriram -- Deputy Managing Director; and Mr. Amit Agarwal -- CFO of the company.

We shall have remarks from Mr. Ajay Shriram and Mr. Vikram Shriram today. Members of the audience will get an opportunity to pose their queries to the management following these comments during the interactive question-and-answer session.

Before we commence, 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 that has been circulated earlier and is also available on the stock exchange websites.

I would now like to invite Mr. Ajay Shriram to give us a brief overview. Over to you, sir.

Ajay Shriram:

Thank you, Siddharth. Good afternoon, ladies and gentlemen. Thank you for taking the time to join us for our Q3 Financial Year '24 Earnings Conference Call. Here is wishing all of you a very healthy and happy 2024.

I will share my thoughts on the business and industry dynamics and then Vikram will share views on the financial and operating performance.

The global context today is characterized by delayed economic recovery for major economies, rising geo-political sensitivities.

The central banks are grappling with the inflation, interest rates and growth paradox. There are also deepening trends around climate change, generative artificial intelligence that have led many countries to look at policies around these concerns more aggressively.

2024 will also be a year of elections. 30 democracies, including three of the largest, which are India, U.S. and Indonesia, will go to the polls, accounting for about 46% of the global population and nearly 60% of the global GDP. This is likely to generate regulatory and policy uncertainty in the short and medium term. We as an organization are cognizant of these developments and keep preparing ourselves for possible eventualities. We have already taken conducive measures in terms of enlarging product portfolio as well as sustainability. This is a key focus area for all our businesses and we will ensure that we keep growing along these lines.

All our businesses continue to witness good growth except Chloro-Vinyl wherein we are witnessing price softening led by oversupply of Caustic in India and imports of PVC into India.

I will now discuss about the key industry dynamics across our various businesses. First is chemicals.

Chemicals:

Demand trends in major economies for key end-user industries that utilize Chlor-Alkali have been subdued leading to a sharp decline in prices of Caustic soda in Q4 of the last year, post which the prices have remained low and range bound. U.S. has witnessed some capacity shutdowns in last couple of years and Europe is looking at reducing production amid lower demand. Demand continues to be lower in China as well. However, they operated at a higher rate and exported surplus to contain falls in their domestic prices.

The Indian scenario did not change much from last quarter and operated at lower capacities with sluggish demand growth and new capacity addition. We expect this scenario to continue for a couple of more quarters.

We are cognizant of the imperative and consistently matched capacity augmentation with efficiency initiative. Our energy costs have come down and the new 120 MW power plant will further support lowering energy costs from Q4 Financial Year '24.

The sourcing of green energy that started in June '23 is helping us in costs as well as in our endeavor towards sustainability. However, given the industry scenario, we expect the businesses to be under pressure for a few quarters.

The other initiatives, ECH and H₂O₂ projects are expected to come online in Q1 financial year '25 and expansion of Caustic soda capacity is expected to be operational in the current quarter. These are aimed at making the overall business more resilient, more efficient and more diversified in terms of the product range.

Vinyl:

High interest rates have meant that the housing sector continues to underperform in the major economies including China, thereby impacting PVC demand and prices globally. The disruption of logistic lines in Panama Canal and the Red Sea may spurt the freight costs and increase prices in consuming countries.

India is registering a healthy growth in demand but the prices continue to be subdued due to excessive imports from China and therefore the margins are negative for PVC in spite of cost savings in terms of lower energy prices.

Carbide prices have also declined but margins continue to be positive and we are maximizing carbide sales.

Sugar:

Globally, sugar demand and supply is expected to remain balanced and this is supporting firm sugar prices. Domestic sugar production estimates have been revised to 31 million metric tons with impact of El Nino in Maharashtra and Karnataka.

Sugar cane prices have been increased, the Fair Remunerated Price by Rs. 10 per quintal and the Uttar Pradesh State-Administrated Price by Rs. 20 per quintal. There is a significant gap in margins between Maharashtra and Uttar Pradesh mills. Policy intervention will be required in this regard.

Ethanol industry received two setbacks this year. Firstly, the Central government restricting sugar diversion for ethanol production to 1.7 million metric tons and secondly, Uttar Pradesh government increasing the country liquor obligation on molasses. The positive side was that the Central government has increased the ethanol price by Rs. 6.87 and Rs. 5.79 per liter for C-heavy molasses and damaged corn-based ethanol respectively. In spite of this, we feel that feedstock availability with the distillery will be challenging this year and blending will see a decline from about 12% blending achieved this ethanol year. We feel that there is a need for consistency of direction from Central government and state government.

We started sugar operations in this quarter and have planned majority of our operation on C-heavy route. The crop is looking good so far. Our expansion initiatives at Loni and CBG projects are proceeding as per timelines.

Our Potash fertilizer project commissioned in January 2024. The CBG as well as potash fertilizer are part of our initiatives on sustainability through circular economy.

Fenesta:

Consistent measures to enhance the portfolio have translated into better performance metrics for this business. During the quarter, we have delivered healthy growth owing to increase in volumes and pricing. The trend remains positive and the bookings are also up at 9%.

We have commissioned our fabrication unit for façades at the Hyderabad facility recently. We have also increased the uPVC extrusion capacity at Kota to enable growth and better service. Strategy-wise, we are accelerating presence in new territories and product categories, and this is translating into better performance. For the last few years, Fenesta has become a significant contributor to our earnings.

The agri business portfolio comprises of our Shriram Farm Solutions, Fertilizers and Bioseed business.

Shriram Farm Solutions:

Shriram Farm Solutions have seen good growth, given better volumes in seeds, especially research wheat. The new varieties that we introduced for research wheat last year have received a positive response from the farmers as they are attuned for higher yields and enhanced heat tolerance.

Our production facility for water-soluble fertilizers and biologicals under a subsidiary was commissioned during the quarter. Over the last few years, Shriram Farm Solutions has become a significant contributor to our earnings.

Fertilizers:

Lower gas prices, that is a pass-through, impacted both top line and profits. Also last year, we have received arrears on account of revision in energy norms. Subsidy outstanding, as on December 31, 2023, stood at a negative Rs. 21 crore as compared to Rs. 461 crore in the same period last year and Rs. 310 crore as of March 31, 2023.

Bioseed:

The business saw improvement in volumes both in India and Philippines. This is on the back of the new high performing hybrids that have been introduced by us in corn, cotton and vegetables. Our pipeline for the coming seasons remain attractive as our team is focused on developing newer and promising varieties.

Frequency of economic volatility, vagaries of climate and their impact on business have increased in the recent past and these have become a part of business. So, India continues to show buoyancy in economic growth led by infrastructure development and investments across various industries. Some impact of these events cannot be ruled out in the coming year, and we feel our investments directly to enhance sustainability, business mix and efficiency in operations will help us sail through these challenging times. We continue to have a healthy balance sheet, and this will support further growth initiatives.

I would now like to invite Vikram to cover the financial section with you. Over to you.

Vikram Shriram:

Thank you. Good afternoon, everyone. I will now take you through the financial highlights of Q3 and 9 months Financial Year '24 results.

Net revenues for Q3 Financial Year '24 were at Rs. 3,035 crore as compared to Rs. 3,236 crore in Q3 financial year '23, a decline of 6% year-on-year. Revenues were impacted by prices in the chemicals, vinyl and fertilizer segments. Growth for the last quarter was driven by sugar, Shriram Farm Solutions and Fenesta.

PBDIT for Q3 Financial Year '24 was at Rs. 480 crore, as compared to Rs. 588 crore in Q3 financial year '23, a decline of 18% year-on-year.

The revenues in the Chloro-Vinyl segment declined 31% year-on-year to Rs. 663 crore and PBDIT was at Rs. 56 crore as against Rs. 237 crore in the last year.

- The chemical segment reported revenues of Rs. 535 crore, a decline of 29% year on year. ECU prices were lower by 40% year-on-year which were partially compensated by Caustic volumes being higher by 6% year-on-year. PBDIT declined 71% to Rs. 63 crore. However, hydrogen sales along with lower energy costs have helped to mitigate this to some extent.
- The Vinyl business noted a decline in revenue of 37% year-on-year at Rs. 128 crore, mainly on account of decline in prices and volumes of PVC by 12% and 29% respectively and lower carbide prices and volumes by 20% and 16% respectively. Volumes declined on account of a partial shutdown in Q3. PBDIT was at negative Rs. 7 crore, as compared to Rs. 19 crore, led by subdued prices of PVC and carbide

as well as volumes. However, this was partially offset by lower energy and carbon costs.

Sugar business revenue, net of excise duty, was at Rs. 891 crore and increased 22% year-on-year due to higher volumes and prices in both sugar and ethanol business. Domestic sugar volumes were up 24% year-on-year at 14.7 lakh quintals due to higher domestic releases although last year there were exports of 2.3 lakh quintals in the same period. Volume of ethanol was at 349 lakh liters versus 231 lakh liters supported by the commissioning of the 120 KLD multi-feed distillery. PBDIT came in higher at Rs. 188 crore, as against Rs. 102 crore, led by better prices and lower costs versus the same period last year. Co-gen. volumes from the expanded capacities at Ajbapur were also higher.

Revenues of Fenesta Building Systems increased by 20% year-on-year to Rs. 214 crore and PBDIT grew by 8% to Rs. 43 crore, largely on account of higher volumes and prices. The order book was up by 9%.

Shriram Farm Solutions' revenue grew 17% year-on-year at Rs. 596 crore as compared to Rs. 512 crore last year. The segment saw higher volumes and prices in seeds, especially research wheat. PBDIT for the quarter came in at Rs. 180 crore, as against Rs. 143 crore, a growth of 26% year-on-year due to higher volumes and margins in research wheat.

Segment revenues of fertilizers declined by 36% year-on-year at Rs. 418 crore and PBDIT declined by 72% year-on-year at Rs. 26 crore attributed to lower gas prices which is a pass-through. This led to lower energy savings rate and hence impacted the earnings. Also in the previous year, Q3 saw a one-time positive impact of Rs. 49 crore due to revision of energy norms of the earlier period.

The Bioseed segment saw a revenue increase of 29% year-on-year at Rs. 138 crore. This was primarily led by domestic revenue increase by 29% year-on-year at Rs. 95.5 crore due to higher volumes. The international revenues increased by 30.8% year-on-year at Rs. 42.2 crore owing to higher volumes in the Philippines. The Bioseed business is improving, and it's expected to reach near breakeven in the current financial year.

For the nine months, December 31st, 2023, revenues, net of excise duty, were at Rs. 8,523 crore reporting a marginal decline of 3% year-on-year. This was mainly on account of lower prices in segments of chemicals, vinyl and fertilizers which saw lower ECU, PVC, carbide and gas prices. Our business segments of sugar, which was aided by the commissioning of the 120 KLD distillery, Fenesta, SFS and fertilizers, saw higher volumes year-to-date. Accordingly, the PBDIT is at Rs. 800 crore, a decline of 41% as compared to Rs. 1,354 crore last year.

The company's net debt is at Rs. 314 crore as on December 31st, 2023 as against Rs. 681 crore as on March 31st, 2023. Return on capital employed for December '23 came in lower at 16% as compared to 27% for the financial year 2023 due to the reasons mentioned above.

In summary:

Our balanced performance is anchored on a diversified portfolio, commitment to smart investments and sustainability and the strong financial foundation as can be seen by our balance sheet and cash flows. As we embrace the future-ready mindset with a focused approach on growth, we are strategically positioning ourselves for long-term viability and growth in the evolving new business segments also.

This brings me to the end of my remarks, and I would like to request the moderator to please open the forum for the Q&A session. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Parth Mehta from Vallum Capital. Please go ahead.

Parth Mehta: I just have two questions. First is on caustic soda volumes, which in the presentation it shows that there has been a flattish growth for nine months in caustic soda. Help me out for the reason why the volumes have remained flat?

Ajay Shriram: And the second question?

Parth Mehta: And the second one is on epichlorohydrin, the new capacity that is coming up. So, one of our competitors is also adding new capacity. So, wanted to know what is the demand supply scenario and would that lead to any oversupply in the industry?

Aditya Shriram: Just answering your first question on caustic soda volumes, so actually our new capacity is yet to be commissioned. So, these volumes are with the same capacity as was there in the previous year. So, we have marginally moved up on the sales from the existing capacity. And this quarter we will be commissioning the new capacity, and after that the volumes would see an increase.

With regards to your second question on epichlorohydrin, you are right. There is one other player who has commissioned capacity, and we would be the second one commissioning capacity in this space. There is, I think with all products and chemicals, we are seeing growth in demand in parallel.

So, we do expect that in the coming quarters, as we ramp up our capacity gradually, the material will be absorbed in the market, and we will be exploring markets all over, whether it's domestic or international as well. So, we do expect that in the coming quarters, this capacity will get absorbed.

Parth Mehta: And thank you so much for this answer. Just one more on ECH. What would be the payback period for our CAPEX? And how much CAPEX have we done in ECH?

Amit Agarwal: So, the payback should be in the range of around 4 to 5 years, 5 years ballpark and the CAPEX will be in the range of around Rs. 500 to Rs. 600 crore. I don't have the exact numbers right now, but that should be the range.

Parth Mehta: And the CAPEX in caustic soda new capacity that we are coming up with and what would be the capacity change?

Amit Agarwal: So, the capacity there is about 850 tons per day and there is also a flaker plant of about 600 tons per day. Put together, the CAPEX is again in the range of around Rs. 800 to Rs. 900 crore.

Parth Mehta: Oh, sorry, I missed out the numbers. You said 50 tons per day?

Amit Agarwal: 850 tons per day.

Parth Mehta: Okay, 850.

Moderator: Thank you. The next question is from the line of Pratik Tholiya from Systematix. Please go ahead.

Pratik Tholiya: Congratulations on good set of numbers especially in the sugar, agri and Fenesta and I think even your chemical has sequentially done better. So, just firstly on chemicals on your, so what was the ECU realization for the month of January? I mean, the average price during January?

Ajay Shriram: Average price.

Amit Agarwal: For January, Pratik, the average prices are around Rs. 25,500.

Pratik Tholiya: And sir, this is ECU level. So, chlorine is still negative?

Amit Agarwal: Chlorine is still negative.

Pratik Tholiya: And that could be how much?

Amit Agarwal: Around Rs. 3,000 to Rs. 4,000.

Pratik Tholiya: And sir, what is the, you know, slightly medium to longer-term view on the caustic demand front because of the over capacity that you are seeing? So, by when you expect the entire capacities to get fully absorbed and then we can expect the prices to go up?

Aditya Shriram: Yes, you are right that in the short term, we are seeing an increase in supply and demand as we have already shared earlier in the call has been subdued. But we put up capacities with the long-term horizon. And we do expect that in the coming quarters with the robust demand for a country like India across sectors that this capacity will get absorbed.

So, it's hard to put an exact time timeline or a price in the future and we normally don't give forward-looking statements. But we expect that with our chlorine integration as well that we are focusing on, that this capacity will get absorbed and running fully in the next financial year. That is FY '26, it will be full.

- Ajay Shriram:** I will just add that, as mentioned by Amit earlier, we are also installing a 600 tons per day flaker plant. That gives us flexibility for exports. That opens up another avenue of selling our products, if the pricing is suitable.
- Pratik Tholiya:** And secondly, could you just share some details on your agri business because I think your agri has done exceptionally well in a kind of a challenging quarter because most of the other companies that are reporting numbers, especially in the agri and seeds front, are putting a top line degrowth while margins for most of them have been better. But you reported healthy top line growth as well. So, you know, if you could just share something on the product details.
- Amit Agarwal:** Pratik, in our Farm Solutions vertical, or Farm Solutions segment, we have three verticals: the crop care, plant nutrition, and seeds. Now, crop care and plant nutrition have been flat in terms of top line, and bottom line also is largely flat, and for the reasons that we just mentioned, that industry is going through a rough patch.
- But our seeds vertical has done exceptionally well, and December quarter, Q3, is also a Rabi season, where the wheat seed, the research wheat seed, where we are market leaders, that is sold, and that has done exceptionally well. So, that is the key reason for the growth that you are seeing for this segment, in this quarter.
- Pratik Tholiya:** And then what can we expect going forward, the trajectory in terms of for the upcoming Kharif season?
- Amit Agarwal:** So, as I mentioned, so in Kharif also there should be growth, is what we are expecting, across the verticals. We are seeing this growth.
- Pratik Tholiya:** No, I mean to say, in terms of any product launches that we are anticipating for Kharif, which can add to further growth?
- Amit Agarwal:** There are launches which are lined up, but you know, these launches take time to mature. So, it would not happen that we launch in this financial year, and immediately we see, they take time to mature. And in the past, whatever launches we have made, they are contributing about 10-20% of the top line, are coming from the launches we have done in last 2 years. So, it takes time to pick up. So, this business will overall, as we are mentioning in the past, will grow at about 15% CAGR so we do expect that. And also as a pivot for this business is the manufacturing wherein in plant nutrition we have started manufacturing which will mature over a period of maybe about one years to two years and also when crop care where last year we started our own manufacturing. So, I think these are all steps to help the business grow.
- Moderator:** Thank you. Ladies and gentlemen we will proceed with the next question which is from the line of Subhankar Ojha from SKS Capital. Please go ahead.
- Subhankar Ojha:** A couple of them I have. So, with respect to this new power plant that you said 120 megawatt is likely to get commissioned in quarter 4. So, how much of cost saving will come from this one.

Secondly, this caustic soda plant which is going to get commissioned in quarter 4 what are the other CAPEX basically which will probably come in quarter 4 or H1 '25 that second and third what will be our CAPEX for '25?

Amit Agarwal: So, answer your first question in terms of savings from the 120 MW, that should be in the range of around Rs, 10 crore to Rs. 12 crore a month that's the kind of once it gets commissioned and is fully operational. So, that's point number one.

Second in terms of CAPEX as we mentioned that the 120 MW and 850 TPD, that will get commissioned in this quarter and ECH, H₂O₂ will be commissioned in the next quarter.

Subhankar Ojha: And the CAPEX that is announced for 25?

Amit Agarwal: That we haven't announced any new CAPEX as of now. What we're already now in, what we are completing and then let's see if there is anything new that comes up in the board meeting next.

Subhankar Ojha: How much of this is pending out of the announced CAPEX?

Amit Agarwal: The majority of it is spent Subhankar because we are nearing completion, about 70%, 80% has already been spent in terms of cash outflow for these CAPEX.

Subhankar Ojha: So, this net debt figure of 314 on December end not likely to go up much from here?

Amit Agarwal: 300 and...

Subhankar Ojha: I think the December end net debt figure is 314.

Amit Agarwal: See net debt will go up. So, by March I'm expecting the net debt to be around Rs. 1,900 to Rs. 2,000 crore and the reason for that there are three key reasons. One this is the sugar season. So, therefore debt goes up as the inventory for sugar builds up.

Point number two is urea subsidy which is very abnormal right now, which is negative Rs. 20 which means we have to pay. So, if they are putting certain notifications which are pending there. If they come then probably there will be outflow about Rs. 350 crore there. So, that will add up and obviously there will be some outflow on CAPEX as well.

Subhankar Ojha: And with respect to your business outlook for Fenesta I mean can you share some outlook I mean I can understand that the order book has gone up this quarter by some 9%. Can you throw some more color on the same business with respect to the prospect of this?

Vikram Shriram: Broadly speaking the Fenesta business was established and has a long history and is the market leader in uPVC windows and doors. The aluminum windows and doors were established or launched about 18 months ago and have gained

good traction and are moving at a fast pace and I think the order book has exceeded over Rs. 100 crore in a pretty quick period.

As far as the third new business which is the facade business that is just being launched. So, in fact now it is the first launch sort of post launch trial facades that are being put up for builders on their building. We've got orders for those trial facades.

So, the process is in the façade business, you put trials first and then you get the approvals of the technical specs and then you get the commercials and then you get the orders. It's a bit of a longer gestation, but that's the nature of the business cycle of façade.

So façade business will really take off maybe in terms of some meaningful volumes may be 9 months to 12 months from now because till then it will be market feeding and development. You first put up the factory, then you put up the trials, then you get the approvals of the product at the customer end and then you get the orders.

Moderator: Thank you. We have the next question from the line of Riya Mehta from Aequitas Investments. Please go ahead.

Riya Mehta: My first question is in terms of the caustic demand, so a big part of the user industry 20%, 25% is the textiles and we're seeing the revival in the textile industry. So, what's your outlook on the demand for the caustic front?

Aditya Shriram: The textile industry is one of the drivers for caustic demand. I think it will be slightly lower than the range that you had mentioned, but yes it is one of the important drivers for demand.

So, the advantage with caustic actually is that there's multiple industries which lead to the demand. So, even if one of the industries is slightly down, the other industry consuming industry can support.

So, we do expect that in the medium term the demand will grow and will be robust and in the long term it is likely to come back fully. So, we expect in the next one or two quarters to be tight, but we are optimistic that going forward after that, there will be a good demand.

Riya Mehta: And in terms of the overcapacity situation which we are looking at what kind of growth supply are we looking at?

Ajay Shriram: Pardon me what sort of oversupply.

Riya Mehta: So, I think a lot of our competitors have also come up with capacity with Gujarat Alkali also having spare capacity. There is a lot of supply in the market?

Aditya Shriram: That's right. There has been a significant increase in supply and it will be going from 5.6 million tons per annum to approximately 6.7 million tons per annum. So, we are seeing a significant increase in supply in the short term.

One of the key factors with caustic is usually chlorine. So, evacuation of chlorine is often constrained as well. So, we are working actively on plans to integrate there and mitigate the impact of that.

So, we do expect that it will take some time for our capacity utilization, therefore, to ramp up. So, FY25 it will ramp up gradually, but FY26 onwards we expected to be robust.

Riya Mehta: So, our incremental 850 TPD plant which will come up in maybe say the quarter end, by when do we expect to have a capacity utilization as compared to 80%, 75%- 80% like the current company utilization level?

Amit Agarwal: I think see the project which comes up in this quarter, in FY25 the utilization should be around 50% and FY26 is when it should reach the levels of 75% - 80% and by end of that year we should be around 90%.

Riya Mehta: So, it will take 2 years to fully ramp it up?

Amit Agarwal: Yes.

Riya Mehta: Also, the fourth quarter 600 TPD caustic lye project that would also have similar ramping up frequency?

Amit Agarwal: That's a 600 TPD flaker plant. So, that's like a subset. So, you have a, 850 TPD coming up, 600 TPD lye doesn't add to the capacity. It's only a subset, it drives the liquid lye, that gives us flexibility as Chairman mentioned, it gives flexibility to export and it's becoming an SKU.

Riya Mehta: Got it. Although you're seeing a lot of Chinese players dumping PVC into our market. So, currently what is the situation in January and do we see any improvement, also exports from India for PVC has reduced because of the Red Sea crisis. So, is there a kind of a glut and what is the scenario there?

Amit Agarwal: So, in PVC see the issue is the imports coming from China were also the anti-dumping duty was removed about a year and a half back. So, although the demand is very robust in the country, there is oversupply because of imports.

And unless we have the demand seeing improvement in China as well as in the Western world the prices are expected to remain in that range where they are right now.

Riya Mehta: Do we export PVC and caustic and how has that been for us?

Amit Agarwal: So, PVC from India is generally not exported because Indian manufacturers only need about 45% of the demand and 55% is imported. As far as caustic is concerned we do try our very best although the quantities are lower, the

information is mentioned in our investor presentation, that there are exports happening from country for caustic soda.

Riya Mehta: But they reduced considering if we were exporting to European regions and there are issues in the logistics sectors to reach?

Amit Agarwal: We have marginally come off in the 9 month period.

Riya Mehta: So, what would that number be if I want to see YoY?

Amit Agarwal: So, in terms of 9 months, our exports as a country or as industry were about 2.98 lakh metric tons versus 3.08 lakh metric tons.

Riya Mehta: And my second question is in terms of sugar. So, with a new sorry I missed the question I think earlier participants had asked what would be the capacity with the 120 KLD coming in incremental?

Amit Agarwal: So, our total sugar capacity is now about close to 550-570 KLD ethanol capacity.

Riya Mehta: And how much of that would be grain based?

Amit Agarwal: 250 KLD is grain based now.

Riya Mehta: Our competitors are looking taking grain based from maize etc., so are we also kind of looking at alternative feedstock?

Amit Agarwal: Yes.

Riya Mehta: But they are lesser in profitability so what would be the major stuff for us in grain based?

Amit Agarwal: As I said we are looking at both rice and maize and the margins are more or less the same in both the products.

Riya Mehta: I was just talking in terms of Bioseed what's the overall outlook?

Amit Agarwal: So, for Bioseed, as was mentioned in the Vice Chairman speech that we are expecting it to breakeven or near breakeven in this financial year. So, over last 2 years if you see the business is seeing improvement based on the new products introduced in the market and better marketing activities as well.

So, we do expect the trend to continue, and we are working actively on certain research things as well. So, we do expect it to improve, but that improvement will be gradual.

Riya Mehta: And with the decrease in fertilizer prices, do we expect losses anytime soon?

Amit Agarwal: No, there would not be any losses in our fertilizer business. The reduction in revenue as we mentioned is because the gas prices came down significantly

from about \$24 last year for MMBTU to about \$15-\$16 MMBTU in the current quarter which gets reflected in the revenue and has some impact on profitability as well, but we don't see any losses in this business in the near future.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir, firstly if you could give the import number for caustic soda for the quarter and also for the 9 months also net of export if that number you can give?

Amit Agarwal: Saket those numbers are mentioned on investor presentations that is there on our website as well as on the stock exchange.

Saket Kapoor: Sir, how are the user industry faring currently, how are the consumption rate from the user industry for this quarter and what's the trend going ahead?

Aditya Shriram: So, the user industry is diverse for caustic it includes textiles, paper and pulp, alumina, other chemicals etc, So, the growth rates of each of these industries varies. In the short term like what we've seen for many chemicals, not just caustic there has been a reduction or not a reduction a slowdown in the growth in demand, but we expect that in the coming quarters the demand is going to pick up and therefore the demand overall for costing will be robust.

Saket Kapoor: Sir, if we take the current realization the ECU realization sir how profitable are the global companies also and domestic companies also. So, where is the breakeven point from where which the thing starts turning given what's going God forbid, but going ahead if you could throw some light on the same?

Amit Agarwal: See Saket see breakeven point is itself a very volatile number because it depends on what the costs are and energy cost being the biggest contributor it all depends where the coal costs are moving. So, I don't think it's feasible to give a number on a breakeven price.

And therefore how other globally whether they're profitable or not it's very difficult. I mean our business has been a profitable as you can see from the numbers, but yes the profitability has been low, it has come off significantly from last year.

So, let's see how it pans out. It will be a function of cost and prices, although we've worked on cost. So, our variable costs have come off, but prices have declined more.

Saket Kapoor: And sir on the utilization level I think so what have been the utilization levels for us for this quarter and QoQ how are the utilization levels were?

Amit Agarwal: Around 80% Saket.

Saket Kapoor: 80% is for Q3 what was the number for Q2 and 9 months?

Amit Agarwal: It will be around that level 80% to 90% range what we are operating.

Saket Kapoor: And we will be expecting to exit the next quarter also in the same vicinity?

Amit Agarwal: Yes, I think we should be at this level in Q4 as well.

Saket Kapoor: And for the vinyl segments sir how are the utilization levels current currently?

Amit Agarwal: So, currently they're close to about 90% to 100%.

Saket Kapoor: And for the last point is on the capacity that we are going to augment in this quarter. You have explained I think how the ramp up will happen. So, what should be the ramp up for the next year and also for this quarter, what kind of capitalization will happen for Q4?

Amit Agarwal: Saket I think that is what Mr. Ajay Shriram had explained that utilization levels will be peaking by end of FY26.

Moderator: Thank you. The next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.

Riya Mehta: Just a follow up what would be a current cost of powers for us considering we have so much built the captive power in so many years?

Amit Agarwal: Riya we generally don't share our cost of power, but as I mentioned has been coming down with the lower coal prices as well as with the green power that we started sourcing in Q2 and with the 120-megawatt coming up, it should further decline.

Riya Mehta: What would be the quantum of decline if you could just quantify with the new capacity coming up 120 megawatt?

Amit Agarwal: For Rs. 10 crore, Rs. 12 crore will be the savings on account of 120 megawatt coming on in power.

Riya Mehta: 10 crore to 12 crore savings?

Ajay Shriram: Per month.

Riya Mehta: And in terms of coal prices how much are we importing and how much do we have with coal India?

Amit Agarwal: So, for Bharuch plant we largely import, but again it's very dynamic Riya. We actually try to follow whatever the pollution control guidelines are. So, in Bharuch there's a mix of coal and there are certain other substitutes that we try and see to reduce costs. We also use biomass. Similarly, at our Kota factory also where the coal is primarily domestic, but there also a large component is biomass about 14% - 15% at Kota is biomass in terms of energy.

Riya Mehta: Are we seeing a decrease in coal pricing in the imported coal?

Ajay Shriram: We are seeing a declining trend.

Moderator: Thank you. The next question is from the line of Navneet an Individual Investor. Please go ahead.

Navneet: I have three questions. First your new caustic plant of 300 TPD in terms of annual capacity will be about 100,000 tons. Just I wanted to reconfirm my Maths?

Ajay Shriram: This is which plant?

Navneet: The new caustic capacity which is coming up this quarter?

Aditya Shriram: So, the capacity of a new plant is 850 tons per day which is approximately 300,000 tons per annum.

Navneet: And you mentioned the overall industry is increasing from 5.6 to 6.7 million tons in India the supply. So, beyond that what are the new capacities that have been announced over the next 2 years, 3 years?

Aditya Shriram: These are the capacities that we are aware of at this point in time. Beyond this, we don't have any clear announcements and as they come in the public domain we'll be aware of them.

Navneet: And it takes approximately 2 years, 2.5 years to set up a new capacity like it took for you?

Aditya Shriram: Yes it depends on case-to-case, but it can take up to 3 years also depending on land acquisition, environment clearance and then executions.

Navneet: My second question is on your capital allocation in your presentation you mentioned that you're looking for more opportunities especially in the chemical segment for fresh projects. So, what type of chemicals are you looking at would it be commodity chemicals or similar stuff that you're already there or less cyclical commodities? What's the thought process over there?

Aditya Shriram: So, as you will be aware we are expanding our core which is caustic soda, chlorine. We are also expanding a couple of adjacencies which is epichlorohydrin and hydrogen peroxide, both those plants are expected to be commissioned in Q1 FY25 and over time we are always exploring opportunities across the spectrum whether it is in a commodity chemicals or intermediate chemicals or even specialty chemicals. So, we are continuously evaluating opportunities and as the Board approves, we will approve them and specifically also exploring opportunities linked to future sunrise sectors including green chemicals, etc. So, we're exploring all these opportunities.

Navneet: So, bulk of your fresh projects are expected in the chemical division only, right in terms of capital allocation as the bulk of capital deployed, that's what was mentioned in the presentation as well rather than the other divisions?

Amit Agarwal: See for us the capital-intensive businesses are two chemicals and sugar and the other two growth businesses which is farm solutions and Fenesta are not so

capital intensive and therefore majority of the capital allocation will happen in chemicals followed by sugar.

Moderator: Thank you. The next question is from the line of Sandeep Behl an Individual Investor. Please go ahead.

Sandeep Behl: Just want to check whether you have any plans of demerging and listing separately the Fenesta, and the Shriram Farm Solutions business given that both the business has become sizable and significant as you mentioned in the presentation as well?

Amit Agarwal: So, the Board will take view at the appropriate time. As of now, we have not had any discussion with the Board on that.

Moderator: Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Ajay Shriram: Thank you, Ladies, and gentlemen for your participation in today's call. Navigating and challenging global business environment our domestic landscape remains the beacon of positivity.

Despite the business challenges we are diligently implementing efficiency enhancement and sustainability initiatives within our operational framework. Acknowledging the pivotal roles of driving efficiencies across diverse business segments, we are confident in our ability to deliver robust overall performance over the medium term.

Through strategic resilience and our commitment to adaptability we are well positioned not only to navigate prevailing challenges, but also to capitalize on emerging opportunities in the dynamic business landscape. Thank you very much once again. Goodbye.

Moderator: Thank you. On behalf of DCM Shriram Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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