



## **DCM SHRIRAM**

*For Immediate Release*

**DCM Shriram Ltd. announces its Q2 FY16 financial results**

**Revenue at Rs. 1,439 cr (LY: Rs.1,428 cr)**

**Net Profit for Q2 FY16 at Rs. 63 cr (LY: Rs. 46 cr)**

- ***Board has approved an incremental Capital Expenditure program of Rs. 73 crores in Chlor-Alkali Business towards Cost optimisation measures. This is in addition to Rs 534 crores under investment in Chlor-Alkali capacity expansion.***
- **Chloro-Vinyl performance stable**
- **Agri-Businesses impacted by adverse climate and sugar policy**
- **The Board has declared an interim Dividend of 60 %**

*New Delhi, 2nd Nov 2015: DCM Shriram Ltd. announced its Q2 FY16 financial results today.*

### ***Q2 FY'16 Highlights***

**1. Earnings - PBDIT** stood higher by 30% to Rs 121 crores.

- a) Chloro-Vinyl business performance was stable led by higher volumes and lower input costs which compensated for lower prices.
- b) Agri-input businesses' (Bioseed and Shriram Farm Solutions) were adversely impacted by poor farm-economics, a result of erratic and deficient rains for the second successive year. Strong El-Nino phenomenon is being witnessed in Philippines and Vietnam as well.
- c) Sugar Business - U.P State Govt. has fully implemented its 14-15 Sugarcane subsidy policy with Rs. 60 crore subsidy received during the quarter. However even after accounting for this subsidy, margins were negative Rs. 520 per quintal.
  - a) Fenesta business recorded improvement in earnings on the back of robust growth in volumes during the quarter

**2. Capital Expenditure** – Board has approved a Capital Expenditure program of Rs. 73 crores in Chlor-Alkali Business which will result in cost savings, to be completed

over next one year. This is in addition to ongoing projects amounting to ~ Rs. 650 crores in Chlor-Alkali capacity expansion (Rs. 534 cr) and Sugar Co-gen (Rs. 118 cr).

### **H1 FY '16 – Highlights**

1. **Net Revenue** up 3.6% YoY to Rs 3,245 crores primarily due to higher sales volumes of bulk fertilizers during the period
2. **PBDIT** stood at Rs 313 crores vs. Rs 363 crores last year, down 14%
3. **Finance cost** lower at Rs 53 crores vs. Rs 58 crores last year down 9%
4. **PAT** at Rs 186 crores vs. Rs 224 crores in H1 FY 15

**Commenting on the performance for the quarter, in a joint statement, Mr. Ajay Shriram, Chairman & Senior Managing Director, and Mr. Vikram Shriram, Vice Chairman & Managing Director, said:**

“The performance of the Company is satisfactory given the challenges in Sugar business, weak agriculture dynamics impacting the Agri-input businesses and lower product prices in Chloro-Vinyl businesses. Additional levies by Central & State Govt. on coal based power have worsened the situation further.

Sugar Industry requires comprehensive policy reform urgently to restore its viability. Some recent measures have helped partially, but prices continue to be significantly below costs.

We continue to focus on strengthening our cost competitiveness in all businesses and expanding scale wherever viable. Our Chlor-Alkali Capacity Expansion Project at an investment of Rs. 534 crs. and Sugar Co-Generation expansion at an investment of Rs.118 crs. are progressing as per plan. We have further taken up a plan to optimize the cost structures in Chlor-Alkali businesses at an investment of Rs. 73 crs. All these projects will add to our earnings from FY 17 onwards.

We continue to strengthen the Bioseed and Fenesta businesses and expect healthy growth in both these businesses over medium term.

With our strong Balance Sheet, we are confident of maintaining healthy growth in overall business performance.”

## **Q2 & H1 FY '16 Performance Overview & Outlook**

---

### **CHLORO VINYL:**

- Volumes are higher in Chlor-alkali as well as Vinyl Business driven primarily by higher production YoY and QoQ. Last year there were maintenance shutdowns during the quarter
- Realisations have been soft QoQ as well as YoY in Chlor- alkali as well as Vinyl business. QoQ the prices have declined ~ 4%.
- Input costs of key raw materials such as those of Imported coal, Salt and Carbon material declined YoY and QoQ. However cost of power increased at the Kota complex post budgetary changes by Central and State Govt.
- Earnings YoY improved in Chlor-alkali business led by higher volumes but declined in Vinyl business led by lower realisations.

#### **Outlook**

- Prices expected to follow global commodity price trends
- Chlor-alkali expansion project progressing as per plan. Expect completion by Sep 2016

### **SUGAR:**

- Q2 FY 16 revenue fell by 31.4% YoY due to lower volumes and a ~25% YoY decline in realizations
- Earnings are a reflection of cash Subsidy received during the quarter, amounting to Rs. 60 crore, w.r.t Sugarcane crushed during the Sugar season 14-15. Total cash subsidy received during the year is Rs. 85 crore.
- The margins were negative Rs. 520 per quintal, after taking into account the subsidies received.
- Molasses prices have declined significantly leading to a inventory write-off. Total write off in H1 FY16 is Rs. 13.7 cr.

#### **Outlook**

- Prices have firmed up in the month of Oct'15
- The firmness in prices can be sustained only if the government takes timely policy measures to reduce the glut in the domestic market.
- Linking of cane costs with sugar prices is imperative for viability of the industry on sustained basis
- Sugar co-gen expansion project is on track for commissioning during Sugar Season 2016-17

### **SHRIRAM FARM SOLUTIONS:**

- Q2 FY 16 revenue increased by 10.9% YoY to Rs 487 crores led by bulk fertilizers
- 'Value Added' inputs vertical impacted by lower demand and change in sowing patterns towards lower value inputs. This was a result of two consecutive year of poor monsoons leading to weak farmer economics
- Earnings adversely impacted primarily due to lower margins in the bulk as well as Value added business
- Higher Capital employed , a result of high subsidy outstanding in bulk fertilisers due to higher volumes, as well as higher inventory of Bulk.

### **Outlook**

- Farm Solutions business is dependent upon monsoons and weather patterns, which significantly affects business performance
- Focus on growing the 'Value Added' business vertical over the medium term through aggressive marketing initiatives and by growing the distribution network and product portfolio

### **BIOSEED:**

- Q2 is an off season for this business.
- Revenue stood at Rs 32 crores down from Rs 68 crores last year; decline was in domestic as well as international businesses. This was a result of continued impact by weak monsoons from Q1 in key regions in India as well as overseas
- For the Khariff season, despite of deficient monsoons, the company maintained its volumes of BT Cotton in the Southern region which is the growth driver, however there was a decline in the Northern region.

### **Outlook**

- Company is intensifying marketing efforts to drive growth in international operations along with new product launches – expected to take couple of years
- Medium to long term outlook buoyant given continuing focus on research and pipeline of products. However monsoons will play a key role.

### **FERTILISERS:**

- Improved operating performance during the quarter led to higher production and sales
- Higher Sales led to higher earnings vis-à-vis Q2 FY 15
- Earnings were limited under new Urea policy on account of reduced energy norms
- Subsidy outstandings are higher vis-à-vis last year, led by higher prices of pooled gas

### **Outlook**

- Company is focused on improving energy efficiencies to enhance and sustain earnings
- Pooling of gas prices is leading to higher subsidy bills and hence higher working capital

### **CEMENT:**

- In Q2 FY 16, Cement business' revenue increased by 4% YoY due primarily to higher volumes as compared to last year
- Lower cost of raw materials such as Limestone and Coal along with improvement in power efficiency led to improvement in earnings vs. last year

### **HARYALI KISAAN BAZAAR:**

- Revenues from fuel sales only
- Sale of properties proceeding slowly; expected to take about 2-3 years

### **OTHERS:**

- Fenesta business' Q2 FY 16 revenue up 19% y-o-y to Rs 52.3 crore on account of strong rise in volumes during the quarter
  - Volumes in the 'Retail' segment went up by 28.3% YoY
  - Order booking went up substantially for both the 'Retail' and 'Project' sectors
  - In Q2 FY 16, operations continue to be positive at the PBT level, reflected in better nos. in 'Others' segment.
- PVC Compounding business, in a JV with Axiall Corporation, is progressing satisfactorily

### **Q2 FY '16 – Segment Performance**

Segments	Revenues			PBIT			PBIT Margins %	
	Q2 FY15	Q2 FY16	%	Q2 FY15	Q2 FY16	%	Q2 FY15	Q2 FY16
Chloro Vinyl	281.7	315.7	12.1	71.9	75.8	5.4	25.5	24.0
Sugar	260.0	178.2	(31.4)	0.5	49.1	-	0.2	27.6
Agri Inputs	682.1	755.7	10.8	14.9	(8.8)	-	2.2	(1.2)
- Shriram Farm Solutions	438.9	486.7	10.9	27.3	16.4	(40.0)	6.2	3.4
- Bioseed	68.2	31.6	(53.8)	(17.8)	(38.1)	-	(26.1)	(120.6)
- Fertiliser	174.9	237.4	35.7	5.5	12.9	135.2	3.1	5.4
Cement	35.0	36.4	4.1	(2.0)	1.1	-	(5.6)	2.9
Hariyali Kisaan Bazaar	111.1	83.3	(25.0)	(0.4)	(1.1)	-	(0.4)	(1.3)
Others	66.0	73.7	11.7	(2.8)	1.6	-	(4.2)	2.2
<b>Total</b>	<b>1,435.8</b>	<b>1,443.0</b>	<b>0.5</b>	<b>82.2</b>	<b>117.7</b>	<b>43.2</b>	<b>5.7</b>	<b>8.2</b>
Less: Intersegment Revenue	7.3	3.7	(50.1)					
Less: Unallocable expenditure				16.7	21.9	31.5		
<b>Total</b>	<b>1,428.5</b>	<b>1,439.4</b>	<b>0.8</b>	<b>65.5</b>	<b>95.8</b>	<b>46.2</b>	<b>4.6</b>	<b>6.7</b>

## H1 FY '16 – Segment Performance

Segments	Revenues			PBIT			PBIT Margins %	
	H1 FY15	H1 FY16	%	H1 FY15	H1 FY16	%	H1 FY15	H1 FY16
Chloro Vinyl	640.3	631.6	(1.4)	184.9	169.6	(8.3)	28.9	26.9
Sugar	540.8	483.4	(10.6)	8.5	32.7	283.9	1.6	6.8
Agri Inputs	1,695.1	1,886.9	11.3	142.7	92.4	(35.2)	8.4	4.9
- Shriram Farm Solutions	887.5	1,097.0	23.6	48.1	38.2	(20.6)	5.4	3.5
- Bioseed	463.0	396.8	(14.3)	77.6	46.2	(40.5)	16.8	11.6
- Fertiliser	344.6	393.0	14.1	17.0	8.0	(52.9)	4.9	2.0
Cement	71.7	69.6	(3.0)	2.9	0.2	(92.7)	4.0	0.3
Hariyali Kisaan Bazaar	248.4	196.9	(20.7)	0.7	(0.6)	-	0.3	(0.3)
Others	130.8	143.8	10.0	(4.6)	4.1	-	(3.5)	2.8
<b>Total</b>	<b>3,327.0</b>	<b>3,412.1</b>	<b>2.6</b>	<b>335.1</b>	<b>298.4</b>	<b>(10.9)</b>	<b>10.1</b>	<b>8.7</b>
Less: Intersegment Revenue	194.1	166.9	(14.1)					
Less: Unallocable expenditure				29.1	37.0	27.3		
<b>Total</b>	<b>3132.9</b>	<b>3245.3</b>	<b>3.6</b>	<b>306.0</b>	<b>261.4</b>	<b>(14.6)</b>	<b>9.8</b>	<b>8.1</b>

\*Rs in CR ; # PBIT here refers to PBIT before exceptional items

For further information, please contact:

Aman Pannu

Head- Corporate Communications

DCM Shriram Ltd.

+91 9899078610