

For Immediate Release

DCM Shriram Ltd. announces its Q3 FY15 financial results

Net Profit for Q3 FY15 at Rs. 27.4 cr (last year Rs. 44.3 cr);

Net Profit 9M FY15 at Rs. 251 cr (last year Rs. 160 cr)

Sharp reduction in prices of Chloro-Vinyl products and Sugar impacted the earnings during the quarter. Balance Sheet continues to be strong.

New Delhi, 3rd Feb 2015 : DCM Shriram Ltd. announced its Q3 and 9M FY15 financial results today.

Q3 '15 – HIGHLIGHTS

1. **Net Revenues** at Rs. 1,197.1 crore vis-à-vis Rs. 1,452.2 crore in Q3 FY14
 - a. lower volumes in Sugar, which is a result of lower production in the last season, an Industry phenomenon
 - b. Lower Volumes in Bulk fertiliser, as per plan to optimise sales of Bulk fertilisers
2. Steep decline in prices of Chloro-Vinyl and Sugar impacted **PBDIT** for the quarter, which stood at Rs. 54.5 crore vs. Rs. 112.2 crore in same period last year:
 - a. Chlor-Alkali prices for Dec 14 were down 15% over Sept 14, PVC prices were down 17.5% over Sept 14.
 - b. Sugar prices were down 10% over Sept 14. Operating margin is negative ~Rs. 250 per Qtl
 - c. Bioseed International operations faced challenges on account of Sales returns due to lower sales to farmers and subsequent Inventory write-off.
 - d. Performance of Farm Solutions and Fertiliser businesses improved.
3. Prices have stabilised in Jan 15 at Dec '14 levels
4. **Finance charges** at Rs. 26.1 crore, lower by 19.3% y-o-y
5. **Net Debt** at Rs 491 cr (Dec 31, 2014), down from Rs 683 cr (Mar 31, 2014)
6. **PAT** at Rs. 27.4 crore vs. Rs. 44.3 crore. Tax during the quarter was -ve Rs. 25.9 crore due to higher tax provisioning in earlier quarters

9M '15 – HIGHLIGHTS

1. **Net Revenues** at Rs. 4,329.9 crore vis-à-vis Rs. 4,703.0 crore in 9M FY14 primarily due to lower volumes in Sugar and Bulk fertilisers
2. **PBDIT** stood at Rs. 417.2 crore vs. Rs. 396.5 crore in same period last year, up 5.3 %:

- a. Bioseed up at Rs. 46 cr. vs Rs 36 cr for same period last year, led by robust performance of BT cotton in India Operations during Kharif '14.
 - b. Farm Solutions and Fertiliser business improved performance
 - c. Sugar losses were lower than same period last year, partly due to receipt of cane price subsidy of Rs. 19 crore relating to SY 2013-14
 - d. Chloro-Vinyl recorded lower profits primarily in Q3FY15, due to sharp decline in prices during the quarter
3. **Finance cost** sharply lower by Rs. 36.6 cr, at Rs. 84.2 crore
 4. **PAT** at Rs 251 crore (LY Rs 159.6 cr)

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 Company witnessed a challenging operating environment in Q3’15 with sharp reduction in prices of Chlor-alkali, PVC, Cement and Sugar. The prices have seen some stability in Jan 15 at the reduced levels.

Crushing for Sugar season 2014-15 has started satisfactorily after U.P. State government announced a more reasonable cane pricing policy. We expect the same would be implemented in the right spirit going forward. There is however an urgent need for policy measures to arrest the downward movement in Sugar prices

We are buoyant about the performance of our Bioseed India business. Bioseed overseas business is expected to take couple of years to achieve sustainable growth. We are confident of growth of this business given the strong research program and healthy pipeline of products

The Shriram Farm Solutions and Fenesta businesses continues to perform satisfactorily.

Our balance sheet is strong and can comfortably handle cyclicity in our businesses. Our Capital expenditure programs are on track and will add value to the businesses going forward.”

Q3 & 9M FY 15 Performance Overview & Outlook

FERTILISERS:

- Operating performance stable
- Revenue higher on account of increase in gas prices, volumes were also up marginally
- Improved profitability on account of energy savings and increase in reimbursement towards conversion costs by Rs. 500/MT under NPS III w.e.f. April 1 2014
- Subsidy outstanding since Aug '14

Outlook

- Planned maintenance shutdown in end Q4 FY15
- Increase in domestic gas prices has added to the higher subsidy outstanding

SHRIRAM FARM SOLUTIONS:

- Volumes of DAP/MOP are lower vis-à-vis last year - in line with plan to optimise Bulk Fertilisers, as required to support 'Value added inputs' business
- Value-added inputs' revenues up 3.3% y-o-y, impacted by adverse weather conditions
- Overall operating margins have improved, led by Bulk Fertilisers

Outlook

- Company will continue to focus on growing the 'Value added' portfolio in terms of reach as well as offerings
- High subsidy outstanding in Bulk Fertilisers continues to be an area of concern

BIOSEED:

- Lower sales to farmers in international operations led to sales returns and inventory write offs
- Lower sales led to lower profits and inventory write offs in International business, reflecting longer than expected time being taken to stabilise
- Robust performance of Indian operation driven by growth in BT Cotton seed in Kharif '14, partly moderated by lower offtake of Corn Seeds.

Outlook

- Bioseed India expected to sustain growth – cotton seeds launched in South and Central markets gaining traction and will likely augment performance
- Augmenting product portfolio and marketing efforts to drive growth in international operations – expected to take couple of years
- Medium to long term outlook buoyant given continuing focus on research and pipeline of products
- Performance of the business has seasonality, with Kharif being the major season in India

SUGAR:

- Revenues down primarily due to lower sales volumes, which was a result of lower production in the last season, an Industry phenomenon
- Sugar prices further softened in Q3 FY15, margins are negative even at operating level
- Earnings further subdued consequent to inventory write down in Q3, sugar inventory valued at Rs. 2,750 per quintal
- Co-gen power tariff revised upwards by Rs. 0.49 per unit w.e.f. April 1, 2014 – reflected in earnings
- Current season's Sugar recovery trends so far better than last year
- Not accounted benefit of proposed Cane subsidy announced by UP Govt, pending issue of the Notification

Outlook

- Cane Policy for SY 2014-15 a step forward. Full implementation in right spirit will help
- Cane crush expected to be marginally lower, may get mitigated partly by higher recoveries

CHLORO VINYL:

- Chlor- Alkali and PVC (Vinyl) prices have declined significantly in Q3 over Q2 FY15, putting pressure on margins
- There has been marginal reduction in input costs with decline in Salt prices and imported Coal prices

Outlook

- The prices after witnessing a low in Dec '14 have stabilised in Jan '15. Further movement linked to global developments
- Company has renewed its focus on cost optimisation

Cement:

- Volumes up by 3% y-o-y; realisations increased by 4% vs. last year
- Input costs continue to exert pressure on margins

HARYALI KISAAN BAZAAR:

- Current revenues from fuel sales only
- Sale of properties progressing slowly, expected to take about 2-3 years

Others:

- Fenesta
 - Company continues to focus on the 'Retail' segment
 - 'Retail' segment's order book and revenues up 44% and 31% respectively vis-à-vis last year
 - Retail segment's contribution to overall sales at 75%, up from 65% in Q3 FY14
 - Business continues to breakeven at operating level
 - Order booking registered good growth in Q3 with some revival in project orders.
- JV with Axiall Corporation for PVC compounding business is progressing as per plan

- Q3 FY 15 – Segment Performance

Segments	Revenues			PBIT			PBIT Margins %	
	Q3 FY14	Q3 FY15	%	Q3 FY14	Q3 FY15	%	Q3 FY14	Q3 FY15
Agri Input	580.2	522.6	(9.9)	12.6	6.2	(50.6)	2.2	1.2
- Fertilisers	169.7	211.5	24.6	5.2	18.2	250.9	3.1	8.6
- Shriram Farm Soln.	343.0	281.6	(17.9)	18.2	22.7	25.1	5.3	8.1
- Bioseed	67.4	29.5	(56.2)	(10.8)	(34.7)	--	(16.0)	(117.6)
Sugar	337.9	169.6	(49.8)	(29.9)	(21.0)	--	(8.8)	(12.4)
Chloro Vinyl incl. Power	330.5	293.7	(11.1)	110.8	59.9	(46.0)	33.5	20.4
Cement	30.5	31.2	2.3	(4.7)	(6.8)	--	(15.4)	(21.8)
Hariyali Kisaan Bazaar	112.1	119.9	7.0	1.7	3.2	82.2	1.6	2.6
Others	77.4	67.1	(13.3)	(0.6)	0.1	--	(0.7)	0.2
Total	1,468.5	1,204.0	(18.0)	90.0	41.6	(53.8)	6.1	3.5
Less: Intersegment Revenue	16.4	7.0	(57.4)					
Less: Unallocable expenditure				12.5	14.0	12.3		
Total	1,452.2	1,197.0	(17.6)	77.5	27.6	(64.4)	5.3	2.3

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

- 9M FY 15 – Segment Performance

Segments	Revenues			PBIT			PBIT Margins %	
	9M FY14	9M FY15	%	9M FY14	9M FY15	%	9M FY14	9M FY15
Agri Input	2,312.6	2,217.7	(4.1)	114.3	148.9	30.2	4.9	6.7
- Fertilisers	458.6	556.1	21.3	15.0	35.2	134.8	3.3	6.3
- Shriram Farm Soln.	1,466.4	1,169.1	(20.3)	66.0	70.8	7.3	4.5	6.1
- Bioseed	387.6	492.5	27.1	33.4	42.9	28.7	8.6	8.7
Sugar	1,054.6	710.3	(32.6)	(55.5)	(12.5)	--	(5.3)	(1.8)
Chloro Vinyl incl. Power	901.6	934.0	3.6	276.8	244.8	(11.6)	30.7	26.2
Cement	89.6	102.9	14.9	(3.5)	(4.0)	--	(3.9)	(3.8)
Hariyali Kisaan Bazaar	327.6	368.2	12.4	2.7	3.9	44.0	0.8	1.0
Others	229.2	197.8	(13.7)	(1.3)	(4.5)	--	(0.6)	(2.3)
Total	4,915.1	4,531.0	(7.8)	333.5	376.6	12.9	6.8	8.3
Less: Intersegment Revenue	212.0	201.1	(5.2)					
Less: Unallocable expenditure				40.6	43.1	5.9		
Total	4,703.0	4,329.9	(7.9)	292.8	333.6	13.9	6.2	7.7

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

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