For Immediate Release

DCM Shriram Ltd. announces its Q1 FY16 financial results

Net Profit for Q1 FY16 at Rs. 123 cr (LY: Rs. 177 cr);

- **Unsustainable –ve margins in Sugar business led by downward spiral of Sugar Prices**
- **Lower demand for Agri-input products resulting from erratic monsoons patterns and decline in product prices**
- **Chloro-vinyl Business Stable**

New Delhi, 2nd Aug 2015: DCM Shriram Ltd. announced its Q1 FY16 financial results today.

Q1 FY'16 Highlights

1. **Earnings** were impacted viz last year due to:
   a) Losses in the Sugar Business due to high negative margins led by steep fall in prices. Incremental Inventory write-down for the quarter was Rs. 40 crs. (Write-down in Q4FY15 Rs. 98 cr.). Current margins at ~ -ve Rs. 810 /Qtl
   b) Earnings of 'Bioseed' and 'Value Added Inputs' businesses were adversely impacted due to lower demand, a result of erratic monsson and financial stress in Agri Sector
   c) Chloro-Vinyl business' earnings declined YoY due to lower realizations; however sequentially realizations stood better

   Diversified and integrated nature of our businesses ensured reasonable earnings

2. **Net Revenues** increased by 6% YoY to Rs. 1,806 crores on account of higher volumes of Bulk fertilizers during the quarter

3. **PBT** stood at Rs. 139 crore vs. Rs. 212 crore

4. **PAT** at Rs. 123 crore vs. Rs. 177 crore.

5. High fertilizer Subsidy outstanding of Rs. 555 cr. and Sugar inventory of Rs.263 cr. led to higher working capital requirement

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 has performed satisfactorily given a challenging business environment, a result of our diversified and integrated business portfolio and comfortable debt levels.

The unfavorable monsoon patterns and financial stress in agriculture sector has adversely affected demand for agri-inputs leading to lower revenues of Bioseed and Value Added products.

Sugar prices are in a downward spiral with continuing surplus production in the country and weak global prices. Sugar margins are at unsustainable levels. A rational long term policy framework is needed urgently to improve Business fundamentals and restore the health of the Industry on a sustained basis.

Chloro-vinyl businesses have done better sequentially despite high power costs due to additional taxes and levies by the Govt. We continue to take steps towards cost savings and achieving economies of scale.

The expansion of Chlor-Alkali capacity at Bharuch and Power co-gen capacity at sugar are progressing as per plan.

Our debt levels continue to be at comfortable levels."

Q1 FY 16 Performance Overview & Outlook

FERTILISERS:

- Revenue declined by 8.3% YoY due to lower volumes, a result of extended maintenance shutdown during the quarter; maintenance shutdown also impacted average efficiencies which led to fall in energy savings and contributed to operating losses during the quarter
- Revised energy efficiency norms under new Urea policy (effective 1st June 2015) also impacted the earnings

Outlook

- Company continues to work towards improving energy efficiencies
- New Urea policy will impact earnings going forward primarily due to increase in energy efficiency norms. Pooling of gas prices likely to lead to higher subsidy bills and hence higher working capital

SHRIRAM FARM SOLUTIONS:

- Revenue higher on account of higher sales of bulk fertilizers during the quarter
- Revenue of 'Value Added' inputs vertical impacted by uncertainty over monsoons this year and shift in sowing patterns that impacted sales volumes during the quarter

Outlook

- This business is dependent upon weather patterns which significantly affects business performance
- Focus on aggressive marketing and growing distribution network and product portfolio to drive growth over medium term for 'Value Added' business vertical
- High subsidy outstanding in bulk fertilisers continues to result in higher working capital requirements

BIOSEED:

- Bioseed business' revenue declined primarily due to lower sales volumes due to uncertainty over monsoons
- International operations to take a couple of years to recover

Outlook

- There may be some improvement in performance, if monsoon recovers in South/Central region
- 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

SUGAR:

- Revenue increase is due to higher volumes. The increase was limited by lower realizations during the quarter viz same period last year
- Sugar prices were a downward spiral which led to record –ve margins and inventory losses during the quarter and resulted in high losses at the operating level
  - Sugar margins currently at –ve ~Rs. 810/Qtl
  - Sugar inventory revalued at Rs 2,250/Qtl from Rs 2,575/Qtl in March 15, leading to an incremental inventory loss of Rs 40 crore during the quarter, including revaluation of Molasses (Inventory write-down in Q4FY15 was Rs. 98 cr.)
- Business accounted for cane subsidy of Rs. 8.6/qtl in Q1 FY 15 amounting to Rs. 25.7 crores

Outlook

- There is need for urgent measures to restore the financial health of the Industry, with measures that have a long term impact. The Industry is going through financial turmoil
- Expect UP Govt. to fully implement its sugar cane policy for SY2014-15 and notify / disburse the balance cash subsidy immediately.
- Sugar co-gen expansion project is in the process of taking environmental approvals

CHLORO VINYL:

- Revenue stood lower primarily due to lower volumes of PVC (on account of sale of high opening stock in same period last year) and lower realizations of PVC viz last year, however they are better sequentially
- Production is stable
- In line with the recent decline in global commodity prices, Vinyl prices have started softening from June 2015 onwards
- Costs of key raw materials like Imported coal, Salt and Carbon material has witnessed decline viz last year; however cost of Power has risen at our Kota complex post budgetary changes by Centre as well as State governments

Outlook

- Prices expected to follow global commodity price trends
- Chlor-alkali expansion project progressing as per plan

Cement:

- Cement business' revenue declined by 10% YoY resulting from sluggish demand which led to 20% YoY decline in realizations
- Lower revenue and higher limestone and power costs led to a PBIT loss vs. profit last year

HARYALI KISAAN BAZAAR:

- Revenues from fuel sales only
- Focus on sale of properties progressing slowly, expected to take about 2-3 years

Others:

- Fenesta business' revenue up 18% y-o-y to Rs 48.4 crore on account of higher sales volumes during the quarter
  - Volumes in the 'Retail' segment went up by 38% YoY
  - 'Project' segment witnessed improved traction
  - In Q1 FY 16, operations stood positive at the PBT level
- JV with Axiall Corporation for PVC Compounding business is progressing satisfactorily

- **Q1 FY 16 – Segment Performance**

	Revenues			PBIT			PBIT Margins %	
Segments	**Q1 FY15**	**Q1 FY16**	**%**	**Q1 FY15**	**Q1 FY16**	**%**	**Q1 FY15**	**Q1 FY16**
Agri Input	**1,013.0**	**1,131.1**	***11.7***	**127.7**	**101.2**	***(20.8)***	***12.6***	***8.9***
- Fertilisers	169.7	155.6	*(8.3)*	11.5	(4.9)	-	*6.8*	*(3.2)*
- Shriram Farm Soln.	448.6	610.3	*36.0*	20.8	21.8	*4.8*	*4.6*	*3.6*
- Bioseed	394.7	365.2	*(7.5)*	95.5	84.3	***(11.7)***	*24.2*	*23.1*
Sugar	**280.8**	**305.2**	***8.7***	**8.0**	**(16.4)**	**-**	***2.9***	***(5.4)***
Chloro Vinyl	**358.6**	**315.9**	***(11.9)***	**113.0**	**93.9**	***(17.0)***	***31.5***	***29.7***
Cement	**36.8**	**33.2**	***(9.7)***	**4.8**	**(0.8)**	**-**	***13.1***	***(2.5)***
Hariyali Kisaan Bazaar	**137.3**	**113.5**	***(17.3)***	**1.1**	**0.5**	***(55.5)***	***0.8***	***0.4***
Others	**64.8**	**70.1**	***8.3***	**(1.8)**	**2.5**	**-**	***(2.8)***	***3.5***
Total	**1,891.2**	**1,969.1**	***4.1***	**252.9**	**180.7**	***(28.5)***	***13.4***	***9.2***
Less: Intersegment Revenue	**186.8**	**163.2**	***(12.6)***					
Less: Unallocable expenditure				**12.4**	**15.1**	***21.8***		
Total	**1,704.4**	**1,805.9**	***6.0***	**240.5**	**165.6**	***(31.1)***	***14.1***	***9.2***

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

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