



## DCM Shriram Limited Q2&FY'23 Earnings Conference Call October 21, 2022

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**Moderator:** Ladies and gentlemen, good day and welcome to DCM Shriram Limited Q2 FY23 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 touch tone phone. Please note that this conference is being recorded.

I'll now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you, and over to you, Mr. Rangnekar.

**Siddharth Rangnekar:** Good afternoon, and thank you for joining us on DCM Shriram Limited's Quarter 2 and H1 FY '23 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. K.K. Kaul – Whole Time Director; and Mr. Amit Agarwal – CFO of the company.

We shall commence with opening remarks from Mr. Ajay Shriram and Mr. Vikram Shriram. 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 begin, please note that some of the statements made on today's call could be forward looking in nature. 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. Over to you, sir.

**Ajay Shriram:** Thank you, Siddharth. Good afternoon, ladies and gentlemen. Thank you for being part of our Q2 and H1 financial year 2023 Earnings Conference Call. I wish to take this opportunity to convey our festive greetings to each one of you ahead of Diwali.

I will commence with perspective on industry dynamics and the associated strategic imperatives for us. I shall be followed by Vikram with a discussion on operating and financial performance.

Today, the world is witnessing historically high inflation and fears of recession are around the corner. Interest rates are rising. US Dollar continues to strengthen and is a cause of concern for net importing countries. Along with this, the geopolitical environment is very unstable, and the climate continues to pose new challenges. Our businesses are operating in a tough and unpredictable economic environment. We have managed to evolve and manage the situation well with a forward-looking approach, dynamic control on costs, inherent strength in the business model and on the financials.

Our investment in capacity building, better integration, cost, efficiency, innovation and value creation are all aimed at driving business momentum while limiting the negative impacts of such a volatile operating environment. The Rs. 3,500 crore CapEx is on schedule and will lead to substantial enhancement in our reported results in the coming years. In line with a desire to be more sustainable, we are pursuing projects, which will enhance resource conservation, increased use of green energy, lower energy usage, and further encourage the circular economy we are already having. Some of these initiatives are underway and will bear fruit in the coming years. Currently, we are 11 times water positive and 34% of the total energy consumed in our operations is green. With this, I would now like to walk you through the perspective on our various businesses.

### **Chemicals:**

First, I'll cover chemicals. Global capacity utilization in chlor alkali is at the low level, given higher energy costs and moderation in construction activities. Consequently, India has stepped up exports with H1 financial year '23 net exports at 1.39 lakh metric tons versus 0.13 lakh metric tons in the same period last year. Average import prices are range bound around \$650 per metric ton during Q2 financial year '23. The energy prices that form significant part of the cost of production continue to be firm. We expect the prices of caustic soda that support high energy costs and elevated chlorine prices leading to reasonable margins. A lot will also depend upon expected recessionary pressure across the world in coming months.

Work on growth initiatives continues with additional 120-megawatt captive power plant getting online by December '22, and the aluminum chloride expansion at the Bharuch complex getting operational within this financial year. We are building value creating businesses in the form of epichlorohydrin and hydrogen peroxide and these will be commissioning in the early part of the financial year '24. The 50-megawatt green power supply will be fully operational from Q2 of financial year '24.

### **Vinyl:**

Globally, PVC faced demand pressure leading to prices reaching sub US dollar 1,000 per metric ton level. China is pushing its production to India and we have made representation to the government and are awaiting decision on anti-dumping duty and customs duty on PVC. At these price levels, our PVC operations are suboptimal. Carbide prices have also witnessed a decline quarter-on-quarter, but continue to give reasonable margins and hence production is being optimized given the flexibility in the business model. It is important here that globally lower PVC demand results in lower chlor alkali capacity utilization. On an overall basis, we continue to earn reasonable margin.

### **Sugar:**

Globally, sugar output and consumption is expected to be balanced in the upcoming season and India will continue to play a major role in trades like in this year. India has exported a record approximately 11 million metric tons sugar this year, without any subsidy from the government, and with a closing sugar inventory being of approximately 6 million tons. International sugar prices are expected to remain firm as Indian mills in West and South should benefit from exports. In the next sugar season, India's sugar production can be expected at 36 million metric tons consumption at approximately 27.5 million metric tons and we will have close to 8 million metric tons available for exports. The UP Sugar Industry needs the balanced government policy for sugar export, as well as cane juice blended ethanol to remove regional imbalances with Maharashtra.

We expect to start our crushing operations from first week of November. Our growth initiatives are on track to build capacities, further integration and further value capture from the distillery ash. These projects will get commissioned in Q3 financial year '23 and will add to earnings in the coming season. Our potassium sulfate project from distillery ash is coming up in a subsidiary and will be commissioned by Q1 financial year '24.

### **Agri Businesses:**

Now I'll cover the Agri businesses which comprise of Shriram Farm Solutions, Bioseed and Fertilizer. The monsoon plays a critical role in performance of these businesses and also witnessing a shortfall in Q1, there has been above average rainfall across regions, especially in South and Central India. Shriram Farm Solutions is increasingly becoming research-based across these verticals of seeds, specialty plant nutrition, and crop care with key focus on products that can sustain climate change, optimized nutrition along with supporting life cycle of current products. It has this research center in Ludhiana, Punjab. During the quarter, the business launched 5 new products, including two products from its own R&D. It is also setting up manufacturing facilities of biofertilizers and water-soluble fertilizer. All this augurs well for growth of this business.

Bioseed is repositioning its product strengths to farmers and enhancing in portfolio. The product pipeline is strong. The performance of India business improved during the quarter. We believe that this business should turn around over a period of next 2 years.

Fertilizer consumption stabilized after a shutdown in Q1 financial year 2023. We are continuously improving our energy consumption that adds to better performance. Subsidy outstanding had increased significantly as a result of high gas prices and requires better support from the government.

### **Fenesta:**

I'm happy to share that we are now entering the glass façade business which would be an added growth driver. The fabrication shop for the glass façade business is being set up in Hyderabad. Existing business is witnessing good growth momentum. This is in line with enhanced footprint and the wider range of our portfolio, both within UPVC and in system aluminum products. The windows and doors business is seeing traction in our project segment too, where we are seeing volume and pricing growth. Our new windows and doors fabrication units has been commissioned at Bhubaneswar and will augment our presence in that part of India.

The investments and initiatives we have been making across businesses through our integration, scale, innovation, resource mobilization and sustainability are delivering intended positive outcomes. The enhancements underway will result in better performance and will give further strength to the earning profile.

I will now request Vikram to take you through the operating and financial performance.

### **Vikram Shriram:**

Thank you. Good afternoon, everyone. I will take you through the financial highlights for Q2 and H1 financial year '23 results. The net revenues net of excise duty this quarter were up 28% year-on-year at Rs. 2,740 crore. This was led by better prices and volumes across all businesses and segments excepting vinyl where prices and volumes both came lower. Chlor-Alkali business revenues were up 62% year-on-year at Rs. 781 crore led by ECU that was up 74% year-on-year

along with other product prices. Capacity utilization levels were reasonable at 87% versus 90%.

Vinyl's revenue went down 53% year-on-year at Rs. 155 crore led by volumes which was lower due to power availability and maintenance shutdown. PVC prices were down by 32% year-on-year and carbide prices were down 9%.

The sugar business revenues net of excise duty were up 5% year-on-year at Rs. 617 crore on account of better sugar realizations by approximately Rs. 100 per quintal. Sugar volumes were almost the same at 12.5 lakh quintals whereas ethanol volumes were lower at 205 lakh liters versus 260 lakh liters last year. Ethanol volumes on half year basis were almost similar.

In the Agri inputs, all businesses reported strong revenues. SFS increased 33% year-on-year at Rs. 238 crore witnessing price and volume growth across most product categories. Bioseed increased 13% year-on-year at Rs. 88 crore with India business reporting revenues of Rs. 60 crore, increasing by 8% year-on-year and the international business reporting revenues of Rs. 28 crore, increasing 26% year-on-year.

Fertilizers saw a 99% year-on-year increase in revenues at Rs. 585 crore. Price realization for the quarter increased by 88% year-on-year on account of higher gas prices, which is a pass through. Natural gas prices for Q2 financial year '23 were at \$24 per mmbtu versus \$12 per mmbtu last year. It is important to mention that increase in energy prices increases the top line and the subsidy burden without significantly changing in bottom line and therefore, lower overall margins for the company because of interest costs.

Fenesta delivered revenues of Rs. 178 crore that increased 37% year-on-year led by volumes in Project segment and higher prices. The order book also increased by 6% year-on-year.

Coming to profitability, in Q2 financial year '23, PBDIT stood at Rs. 302 crore down by 3% year-on-year despite cost pressures. The performance was primarily supported by chemicals, agri inputs and Fenesta segments.

Chemicals PBDIT at Rs. 250 crore versus Rs. 108 crore during Q2 financial year '22 led by higher product prices in spite of higher energy costs and fuel cost. In Vinyl, the PBDIT was at negative Rs. 10 crore versus Rs. 156 crore positive during the same period last year led by lower volumes and lower prices of PVC. Energy and carbon prices continue to be much higher. At these prices of energy and carbon material, PVC is marginally positive at contribution level. Carbide continues to be reasonably profitable.

The sugar business PBDIT at negative Rs. 15 crore, primarily being an offseason and higher cost of last year sugar inventory. Non-availability of C molasses also dragged down the earnings. Also, there was an additional charge relating to previous periods amounting to Rs. 15 crore on account of revision in wages with effect from October 2018, as well as increase in molasses quota from 18% to 20% was for sugar season '21-'22, which also was a one-time charge in that Rs. 15 crore.

Agri inputs businesses reported better numbers for the reasons stated earlier. Fenesta PBDIT was at Rs. 36 crore registering a growth of 97% respectively, led by volumes and prices.

For the half year FY23, net revenues net of excise were up 36% year-on-year at Rs. 5,591 crore and PBDIT was up 25% year-on-year at Rs. 766 crore. growth was seen across all business segments. With robust cash flows across our businesses, our debt levels remain at comfortable levels with surplus net debt as on 30th September '22 at Rs. 35 crore versus net debt of Rs. 4 crore as on 31st March 2022.

Return on capital employed for September '22 came in higher at 36% versus 26% for September '21. This is despite higher subsidy outstanding in urea, as well as higher sugar inventory versus the same period last year. The Board has recommended an interim dividend of 230% amounting to Rs. 71.7 crore. Overall, we have delivered yet another good performance in the backdrop of uncertain macro environment and despite challenges in certain businesses, particularly on the cost side with the energy costs.

With the investments on track and a strong balance sheet and cash flows, we look forward to a healthy and sustainable growth going forward. While closing I would like to convey to you my festive greetings for Diwali. We will now take the questions that you may have. Thank you.

**Moderator:** We will now begin the question and answer session. The first question is from the line of Nilam Saha from Ventura Securities Limited. Please go ahead.

**Nilam Saha:** Sir, my question is some of your capacity data is in TPD format. As per you, what is the acceptable number of days I should multiply it with to get annual capacity data?

**Ajay Shriram:** Generally, we look at approximately 330 days. 330-335 days can give you an idea what is the annual expected production level

**Nilam Saha:** Your PVC compound comes from your PVC resins business, right?

**Ajay Shriram:** From the PVC compound was a joint venture business, which we had with the Westlake for the last 5 years and we bought out the share from Westlake and now this is 100% subsidiary of the DCM Shriram Limited.

**Nilam Saha:** And its raw material comes from the PVC resin business, right?

**Ajay Shriram:** It comes from our PVC business as well as comes from outside. We buy some materials from outside also where we require different grades of PVC for making particular types of PVC compounds.

**Nilam Saha:** Okay. Is there a certain percentage of your PVC resin that you send to PVC Compound and certain percentage that you send outside? I just wanted to know how much of it gets transferred to PVC compound.

**Ajay Shriram:** Let me put it this way. I think the amount we send to a PVC compounding plant would be maybe 10% or 15% of our monthly production, even less than 10% because we buy material from outside also. And we sell approximately 90% plus minus in the open market PVC. Our total PVC production, around 90% we sell in the market and around 10%, we use in our PVC compounding because we buy it from Formosa Plastics also and other people for our PVC compounding plant where you require grades of PVC.

**Nilam Saha:** Thank you and have a Happy Diwali.

**Ajay Shriram:** Thank you.

- Moderator:** The next question is from the line Ahmed Madha from Unifi Capital. Please go ahead.
- Ahmed Madha:** Sir, my first question was regarding the caustic export volume. So if I look at the sequential numbers, they have more than doubled, right? So how should we interpret this number? Is this because of lower domestic demand or we see better realization in exports or we are setting up the export markets now so that when next year the new capacity comes up, we can export significant quantities, How should we look at those numbers?
- Ajay Shriram:** It's a good question. See, I think there's multiple reasons. One of the reasons is that in Europe, because of energy prices being high, their production has come down. So, demand has risen, because of that we are able to export caustic as I said, it was 1.39 lakh tonnes compared to 0.13 in the corresponding period first six months of the last financial year and this year. So, this is opened up as an opportunity and of course, the price is also satisfactory compared to the Indian situation. And you're right Indian plants are also coming up. So, if they get the opportunity to expand, it's sort of put less pressure on the domestic market. So, we are looking at exports and wanting to grow that.
- Ahmed Madha:** So, it will be assumed that going forward our export volumes will be close to 20% of total sales?
- Ajay Shriram:** I'm not sure it will be close to 20% of total sales that is a little high. See all the things depend so much on what is the market position in the export market and the domestic market. It's a swing which happens. Yes what India is trying to do is couple of the large aluminum manufacturers, whether it's Vedanta or a couple of others on East side, who used to import caustic soda, we as industry is trying to get into contracts with them. And rather than their importing caustic soda, Indian manufacturers will supply caustic soda. So, that will then put less pressure on the domestic market. So, we are working on that direction. Exports at the moment is gone at 1.39 lakh tonnes in the first six months. And we are attempting to increase it but depends a lot on the market.
- Ahmed Madha:** So, I'm repeating again, if we look at the new caustic capacity which is coming up in Q1 or Q2 of next year, how will the ramp up of this capacity will be?
- Ajay Shriram:** See the ramping up is happening there are new plants coming up. So, that is going to add to the total capacity, India's capacity will reach almost 70 lakh tonnes if you take the next three months or four months, it's coming in. But everyone at the moment because of the demand specially for chlorine, chlorine demand is fairly low and that is sort of pegging the manufacturing levels of the chlor alkali plants. So, it depends a lot on the chlorine how that moves and that will determine what will be the capacity utilization of the plants. Today everyone is a little apprehensive because of chlorine price. And chlorine prices as you may be knowing is going negative. It's almost minus Rs.10,000 per tonne of chlorine. So, that is having an impact on the total caustic soda, chlorine production.
- Ahmed Madha:** Okay, got it. So, coming back to the chlorine part and the PVC part. So, this year, this quarter we had minus 10 crore EBIT loss. Now, if we assume that your volumes will ramp up because the breakdown in power plant has been restored. So, does that mean that we will break even or there will be negative contribution margin?
- Ajay Shriram:** See, PVC difficult to say because as you're saying internationally PVC pricing also have become soft over the last couple of months. That's having an impact, as I mentioned has come to sub \$1,000 per metric tonne. It was about \$970. And going forward we'll have to see how it moves because China demand has also come

down. Europe demand has come down, in America because of the high inflation and interest cost the economy is pulling back. The housing sector is not doing as well. So, all that reduce the demand for PVC.

**Ahmed Madha:** So, my question is that in the sugar business, we have some high-cost inventory from last quarter. So, with cane prices further revised upward and domestic sugar value is not going up. How do you look at the sugar business margin, that's first part and the second part is with increase in the sugar capacity by 4000 TCD does this mean that we have sufficient molasses for our 350 KLD ethanol production, these two questions.

**Amit Agarwal:** So, just to answer your first question in terms of carrying the inventory, we currently have about 14.6 lakh quintals of sugar inventory, which is at about Rs. 3300 is the cost. So, the prices have been reasonably good. However, they have not been able to cover the increased cost, the cane cost and the consumables cost which happened in the last season. So, the only good part in sugar is that because the exports are happening, the inventory is at reasonable levels, so sugar prices are expected to remain stable, or depending on how the export prices are it might inch up a little bit, but we don't see the prices coming off from current levels. That is point one. Also, just to add that, whatever investment we are doing in this sugar, there we are increasing our refining capacity. Now that's going to add straightaway about Rs.80 to Rs.90 per quintal to our margins, along with the ethanol capacity we are putting in, all and all the way you need to look at our sugar business is that we are looking to grow volumes not just in sugar, but we are complementing the volumes with ethanol, with value adding on sugar through refinery, with getting into the products like sulfate of potash which is from waste, and we continue to look at it. So, that's our thought process. Near term plus-minus will continue but as a strategy will grow well in this business.

**Ahmed Madha:** Yes. So, my question was that with 4,000 incremental TCD capacity coming up this season. Do we have sufficient molasses for our 350 KLD ethanol production capacity?

**Vikram Shriram:** Yes, so our existing capacity is 350 KLD on C-molasses basis, or B-molasses it is about 450 KLD. And so, we are short of molasses for the entire season. We are short by about 15%. Now, if you remember when we were putting up when we announced this project of 120 KLD grain-based distillery, there the tandem that we're putting is 260 KLD grain. So, the strategy is that we will be able to process grains to meet up the shortfall to some extent not fully although but to some extent we will fill up the shortfall in the availability of molasses to distillery at 15% of the existing capacity. I hope I made myself clear.

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

**Saket Kapoor:** Sir as in your opening comments you did mentioned about correlation between PVC and the caustic prices. So, if you could dwell slightly more into it, how historically has been the correlation with now PVC prices on a continuous slide over the last one quarter, what should now be the impact on the caustic, are the dynamic aligned or are the graphics would be different this time sir.

**Amit Agarwal:** See, the way it works and the correlation that CMD sir was talking about, is essentially that when the construction activity is low and we all know globally construction activity has come down given the high interest rates and therefore the PVC consumption goes down. And the key ingredient or one of the key raw material for PVC manufacturing is chlorine. Therefore, the chlorine, so once the chlorine goes down which means the operating levels of global chlorine plants are coming

down, which again as a consequence the caustic available is a little less globally. And therefore, the prices have gone up. So, if you see global prices which has gone down to close to about \$500-550 I would say at the beginning of let say in the month of July now they are supposed to run \$750 a level. So, that's some exact correlation is difficult to give you, but then those are some of the factors which help supporting the prices of caustic.

**Saket Kapoor:** But sir currently there is the glut because of more chlorine there in the market, that will not be allowing the caustic players to run at optimum levels going ahead. So, that would directly put pressure on the utilization levels and hence the profitability for the domestic players would also be going down however, exports may support the volume up take, but the glut in chlorine needs more management rather than lower utilization level. So, that understanding is correct sir?

**Amit Agarwal:** What do you are saying is right there glut in chlorine, and going forward at least for the new plants, I'm sure it will affect the operating rates, for the existing plant it is okay. And therefore, with the new plants to ramp up my sense it will be a little slower than what would have been the expectation, but for the existing plant it should be okay, like so currently, we are operating at almost 95% capacity utilization for existing plant.

**Saket Kapoor:** Okay.

**Vikram Shriram:** I would like to just add that ultimately, chlorine demand is also growing because a lot of our customers are also expanding with this China Plus One story plus the whole chemical export story from India, a lot of our customers are also under expansion mode. So, they may be temporary for some quarters or some periods, they may be a mismatch. But the expansion and demand is also expected to be strong.

**Saket Kapoor:** Right sir, correct on that part so it will be transitory in nature going ahead as we maintain.

**Management:** Correct.

**Saket Kapoor:** Sir, as in the graph the ECU realization for us was also flat for this quarter. So, the upward trend in the caustic soda prices have been post the end of the September quarter or it was mentioned as August the prices started moving up, then why were our realizations lower, was this negative chlorine impact the reason for the same?

**Amit Agarwal:** So, if you see the graph there already in the international prices, there's an uptick from 593 in August to \$675 in September, and as I mentioned already reached about \$740, \$750. Then our prices also on ECU basis has gone up.

**Saket Kapoor:** And currently the prices are in the vicinity of \$750 this is what.

**Amit Agarwal:** International prices yes.

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

**Pratiksha Daftari:** If you could just quantify the impact of breakdown the captive power plant and how much of the losses that we've reported, how much of that could be attributed higher cost could be attributed to the power plant?

**Ajay Shriram:** This is of the breakdown with Kota power plant?



**Vikram Shriram:** How much can we attributed to that.

**Amit Agarwal:** So, because of the break down in Kota power plant. It was there for almost three, three and a half months. The total loss would be in the range of around 25 crore to 30 crore for it this period.

**Pratiksha Daftari:** Okay, understood. So, in the presentation we've seen that the international prices have gone up, but the domestic prices for caustic even adjusting for the chlorine hasn't really moved up. So, is there anything particular in the domestic market that is impacting the caustic dynamic, demand slowdown?

**Ajay Shriram:** I would put it this way, one, there's always a timeline because you have contracts already which are there. so, that's one and secondly also it depends a lot on supply demand, maybe some international deals which are done at a higher price. But ultimately, the average price in India we are actually happy that it's at least stable, it is looking that way for this quarter. And the price impact also happens after a little time lag so it can't happen overnight.

**Pratiksha Daftari:** So, is it fair to assume that the caustic prices have gone up in October vis-à-vis September for domestic markets for us?

**Ajay Shriram:** Marginally they've gone up, but unfortunately chlorine prices have gone down further.

**Pratiksha Daftari:** Okay. And chlorine you said negative 10,000 a tonne vis-à-vis about four to 5000?

**Ajay Shriram:** Approximately. Yes, it goes approximately that because depends deal to deal but approximately around that much plus minus.

**Pratiksha Daftari:** Okay. Any particular change in demand outlook in the domestic industry, especially from alumina, textile and paper?

**Ajay Shriram:** That's what the domestic demand is quite stable and it's moving well.

**Pratiksha Daftari:** Okay. So, basically the capacity utilization is being dragged, the constraint is only chlorine utilization not demand?

**Ajay Shriram:** Chlorine is a major factor which is impacting definitely there is no doubt on that, that is having an impact, but world economy we are seeing the geopolitics of the world. And that is affecting each industry in a different way. So, what's happening today, something maybe more positive tomorrow or little less positive tomorrow we can't comment or commit anything going forward. But at least it looks like in India, the caustic soda, chlorine balance and demand as we are moving today will continue for the quarter.

**Pratiksha Daftari:** Okay. On the sugar segment front, these rains off late the recent rain, has that impacted the crop in UP.

**Amit Agarwal:** So, it's a little early to say, sugarcane is a very hardy crop. So, however, the real impact, will have to be seen.

**Pratiksha Daftari:** Okay. And if you could just share the cost of inventory valuation for as on 30th September, for that 14.7 lakh quintal?

**Management:** About 3308 per quintal.

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

**Pratik Tholiya:** Just wanted to just check what was the chlorine prices during the quarter. If you've answered that I actually use that.

**Management:** The average prices Pratik were around (-6600) for the quarter and currently, as we mentioned, it's about (-9,000) to (-10,000).

**Pratik Tholiya:** Okay, I just wanted to clarify on that.

**Management:** The ECUs are good; at ECU level the prices are good.

**Pratik Tholiya:** And sir are you seeing any benefit from this Europe Plus One, a lot of talks happening on that front of course, exports are slightly going up but do you see any long term benefits of this Europe Plus One theme, the way China Plus One has played out in some of the other chemicals. Can that happen in our caustic soda as well?

**Ajay Shriram:** It's difficult to say because of geopolitics. You see energy prices in Europe are going so high that factories are closing down. They're not able to operate because alkali plants closed down because for alkali plant the basic raw material is power; almost 65%, 70% of the cost of production is power. So, that's why it's fluctuating one can't, it's very difficult to give any commitment of how it will move forward. China is also having its own problem because of COVID and because of various other factors. So, frankly speaking, these sorts of products where the geopolitics is unstable, the energy prices are moving in a manner which has been unprecedented we've never seen this level of energy cost. It is having an impact on the economy worldwide across the board.

**Pratik Tholiya:** Sure. And sir lastly on Fenesta, in your opening remarks, you mentioned about the glass facade, if you could just elaborate a little more in terms of by when we'll start and what sort of numbers we can expect in the initial quarters?

**Amit Agarwal:** So, the commissioning will start in the early part of next year so the machine when they arrive will take about a year so, less than a year. So, it should be starting early next year.

**Pratik Tholiya:** You mean calendar year?

**Amit Agarwal:** No, the financial year.

**Pratik Tholiya:** Okay and so what sort of numbers can we expect from there?

**Amit Agarwal:** It will take time to set in the market, it will be a slow start, but we should pick up in next.

**Pratik Tholiya:** And the margins should be comparable with our existing Fenesta margins upwards of 18%, 15% to 18%?

**Amit Agarwal:** The EBITDA margins?

**Pratik Tholiya:** Yes.

**Amit Agarwal:** So, EBITDA margins are in the range of around 14%, 15%.

- Pratik Tholiya:** Okay understood. That's it from my side and wishing the team a very Happy Diwali.
- Ajay Shriram:** Thank you very much and the same to you and your family.
- Moderator:** Thank you. Ladies and gentlemen, as this was the last question for today, I now hand the conference over to the management for closing comments.
- Ajay Shriram:** Thank you. Ladies and gentlemen, thank you very much for your participation at Q2 FY 23 earning conference call. We will continue to work on our strategic direction of growing our businesses using scale, multiple revenue streams, enhancing efficiencies, furthering innovation, and moving further on a circular economy and sustainability. We will also ensure that the balance sheet and cash flows remain strong. We are conscious of our responsibility towards the environment, to our community welfare, and our employees who are the true assets of the company. We believe in working towards planet, people and profits together. We thank you for taking our time during the onset of the festive season. And we take this opportunity to wish you and your family's very safe and Happy Diwali and healthy and prosperous year ahead. Thank you very much.
- 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.