DCM SHRIRAM

BSE Limited Phiroze JeeJeeBhoy Towers, Dalal Street, **Mumbai - 400001**	National Stock Exchange of India Ltd., “Exchange Plaza” 5th Floor, Plot No. C-1, G Block, Bandra-Kurla Complex, Bandra (E) **Mumbai – 400051**
SCRIP CODE : 523367	**SCRIP CODE : DCM SHRIRAM**

Sub: Transcript of Investors’ Earnings Call under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir(s),

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript of the Investors’ Earning Call on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and half year ended September 30, 2024, held on November 5, 2024.

The above said Transcript will also be available on the Company’s website i.e. www.dcmshriram.com.

Kindly take the same on record.

Thanking you,

Your faithfully,
For DCM Shriram Ltd.

SWATI PATIL LAHIRI

Digitally signed by SWATI PATIL LAHIRI
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Date: 2024.11.11 16:08:38 +05'30'

Swati Patil Lahiri
Acting Company Secretary & Compliance Officer

Dated : November 11, 2024

Encl.: as above

DCM Shriram Limited
Q2 & FY'25 Earnings Conference Call
November 05, 2024

Moderator: Ladies and gentlemen, good day and welcome to the DCM Shriram Limited Q2 FY'25 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 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 from CDR India. Thank you and over to you, Mr. Rangnekar.

Siddharth Rangnekar: Thank you, Dorwin. Good afternoon and welcome to DCM Shriram Limited's Quarter 2 FY'25 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; and Mr. Amit Agarwal – Group CFO of the Company.

We shall commence with remarks from Mr. Ajay Shriram and Mr. Vikram Shriram. Members of the audience will get an opportunity to post 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 and a note to that effect has been included in the Conference Call Invitation 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 evening and a very warm welcome to all of you and I hope you all had a great festive season.

I shall commence with views on the strategic imperatives for our businesses, followed by Vikram, who will share the financial perspective.

The global landscape is currently marked by escalating geopolitical tensions and widespread instability. Since 2019, there has been a notable surge in trade barriers, indicative of a growing trend towards protectionism. This shift, combined with efforts to mitigate risks, is promoting a significant restructuring of supply chains worldwide.

India is in a sweet spot and stands poised to leverage emerging opportunities. India continues to maintain impressive growth rates while steadily improving its standing across various international rankings and indices.

In today's dynamic business environment, operational agility has become a crucial strategic imperative. Our strategic approach is designed to foster growth in our core operations through integration, both upstream and downstream. We are consciously working towards having backward and forward integration as the strategy going forward. This strategy aims to bolster resilience, minimize risks, and secure competitive edge along with growth, in an increasingly uncertain and competitive landscape.

To this end, we have unveiled capital expenditure plans focused on two key areas; Firstly, the downstream chlorine integration in our Chemicals division and secondly, upstream integration for Aluminium extrusion in Fenesta Building Systems' division.

Sustainability remains key for our operating processes and growth agenda. Resource conservation is a core objective for us along with positively impacting the communities and environment in which we operate. Accordingly, we are further adding renewable energy to the tune of about 74 MW. This strategic move demonstrates the company's commitment to reducing its carbon footprint and embracing cleaner energy sources.

I will now turn the discussion on key industry dynamics across our various businesses.

Chemicals

During the quarter, global demand for Caustic remained balanced and the international caustic prices were stable, however towards the end of the quarter the prices have increased led by fears of supply constraints due to cyclone in the US & increase in demand in China led by fiscal stimulus. Pricing volatility is bound to persist given the volatile geopolitical position.

India's caustic industry capacity is now around 6.2 million metric tonne and is currently operating at a rate of around 75%. This is resulting in an oversupply in the market and therefore leading to lower chlorine prices and hence, lower ECUs. India continues to be a net exporter of Caustic soda.

The sea freight remains elevated, and this coupled with ongoing Red Sea situation continues to impact global trade & exports from India.

We commissioned our Hydrogen Peroxide plant in the last quarter. Our product is being well appreciated & accepted in the market and we are now expecting a much speedier ramp up. We are nearing 50% capacity utilisation. We have also commissioned a flexi-feed Caustic soda flaker plant that will give flexibility to optimize costs and increase exports.

The ECH plant faced some pre-commissioning delays which are being addressed by our technology partners and we are confident of commissioning the plant by Q4 FY25.

We have announced chlorine downstream projects of 100 TPD Aluminium Chloride & 225 TPD Calcium Chloride in Bharuch with a capex of Rs 310 crore at a new site near our existing plant. These projects will get commissioned by Q1 FY27 and will enable a chlorine sink of upto 225 TPD. The marketing strategy for these products will involve tapping the export market and the business team is already in talks for tie-ups for these products.

Vinyl

Global demand for PVC in the key economies continues to be sluggish given the underperforming housing sector driven by elevated interest rates.

Domestic PVC demand has picked up and recorded 20% growth in H1. However, amid structural issues with Chinese economy that is facing crippled local demand and surplus product availability, there is a sharp increase in low priced PVC imports from Chinese suppliers that is being dumped into India. PVC imports accounted for ~70% of total demand in India during H1FY25. Recently we are again witnessing increase in freight rates from China which may positively impact prices in India. However, I am happy to share that the Ministry of Commerce has recently recommended an interim anti-dumping duty on seven countries, including China. We now expect the Ministry of Finance to approve it in the next two to four weeks.

With the end of the monsoon season, domestic demand for PVC is expected to improve with the resumption of construction activities and agricultural demand.

Sugar & Ethanol

Global sugar supply & demand for SS 2023-24 is expected to be almost balanced with surplus of 1 Million Metric Tonne.

The Indian Sugar season 2023-24 is expected to end with a stock of ~8.4 million metric tonne with production estimate of 32 million metric tonne. For the next season the Sugar production estimate is about 31 million metric tonne and demand is expected to be around 29.5 million metric tonne. Prices are expected to remain rangebound for the FY 2024-25 between Rs 3850-

3950/Qtl, which are not commensurate with the increase in the cost of production owing to increase in SAP and climatic conditions in the last season. Simultaneously, industry is pushing for increase in MSP of Sugar and pushing for export for the next season.

On the ethanol front, the government has achieved 13.8% blending as of September 2024, with 57% ethanol derived from grains and balance from sugarcane. Further, the government has also removed restrictions on ethanol production from Cane Juice and B-Heavy Molasses.

We have commenced crushing for the current sugar season. The Sugar expansion at Loni unit and the CBG Project at Ajbapur unit are progressing as per schedule.

Fenesta Building Systems

Fenesta continues to deliver growth supported by volume and value in both projects and the retail categories. Growth could have been faster but for the temporary sluggish market being faced by building material industry.

The business is investing into setting up newer revenue platforms and enhancing capabilities and capacities to accelerate future growth.

The aluminium windows sector has been experiencing robust double-digit growth. To capitalize on this trend we are making an investment of Rs 149 crores to establish an Aluminium extrusion facility. The project is expected to be commissioned by Q4 FY'26. By integrating this process into our operations, we aim to enhance customer experience by providing end to end solution along with delivering reliable, high-quality and innovative products. This will improve our cost efficiencies too.

Moving on, the Agri-Input business portfolio comprises of Shriram Farm Solutions, Fertilizer and the Bioseed businesses.

Shriram Farm Solutions

SFS has once again delivered double digit top line growth and continues to contribute significantly in overall operating profits of the company. This growth is driven by volumes across the business verticals, particularly research wheat seed.

Abundant rainfall has ensured sufficient water availability, providing a favourable and optimistic foundation for the forthcoming rabi crop season. Our continued emphasis on innovation and product development leading to unique offerings to the farmers has been instrumental in re-energising this business and will continue to be our key pillar for growth momentum for this business.

Fertilizer

The urea business environment continues to be stable. The gas prices have inched up slightly. The Company has been making continuous efforts towards improvement in energy consumption, maximising urea production as well as controlling fixed costs.

Bioseed

India operations continue its turnaround journey with help of novel hybrids for key crops that were introduced over last few years. International operations have contributed well too. We have a robust pipeline of products and we are expecting to grow the business going forward.

I will now request Vikram to take this conversation ahead to cover the financials. Vikram, over to you

Vikram Shriram: Thank you. Good evening everyone and wishing you a very happy Diwali.

I will now take you through the financial highlights of Q2 and H1 FY25.

Net revenues for Q2 FY25 were at Rs 2,957 crores versus Rs 2,708 crores in Q2 FY24, an increase of 9% year-on-year driven by growth across businesses. Chemicals, SFS and Bioseed have led the growth for the quarter. PBDIT for Q2 FY25 was at Rs 235 crores versus Rs 136 crores in Q2 FY24, an increase of 73% year-on-year.

Chemicals

The business reported an increase in revenue of 19% year-on-year, led by Caustic soda volumes that were up 16%, on account of new 850 TPD facility that was operationalized in May 2024. PBDIT increased by 128% owing to lower input prices, particularly energy prices and efficiencies from the new 120 MW power plant. The segment continues to see good demand of caustic, however excess capacity in India is creating pressure on product prices especially in Chlorine. There was positive impact of about Rs 20 crores on account of state government incentive received in relation to projects commissioned in FY 2017.

Vinyl

The Business saw a decline in revenues by 8% year-on-year on account of lower volumes, mainly due to a planned maintenance shutdown in the current period. PVC and carbide prices for the quarter were in the range of plus / minus 2% over last year. PBDIT improved over last year, led by lower power and carbon material costs.

Sugar & Ethanol

Sugar & Ethanol business revenue, net of excise duty, was higher by 3% year-on-year due to increase in prices of both sugar and ethanol. Domestic volumes and prices of sugar was higher by 6% & 3% respectively. Volumes of ethanol were lower by 18%, owing to C-heavy operations in the last crushing season. Prices of ethanol was higher by 10% YoY. PBDIT for the segment was at similar levels as earlier.

Fenesta Building Systems

Fenesta building systems' revenues increased 6% year-on-year, led by increase in both prices and volumes across projects and retail segments. PBDIT for the quarter moderated by 6% due to higher fixed expenses for future growth, mainly due to setting up of new product platforms, higher marketing expense and enhancing manufacturing capacities.

Shriram Farm Solutions

Shriram Farm Solutions revenues increased by 33% year-on-year supported by volumes across all the verticals and led by research wheat. Prices were higher in research wheat, however there was slight moderation in prices of other verticals. We expect research wheat to perform better than last year in this financial year. PBDIT for the quarter was higher by 64% on account of better margins in research wheat, despite higher marketing expenses focused on strengthening of "Shriram" brand.

Fertilizer

Fertilizer revenue was higher by 5% year-on-year. PBDIT was also higher by 24% led by increase in prices and volumes. Outstanding fertilizer subsidy was INR 12 crores as against negative INR 267 crores last year

Bioseed

The Bioseed segment saw a revenue increase of 24% year-on-year and PBDIT was higher by almost 6 times. The improvement is led by domestic business on account of higher volumes and prices in corn and hybrid paddy.

Coming to the highlights of H1 FY25

For the half year ended 30th September 2024, revenue net of excise duty was at INR 5,834 crores, an increase of 6% year-on-year. This was driven by all the business segments except fertilizer in which there was a planned maintenance shutdown in the current period. SFS and Chloro-Vinyl segments' revenue increased by 25% and 13% respectively, largely driven by volumes.

PBDIT came in at Rs 509 crores, an increase of 59% year-on-year, largely led by the Chloro-Vinyl segment that saw its PBDIT increase by 218% on account of higher margins due to lower carbon material costs, energy prices and better efficiencies.

The company's net debt is at Rs 302 crores as on September 30, 2024 as against negative Rs 203 crores as on September 30, 2023 and Rs 1,434 crores as on March 31, 2024. The year on year increase was because of capital expenditure over last one year and higher sugar inventory. Over March '24 the decline is primarily because of reduction in Sugar inventory as well as Urea subsidy.

Return on capital employed for September 2024 came in slightly lower at 15% as compared to 18.5% for September 2023, since capex incurred on the projects will start yielding returns in forthcoming quarters.

The Board announced an interim dividend of 100% amounting to Rs. 31.19 crores.

With the major investments in the chemical segment coming to end and a strong balance sheet and cash flows, we are evaluating opportunities in value chain around our core businesses. We look forward to a healthy and sustainable growth going forward.

That concludes my opening remarks and I request the moderator to please open the forum for the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav Jimudia from Anvil Corporation. Please go ahead.

Nirav Jimudia: Sir, I have two, three questions on the Chemical side. Sir, when I see your presentation, particularly in terms of the production of caustic, I think we have clocked something around 1,920 TPD of production this quarter. If we do some math and do the calculation, I think our chlorine production was close to 1,700 TPD. If you can help us explain how much we have consumed internally for our SBP, Aluminum Chloride plant, how much was the sales to the pipeline customers and how much we have sold in the spot market. And sir, if you can also share the market of chlorine within our area of operations predominantly Jhagadia because I was doing some sort of readings, and my understanding suggests that the market of chlorine within that Jhagadia region is close to 1,000-1,100 TPD of chlorine. If you can share your thoughts, that would be very helpful.

Amit Agarwal: One, in terms of our captive consumption, see, we have two plants, one in Bharuch, Jhagadia, and the other is in Kota. Put together, our captive consumption is close to about 18%, and through pipeline it would be another 35-40%. Now in terms of market in Jhagadia, I do not have the number in terms of size of the market there right now, but what I understand is that the market is growing given that industries around us, whether it is Aarti, KLJ and other, they are also expanding and therefore we see the market growing.

Nirav Jimudia: Sir, in terms of the integration project what we have announced, I think that would further consume something close to around 235 TPD of Chlorine. So, eventually when we will have or be in operating at close to 90% utilization, what sort of integration from current level of 18% of chlorine could go up to? Any thoughts?

Amit Agarwal: So, that should go up from 18% to close to 32%.

Nirav Jimudia: On the 90% utilization assuming we continue to operate our plant at 90%?

Amit Agarwal: True. So, see the major delta will come in Bharuch business, our Kota will remain more or less the same. So, therefore, overall, as a chemical business from 18% will go up to 32%, and pipeline you can add another 35-40%. So, more or less for the business as a whole, we will have 65% virtual certainty of supply and rest we are comfortable that we can supply in the market.

Nirav Jimudia: And sir, when we speak of selling our chlorine to the pipeline customers, how does the pricing work there? Because in the spot market, I think prices fluctuates a lot, and it lot depends upon the production of caustic also. So, when we sell through the pipeline customers, how the contracts, are there any fixed price contracts or are there formula-based pricing which is there and because of that the volatility in the Chlorine price is something like insulators from sales to our pipeline customers?

Amit Agarwal: So, Nirav, it is more about giving exit to chlorine. I do not think it is so much about prices and the contracts are of all kinds, but mostly they are on spot basis.

Nirav Jimudia: Sir, second question is in the presentation, you have mentioned that though the capacities in India were increased and there were pressures on the realizations, but at the fag-end of the quarter, I think there were some spikes in the prices of caustic. So, just wanted to understand from you like in between the quarters, let's say Q1 and Q2, the prices of caustic imported to India was close to $470, but our realizations have fallen. So, our ECU has fallen from, let's say, 28 to close to 25.9 this quarter. So, it is more related to the Chlorine prices and whether the increase in the prices in the international market very recently, what you have alluded in the presentation. Similarly, do we have taken the price hikes also in the domestic market following the increases in the international market?

Amit Agarwal: One, I think the biggest reason why the prices have not followed international markets as in ECU is because of the chlorine. Chlorine, if I remember correctly, Q1 was about 4,000 negative and in Q2 it was about 7,000 negative. Currently, it is about 9000 negative. Right? And the other thing is there is always a lag in terms of international prices and the international prices went up only by September. September second half is when we saw prices going up. Ballpark, they have gone up by about $70 over the last 1.5 months. And there is always a lag in terms of getting reflected in the numbers because there are always supply contracts for one to two months which are fixed. So, therefore, they have impact.

Nirav Jimudia: But sir, safe to assume that how much, so the extent to which the Chlorine has gone negative from, let's say, -7,000 to -9000, that sort of price increases we have taken in order to maintain our ECU or slightly improve that.

Amit Agarwal: No, we do see our ECUs to be better in Q3.

Nirav Jimudia: And sir, last bit from my side. So, when I was just going through our annual report, what we have clocked in terms of PBIDT for particularly the Chemical business was close to INR190 crore. So, sir, safe to assume that last year was because of the pressure on the ECU and the other cost. Was it more from the value-added products like hydrogen and aluminum chloride and SBP and less from the caustic chlorine business?

Amit Agarwal: From last year’s perspective, what you are saying is right. But from this year’s perspective hydrogen will continue to add value. It is the cost side where there has been a significant reduction in cost and therefore caustic also is going to be profitable. On top of it, there are more volumes.

Moderator: Thank you. The next question comes from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Sir, my first question is on the anti-dumping duty. The anti-dumping duty is with the Ministry of Finance. So, if it is approved, how much benefit can we see in our profitability on the PVC segments?

Ajay Shriram: The anti-dumping duty ranges country to country. The way the government has approved, or the Ministry of Commerce has approved. The anti-dumping duty ranges in US, Thailand, Taiwan, Korea, Japan, Indonesia and China from the range of about $51 in Korea to China is between $82 and $125. China would be an average I would say about $100. So, it is ranging between this level, the highest band is in China, second is in US, $64 to $104. So, I think with all these coming in, it is now with the Ministry of Finance, and this was just issued on the 30th of October. It is very early right now. So, it's gone to the Ministry of Finance and the industry is pursuing it with the Ministry of Finance.

Jainam Ghelani: And since our ECH plant will be commissioning in Quarter 4, we would need approvals from the customers. So, how long would the approval process be for the same?

Amit Agarwal: The approval process ranges between, for domestic consumers, it will be anywhere between 1 to 2 months. For overseas customers, it is a little longer. It depends on application-to-application, but that's the ballpark range.

Moderator: Thank you. The next question is from the line of Parth Vasani, an individual investor. Please go ahead.

Parth Vasani: My question is more related to CPVC resin. I just wanted to know, is there any plan to make that special PVC, which is required to make CPVC resin which I believe most of the companies import?

Ajay Shriram: No, we actually have not talked about making CPVC resin in our company.

Parth Vasani: So, you are not planning to enter into the CPVC resin manufacturing?

Ajay Shriram: No.

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

Saket Kapoor: First a small clarification sir, you mentioned that the Chlorine price was negative for the 2nd Quarter was 5000 and currently it is trending at 9000. Is this what you alluded?

Ajay Shriram: Chlorine in the negative pricing, yes.

Saket Kapoor: So, exit of September the negative has increased significantly. What factors have led to this, and will this lead to lower utilization levels for caustic?

Amit Agarwal: So, Saket, this is the other way around. One, this negative increase has happened more recently. 9000 I was giving you the number as on date. For the quarter ending, I mean quarter ending September, which is 2nd Quarter, it was close to about 6,700 to be precise average negative. And to answer your point that in fact, caustic utilization is the reverse. The more chlorine, today what's happening, what is leading to lower prices is that more chlorine is being produced. As new capacities have come up, prices are better for caustic, hence people are increasing their capacity utilization leading to more chlorine and therefore lower prices of chlorine.

Saket Kapoor: And for the offtake of chlorine, sir, I think you did allude to our steps we are taking for increasing the portfolio of value-added products. Where are we in terms of the current captive use of chlorine and the external sales and what should be the number for H2 and next financial year?

Amit Agarwal: So, if I look at captive consumption including pipeline for the business as a whole located in Bharuch as well as Kota, I am at about 48% including pipeline and going forward once these capacities come up which is ECH, calcium chloride and enhanced aluminum chloride then I should be about 65% to 70% including pipeline.

Saket Kapoor: We have also heard about Reliance coming up with a big PVC complex. They made this announcement sometime in their AGM in the month of August. So, how are the dynamics of the industry going to change with this huge 1.5-million-ton PVC complex? What's the thought process and how are caustic players aligned to this huge PVC and also the PVC market itself? Your thought on the same, sir.

Amit Agarwal: Your question is on caustic or PVC?

Saket Kapoor: Both sir.

Amit Agarwal: On caustic, the way we understand is that Reliance as well as Adani both are coming up with their caustic project largely to feed chlorine into their PVC. Now both of these projects will be in the coastal regions and looking at the global demand, which is about 106 million tons and growing at about 2%, we expect that the caustic that they are going to manufacture will largely be for the export market. So, that is point number one on caustic. It may cause some interim disruption domestically, but it is the intent what looks like. As far as PVC is concerned, see the total domestic market size in PVC is about 4 million tons. And today what we manufacture is only about 1.4 million tons. So, there is a huge gap. And they, I think, if I am not wrong, are coming up with about 225,000 kilo tons as a capacity, which is only a partial capacity. So, we do not see any stress coming on PVC. In any case, we are based out of North and these two plants are coming up in the Western region. So, we do not see any challenges as far PVC is concerned.

Saket Kapoor: As for caustic as a whole, there are issues with demand globally also.

Amit Agarwal: I do not see any issues with demand. PVC in India itself, as I mentioned, there is a big gap on demand and supply and on top of that it is growing at about 10%-11%.

Saket Kapoor: And for caustic? Caustic soda globally we find demand restrictions especially for the European economy where in big players also mothballed their capacities. That was my thought. Am I correct in that thought process?

Amit Agarwal: There are two things happening here. One, Europe is closing down capacities because of their overall cost structure and they are probably looking at more value add. That's an opportunity for India to export. And other thing is globally demand is increasing. One example is new paper capacity, pulping capacity coming up in South America. In India itself, the aluminum capacity is increasing from about 4.1 million tons to about 6 million tons. So, I think demand is getting created. But yes, it is only a matter of time when this new capacity in India gets absorbed.

Saket Kapoor: And lastly, on the P&L part, I find that the power and fuel cost on the quarter is up significantly to Rs. 428 crore if we take the QoQ increase from Rs. 373 crore to Rs. 428 crore, if you could just explain the key reason and I think we have also taken a maintenance shutdown. What is the cost that we have incurred and what is the update on the realignment of the capacity post shutdown?

Amit Agarwal: Now we have taken a maintenance shutdown in vinyl business. So, all that is back on track. We are operating at nearly 100% capacity. And the increase in cost of power and fuel is primarily led by volumes.

Saket Kapoor: And sir, on the new power plant in Kota, are we now accruing the benefit of the same completely?

Amit Agarwal: The new power plant is at Bharuch and yes, we have started accruing the benefits.

Saket Kapoor: And what was the annual saving we envisage from the same?

Amit Agarwal: I think it's reasonable. I do not have the number right away, but it is something which we are happy and it's closer to what we had targeted as a benefit.

Saket Kapoor: And what is the thought process of the outlook for the sugar bioethanol story from us? How are we going to pursue the opportunities? If you could just throw some more light on this, sir?

Amit Agarwal: On sugar, see bioethanol is very futuristic right now. We are also evaluating where these technologies are because the technologies itself are not very matured. The market is not very mature and therefore the impact, you know, they are very expensive fuels. So, we will keep a watch. But yes, we are looking at how best we can make sugar as an ecosystem, right, where there are multiple products. But they all will depend on how the technology is matured.

Moderator: Thank you. The next question comes from the line of Falguni Dutta from Mansarovar Financials. Please go ahead.

Falguni Dutta: I just had one question that's on sugar. What is the cost of sugar production for the season that just ended in September?

Amit Agarwal: So, our cost of production was close to about 3,600, a dash lower than that, ballpark.

Falguni Dutta: Does this include interest and depreciation also?

Amit Agarwal: Yes.

Falguni Dutta: And is it possible to tell me the number before interest, after depreciation but before interest if it's readily available?

Amit Agarwal: Falguni, I don't have that number right away.

Moderator: Thank you. The next question is from the line of Surabhi from NV alpha. Please go ahead.

Surabhi: I wanted to know more about Shriram Farm Solution. I have been seeing that we have consistently been doing 17%-19% margins in the last couple of years. What exactly is the hero product? Is it the crop protection or is it the soluble fertilizers? And also, what is the capital employed in this business? Should we take the bioseed plus the fertilizers as the real capital employed?

Ajay Shriram: No, I think the Shriram Farm solution actually has three verticals. One is the business of seeds, where they have hybrid seeds, and they have got research wheat and other products. Second, they have got crop care chemicals, which is a sub vertical within SFS. And third is where they have plant nutrients, which is the third vertical. So, they're focusing on all three. And there is a focus research going on in all these areas to try to get products which are unique products which are effective with the crops, products which the farmers want to buy. So, the focus is very strong over there. The manufacturing we have is for specialty nutrients etc. at Kota, which is not that large. So, I do not know, Amit may be having how much money is involved there. But the working capital requirement in the business is not too much. It's quite small. It's not really large at all. And SFS is a separate vertical in our group. Bioseed is a separate vertical in our group. And they both have their own management teams. They both have their independent CEOs. And they manage the business independently and manage their own cash flows independently.

Surabhi: What kind of ROCEs do we make in the SFS business? And also, would like to know if Q3 is seasonally the best quarter for SFS correct?

Amit Agarwal: So, one, yes Q3 will be the best quarter for this business because of research wheat that's the most profitable business in the Farm Solutions. So, I think that is one reason. And on your point of the ROCE, given that their capital employed is negligible and their EBIT will be in excess of Rs. 200 crore, so it's like abnormal number, it's very high.

Surabhi: And just last question, within like seeds and nutrients, what is the top selling product within the SFS segment?

Amit Agarwal: Research wheat in the seed segment, but I think your question is also on the plant nutrition, is it?

Surabhi: No, so like overall, because I see that in the footnote it's written plant nutrients, water solubles and seeds. So, which of that is the higher contributor amongst the three?

Amit Agarwal: Seeds.

Moderator: Thank you. We have a follow up question from the line of Nirav Jimudia from Anvil Corporation. Please go ahead.

Nirav Jimudia: One question on the urea side. So, when I see the numbers I think our EBITDA per ton is close to around Rs. 2,000-Rs. 2100. Just wanted to understand from you like are the numbers lower just because the fixed cost absorption or the compensation from the government has not been revised from last so many years and because of that there is some under recovery so far as the fixed cost compensation is concerned or our energy consumption Gcal per metric ton is higher and because of that we will not be able to materially improve our EBITDA per metric ton in the urea side.

Amit Agarwal: One, Nirav, we need to understand that our focus businesses are Chemicals, Sugar, Farm Solutions and Fenesta. Farm Solution and Fenesta are the consumer facing businesses. And these are the four businesses that define the future of the organization. Now in terms of Fertilizer, I think it's performing reasonably well. Last year, if you see the EBIT was about Rs. 53 crore, almost capital employed was not very high given the subsidy situation resolved. So, we feel it has a ROCE of close to about 60%-70%. Now that's very reasonable. Yes, our fixed costs are a little higher given their size, but our efficiencies are reasonably good. So, I think overall Fertilizer and we manufacture urea, so it's in pretty good shape.

Nirav Jimudia: The second question is on the chemicals that given the production of close to 1,920 TPD of caustic soda this quarter. If you can share the mix of power between renewables-captive, how is the mix and let's say when we ramp up our production how this mix would look like?

Amit Agarwal: One our production I think at Bharuch it was close to about 1,400 tons per day and at Kota, it was close to about 500 tons per day. So, that's about 1,900 tons per day ballpark for the quarter. Now coming to renewable, see out of the total power requirement currently, our total power requirement is close to about anywhere between 125 to 150 megawatt at Bharuch. So, out of that, about 25 megawatt on an average basis is coming from renewable energy.

Nirav Jimudia: And is rest from captive?

Amit Agarwal: Rest is from captive, yes, because my contract, peak is about 44-45 MW, average is 25 MW, so that will remain. We are just adding another 6.6 MW which will start coming from next quarter. So, peak, in Bharuch we will have about 50 MW. And Kota, in another 1–1.5 years we will add another 68-megawatt peak.

Nirav Jimudia: So, currently Kota is entirely on coal-based captive plant?

Amit Agarwal: Yes. So, the only thing is we are also using almost 15%-20% biomass there. To that extent, we are using green fuel.

Nirav Jimudia: And how the things would look like when we will keep on ramping up our volumes of caustic soda?

Amit Agarwal: So, we are quite focused on seeing that how do we improve our green footprint. As of now, we do not plan to increase our capacity. There will be ramp up happening at Bharuch from, let's say, currently we are at about 1,400-1,500 tons, and we will go up to about 2,200 tons. So, that will largely be met by captive sources. And there also what we are looking at is the options of increasing our biomass. So, our boilers are capable of taking 30%-40% biomass, especially the new boiler. So, to that extent, we would like to reduce the carbon footprint.

Nirav Jimudia: So, last two clarifications, so one on the Flaker plant of 600 TPD, has it started operating?

Amit Agarwal: Out of the total planned expansion of 600 tons per day, 300 tons per day has started operating.

Nirav Jimudia: So, that would help our exports possibly in order to improve our utilizations, right?

Amit Agarwal: Yes. That's what Chairman mentioned in his opening remarks.

Nirav Jimudia: And the last clarification is on is on the PVC plant at Kota. So, there possibly we may be converting chlorine to HCL for our PVC or does the chlorine directly go to the PVC plant?

Amit Agarwal: Chlorine goes into HCL. And then HCL goes into PVC.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Just one clarity that I needed, again on the power side of it, so, if I understand it right, you are spending Rs. 76 crore to increase your peak capacity from 44 megawatt to 68 megawatt. That is the addition of 24 megawatt, right?

Amit Agarwal: We are investing close to about Rs. 73 crore to Rs. 74 crore. That is, we are doing a new tie-up for our Kota facility where we are tying up 68 megawatts.

Vignesh Iyer: That is over and above the 44 megawatts, that you already have?

Amit Agarwal: Exactly, that is over and above. See, 44 megawatts is at our Bharuch facility which is in Gujarat.

Vignesh Iyer: So if I understand the average, you have done around 25 megawatts in your Bharuch facility, what would be like the average utilization possible out of the 68 megawatts?

Amit Agarwal: So, just to add here, one in Bharuch we are currently at 25 MW, we will go up by about 2 to 3 megawatts because we have tied up another 6.6 megawatts in Bharuch. So, there we are spending close to about Rs. 3 crore as our equity participation. Now out of this 68 megawatt, I think it is about 32–33-megawatt average.

Moderator: Thank you. Ladies and gentlemen, that was the last question. 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, thank you very much for your participation in our earnings conference call. Our growth strategy reflects our commitment to adopting and thriving in a complex global market while strengthening our core business capabilities and the value chain. Sustainability remains the cornerstone of our business philosophy, reflecting our unwavering commitment to environmental stewardship and social responsibility. Thank you very much once again. Goodbye.

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