BSE Limited Phiroze JeeJeeBhoy Towers, Dalal Street, **Mumbai - 400 001**	National Stock Exchange of India Ltd., "Exchange Plaza", 5th Floor, Plot No. C-1, G Block, Bandra-Kurla Complex, Bandra (E) **Mumbai – 400 051**
SCRIP CODE : 523367	**SCRIP CODE : DCMSHRIRAM**

Sub: Analysts/ Investors Call Transcript

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) for the quarter and half year ended September 30, 2023 held on November 02, 2023.

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,

Yours faithfully,
For DCM Shriram Ltd.

Sameet Gambhir

Digitally signed by Sameet Gambhir
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o=Personal, cn=Sameet Gambhir
Date: 2023.11.08 16:42:05 +05'30'

Sameet Gambhir
Company Secretary and Compliance Officer

Dated: 08.11.2023

Encl.: as above

DCM Shriram Limited
Q2 & FY '24 Earnings Conference Call
November 02, 2023

Moderator: Ladies and gentlemen, good day and welcome to DCM Shriram Limited Q2 FY24 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 star, then zero 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, Jacob. Good afternoon and welcome to DCM Shriram Limited's Q2 FY24 earnings conference call. Today we have with us Mr. Ajay Shriram, Chairman and Senior Managing Director, Mr. Ajit Shriram, Joint Managing Director, Mr. Aditya Shriram, Deputy Managing Director and Mr. Sanyog Jain, Deputy CFO of the company.

We shall commence with remarks from Mr. Ajay Shriram and Mr. Ajit 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 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 afternoon, ladies and gentlemen and thank you for taking time to join us for our Q2 FY24 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 the strategic imperatives of our business, followed by Ajit giving a perspective on our business's performance.

The fresh conflict in the Middle East threatens to roll back the already weak economic recovery in key developed economies. Inflation remains the primary disruptor to normalization of growth as central bankers are already setting the tone for a tighter policy regime.

The combined impacts from geopolitics, higher interest rates and non-linear risks from climate change will intensify problems for nations with bloated debt and weak economies. We are already seeing adverse impacts in our Chloro-vinyl businesses from these factors. The steps we are taking to diversify our product mix and bring in higher efficiencies shall mitigate these issues to a certain extent.

Sugar industry continues to operate in a stable political environment and is likely to remain insulated from the global dynamics given the fall in production estimates.

Shriram Farm Solutions, our business vertical in rural agri-input area, has continued launching new products, including from our own research and has also started working towards creating a manufacturing footprint.

Fenesta business continued its growth momentum and we augmented our extrusion capacity to support growth in the uPVC segment and are also looking at expanding geographically and increasing our product offerings. Sustainability, being central to our initiatives, one will see progress in water and energy conservation, green energy and circular economy. We have also raised a sustainability linked loan to mark our unwavering dedication towards the ESG objectives.

I would now like to walk you through our various businesses.

Chemicals:

The major economies are yet to see the path to sustained economic revival due to geopolitical factors. Caustic soda, being a key product that gets consumed by several key segments of the economy, its demand has remained subdued in the first half of the fiscal year, driving inventory levels higher. In India, new capacity additions have led to lower operating rates as the demand pickup is not commensurate to capacity additions. Also, during the first half of the year, the net exports were lower at 1.16 lakh metric tons versus almost 1.4 lakh metric tons correspondingly last year.

We continue to face price pressures due to international prices and continue to work on the cost sides to improve margins. Our captive green energy plant was commissioned in the last quarter and the 120 megawatt more efficient power plant has started trial runs and will yield results from this month. Other projects are under advanced stages of execution and will be commissioned before the end of this financial year.

Vinyl:

South Asia continues to attract imports as demand from North America and China remains subdued. Demand across India was strong. However, China, with its excess capacity and aggressive pricing, continues to put pressure on prices in the country. The volumes have been higher this year. Also, the raw materials, mainly power and carbon costs, have corrected and have kept margins positive. PVC prices have further softened and we are maximizing carbide sales.

Sugar:

World sugar balance is expected to be balanced and hence international prices remain firm Presently, it is approximately $730 per ton for whites and $0.27 per pound for raw sugar. Domestic market being insulated from international market, sugar prices continue to be much lower at approximately INR3,800 to INR4,000 levels.

Indian sugar stocks as of September 30, 2023, at 4.5 million metric tons, along with sugar production for the sugar season 2023/2024, estimated to be around 30 million metric tons, should support domestic sugar prices in the coming months.

The Uttar Pradesh government is yet to announce the State-Administrated Price, SAP of sugar cane for the upcoming season. The industry will be expecting a parity with the central government's FRP, the Fair Remuneration Price, also factoring in the impact of the country liquor policy of Uttar Pradesh. We plan to commence sugar cane crushing in the first week of November and are expecting a good crop for the year.

Our distillery' operations were slightly impacted due to non-availability of molasses for the few days in the current season due to the irrational country liquor policy. However, this will be mitigated to a large extent in the upcoming season with change in the feedstock mix. The government has achieved ethanol blending of 11.7% as of August 2023 and has also increased the prices of damaged grain ethanol to ensure higher blending in the balance ethanol year.

The prices of feedstock, that is sugar and damaged grain, continue to be high and therefore industry is expecting an increase in the ethanol prices for all categories of ethanol to ensure higher blending rates in the coming season.

Moving on to agri-rural businesses which comprise of Shriram Farm Solutions, Bioseed and Fertilizer.

Shriram Farm Solutions:

We have seen healthy growth on the back of research wheat and hybrid seed volumes. In our drive to introduce more research-backed products, we introduced three new products including a novel product in speciality plant nutrition. We are also working towards enhancing our brand-centric promotion.

The winter rain is expected to be low and thus we are expecting Rabi to be weaker for crop care and speciality plant nutrition verticals. Our project to manufacture water-soluble fertilizers and biologicals continues on-track and will be commissioned in Q4 FY24.

Bioseed:

Bioseed witnessed higher revenues in vegetable seeds in India and corn seeds in Philippines. New and superior performing hybrids have been introduced and well received by farmers in corn and cotton in the target markets of India. More launches are lined up for wheat and vegetables in the upcoming Rabi season. Based on the strength of these products and strong pipeline, we are optimistic about significantly increasing our market share in the coming season.

Fertilizer:

The raw material prices have come down sharply, impacting both top line and bottom line of the business. Profits for the quarter were lower for the above reason. However, the profits for the half year were higher due to maintenance shutdown in the last year. Subsidy outstanding stood at a negative INR267 crores as compared to INR683 crores last year and INR310 crores as on 31st March 2023.

Fenesta Building Systems:

We have seen performance trends sustaining with both our project and retail segments, showing healthy improvements in volumes. We have commissioned two new extrusion lines at Kota and this will help in sustaining this growth momentum.

We have also formed a strategic partnership with a UAE-based firm for our facades business. We are looking to grow both by geographic and SKU expansion, backed by a strong brand and business processes.

We are once again at the cusp of economic volatility on the global arena. The transmission of softer demand trends in India, in tandem with firmness in energy costs, is impacting key sectors of the economy. Our strategic investments in enhancing the business mix and efficiency in operations are expected to be fully achieved before the end of the financial year. As a strongly growing country, India remains a sweet spot for high consumption and as a multi-business entity, we shall be prepared to grow smartly.

Our healthy cash flow and healthy balance sheet will supplement our growth initiatives. I would now like to ask Ajit to cover the financial perspectives with you. Ajit, over to you.

Ajit Shriram: Thank you. Good afternoon everyone. I will now take you through the financial highlights of the Q2 and H1 FY24 results. Net revenues for Q2 FY24 were at INR2,708 crores versus INR2,740 crores in Q2 FY23, a decline of 1% year-on-year, adversely impacted by lower volumes and prices of chloro-vinyl segment. Sugar, Fenesta and Shriram Farm Solutions led the growth for the quarter. PBDIT for Q2 FY24 was at INR136 crores versus INR302 crores in Q2 FY23, a decline of 55% year-on-year.

Chloro-vinyl segment revenues declined 30% year-on-year to INR656 crores and PBDIT was down 81% at INR47 crores.

The chemical segment reported revenues of INR509 crores, a decline of 35% year-on-year. ECU prices were lower by 40% year-on-year and volumes of caustic soda sales were down by 2% year-on-year. Therefore, PBDIT was down 85% at INR38 crores. However, the segment continues to see good demand and prices for hydrogen. Margins are currently positive, led by reduction in energy costs.

Vinyl saw a decline in revenues by 5% year-on-year at INR147 crores largely on account of a decline in prices of PVC and carbide by 13% and 27% respectively. However, volumes of PVC and carbide increased by 15% and 7% respectively as there was a power plant breakdown last year. However, PBDIT saw an improvement over last year at INR9 crores versus negative INR10 crores led by lower power and carbon costs.

Sugar business revenue, net of excise duty, was at INR970 crores and increase of 57% year-on-year due to higher prices and volumes in both sugar and ethanol businesses. Sugar volumes were up 30% year-on-year due to higher domestic releases. Volumes of ethanol were at 541 lakh litres versus 256 lakh litres owing to the commissioning of the 120 KLD multi-feed distillery. Sugar and ethanol prices were also higher.

PBDIT came in higher at INR15 crores as against negative INR15 crores for the above reasons despite taking a charge of INR45 crores in the current year on account of the irrational country liquor policy by the state government.

Fenesta building systems' revenues increased 18% year-on-year to INR209 crores and PBDIT by 23% to INR45 crores largely on account of higher volumes. Order book was up 48% driven by project segment.

Shriram Farm Solutions revenues increased by 18% year-on-year at INR280 crores supported by volumes of research wheat and hybrid seeds. Prices of hybrid seeds were also higher. PBDIT for the quarter came in at INR44 crores as against INR36 crores last year on account of better margins in research wheat.

Fertilizer revenue was lower by 37% year-on-year at INR368 crores. PBDIT was down by 48% year-on-year at INR28 crores on account of lower volumes by 7%. Also, prices were lower 33% year-on-year on account of low energy prices which is a pass-through.

The bioseed segment saw a revenue increase of 46% year-on-year at INR128 crores. This was primarily led by domestic revenue increase by 53% year-on-year at INR91 crores due to higher volumes in vegetable seeds whereas international revenues increased by 31% year-on-year at INR37 crores due to higher volumes in corn seeds.

For the half year ended 30th September 2023, revenue net of excise duty was at INR5,488 crores reporting a marginal decline of 2% year-on-year. This was mainly on account of lower prices in segments of chemicals, vinyl and fertilizer.

Volumes were higher in vinyl and fertilizer due to breakdown and shutdown in last year and were higher in sugar led by higher sugar releases and commissioning of the 120 KLD multi-feed distillery.

Fenesta and SFS continued its growth journey. Accordingly, PBDIT is at INR320 crores, a decline of 58% year-on-year.

The company's net debt is at negative INR203 crores as on September 30, 2023 as against INR681 crores as on March 31, 2023 largely on account of sugar off-season. Return on capital employed for September 2023 came in lower at 18.5% as compared to 36% for September 2022.

In conclusion, our overall performance reflects our commitment to sound investment strategies and with a strong balance sheet and cash flows, we are well positioned for the future. Our focus on healthy sustainable growth has paved the way for continued success and prosperity. This brings me to the end of my opening remarks and I would like to 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 Q&A session. The first question is from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Thank you for the opportunity. My question was first on the caustic business. Can you give some comments on how do you see the current global prices and how is the demand supply behaving in the global market as well as the domestic market? And also we are witnessing that there is some uptick in the prices in the last couple of months. So is it fair to expect that from quarter 2 to quarter 3 there will be some improvement in our realizations?

Aditya Shriram: Yes, sure. So in terms of the global demand supply situation, we do see that there was a slight increase in prices as you suggested as well. This was largely due to China not being in the market aggressively in the past few weeks. But post the Asian Games, we have seen that the supply from China has increased again. So that was a slight uptick in the market and that has corrected. So we do expect that in the coming short term period, next quarter or so, the prices are likely to be range bound.

Ahmed Madha: Okay. And one more question on the caustic side. We see that the cost has come down from the last quarter. So can you quantify how much are the savings from the renewable power plant and how much are the savings from the decline in coal prices?

Sanyog Jain: So as far as the renewable power is concerned, because of that there is going to be a saving on the variable cost of around 10%. And we will not be able to quantify in terms of how much is from the renewable and how much is from the other sources. But that will be ballpark number.

Ahmed Madha: Okay. Fine. And on the sugar business, are there any one-offs in the sugar business this quarter? I am trying to understand. I know that this is the weakest quarter seasonally, but we have very significant growth in volumes both for sugar and ethanol. So is it just related to the inventory cost which we were carrying from last quarter or are there any one-offs?

Sanyog Jain: Our inventory is valued at around INR3,200 per quintal. So we are carrying an inventory of 12.9 lakh quintal as of now. I hope I have answered your question.

Ahmed Madha: I just wanted to understand, I mean, there was loss in this quarter and the volumes were really good. So is it just a factor of the inventory cost or is there any other reason why there was loss?

Ajit Shriram: No, as mentioned in the opening remarks, we have taken a hit of INR45 crores because of the change in the country liquor policy. So that has been a massive hit in the bottom line in the current quarter which we have taken on our P&L and balance sheet.

Ahmed Madha: Okay. Fine. Got it.

Ajit Shriram: Because of the revaluation of molasses because we manufactured through the B-heavy route and the state government equated B-heavy and C-heavy at the same level which is not rational really.

Ahmed Madha: **Okay** Fine. So was this like a one-off or is it recurring?

Ajit Shriram: No, it's because of the policy where the alcohol output from B-heavy is double that of C-heavy but then they equated it at the same level. So it's a one-off. The new policy has come out yesterday and we are evaluating our strategy of what we should do in the current year going forward.

Ahmed Madha: Okay. Got it. Thank you. And just last question on the capex. How is the update on the capex? So what will be the timeline? Should we expect that it should be commercialized by Q4 all the capex which we have for the caustic chlorine business?

Aditya Shriram: Yes. So I think as mentioned earlier on the call as well, we are making good progress with the capex and most of the mechanical completion is almost done. The pre-trials and pre-commissioning will begin. So we expect that by Q4 we will be commissioning and completing the capex.

Ahmed Madha: Okay. And how much balance capex will do for second half?

Sanyog Jain: So we will be doing close to around INR500 crores in the second half.

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

Parth Vasani: Thank you for the opportunity. In the chemical segment, the capex that we would have done like for the epichlorohydrin, for the hydrogen peroxide and for the caustic soda. So what would be the total amount if you can guide in terms of the capex that we have spent or we are supposed to spend?

Sanyog Jain: So the total spent would be around INR2,500 crores in the chemical segment. And out of that another INR500 crores we will be spending in the next, H2.

Parth Vasani: So additional INR2,500 crores will be spent in the next coming years. That's what you are saying?

Sanyog Jain: No, INR500 crores only.

Ajay Shriram: I think just to clarify what you are asking, Parth sir, INR2,500 crores has already been spent on a 120 megawatt power plant, on aluminum chloride expansion, on the ongoing caustic soda expansion, ECH expansion, H2O2 expansion. And we will be spending approximately INR500 crores more in the second half of this financial year.

Parth Vasani: Okay. Got it. And in terms of the epichlorohydrin, when do we expect to get it commissioned?

Aditya Shriram: So yes, we expect it to be commissioned by Q4 this financial year.

Parth Vasani: Okay. Second question, we are also expanding the caustic soda capacity. And what I understand is chlorine is something which is a bottleneck in terms of because it is sold at a lesser price. So I just wanted to understand, once we expand the caustic soda, how we will be managing the chlorine considering the negative price generally prevailing in the market?

Aditya Shriram: So you are right. Chlorine is a key factor in expansion of caustic soda as well. I think we have a couple of factors. One is that we have captive consumption that is also increasing from the past. We are putting up an epichlorohydrin plant, as you know, that will consume chlorine. We have already commissioned an aluminium chloride plant that is already consuming some of our chlorine.

So that will be captive support for the expansion as well. And additionally, we have very strong partners in our customers as pipeline customers. So they have been on the growth journey along with us and we truly value that partnership. So as they also continue to expand, we are confident that a large percentage of our chlorine will be consumed through the pipeline and captively.

Parth Vasani: So currently what percentage will you be consuming in current capacity and what will be post-expansion?

Aditya Shriram: So currently it is close to 40% as a combination of captive and pipeline as you mentioned earlier. And after the commissioning, we expect this to go up to 50%, close to 50%.

Parth Vasani: Okay. This includes both the internal consumption and the pipeline customers?

Aditya Shriram: Captive consumption and pipeline customers, yes.

Ajay Shriram: Up to expanded capacity.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.

Riya Mehta: Thank you for giving me the opportunity. I have two-three questions. First is in terms of what is the current caustic realization as far as China has started and we have seen internal utilization also improving – so on that?

Sanyog Jain: It is approximately around INR26,000. We are talking about ECU.

Riya Mehta: INR26,000. Is it fair to assume that INR26,000 and July was kind of a bottom out.

Sanyog Jain: So as we said that, it will be in the range of around INR25,000 to INR27,000 and so right now, it is at INR26,000. ECU, I am talking about.

Riya Mehta: And my second question is in terms of sugar. So what would be our cost of production for last season?

Sanyog Jain: As we said it is already been mentioned. It is at INR3,200.

Riya Mehta: That's inventory, right?

Sanyog Jain Right. Inventory valuation.

Riya Mehta: I am talking cost of production?

Ajay Shriram: That's the direct cost of production.

Riya Mehta: Okay. That's the direct cost of production. Got it. And in terms of timeline for the current capex for the distillery?

Ajit Shriram: No. We have already commissioned the distillery. The 120KLD multi-feed distillery, It is already commissioned.

Riya Mehta: Right. And in terms of the new 2,100 TCD which we have just announced?

Ajit Shriram: That is expansion of one of our sugar plants and that will be commissioned by the sugar season '24-'25. It will be ready by October '24.

Riya Mehta: October '24. It will be ready. So recently in UP, there are other peers who said that the FCI for the grain based is not getting grains and they have shifted to maize and like. So what is our strategy there?

Ajit Shriram: So our strategy keeps evolving depending on the price of the raw materials available. So as mentioned earlier, ours is a multi-feed distillery. We can process rice, wheat or maize. So depending on the prevalent spot prices, we will take a call.

Riya Mehta: Okay. And what are the yield expectation and the cane crushing expectation for the next year for us?

Ajit Shriram: That is a little difficult to say. But this year, we will be utilizing the fully expanded capacity in Ajbapur, which was commissioned by, three weeks after the season started last year. So we will be utilizing our entire 41,000 TCD.

Riya Mehta: 41,000 TCD entirely, right? And actually I was talking in terms of the cane area and the crushing, do we expect it higher than last year, apart from the new incremental capacity addition?

Ajit Shriram: Yes. The crop looks good. So we do expect a higher crush compared to last year.

Riya Mehta: Right. And in terms of Fenesta, what are the details of the strategic partnership if you could give in the new announcement of the facade which we have given today? If you could elaborate more on that. What is the kind of revenue potential out of the capex?

Ajay Shriram: Basically in Fenesta, we have been making windows and doors for many years now and we are the leader in that. But we are getting into façade, which is the fixed windows like you have in airports and other multi-storey office buildings, etcetera. So for that, we have tied up with a party in Dubai to get their input and their technology to put up a manufacturing plant in India. So that is what we are working on.

Riya Mehta: Right. And what will be the kind of revenue potential for the capex involved in this?

Ajay Shriram: I think it's a little early because we are still discussing with our potential partners of what is the size, scale, scope of this plant. And we will be growing it starting with a size which is more practical and then keep growing it. So we have not yet worked out the details of what is the capex on it.

Riya Mehta: Got it. And in terms of power cost savings, what is it? Could you give your outlook there going forward and in the coming quarters by. How would the power cost savings? Because we have commissioned the new plant as well and the power prices have also gone down. So what would be the savings in that aspect?

Sanyog Jain: Okay. So what we expect is that, there will be a saving in the variable cost approximately of around 10% because once this power plant comes in, it becomes critical.

Riya Mehta: Okay. For 10% improvement we can see in terms of...

Sanyog Jain: Yes. Approximately, INR1 per unit. That is what we expect.

Riya Mehta: INR1 per unit, right. Thank you so much for answering my questions. I will get back in queue for further questions.

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

Saket Kapoor: Yes. Greetings, sir. And thank you for this opportunity. Sir, just dwelling to the last point, what would be the annual savings in the absolute number if you could share for the power cost, from power cost?

Sanyog Jain: It would be close to around, what we expect is INR100 crores of savings when it is operational at its full capacity.

Saket Kapoor: And there are two components to it. First is the new power plant and then is the renewable one also. So for the renewable segment, 43 megawatts, what is the plant load factor and average we are taking into account?

Sanyog Jain: Renewable power is 43 megawatts. Actual load would be around 22 megawatts that we will receive. And what the price at which we will receive is around INR4.20 per unit. So that is the expectation from the renewable power.

Saket Kapoor: But this INR100 crores number is only from the thermal power plant?

Sanyog Jain: That's right. Yes.

Saket Kapoor: And the capex we have done for this thermal power plant, what is the payback for this plant?

Sanyog Jain: It's around 20%.

Saket Kapoor: 20%?

Sanyog Jain: Yes.

Saket Kapoor: Correct, sir. Sir, as you were mentioning that the ECU currently is in the band of INR26,000 to INR27,000. So earlier also, we have seen historically that PVC and this caustic prices have an inverse correlation because of the reasons explained by you earlier also.

But what currently is the outlook in terms of, especially for the caustic prices, the capacity built up has been, in our country domestically, there has been one million tonne additional capacity that has come up. But globally, how are things shaping up? If you could give some more color on the same.

Aditya Sriram: Sure. So fundamentally, we are seeing that at a global level, the demand is not very, very robust. Of course, Europe, there are challenges in terms of demand. The war also has created an uncertain outlook. The other factor which can have implications is of course China. And China has been pushing material into the global market aggressively as well.

So we do expect that in the coming quarter or couple of quarters, the prices are likely to be range-bound. And in India, yes, as you indicated, there is an increase in supply. So unfortunately there is a demand factor and a supply factor. Which is why in the short term we see prices to be range-bound. Medium to long term, we expect a positive outlook.

Saket Kapoor: Sir, when we look at your capital work in progress, it has moved up to now closer to, it is INR2,357 crore . So for the coming for H2, what percentage -- what amount would get capitalized? And if you could just dwell, which projects are going to get commercialized within this financial year?

Sanyog Jain: So we are saying that ECH, H_2O_2 and the P120, all these projects will, and also caustic 850 TPD. All these projects will get capitalized in H2.

Saket Kapoor: Okay, so we have spent the entire amount?

Sanyog Jain: No, so we still have to spend around INR500 crores on these projects.

Saket Kapoor: Okay. But we were about to commission something for the third quarter, I think. The December quarter we will be commissioning...

Sanyog Jain: P120, we will be commissioning sometime in November.

Saket Kapoor: Come again, sir, I missed your point.

Ajay Shriram: The P120 plant trials have already started. So it is already running. We are gradually taking it up. So by the end of November we expect it to run to a reasonable capacity which will contribute to the power requirement for the plant.

Saket Kapoor: Sir, P120, can you elaborate? I am not aware.

Ajay Shriram: We are putting up a new power plant of 120 megawatts.

Saket Kapoor: Okay, P120 power plant. Okay, fine, sir.

Ajay Shriram: Now trials have started and we will then keep increasing capacity gradually in a structured way based on the rules and regulations laid down for reaching full capacity of a power plant.

Saket Kapoor: Correct. Sir, when we look at your net debt number, we were cash positive. So how did we achieve this for the first half?

Sanyog Jain: So it is largely because of the liquidation of the sugar stocks and also receipt of the FICC dues.

Saket Kapoor: The subsidy part?

Sanyog Jain: Yes, yes, fertilizer.

Saket Kapoor: Fertilizer, and that is the reason why you have mentioned in the subsidy segment that that is also carrying a negative balance?

Sanyog Jain: Yes, correct. It carries a negative balance which will get adjusted against the future billing.

Saket Kapoor: Okay, so for FY '24, what should be the debt number, closing debt number we should look forward?

Ajay Shriram: Yes. Too early to give that number because it depends on government policy also regarding the FICC dues.

Saket Kapoor: Correct, sir. Now, sir, coming to this, our farm, the bioseed part and the farm production business, particularly for the bioseed segment, if I correctly remember two quarters back you did mention about some policy changes and things to be put into place so that this segment will start contributing. So where are we in midst of the bioseed part of the story?

Ajit Shriram: So as mentioned in the opening remarks, I mean, we made good progress in our vegetable seed and we are doing trials based upon the R&D. And with government permissions, we are doing extensive trials on a couple of other crops and more launches are lined up on wheat and vegetables in the upcoming Rabi season.

Saket Kapoor: So, what should be the outlook for this sectortwo, three years down the line, what kind of business profile will this segment shape up going ahead?

Ajit Shriram: We see a positive outlook because our pipeline is strong and I mean, it's very difficult to say, depending on climatic factors and very strong El Nino in prediction for next year. But we do see a strong outlook.

Saket Kapoor: Sir, coming to the sugar distillery part, my second point was I think the sale of grains by FCI was abruptly stopped. What is the status on the same and our dependence on FCI sale?

Ajit Shriram: No, so we are buying from the open market and as I mentioned earlier, ours is a multi-feed distillery. So depending on the spot prices of grain, broken rice or maize, we take a call depending on a spot basis and purchase whichever raw material is more advantageous at that point of time.

Saket Kapoor: And how are the prices being sir? The raw material price basket, since it is now all from market sources?

Ajit Shriram: Compared to FCI, it is higher. And we are now waiting for the revised ethanol prices both on the sugarcane juice, B-heavy, C-heavy and different grains going forward from the central government.

Saket Kapoor: Sir, the prices were revised higher, sir, I think so, last quarter itself? The September month…

Ajit Shriram: For the grains, yes.

Saket Kapoor: I didn't get you, sir. Is it from the grain part only?

Ajit Shriram: For grains, yes. They were revised for the grains. And now, again, a new revision is due which should come within the next week or two weeks.

Saket Kapoor: Right, sir. Sir, also in the ethanol part, I think in the liquor -- country liquor part we mentioned in your presentation that there was a INR45 crores loss we had booked because of some government policies. Can you tell more about what was this all about? This INR45 crores is for the first half?

Ajit Shriram: As I mentioned earlier in answering a question, the state government has equated the quantum of country liquor supply or alcohol supply for B-heavy and C-heavy. However, the output from B-heavy is double that of C-heavy. So, if you make a 'X' reservation for C-heavy, based on C-heavy, you are supposed to make a 50% reservation based on B-heavy. So, equating both B-heavy and C-heavy is not correct.

Saket Kapoor: So, we have made our presentation and this will be revised or it is done and dusted?

Ajit Shriram: As I mentioned earlier, the new policy for reservation has come out only yesterday. We are studying it and depending on what is most desirable for our company, we will take that method forward in the coming season which starts this week.

Saket Kapoor: Okay, sir. Can you come again? Which policy, sir? I missed your point.

Ajit Shriram: The reservation policy of molasses for country liquor.

Saket Kapoor: Okay, for this sugar season? The current sugar season?

Ajit Shriram: For sugar season, for '23-'24.

Saket Kapoor: Correct, sir. Thank you, sir. I think the only growth part in our total segment is currently for the Fenesta. And as you were earlier mentioning also, taking into account the pillars that you are getting and also improving our product profile. Sir, say three years down the line, what kind of business are we looking up to set up from the Fenesta vertical itself? If you could throw some more light on the same, sir. And the key competitors in the segment?

Ajay Shriram: I will just correct you. The growth part is happening in all our businesses, except fertilizer manufacturing business. We growing in all our businesses. And please appreciate, it is very difficult to give a clear picture. When you are still moving in a growth path, one cannot give any figures like this.

Saket Kapoor: Correct, sir. Thank you for the presentation, sir. It is very vivid and very elaborate. And we hope for the continuity, sir. And happy Dipavali to the entire team, sir. Thank you, sir. All the best.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

Narendra: Hi, thanks for the opportunity. Sorry if the question is repeated, but I wanted to know domestic sugar prices given there are reports of lower harvest in the season?

Ajay Shriram: Sugar prices?

Narendra: Yeah, domestic sugar prices, yes, right.

Ajit Shriram: So, the domestic sugar prices as was mentioned in the opening remarks is between INR38 and INR40. And sugar being a controlled commodity, the government releases on a monthly basis. So, I do not see the sugar prices firming up any further going forward.

Narendra: Okay, got it. And could you please mention your ethanol capacity once?

Ajit Shriram: Ethanol capacity is roughly 18 crore litres per year.

Narendra: Okay, 18 crores litres. And in the KLD terms?

Ajit Shriram: That depends upon the raw material mix being used. Be it C-heavy or B-heavy or cane juice. So, it will depend upon the mix of your raw material.

Narendra: So, I was talking about the caustic environment, caustic soda environment. You know, the demand and price point. So, do we see it improving in the near term, say in the next couple of quarters?

Aditya Sriram: So, as we shared earlier also on the call, the near term outlook, we expect the pricing to be range bound. But in the medium to long term, we do see positive upside.

Narendra: Yeah, yeah. Could you repeat that? I missed it.

Aditya Shriram: So, as we said earlier, in the near term, given the demand supply scenario, we expect the prices to be at their current levels. But going forward in the medium and long term, we are bullish on where the prices will go.

Narendra: Okay, Thank you so much. Happy festivities. All the best. Thank you.

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

Pratik Tholiya: Yeah, hi sir. Thanks for the opportunity. So, what is the chlorine prices currently?

Sanyog Jain: So, it is around 26,000. Chlorine? Chlorine is negative INR5,000/T.

Pratik Tholiya: Chlorine is negative INR5,000/T. And this is the same number for Q2?

Sanyog Jain: Pardon?

Pratik Tholiya: The second quarter is INR5,000/T. This is currently in the month of October?

Sanyog Jain: Between INR3,000/T and INR3,500/T.

Pratik Tholiya: And so, this INR26,000/T that you said was ECU and not caustic, correct?

Sanyog Jain: Yeah, yeah. Correct.

Pratik Tholiya: Okay. And the second one is sugar business. Is there any red rots sort of incident happening in our cane area also? Because some of the companies in their call have been mentioning about red rot infestation in some parts of UP, especially in the low-lying regions. So, are we also seeing anything on that front?

Ajit Shriram: Yes, there has been red rot in our area as well. However, our cane team is taking very proactive steps and mitigating the red rot. And also, we are progressively changing the variety of 238 to other varieties which are less red rot.

Pratik Tholiya: So, what is the mix right now with respect to our cane variety? How much of our cane variety has now shifted outside of 238?

Ajit Shriram: It will be difficult to give that estimate as of now.

Pratik Tholiya: Okay. Sure. And so, we are also hearing about cane SAP going up. Has there been any formal announcement on that front? And what sort of numbers are we expecting?

Ajit Shriram: No, there has been no announcement so far.

Pratik Tholiya: Understood.

Ajit Shriram: However, the FRP by the central government was raised by INR10 a quintal three months ago.

Pratik Tholiya: Right. Right. So, is it going to be in line with that or higher than that? What is your say?

Ajit Shriram: There has been no announcement so far.

Pratik Tholiya: And lastly, I think, Fenesta has really done well. We are now clocking almost INR200 crores of quarterly top line with an 18% EBIT margin. So, I am guessing our EBITDA margin will be 20% plus. So, what is the roadmap over here? Is this sort of a revenue run rate, quarterly revenue run rate now sustainable? And also on the margin front, you think this 18%, 20% sort of margin is now sustainable? So, what is really changed in this business and how do you look at this, going forward over the next two, three years?

Ajay Shriram: I think I will put it this way that as we discussed, we expect growth of 15% to 20% in the Fenesta business. Going forward by moving into new geographies, introducing new products. As I mentioned earlier, we are looking at facades. That is a new business we are getting into. This is an ongoing business. We put up two more extrusion plants at a Kota factory, which gives us a larger number of profiles available.

And we are seeing that the real estate market in India is growing. And the aspiration of people is growing. They want a better product, better quality, which gives better insulation, less dust, less noise, less heat. And this is where products like ours have a positive impact. So, we are positive on this business.

Pratik Tholiya: Understood, understood. That's very helpful. Yeah, that's it from my side. Thank you so much and wish you all the best.

Moderator: Thank you. As there are no further questions. I now hand the conference over to the management for closing comments.

Ajay Shriram: Thank you.

Thank you, ladies and gentlemen, for your participation in today's call. Our strategic investments in diversifying our product mix and enhancing operational efficiency are on track to yield results by the end of this financial year. With India continuing to grow, we are well prepared to grow intelligently across our diverse business portfolio. Thanks to our healthy balance sheet, we are well equipped to fuel our growth initiatives and drive positive change in the markets we serve. And thank you all for being a part of our journey.

We thank you for taking out time during the onset of the festival season. And we take this opportunity to wish you along with your families a very safe and happy Diwali and a 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.

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