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 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the call Transcript of the Investors' Earning Call on Audited Financial Results (Standalone and Consolidated) for the quarter and year ended March 31, 2023 held on May 5, 2023.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For DCM Shriram Ltd.

Sameet Gambhir

Digitally signed by Sameet Gambhir
Date: 2023.05.12 14:17:22 +05'30'

Sameet Gambhir
Company Secretary and Compliance Officer

Dated: 12.05.2023

Encl.: as above

DCM Shriram Limited
Q4 & FY'23 Earnings Conference Call
May 5, 2023

Moderator: Ladies and gentlemen, good day and welcome to the DCM Shriram Limited Q4 FY'23 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 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. Good evening and welcome to DCM Shriram Limited's Q4 & FY'23 Earnings Conference Call.

Today, we have with us Mr. Ajay Shriram -- Chairman and Senior Managing Director; Mr. Ajit Shriram -- Joint Managing Director; Mr. K.K. Kaul -- Whole-Time Director; and Mr. Amit Agarwal -- 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 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 and a note to that effect has been included in a 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 taking the time to join us for our Q4 and Financial Year '23 Earnings Conference Call. I trust each of you and your families are keeping safe and are in good health.

I will commence with the strategic imperatives of our businesses followed by Ajit with perspectives on our business performance.

India is growing steadily at a reasonable rate of over 6%, in contrast to developed nations that are facing headwinds of high inflation, rising interest rates and slowing economy in the wake of unprecedented disruptions over last 3 years. So, India is in a comparatively sweet spot.

We have consciously planned for managing higher volatility in key business lines and have strategically lined up effective measures in the form of higher scale, efficiencies and diversification to create better value in our businesses. We continue to look at growth through already announced investment programs and more are expected to follow.

Our CAPEX projects of Rs. 530 crore have already been commissioned relating to Sugar businesses and other projects of about Rs. 2900 crore, largely in chemical are likely to be commissioned over the next 2 quarters. Our less capital-intensive businesses of Fenesta and Shriram Farm Solutions are witnessing good growth. With this round of CAPEX nearing its completion, we are actively looking at opportunities in related and adjacent businesses for future growth opportunities.

Our efforts on sustainability are gaining traction. We are taking steps to enhance our share of green power while working actively on the circular economy. The 50 megawatts Hybrid Green Power project and the increase in biomass in our coal-based power plant, will increase our green footprint as well as help us in reducing our cost of production.

The K_2SO_4 Fertilizer Project will add value to our distillery ash and is an import substitution. The Anhydrous Sodium Sulphate and carbonization of sludge will reduce waste and improve resource utilization. The energy and steam saving initiatives will further reduce our carbon footprint. Some of these benefits have already started accruing.

With this I would like to walk you through our views on various businesses:

Chemicals:

Global capacity utilization, especially in Europe and China, has picked up although the global demand remains subdued driven by growth slowdown across large economies. This has put pressure on international demand and hence prices of caustic soda. No major capacities are being added globally in the near-term other than in India, which will keep the global demand-supply balanced over the medium-term.

Domestically, the demand trend was softer owing to weaker momentum in end use industries, except alumina.

We have seen stable demand for chlorine. New capacity additions are exacerbating the situation. Product prices have softened over the last 2 quarters. Energy prices have started to decline but are still quite high. Our capacity utilization stood at 89% in Financial Year ‘23.

The country saw exports of 4.24 lakh metric tons during Financial Year ‘23 up from 2.71 lakh metric tons in the last year. Imports stood lower at 1.39 lakh metric tons in Financial Year 23 which was 2.34 lakh metric tons in the previous year.

Our Bharuch facility is amongst the highest hydrogen selling complexes in the country with daily volumes of 2 lakh cubic meters and further being expanded to 3 lakh cubic meters per day.

Our projects for developing downstream chemistries including expanding the scale are on track and the plants will be commissioned during the next 2 quarters. Lower coal prices, efficient 120-megawatt power plant and access to green power will serve as a cushion on the margins in light of softer product prices.

Chemical is becoming a large multi-revenue business with emerging growth platforms like epichlorohydrin and hydrogen peroxide.

Vinyl:

Globally, the dual impact of inflation and high interest rates is leading to slowdown of housing and construction in US and Europe. Even in China, the real estate has not picked up. This has led to lower demand for PVC globally and a significant drop in international prices.

Domestically, the economic activity is robust and so is the PVC demand but imports are trending higher. The industry awaits government action in the form of anti-dumping duties and increasing customs duty. Prices for both PVC and carbide are under pressure. The cost of production stood higher due to coal and carbon material prices but has started correcting slightly and will ease pressure on margins in the coming quarter.

Sugar:

International prices have been firm on lower production expected from major producing nations, and with prospects of additional exports from India also abating. The world sugar balance sheet is expected to be marginally surplus in sugar season ‘22-23. International prices are expected to remain firm. Indian sugar stocks are expected to end lower at 4.5 million metric tons for sugar season ‘22-23 with sugar production estimated now at 32.4 million metric tons and consumption at 27.5 million metric tons. This along with higher international prices, should support domestic sugar prices in coming months.

The state of UP increased the state advise price (SAP) by Rs. 25 per quintal to Rs. 350 per quintal in ‘21-22. The domestic sugar prices have till now not offset the increase in sugarcane prices done in the last season.

We are on the verge of concluding crushing operations. Our crush and recovery this season is expected to be higher than last season led by better climate, commissioning of our Ajbapur expansion and conversion of Ajbapur and Hariawan sugar factories to refined sugar.

Our domestic releases have been better this season and we have already executed the entire export quota allotted to us.

On the other hand, the government has achieved ethanol blending of 11.6% as of April ‘23 and is aggressive in meeting its target of 20% by Financial Year ‘25. Around 408 crore liters is said to have been blended in petrol in the supply year ended November ‘22 and the contracted volume for the coming year is 505 crore liters already.

We have produced 14.4 crore liters of ethanol and ENA versus 11.56 crore liters last year. We have commissioned a 120 kiloliters per day distillery on molasses feedstock and the 260 kiloliters per day Grain-Based Distillery attachment is ready. The approval for commissioning is likely in this quarter.

Our other Agri businesses comprised of Shriram Farm solutions, Bioseed, and fertilizer.

Shriram Farm Solutions:

The business has worked well in consolidating its leadership in wheat seeds. Its research and development has started yielding results with 4 new products introduced this year, including two in wheat seeds. All the products have been received well. Growth in this business will continue from the planned expansion of portfolio, manufacturing of crop protection chemicals which start this year and should be further cemented by our foray into manufacturing of water-soluble fertilizers and biologicals by Q4 of Financial Year ’24.

Our manufacturing of biological based agri inputs is a conscious choice to work on new technologies and also promote sustainable and organic farming. This business is also increasing its geographical strength and is making inroads in Southern India.

Bioseed:

I would like to talk about Bioseed. Bioseed is on track to turn around its business. The losses have come down significantly. The product pipeline is more focused. The product basket of research activity is being rationalized and we expect the business to do better in the coming year.

Fertilizer:

The fertilizer business has seen a correction in urea prices during the quarter, led by lower energy prices. The government has revised energy norms with effect from October 1st, 2020, till March 31st, 2023, and our energy efficiencies have also been better.

The subsidy outstanding as of March 31st, 2023, stood at Rs. 310 crore as compared to Rs. 435 crore last year.

Fenesta Building Systems:

The Fenesta Building Systems business is witnessing good momentum quarter-on-quarter. The project segment is driving good growth. As the core business expands, we are adding more categories, adding new offerings and increasing our geographic strength, including in the international space. We have added products in UPVC and aluminum windows, in WPC and engineered wood doors and will be launching glass façades and also continue to add further to this range. In view of the rising demand this year we commissioned our Bhuvneshwar factory and added one more factory in Hyderabad. We are commissioning an expansion at our Kota

Extrusion Plant. The fabrication unit for façade is under construction and will be commissioned by Q2 Financial Year ‘24.

Our growth strategy is underlined by well-executed initiative towards business expansion and product diversification along with enhancing operating efficiency. We see our businesses of Chemicals, Sugar, , Shriram Farm Solution and Fenesta as key drivers for our growth going forward.

I will now request Ajit to give you the perspective on the business performance.

Ajit Shriram: Thank you. Good afternoon, everyone.

We will now go through the business performance for Q4 & FY23.

The net revenues net of excise duty in this quarter were flat at Rs. 2720 crore versus Rs. 2796 crore in the previous year and PBDIT stood at Rs. 372 crore down by 44%.

Chlor-Alkali:

Chlor-Alkali business revenue was down 13% year-on-year and PBDIT was also down 53% mainly due to lower ECU that declined 17%, though volumes were marginally higher. Higher energy costs impacted the margins. Also, the electricity duty on auxiliary consumption had an impact of Rs. 11 crore related to prior periods during the quarter.

Vinyl:

Vinyl business revenue declined by 44% year-on-year at Rs. 168 crore and PBDIT was at Rs. 1 crore versus Rs. 122 crore on account of lower product prices and volumes.

PVC prices were down 35% year-on-year and carbide prices were down 26% year-on-year.

Overall, capacity utilization was lower at 91% versus 96% last year. Higher cost of product led by power and carbon materials impacted margins. Also, electricity duty on auxiliary consumption related to previous years had a negative impact of 10 crore during the quarter.

Sugar:

Sugar business revenue net of excise duty was up 24% and PBDIT increased by 10% year-on-year on account of higher volumes of sugar and distillery coupled with higher realizations. Margins were lower since the last year increase in SAP is not compensated by the increase in product prices.

In terms of crush, we are likely to close this season at about 650 lakh quintals versus 549 lakh quintals last season attributed to better crop and commissioning of sugar projects. Sugar recovery till date on final molasses is better by about 20 basis points over last year.

Fenesta Building Systems:

Fenesta Building Systems revenue reported a growth of 13% year-on-year and PBDIT was stable. There was volume increase in the project category. Margins were better in projects as well as retail categories. Both the categories witnessed improvement in the order book that was up 10% year-on-year.

Shriram Farm Solutions:

Shriram Farm Solutions revenue and PBDIT witnessed a decline due to seasonality factors. For the year as a whole, the business witnessed growth.

Fertilizer:

Fertilizer revenue declined by 4% year-on-year, driven by lower gas prices, which is a pass through. Volumes were higher by 4% YoY. PBDIT witnessed a growth of 44% owing to higher energy efficiency, energy saving rate and volumes. Fertilizers subsidy this year was lower as stated earlier.

Bioseed:

Bioseed revenue is better, however, Q4 is an off season. PBDIT improvement was led by higher volumes and inventory provisioning in last year.

Coming to the highlights of FY23:

FY23 net revenues net of excise duty was up 20% year-on-year at Rs. 11,547 crore and PBDIT down 9% year-on-year at Rs. 1726 crore.

Chemicals revenue and PBDIT were up 27% and 15% respectively due to better ECUs led by prices of lye in the first 9 months of the year and improvement in chlorine prices and improved volumes of caustic. Margins were moderated by higher input cost.

Vinyl revenues and PBDIT were lower by 31% and 84% respectively, led by significantly lower prices. Volumes were also lower. Margins were further affected by higher input costs of coal and carbon materials. Product prices seem to have bottomed out and coal prices are declining. This should help margins going forward.

Sugar business revenues were up 21%, mainly on account of higher domestic and export volumes of sugar together with better prices across products. Distillery volumes were stable at 11.87 crore liters versus 11.95 crore liters. Production from distillery was higher as stated earlier. PBDIT was lower by 20% since the sugar prices increased and did not fully compensate for the increased SAP in the earlier season and non-availability of purchase molasses from the market. Better export realizations added to the profitability.

Fenesta also reported a good performance, revenues and PBDIT increased by 32% and 70% respectively. This was on account of a strong order book, which increased by 23% and growth in volumes in projects and margins across categories.

Fertilizer revenues increased 50% year-on-year on account of higher gas prices, which is a pass through and better volumes. PBDIT was up 62% with energy efficiencies, better energy norms and a higher savings rate as a result of prices of natural gas.

Shriram Farm Solutions revenue and PBDIT were up 7% and 37% respectively, aided by an improved product mix and better prices, SFS witnessed healthy margins across categories and remains the leader in wheat seeds.

Bioseed revenues were up 19% and PBDIT was at Rs. (-2) crore versus Rs. (-70) crore on account of better volumes. PBDIT was also better due to higher inventory provisions made in the last year.

Our income tax payout was at Rs. 246 crore as compared to a tax charge of Rs. 502 crore as a result of MAT Credit available.

With healthy cash flows across our businesses, our debt levels remained at comfortable levels despite the continuing CAPEX. Our net debt as on 31st March 2023 is Rs. 681 crore as compared to Rs. 4 crore on 31st March 2022.

Return on capital employed for March '23 came in at a comfortable level of 27%.

The Board has recommended a final dividend of 180%, amounting to Rs. 56.14 crore in this Board meeting. The total dividend for the year is at 700% amounting to Rs. 218.32 crore.

Despite the macroeconomic concerns and higher input costs, our Company has had a good year.

That concludes 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, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We'll take our first question from the line of Riya from Aequitas Investment Consultancy. Please go ahead.

Riya: My first question in terms of Fenesta. So, basically, the order book has grown by 10%, however, in the past few quarters were growing on a higher run rate. So, how is the demand scenario panning out there and what is the situation for Fenesta? So, I want to know the demand scenario as well as the margin impact for the quarter, why the margin is lower with the lower raw material price?

Amit Agarwal: The demand is pretty stable, although in this segment we are seeing competition coming up from larger players as well. But Fenesta continues to remain the pioneer and has a big brand value that is point number one. Second, coming to the margin. The margin has come off, I think by about 1% from about 21% in the same period last year to about 20%. That's, I would say, very marginal but fundamentally, as I had also mentioned in my last call, that business like Fenesta should ideally have a margin in the range of around 15% to 20% so let's say ballpark 17%, that's the right kind of margins for this business.

Riya: Is it because of higher competition because since the raw material prices are getting lower so we should see an improvement in margin on a QoQ basis?

Amit Agarwal: I just said if there is a reduction in the raw material prices, some part of it will be passed on to consumers as well. So, I don't see margins improving from here.

Riya: So, Q4 numbers are sustainable.

Amit Agarwal: Yes. And as I said the range should be around 17% (+/-2%) that's the right number, because if you see in FY22, the margin of this business was 16%. So, that was closer to the right kind of number.

Riya: And with increasing competition, do you think we will have a price war kind of a scenario where we have to reduce prices more?

Amit Agarwal: It's difficult to say at this stage depends. They have just started so we will see how it pans out.

Ajay Shriram: I'll just add that I think Fenesta's position in the market is fairly sound. We are a leader in the market. And the good thing is the market is growing so I think there is space for everyone but it depends a lot of course on the product quality plus the service. How do you take care right from the time you book an order till the time you install and commission and hand over the door or window to the customer so I think we have a good edge there. So, that's the positive sign for us.

Riya: I think this makes sense. My second question is in regards with the sugar sector. So, basically, what was the cost of production for us last sugar season and what is the cost of production for us this sugar season?

Amit Agarwal: The cost of production last season was around Rs. 3,300 per quintal and this year, March end, was about Rs. 3210-3220 per quintal

Riya: It is reduced?

Amit Agarwal: Yes, because as you mentioned that our production is higher and secondly, our recovery is better by about 20 basis points.

Riya: However, I was reading that in UP the wage norm has increased and the lot of ancillary cost which has piled up so what kind of impact is there on the cost of production?

Amit Agarwal: It could have been further lower I don't have the number exactly by how much but marginally lower definitely but that's our cost.

Riya: And in terms of production, what kind of acreage or production increase have we seen for the current year?

Amit Agarwal: I don't have the acreage number, but the crush is 650 lakh quintals of sugarcane. We are nearing that number by the time our mills close versus 549 lakh quintals which we did last year.

Riya: Mills will close by May end?

Amit Agarwal: So, out of four mills, three mills closed and one mill, which is operational will close in next 3 to 4 days.

Riya: And in terms of the current untimely rainfall, does it have an impact on the crop?

Ajit Shriram: I think it's a very positive thing as far as the crop is concerned. We've had a very dry winter spell, so any rainfall is always welcome because this aids the farmer in terms of irrigation free of cost virtually.

Riya: My second question is in terms of ethanol, what is the kind of offtake are we seeing from the government and what are the current volumes and the next year volumes we are wanting to do with the enhanced capacity from Q1 FY24?

Amit Agarwal: In terms offtake you're talking of at the industry level offtake?

Riya: Yes, industry as well as for DCM.

Amit Agarwal: Industry level offtake as CMD mentioned, the total contracted quantity this season already is about 505 crore liters. For us in the coming season, we have the capability to produce 18 crore liters. Last year we had about 14 crore liters. Next year we should be progressing towards 18 crore liters.

Riya: Industry wide offtake last year would be around?

Amit Agarwal: I don't have the figure. 404 I think that's what CMD sir said, about 404 crore liters.

Riya: In terms of diversion on an industry perspective, I think 4 million ton is the amount we are seeing.

Amit Agarwal: Yes.

Riya: This was last year around 3-3.5, 3.4 million ton or something?

Amit Agarwal: 3.5 million ton.

Riya: For ethanol what would be your transfer price molasses, are we doing juice based or how is it?

Amit Agarwal: We are producing primarily on B-Heavy. We have done a small experiment on juice based as well but primarily it is B-Heavy ethanol. Transfer price I think one should look at overall, if you have sugar as a business, every business every company might have their own transfer pricing mechanism as per the accounting standards. I think we look at it as a Sugar business as a whole because it's very dynamic whether we produce B-Heavy or we produce C-heavy or different feedstock mix.

Riya: In terms of the ECH demand that we are hearing about the Epoxy we are hearing that the demand is decreasing and a little sluggish outlook on the entire space. So, what is your opinion around it?

Ajay Shriram: I think these businesses we are getting into will come in the next couple of quarters. It will take a little while to stabilize the plant. Our way of looking at business and industry is we're not in it for the short term. We are in it for the long haul. Our objective is to come up with a class product and supply to the customers who are satisfied with our product. So, the market's ups and downs are part of the ballgame. We've seen that in every industry across the board. We are quite bullish on the long-term, positive in medium-term, positive impact of ECH and H_2O_2 as our growth plans go forward because of the plants we are putting up, the technology we've got and the team of people we have who will make sure that the plant runs efficiently and we have a good relationship with our customers.

Riya: By when do we expect the plant to be commissioned or stabilized?

Ajay Shriram: Before the end of Q2.

Moderator: We take a next question from the line of Ahmed Madha from Unifi Capital.

Ahmed Madha: My first question is on the cement business. This year we reached close to 50 crore loss. I know that we set up this facility about 30-35 years back. I just wanted to understand the rationale how this business has a relation with our Chloro-Vinyl business. Does any byproducts are used as a raw material for this? Can you give some clarity? How was this business initiated?

Amit Agarwal: So, see cement business is essentially a waste utilization or the pollution control mechanism in a way because the sludge that's gets generated when we manufacture PVC through carbide route that sludge goes into cement for conversion. I think we at least look at it like that. Yes, there have been times when cement has given us reasonably good profits and now because we are on a wet process, our cost of production is higher, visibly appears and therefore the realizations were not commensurate with cost. I think the way one has to look at least for us, the way we look at it's a pollution control or waste management mechanism.

Ahmed Madha: Is it fair to expect that with the coal prices coming down and even the cost of production for a Vinyl business coming down the losses will reduce going forward?

Amit Agarwal: One, the chemicals and the Vinyl business are not into losses. Whether the margins will improve or reduce will also depend on how the prices move. But yes the costs are expected to come down definitely going forward.

Ahmed Madha: I have a few questions on the Sugar business. Number one, how much exports we are supposed to do in April or even Q1 quarter? I think we have done about 8.5 lakh quintal till Q4. So, how much is left for Q1 April month?

Amit Agarwal: One, we've completed everything by April. That is point number one. I don't have the exact number, 1.2-1.3 lakh quintals is what we exported in April. That ends our export quota.

Ahmed Madha: And this was at what prices?

Amit Agarwal: Around Rs. 40 a kg.

Ahmed Madha: And another question on the ethanol side. We did production of more than 14 crore liters and our sales was 11.8 crore liters. So, what explains this difference? For the next year how should we look at the ethanol total production with the grain based facility also coming up?

Amit Agarwal: So, one, these are timing differences based on tenders and things like that. That gets covered up over, I mean this commodity will get sold. This is all committed contracted kind of thing. These are timing differences as I said earlier that is one. Second with grain based distillery coming in, so our capacity to manufacture goes up to 18 crore liters. So, we'll try to maximize that.

Ahmed Madha: How much sugar production we have done so far in Q1 roughly?

Amit Agarwal: I don't have the Q1 numbers. When you say Q1 you are saying for this month, month of April, right?

Ahmed Madha: Yes for this month?

Amit Agarwal: I don't have the month number right now. I'll share it with you after the call.

Ahmed Madha: No issues. The last question on the caustic business. So, with the caustic prices coming down further in March and then in the April month, it is expected that also the realization ECU will go down. So, I have two questions on this. Number one, how is the chlorine pricing as of now in the market? Number two, with the coal prices also going down, how should we look at the profitability for the caustic business? Do you expect that there will be from Q4 base there will be further significant decline or do you see that the decline in the caustic prices will be offset by the decline in the coal prices and then our power plants coming up?

Amit Agarwal: The situation is very dynamic right now. We do expect prices to improve from H2. At least that's what our marketing team estimates. In H1 we expect them to be distressed. Costs are coming down. But we've seen coal prices, they were low in March. In April actually they picked up marginally. So, it's really dynamic situation. So, it'll be difficult to really comment. We also have to just watch the trend for 1 or 2 months and then we'll be able to give better guidance.

Ahmed Madha: And any comments on the chlorine pricing?

Amit Agarwal: Yes, chlorine is still negative but it's not that bad. Like in Q3 last year it was almost 10,000 negative. Now it's about 3000-4000 negative.

Ahmed Madha: How much export we did for caustic in Q4?

Amit Agarwal: How much export for us?

Ahmed Madha: Yes, for caustic for this year?

Amit Agarwal: I won't have that exports number for the quarter. Yes, I don't have that number right away.

Moderator: We take a next question from the line of Vivek Ramakrishnan from DSP Mutual Fund.

Vivek Ramakrishnan: My questions are around the CAPEX—I'm sorry I joined a little late if I missed the number—what is the balance CAPEX in terms of amount that is to be paid off which is there in the current year and where will your peak debt levels be? That's my only question.

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Amit Agarwal: The total CAPEX program that we had was for Rs. 3,500 crore. Now out of this, we have already commissioned close to about Rs. 600 crore. Rs. 530 crore in sugar and about Rs. 60-70 crore in chemicals. So, we are left with Rs. 2,900 crore. Now what we have spent till date is close to about Rs. 2,000-2,500 crore, approximately Rs. 2,000 crore on project. So, we have another Rs. 1,500 crore to go in the next financial year, which is FY24. Our peak debt as I see, net debt by March will be in the range of around Rs. 1,500 to Rs. 1,800-1,900 crore. That's the range.

Moderator: We take our next question from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Just to clarify the last number once again, when we look at your capital work in progress, it stands at Rs. 1,600 crore. I think the Rs. 530 crore sugar CAPEX will be accounted for and has been capitalized in the first quarter. Can you give this in relation to the number of capital work in progress how is this number going to shape up?

Amit Agarwal: You read it correctly Saket. As I mentioned we have spent close about Rs. 2,000 crore and Rs. 600 crore is what got capitalized. Balance is close to about Rs. 1,500 crore which is standing in CWIP.

Saket Kapoor: Sugar we have capitalized in March itself?

Amit Agarwal: In Q3 and in Q4.

Saket Kapoor: So, that Rs. 530 crore has been capitalized. This Rs. 530 crore CAPEX how is it going to contribute going ahead? What would be the turnover ratio?

Amit Agarwal: The Rs. 530 crore of CAPEX should give us a ballpark return of close to about 20%. I think we should live with that.

Saket Kapoor: The turnover will be what, for Rs. 530 crore what will be the asset turnover?

Amit Agarwal: Turnover because there are some measures where our refinery capacity has gone up. There are some measures where our feedstock has changed. I mean the feedstock is a different feedstock on grain. There are some dynamics which will support cost and there are some dynamics which will support sales.

Saket Kapoor: In the presentation about 120 MW power plant is also mentioned. What would be our annual savings and the commissioning of the same?

Amit Agarwal: This 120 MW power plant the total project cost is close to about Rs. 500-550 crore and we expect this to give us savings in the range of around Rs. 100 to 125 crore on an annualized basis.

Saket Kapoor: Will we be getting the benefit for the entire full year or that is this power plant has been commissioned or what is the update?

Amit Agarwal: So, as CMD mentioned, the power plant is expected to be commissioned by Q1 end.

Saket Kapoor: For nine months we will be getting the benefit of this?

Amit Agarwal: It takes time to ramp up any large project.

Saket Kapoor: On a full year basis it will be a Rs. 100-crore savings that will be expected from next year onwards in totality?

Amit Agarwal: Yes, from next year.

Saket Kapoor: In the opening remark MD sir you mentioned about some hydrogen production part. I missed your comment on the same. What were you trying to convey for the Bharuch unit? If you could elaborate more?

Ajay Shriram: Just to clarify when we make caustic soda chlorine, another product which is made automatically in the process is hydrogen. Today we make about 2 lakh cubic meters of hydrogen per day. Now once we commission our expanded capacity at our Gujarat factory, we will come to almost 3 lakh cubic meters of hydrogen per day and we are selling this so that is also a good source of revenue for us.

Saket Kapoor: Turnover wise can you give a yearly number for the same? What has been the contribution from the sale of hydrogen?

Amit Agarwal: Last year we had a turnover of about Rs. 155 crore on account of hydrogen and our sale was close to about 2 lakh NMQ per day and EBITDA on account of that is about Rs. 129-130 crore.

Saket Kapoor: On a sale of Rs. 150 crore?

Amit Agarwal: Yes.

Saket Kapoor: One more point about this ESOP part. If you could explain to us, why did we choose this route of creating trust and then buying the shares from the market rather than going for direct ESOP, what has been the differentiation?

Amit Agarwal: So, Saket this is an old policy, existing policy that we have which we had framed in 2013. The policy is continuing. We already have shares under this policy which is reflected in our balance sheet as well. We are just adding shares for the benefit of the employees.

Saket Kapoor: But the other route of direct ESOP credit coming.

Amit Agarwal: Saket I don't think I can do that discussion here because these are longish discussions to explain what is the difference between an ESOP and ESPS. What are the benefits. I think we connect one-on-one.

Saket Kapoor: I conclude with my last question. Taking into account the commentary and the type of CAPEX that we have envisaged, going ahead for this year will we be starting to reap the benefits of the entire CAPEX for the chemical segment or it will take another 1-year for the entire thing to capitalize? I want to understand the trigger for FY24, what are the key triggers?

Ajay Shriram: As I have mentioned earlier Saket we expect all our chemical expansions to be completed by the end of Q2 financial year '24. Now you'll appreciate it whenever an expansion is made, especially when a new product line comes in, one can't expect that within 1 week you come to 100% capacity utilization. It doesn't work that way.

It will take a little while to get stabilized, to get the market going which is already working on the market in any case so it will take some time. We will not get the full benefit of this financial year '23-24 but we will definitely get the full benefit of that in the year '24-25.

Saket Kapoor: On the caustic market side, I think you mentioned that globally there has been no any big capacity addition. It is only the Indian market where a 1 million tons capacity was added. Taking into account the expanded capacity what have been the average utilization for the country as a whole?

Ajay Shriram: I think the utilizations in the country as a whole is running at about 72%-73%, which is pretty good. Ours was a little higher, which is beneficial because we have a lot of our chlorine supply which goes directly by pipeline to many customers around our Gujarat factory. In our caustic soda factory at Kota, we use almost over 50% of our chlorine ourselves for making PVC and stable bleaching powder, etc. So, our utilization was higher but with the capacity coming in you're right, it will take a couple of quarters to stabilize and we hope the international economy also picks up or stabilizes so the demand from there also picks up a little bit. Because ultimately end of the day, today whether it's caustic you can just import it there's no issue. So, our objective is how do we actually have going down the line little balance in the capacity in India and international prices going up.

Saket Kapoor: And just for the textile sector there was a big dampen in the demand from them. How is the textile sector looking up for the month which has gone by? Have the textile sector opened up post the corrections in the yarn and the cotton prices the inventory written down and also, I think so getting adjusted for the year. What's the outlook from the textile sector? Any feelers you can share?

Ajay Shriram: Textile sector discussions we've had and our people have had. The textile sector as you rightly said has gone down a little bit. In the textile sector is important because the use in the textiles also as well as in dyes etc. which are used in the textile sector, caustic soda is used in both. We hope down the line with the Indian economy moving at (+6%) this textile sector also picks up over the next few quarters which should give us a little positivity.

Saket Kapoor: Lastly on the power and fuel front. If you could explain once again what led to this increase in power and fuel cost, Q-on-Q basis also; year-on-year there's a significant gap of 100 crore, even on Q-on-Q, there's a 40-45 crore change on even lower turnover. If you could explain the mix that led to the escalation in power and fuel cost?

Amit Agarwal: Saket the power cost has been going up. It is only in let's say by February-March when the spot prices of coal started coming down but the company carries inventory for its operational safety. So, that inventory by March we more or less liquidated the high-cost inventory which we had bought in the month of November-December-January and now we are seeing our fuel prices or the coal prices coming down, the consumption rates coming down.

Saket Kapoor: Can you share the mix, what is the coal part and how much is the direct purchase from grid?

Amit Agarwal: So, about 38% we purchased from the grid for our chemicals complex at Bharuch and as well as Kota.

Saket Kapoor: The balance 62% is coal-based coal and gas both because it is for fertilizer if you...

Amit Agarwal: Coal primarily but then we are also using biomass now in a big way. We are using almost 20% biomass in Kota and nearing over 10% biomass in Bharuch.

Saket Kapoor: So, the grid pricing can you share? How are the grid pricing shape up for Q-on-Q or a year-on-year basis?

Amit Agarwal: Grid pricing that also keeps changing with the coal prices. There's a fuel surcharge but that ranges between Rs. 7 to Rs. 8.

Saket Kapoor: Because I was just trying to make sense of this 9% to 10% increase Q-on-Q basis. Is it only because of the inventory?

Amit Agarwal: We will discuss that offline Saket.

Moderator: We take our next question from the line of Riya from Aequitas Investment Consultancy.

Riya: This is just in regards with the cost of production for sugar. You had said that last sugar season was Rs. 33 and this time it's 32. This includes the Rs. 25 incremental, per quintal SAP increase?

Amit Agarwal: Yes, so even last year this Rs. 25 was there. This increase in SAP happened in the last season. What JMD sir mentioned, was actually saying that the increase in SAP in the last season which is '21-22, the sugar that is produced in that season is sold in the next season. That is where the cost increase had happened but we didn't get the benefit in terms of the price equivalent benefit in the price increase and therefore, the margins were lower. This year in any case there has been no SAP increase but because of production and recovery our cost is lower.

Riya: Can I know the cost of production for sugar season '21 or the year before the SAP increased?

Amit Agarwal: That was close to about Rs. 2,950 so I may be off by Rs. 10-15 but ballpark.

Moderator: We take our next question from the line of Ahmed Madha from Unifi Capital.

Ahmed Madha: First on the epichlorohydrin realization so we see that the prices of epoxy and ECH both have come down significantly. In FY24 as we progress for our CAPEX will be based on the spreads which are on the export basis will we do break even for ECH? I know that we have plans for the long term and the business will be very supportive for the long term but how should we look at the near term? Should we break even or no?

Amit Agarwal: Ahmed I think what you're looking at is and if I'm not wrong, you're looking at the prices which you are right over the last 1-year have come down from about Rs. 200 per kg to now about Rs.120 kg. But then even the glycerin price has halved like the crude glycerin is from Rs. 65 a kg has come down to Rs. 32 per kg. So, ballpark my spread so if I look at my margin, my EBITDA margin is still in the range of about 20%-24%. Yes, absolute number is lower and therefore quantum will come down. I don't deny that but it is not under too much pressure, I would say it is fine.

Ahmed Madha: Second question is on the Bioseed I know that in this year we have made efforts to turn around the Bioseed business. So, can you give some outlook how do we look at FY24-25 and how does our product pipeline and product launches look for the Bioseed's business?

K.K. Kaul: FY24 we are looking at the same kind of growth that we have seen in FY23 because of the products which have been accepted in the market and because of some new good products which we have in the pipeline. We are having products almost all the crops that we deal whether cotton, corn or paddy or even vegetables. I think FY24 should be even better than FY23 and we should be coming over that in terms of turning around.

Ahmed Madha: Over the long-term beyond FY24-FY25, how should we look at the business and the viable margins in the business?

K.K. Kaul: As of now the long-term looks good but it has to be seen year-on-year because the market also somebody else comes with a better product but we also have a very good end products so we do see in the next 3-4 years we should be growing and doing better.

Moderator: As there are no further questions from the participants, I would now like to hand the conference back 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 Q4 and financial year '23 earnings conference call. We are committed to deliver better earnings and growth. We are making efforts in that direction by growing our economies of scale, new product lines, increasing efficiency, fostering innovation and promoting a circular economy and focus on sustainability. We also prioritize maintaining a strong financial position and continue to look for new avenues of growth. Thank you once again for joining our call and wish you all good health always. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of DCM Shriram Limited that concludes this conference. Thanks for joining us and you may now disconnect your lines.