DCM SHRIRAM

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| **SCRIP CODE : 523367** | **SCRIP CODE : DCMSHRIRAM** |

**Sub: Analyst/ Investor 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 Unaudited Financial Results (standalone and consolidated) for the quarter ended June 30, 2022 held on July 25, 2022.

Kindly take the same on record.

Thanking you,

**Yours faithfully,**
**For DCM Shriram Ltd.**

Sameet Gambhir
Digitally signed by Sameet Gambhir
Date: 2022.07.30 12:38:47 +05'30'

**Sameet Gambhir**
**Company Secretary and Compliance Officer**

**Dated: 30.07.2022**

**Encl.: as above**

# DCM Shriram Limited
# Q1&FY'23 Earnings Conference Call
July 25, 2022

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**Siddharth Rangnekar:** Good afternoon and thank you for joining us on DCM Shriram Limited's Q1 FY'23 Earnings Conference Call.

Today, we have with us Mr. Ajay Shriram -- Chairman and Senior Managing Director; Mr. Vikram Shriram -- Vice Chairman & 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 the call with comments from the management including Mr. Ajay Shriram and Mr. Vikram Shriram. Members of the audience will get an opportunity to pose their queries to the management following these comments during the interactive question-and-answer session.

Before we begin, please note that some of the statements made on today's call could be forward-looking in nature, and a note to that effect has been included in the conference call invite circulated earlier.

I would now like to invite Mr. Ajay Shriram to give us a brief overview on the Company's performance and his views going forward. Over to you, sir.

**Ajay Shriram**: Good afternoon, ladies, and gentlemen and thank you for joining our Q1FY23 Earnings Conference Call. I earnestly hope that all of you are keeping safe and healthy.

I will start with perspectives on industry dynamics and the associated specific imperatives for us. This will be followed by Vikram who will share information on the operating and financial performance of the businesses.

Our performance during the quarter has remained strong. The uncertainty in the economic environment that started in 2020 with COVID-19 is continuing. Today, the world is witnessing historically high inflation. There are supply chain disruptions, prices of core commodities are still at elevated levels, interest rates are rising, Currencies across the globe are at their lows against the US dollar and there is the ongoing Russia-Ukraine conflict, which adds to the uncertainty. However, our strong balance sheets, cash flows, and resilient and diversified businesses are well-placed to manage the current economic environment.

We are investing close to Rs. 3,500 crore in various projects, primarily in Chemicals and Sugar businesses, which are to be commissioned over the next 12 months. These projects will increase our scale, forward integration, new product lines, along with bringing cost savings. Some of these investments are directed towards creating wealth out of waste, building capabilities and reducing carbon footprint.

We continuously strive towards making our operations more sustainable. The Company is 11x water positive. 34% of the total energy consumed in our operations is green. We are finalizing the sourcing of additional green power to the extent of about 50 megawatts at Shriram Alkali & Chemicals, the Bharuch complex in Gujarat. We are taking more steps to reduce and recycle waste, optimize resources, as well as reduce our carbon footprint.

I would now like to take you through the business wise perspectives:

**Chemicals:**

Supply chains were disrupted in US and China owing to unplanned outages and COVID-related restrictions respectively, giving a thrust to prices during the quarter. Net exports from India stood at 52,978 metric tons in Q1FY23 versus net imports of 3,360 metric tons in the same period last year. Average import prices that traded above $700 per metric ton during Q1FY23 are witnessing a decline now. However, being in the midst of geopolitical tensions, the input price is expected to weigh up strongly with energy prices staying higher. This situation can be expected to continue for some time.

Margins in this business are expected to normalize over the next few quarters after significantly high levels over the last three quarters. Our capacity utilization during the quarter was 91% vis-à-vis 84% last year. Chlorine demand has been under pressure during the quarter, resulting in negative realizations for chlorine.

The Chemical business is investing approximately Rs. 2,800 crore in various projects of caustic soda chlorine, epichlorohydrin, hydrogen peroxide, aluminum chloride and 120 megawatts captive power plant. The latter 2 will come online in this year and the balance will be operational by Q1FY24. This will add significant value to the Company.

**Vinyl:**

China is witnessing a slowdown in construction activities and therefore is participating more in international trade. With expiry of anti-dumping duty on PVC imports from China from February ‘22 onward and lowering of customs duty on PVC imports from 10% to 7.5% in mid-May ’22, the pricing pressure on PVC market in India is there. Prices for PVC saw a dip quarter-on-quarter. Carbide prices have also witnessed a decline quarter-on-quarter. Energy costs are expected to be high due to the persisting geopolitical situation and could impact margins.

**Sugar:**

Globally, sugar balance sheet is expected to be tight in the current season and slightly in deficit in the coming season due to anticipation of higher sugar diversion to ethanol in Brazil owing to the surge in fuel prices. Taking cognizance of the above, we expect international sugar prices to remain firm and Indian mills in Western and South India should benefit from exports.

Our ethanol performance was stable. The Company piloted cane juice-based ethanol in the last season. However, returns were lower versus the B-Heavy based ethanol. We will continue our efforts to make cane juice-based ethanol viable. The UP-Sugar Industry needs a balanced government policy for sugar exports as well as cane juice-based ethanol to remove regional imbalances with Maharashtra. This business is investing approximately Rs. 550 crore in ethanol capacity, sugar refinery, crushing capacity of sugarcane and potash fertilizer from distillery ash.

These projects will get commissioned in Q3FY23 and will add to the earnings in the next season.

**Agri Inputs:**

Our agri inputs business comprise of Shriram Farm Solutions, Bioseed, and Fertilizers. The monsoons play a critical role in performance of these businesses. Delayed monsoons have impacted farmer sentiments, crop preferences, geographical imbalance in cropping patterns and acreages. During Q1FY23, despite the deficit monsoons, the performance of these businesses was stable.

Shriram Farm Solutions is focusing on research across this vertical on crop care, specialty plant nutrition and feeds. It has a research center in Ludhiana, Punjab. During the quarter, the business started manufacture of crop care chemicals from a leased facility in Ahmedabad. It is also setting up a manufacturing of biofertilizers and water-soluble fertilizer through a 100% subsidiary, all this augurs well for growth in this business.

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

Fertilizer sales were higher on enhanced energy prices despite lower volumes. Volume saw a 15% decline as a result of maintenance shutdown that we took during Q1FY23. Subsidy outstanding as on 30th June 2022 stood at Rs. 462 crore compared to the Rs. 222 crore as on 30th June 2021.

**Fenesta:**

Fenesta continues to deliver good growth as a result of increased demand for its wide range of products and high-quality products. There is still a concerted effort to increase the range of products in UPVC as well as the aluminum windows segment. We are setting up a new fabrication capacity in Bhubaneshwar, Odisha which will be commissioned in Q2FY23 and expanding the extrusion facility at Kota, Rajasthan to be commissioned in Q1FY24. These steps will further help in accelerating growth of this business.

Our businesses are looking to invest in improving business efficiency and in growth. We have embarked on initiatives to broaden our footprint through value addition and capacity creation in high growth category.

I will now request Vikram to share his perspectives on the financial highlights. Vikram, over to you.

**Vikram Shriram**: Thank you. Good evening, everyone. I will take you through the financial highlights for our Q1FY23 Results.

During the quarter, net revenues came in at Rs. 2,851 crore versus Rs. 1,957 crore in Q1 financial year ’22, higher by 46% year-on-year. Volumes were up across Chlorovinyl, Sugar and Fenesta businesses. Prices were up for Chlorovinyl, Sugar, Fenesta and Fertilizers.

Chlorovinyl businesses revenue grew by 117% year-on-year to Rs. 896 crore led by higher volumes and prices. Caustic volumes were up 13% year-on-year. ECU prices came up in higher at 103% year-over-year. Other product prices across the categories were also up.

Vinyl business too recorded a healthy growth of 31% year-on-year in revenues. Carbide sale volumes were up 135% year-on-year and PVC volumes were up 13% year-on-year. Carbide prices were up 18% year-on-year and PVC prices were up 3%. Increase in volumes in Chlorovinyl is also a result of demand being impacted during Q1FY22 by the second wave of COVID-19, which has been restored this year.

In the sugar segment, volumes of sugar were up 20% driven primarily by higher domestic monthly releases. Domestic sugar prices also supported growth. Distillery revenues came in higher driven by both volumes and prices.

SFS revenues were marginally up 3% year-on-year with stability across the categories.

Bioseed revenues about up 9% year-on-year, mainly led by domestic growth. India operations revenues up about 31%, driven by cotton and corn. Government Procurement picked up versus previous Kharif season, which was impacted by COVID-19.

Fertilizer revenues were up 46% year-on-year due to higher realizations resulting from higher gas prices, which is a pass through. Prices were up 106% year-on-year. Volumes were low by 15% due to planned maintenance shutdown taken in Q1FY23. Gas prices averaged USD 22 per MMBtu versus USD 10 per MMBtu in Q1FY22.

Fenesta business continued to record healthy numbers with revenues up by 54% led by both retail and project segments.

Coming to profitability in Q1FY23:

PBDIT stood at Rs. 464 crore higher by 55% year-on-year despite cost pressures. The performance was primarily supported by Chemicals and Fenesta segments.

Chemicals PBDIT was up 227% primarily led by higher product prices and higher volumes. Both power and salt prices continued to be high, which were more than offset by better product prices. PBDIT margins stood at around 41% versus 27% in the same period last year and 43% sequentially.

Fenesta PBDIT was up 168% led by higher volumes in both retail and project segments and better margins in retail segments.

Vinyl PBDIT was down 21% despite higher realization since the input cost increases driven by energy prices could not be compensated by prices. PBDIT margins in vinyl stood at 29% versus 48% in the same period last year and 41% sequentially.

Sugar PBDIT was down 49% year-on-year. Higher costs driven by higher cane cost and lower recoveries impacted profitability of sugar. Ethanol earnings were stable. Higher domestic sugar and ethanol prices partly offset cost pressures during the quarter. The sugar earnings has seasonality and should be looked on a full year basis.

Bioseed PBDIT stood at Rs. 20 crore versus Rs. 27 crore due to lower volumes in Philippines operations. India business PBDIT was up 35%.

Fertilizer PBDIT came in at negative Rs. 17 crore versus positive Rs. 33 crore for Q1FY22 due to lower volumes and higher energy consumption resulting from maintenance shutdown and higher fixed expenses. Last year, there was a one-time gain of Rs. 33 crore of urea prices pertaining to provisions relating to previous years.

We have reported healthy progress across our key segments and are also encouraged with the financial fitness of our balance sheet. Our debt levels remain at more than comfortable levels with net debt at Rs. 8 crore versus Rs. 32 crore at June '21. We are generating healthy cash flows and our ongoing projects will be funded by internal accruals and debt. Return on capital employed for June '22 came in higher at 37% versus 23% for June '21.

On the whole, we look forward to delivering sustainable and healthy growth going forward.

This brings me to the end of the financial discussion and we will be happy to take questions that you may have. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Ahmed Madha from Unifi Capital. Please go ahead.

**Ahmed Madha:** My first question is on the outlook of sugar business. Our FY '22 was relatively poor than the FY '21 because of the lower export volumes, also our domestic volume quota was relatively lower. So, how do you see the next 2 fiscal years panning out with the new grain-based distillery capacity coming up? And one more question on the sugar side is that even though we are increasing the share of refined sugar and ethanol capacity, how does it impact the realization and the profitability?

**Ajit Shriram:** Essentially the last season in Central and East Uttar Pradesh, there were adverse weather conditions, first with a long spell of drought and high heat. And then subsequently, there were 2 spells of very heavy rainfall. So, this decreased the yield both in central UP and also East UP and also adversely affected the recoveries. So, that was primarily the reason for lower sugar crush last year. This year, I think the weather patterns have been relatively decent and we do hope that our volume will increase significantly compared to the previous crushing season.

On the ethanol front, as mentioned in the opening remarks, we are doing an expansion which will be commissioned in Q3FY23. And we're also very hopeful with this Government's new push on ethanol for also bringing forward the 20% blend to 2025. And last year average blend was roughly 10% plus. We're hopeful that the coming year, the blend on an all-India basis will be about 11% plus. So, we're positive on the ethanol front as well.

**Ahmed Madha:** Last one, the refined sugar bit, if you can answer.

**Ajit Shriram:** Our percentage or refined sugar, as a Company, was much lower than our peers. And we will increase our refined sugar production to roughly 60% of capacity. And we do hope to get a premium of between 70 paise to 80 paise per kilo on the refined sugar vis-à-vis normal sulphated sugar.

**Ahmed Madha:** The next question is on the PVC side, the vinyl business as you call it. So, Q4FY22 realization were close to 135 - 140, then current quarter it was close to 128 - 130. What we see as of now is the prices are almost at Rs. 110 or may maybe below that. So, how is your outlook on the PVC demand dynamics in this country and especially the increase in the imports of China? I know that you may not have the longer-term view, but how do you see going forward for the next couple of quarters?

**K.K. Kaul:** Yes. You're right. PVC prices are seeing a very sharp decline. In fact, the decline started somewhere in the month of February when the anti-dumping duty on imports from China was removed. And then in May the customs duty was reduced further from 10% to 7.5%. But in the last 2 weeks or so beginning of July, we have seen some very sharp declines in the prices. And today, prices are pretty low. But obviously, the demand is still holding. But unfortunately, we have large imports coming from China. The consumption in China has dropped because of the real estate. PVC is a construction polymer. So, the real estate in China is badly hit, and in turn, they are pushing large quantities into the markets in India. But we expect that this reaction of sharp drop in prices is possibly a knee jerk reaction. The fundamentals of the cost haven't still changed. On a long-term basis even the exporters may not find it viable to export at these kind of prices. So, the prices should look up then and that's really difficult to predict at this point of time. But the consumptions are still holding.

**Ahmed Madha:** Last bit on the CAPEX front. We have increased our CAPEX from Rs. 3,300 crore to Rs. 3,500 crore. Now it is basically a request, if you can help us break down our CAPEX product wise and segment wise in the capacity if possible?

**Amit Agarwal:** Sure. One, I think the increase is primarily because there were more Capex added like for Fenesta extrusion plant, which will be about Rs. 47 crore. So, I am just explaining Rs. 3,300 crore to Rs. 3,500 crore first, right? So, there are some Capexs which got added which led to this increase. But otherwise, broadly in chemicals, we're investing close to about Rs. 2,800 crore to Rs. 2,900 crore. In sugar, we're investing close to about Rs. 550 crore and the rest. And in chemicals, the larger projects that we have is one is the captive power plant which is 120 megawatt. And then there is caustic capacity which is 850 TPD along with a 600 TPD flaker. Then we have epichlorohydrin which is about 52,000s ton per annum and we have hydrogen peroxide which is 57,750 tons per annum. So, these are the major projects. In sugar we have 120 KLD multi-feed distillery. We are expanding the crush capacity by about from 3000 TCD, so from 38,000 TCD we will move up to 41,000 TCD and then the refining capacity. So, today out of my total crush, whatever sugar I manufacture about 15% is refined which will move up to about 60% post these CAPEX investments and we also have a potash capacity. We will be extracting potash from distillery ash, so that's another new investment which is about 4,600 tons per annum. So, these are broadly the capacities and the CAPEX.

**Ahmed Madha:** So, what will be our peak net debt by the end of FY23 or whenever the CAPEX gets completed?

**Amit Agarwal:** It will depend on the cash flows but my sense is approximately net debt should be around 1,500 crore by end of FY23.

**Ahmed Madha:** Just a simple question that chlorine so with the current capacity of caustic and then incremental 850 TPD, I am assuming that there will be some extra chlorine left after the use for aluminum chloride and ECH, so have we planned anything going forward for FY25 on this front?

**Amit Agarwal:** So, my current chlorine consumption if I look at Bharuch and if I exclude hydrochloric acid then my current consumption in Bharuch is about 5% captive and in Kota is about 30% captive. In Bharuch I also supply at current level almost 40% of my chlorine is through pipelines. Going forward this 40% broadly we should be able to maintain which is through pipelines and this 4% captive will move up to over 10% after the entire complex get expanded both on epichlorohydrin as well as 850

TPD. So, that's the current captive consumption. But we definitely are looking at some more investments in chlorine downstream to increase our captive consumption. So, those are being looked at.

**Moderator:** We have the next question from the line of Pratiksha Daftari from Equitas Investment.

**Pratiksha Daftari:** My first question is on sugar division. If you could just give the details of sugar production for the whole season that we finished in this quarter and what would be the valuation of the inventory at the end of 30th June?

**Amit Agarwal:** For this year our total crush was about 549 lakh quintals, our production was close to about 54-55 lakh quintals and our inventory valuation was at about 3,307.

**Pratiksha Daftari:** What was the recovery for this season vis-à-vis last year?

**Amit Agarwal:** Recovery was I think close to about 11.36 on C-Heavy basis.

**Pratiksha Daftari:** And how this is compared to last year?

**Amit Agarwal:** So, vis-a-vis last year it was lower by about if I remember correctly by about 0.4%.

**Pratiksha Daftari:** The Brazil crushing that is going on if you could give some highlight on that.

**Ajit Shriram:** The Brazil crop is undergoing stress and as mentioned in the opening remarks because of oil prices a large part of the crop has been diverted to ethanol. So, the world actually is seeing India as a supplier for the world market and as we saw last year or in the ongoing sugar season our exports are roughly 9.5 to 10 million tons on all India basis andwe do expect that in the next sugar year also the exports will be roughly 10.5 to 8.5 million ton from India.

**Pratiksha Daftari:** My next question is on caustic, you mentioned that we expect margins to normalize in next two quarters, so just wanted to understand your perspective on demand scenario going ahead and whether do we expect any serious change in global supply in next few quarters?

**Ajay Shriram:** Our estimate as I mentioned was that the prices last quarter were about $700. They are down by about 5% to 10%, but I think what good thing has happened is given the figures of the exports from India and that has gone up quite a bit. So, that helps to bring some sort of a balance. The expectation is that the industry and companies like us also are exporting and that will keep the balance. So, we don't expect the prices to go down more than 5%-7% over the next couple of quarters.

**Pratiksha Daftari:** And how about demand, have we seen any slowdown in demand specially from sectors like textile or paper?

**Ajay Shriram:** No, fortunately I think demand is quite robust. I think that way if you see the Indian economy is doing quite okay, so demand is quite alright.

**Pratiksha Daftari:** And any change in global supply, which expecting China supply to be increasing going ahead or anything specific in Europe?

**Ajay Shriram:** The challenge always is one is in Europe one is seeing that the energy prices are going up a lot and that's having a very major impact. So, we don't know what is going to be the outcome in the next couple of months depending on energy availability from Russia and from other countries. In China frankly I think all of us know that the actual data availability is very low. We are seeing the impact on PVC but as of now in terms of the caustic front yes, they are exporting more, there is no doubt on that. But I think the export market has taken up in India they have to export also at the decent price, so I think that is moving okay.

**Moderator:** We have the next question from the line of Anurag Dinkar Patil from Roha Asset Management.

**Anurag Patil:** For bio-seed business how do you see the Q2FY23 panning out because I guess some of the sales got postponed due to delayed monsoon. Can you throw some light on that?

**K.K. Kaul:** Yes, because of the delayed monsoon, the acreage under paddy and the coarse crops has declined and its possibly that we may see a decline in this sowing in paddy. In some states there is no longer any possibility of this being recovered but in some states, there is still a possibility that some of it would be recovered because of the decent rains that had happened in these states particularly UP and Bihar. But paddy overall possibly be a decline in the crushing.

**Anurag Patil:** On cotton side, how is the acreage situation currently?

**K.K. Kaul:** Cotton has done well in terms of acreage and I think the final figures we should be seeing coming in the next month or so. But as of now because of reasonably good rains in the cotton growing areas, particularly in south and center, the acreage is pretty good and because the prices are also good and therefore cotton has faired okay.

**Anurag Patil:** In the cotton illegal STBT how are they going on currently and have the volumes increased compared to organized players?

**K.K. Kaul:** Illegal cotton keeps on growing but there is also a new trend that farmers are moving into non-branded kind of cotton seeds. So, cotton seeds apparently are also good in quality but there is a significant shift to that from the branded products to the non-branded so, the illegal cotton continues to be a challenge for us.

**Moderator:** We have the next question from the line of Pratik Tholiya from Systematix.

**Pratik Tholiya:** Just if you could also highlight on the acreages and the crop quality of sugar cane because we see that UP especially has received below normal monsoon so far. So, how is the cane condition and whether there can be any impact in terms of availability of cane or even the recoveries can go down because quality of cane can suffer due to lack of monsoon?

**Ajit Shriram:** Are you talking about the entire UP?

**Pratik Tholiya:** I'm talking about entire UP and specially I think East and Central UP is down almost 50% in terms of rainfall. So, if you could just highlight on, maybe your catchment area also if you can just highlight?

**Ajit Shriram:** As I have mentioned earlier, I think last year we had very adverse weather conditions in terms of the heat wave and then a couple of instances of very-very heavy rainfall. This year comparatively it's been relatively more steady and also the farmers have got paid in time and the irrigation efforts by the farmers in the factories are going on well and we do hope that the yields will be as good as normal in the coming seasons.

**Pratik Tholiya:** What would be the current ex-factory prices for sugar in UP?

**Ajit Shriram:** Roughly 3,500 per quintal.

**Moderator:** We have the next question from the line of Vighnesh Iyer from Sequent Investments.

**Vighnesh Iyer:** I just wanted to know what is the capacity utilization for the caustic soda and the related chemicals as well as the PVC, if you could give me percentage?

**Ajay Shriram:** As I had mentioned in my opening remarks in the last quarter, our capacity utilization for our caustic soda plants was 91% compared to 84% in the corresponding quarter last year.

**Vighnesh Iyer:** And the aluminum chloride and the PVC resins, if you could give me?

**Amit Agarwal:** For PVC it was 90% capacity utilization in line with what we had in the same period last year. Aluminum chloride was almost 100%.

**Vighnesh Iyer:** Also, could you tell me quarter-on-quarter, how much have we exported caustic soda? If you could give me a number, more or less to understand if there is an increase in export quarter-on-quarter as such, if you could give me some data at present?

**Ajay Shriram:** Again, as I mentioned in the opening remarks that in this first quarter of this financial year, exports from India were about 54,000-55,000 tons and corresponding quarter last year there were imports about 3,500 tons. So, actually, the export was much higher as well, was almost 54,000-55,000. I gave the exact figure when I mentioned that and even this month and future months the industry expects exports to be in a fairly healthy range.

**Vighnesh Iyer:** So, there is traction, from export market as well as domestic market for caustic soda? We can more or less infer that way, right?

**Ajay Shriram:** Yes, I think frankly as one is seeing fortunately that the export potential and the export growth while industry also quite stable. The industry is feeling quite confident that they will continue export at a fairly rate and if that carries on, I think it's going to be helping in balancing out.

**Moderator:** We have the next question from the line of Saket Kapoor from Kapoor & Company.

**Saket Kapoor:** Firstly, on the continuation to our last speaker only. We are looking I think so for 1-million-ton capacity addition in caustic soda in phase manner especially in the Western part for FY23. So, taking that into account and currently the China factor; it is more inclined to the demand or whether there would be an oversupplies that we can anticipate going ahead with this capacity additions?

**Ajay Shriram:** The good thing is that the demand in India is also growing at a healthy pace and with the economy is having a GDP growth in the range what it is 7%-8%, that's pretty good going and the demand in India is also moving quite well. Export markets have also opened. See the commodity business is we always find when new capacities come, there may be a couple of quarters of the little tightness because of excess capacity but with good growth of 7%-8% its evened out and the second point is in any investment, you may glad to agree now increasing our caustic by 850 tons per day and flakes by 600 tons per day, we are simultaneously looking at how to improve our efficiencies and reduce our cost. So, that is again an advantage we get with expansions. It is frankly in the long-term a win-win situation of expanding our capacity.

**Saket Kapoor:** In the earlier remark about the vinyl prices going down, Shriram sir did mention about that led to the China factor, the lockdown in China and therefore leading into a large import or dumping by them. So, have we seen the same trend for the caustic soda prices also, post-June I think so in the presentation also we had mentioned about prices trending lower? So, what's currently the trend for the ECU, if you could throw some more light for the same?

**Ajay Shriram:** Caustic soda fortunately we are not having that sort of pressure coming in from China. PVC as a solid is much easier to export and move around than what it is for caustic soda. So, we are not seeing that. In fact, India is a net exporter which is a very good situation we are in. And we expect the exports to carry on, I don't think it will be too bad. Yes, the prices have come down by 5%-7% and as the commodity moving 10% up and down, industry has to accept that because you can't expect always going up or always going down. It doesn't go that way. The important point is our we competitive on a world scale and that is something which we are, we are giving a lot of focus in that in our operations and our cost of production, our customer relationships etc. So, that is a strong point and otherwise we are expecting next two quarters of caustic soda to be quite alright.

**Saket Kapoor:** Which markets are we targeting for the export segment, which geographies?

**Amit Agarwal:** Exports is going to Southeast Asia, that's one big market and they are also going to some African countries.

**Saket Kapoor:** If I correctly remember, Japan-Iran have been importers to the country for India. So, how are they positioned, what is the material movement from these two geographies Japan and Iran?

**Ajay Shriram:** Yes, you are right. Japan also is in fact Mitsubishi; we are in touch with them also to import into Japan. So, that is moving from there. Iran I am not sure.

**Amit Agarwal:** Iran always would come to the market with certain you know in some pockets; they would come in export and probably depress the market. It never a consistent supplier to India or globally it is not a consistent supplier so it's more in pockets that they come and sell and off late we haven't seen them coming in, at least not in India.

**Saket Kapoor:** When we give the 50,000 figure of export, what quantity should we factor in from the imports from Japan in the country?

**Ajay Shriram:** No, I don't think it's imports, I think India is continuing with Mitsubishi and all to export from India.

**Saket Kapoor:** So, there is no import as of now from the Japan continent?

**Amit Agarwal:** So, we have imports like in this quarter, our imports in the country the imports were about 11,000 tons and exports were about 64,000-65,000 tons. Out of that 11,000 how much was from Japan; I am not aware of that.

**Saket Kapoor:** Coming to this value-added part of the story. As you have told the chlorine has to be consummated in the value-added segment. So, with the increased caustic soda production from our side, by what percentage will the chlorine consumption internally will go up and what percentage of value-added products increased in products, sales are we contemplating?

**Amit Agarwal:** So, currently we are at around 4% captive consumption excluding HCL. With all the capacities coming up including 850 TBD of caustic, we will go up to around 10% and as I mentioned we also have 40% of our supplies going through pipelines to dedicate customers on chlorine.

**Saket Kapoor:** And currently chlorine spreads are positive or negative for us, for this quarter?

**Amit Agarwal:** They are negative.

**Saket Kapoor:** By what amount?

**Amit Agarwal:** In the range of around 4,000 to 5,000 negative.

**Saket Kapoor:** Coming to the Bioseed segment. I think so last quarter, for the March I think to be spoke about this turnaround plant for the Bioseed segment for 2 years or 3 years down the line. What is stored in for the Bioseed segment going ahead and what can we expect in terms of this business contributing to the total price and profitability including?

**K.K. Kaul:** In Q1 we have seen, in terms of the turnaround, the early signs that's happening but obviously one quarter can't be a complete representative but the early signs in terms of the acceptance of some of our new product pipelines, new products and new geographies that's being good and we hope that definitely this turnaround has started and during the year we should be able to turn it around as we had anticipated in the previous year when we talked about it.

**Saket Kapoor:** Last year it was a course correction exercise I think so slow-moving inventory part and all which was articulated by you. So, this year that is not going to play out so this year will itself look better for us?

**K.K. Kaul:** Absolutely, they look much better.

**Moderator:** We have the next question from the line of Ahmed Madha from Unifi Capital.

**Ahmed Madha:** I had a question on the PVC business. So, currently we are manufacturing PVC by calcium carbide route. Do you think is there any incentive to allocate capital to manufacture suspension PVC via a VCM route?

**K.K. Kaul:** Currently the margins between VCM and PVC at the current prices are not very good. On an average it used to be $150 but it's gone down below $150. So, we have been evaluating it quite a bit but for us we didn't see any merit in following that VCM route.

**Ahmed Madha:** As of now also you don't see any merit?

**K.K. Kaul:** See the economics are largely dependent on energy price. The energy prices are high, the margin between VCM and PVC also goes down.

**Moderator:** As we have no further questions, I would like to hand the floor back to the management for closing comments. Please go-ahead sir.

**Ajay Shriram:** Thank you. Ladies and gentlemen, thank you very much for your participation in our Q1 Financial Year '23 Earning Conference Call. We will continue to work on our strategic direction of growing our businesses using scale, multiple revenue streams, enhancing efficiencies and achieving higher integration. We will also ensure that our balance sheet and cash flows remain strong. At the same time, we are also conscious of our responsibility towards the environment, community welfare and our employees who are our true assets of the Company. We are focused on building sustained relationships with all our stakeholders. Once again thank you very much and we wish you safety and good health. Thank you.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of DCM Shriram Limited that concludes this conference. Thank you for joining us.

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