

Earnings to show Multi-fold growth as diversified businesses contribute

CMP: INR 975

Turn-around Play

Stock Info

BSE	523367
NSE	DCMSHRIRAM
Sector	Chemicals
Face Value (INR)	2
Equity Capital (INR Bn)	0.31
Mkt Cap (INR Bn)	152
52w H/L (INR)	1,175/812
Avg Daily Vol (in 000')	252

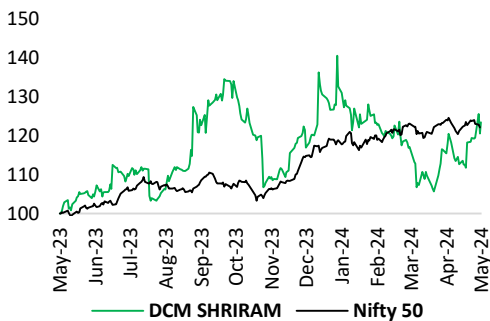
Shareholding Pattern %

(As on March, 2024)

Promoters	66.53%
Public & Others	33.47%

Stock Performance (%)	1m	6m	1Y
DCM Shriram	6.8	12.5	22.5
Nifty 50	-1.52	14.80	22.3

DCM Shriram Vs Nifty 50



DCM Shriram Ltd. is a diversified and an integrated business entity with extensive and growing presence across the Agri-Rural value chain and Chloro-Vinyl industry. It is engaged in the business of manufacturing facilities of Fertiliser, Chloro Vinyl & Cement in Kota (Rajasthan) and of Chlor- Alkali in Bharuch (Gujrat).

Key Segments:

Chlor-Vinyl Business: Company have wide portfolio of basic chemicals and raw materials, such as Caustic Soda, Chlorine, PVC Compounds, PVC Resin, Cement, Calcium Carbide, among others. Chemicals showed some improvement while the domestic demand has been healthy with pickup in downstream activities. Demand across China remained muted resulting in excess exports, hence, Pricing is expected to remain under pressure. Caustic soda and chlorine demand is expected to be robust in the medium to long term given the ongoing capacity expansions by the company. Low Caustic Soda demand in the domestic market will be offset by global demand. Hydrogen business has 60% contribution to the company's EBITDA. The company has ready customer base for hydrogen. Hydrogen peroxide capex is expected to be commissioned in the next 2 months. The Company has spent ~INR 11 bn for Hydrogen peroxide and ECH expansion.

PVC demand is expected to remain strong from hereon. Capacity utilization for PVC and chlorine will come down in some time but medium term utilization is expected pick up.

Chlorine consumption is also expected to increase going ahead as Captive consumption will be 55%, and rest will be sold in the market looking at tie ups for chlorine disposals, which are in advance stages of discussion.

Caustic soda capacity will increase by 0.5-1 mn tonne in the next 1 year; operating at 90%. Global market scenarios will improve exports of caustic soda. Chlorine will be more of domestic play. The prices are expected to remain range bound while medium term demand looks good.

Agri-Rural Business: DCM Shriram Ltd is leading integrated sugar producer and expects global sugar supply and demand to be good. Domestic sugar prices have been down and are expected to improve. FRP are increased by government by INR 25/quintal. Production is expected to be marginally down due to export inventory being up. Prices are expected to increase given FRP is increased. Cost of Production stood at INR 3,590/quintal this year. Urea business environment continues to be subdued due to maintenance shutdown in March.

Value Added Business: Fenesta provides an end-to-end solution, making it a one-stop solution to cater to all windows and doors related needs of their consumers. Businesses continue to grow at a healthy pace with focus remaining on expansion and increased product offerings.

Valuation & Outlook: Fenesta and Shriram Farm Solution businesses continue to grow at a healthy pace with focus remaining on expansion and increased product offerings. The Bioseed India business has turned positive for the company. We believe the earnings have bottomed out and growth is anticipated hereon aided by new capacities. The chloro vinyl business segment is also expected to see growth in the medium to long term driven by Caustic Soda, Chlorine, Hydrogen and other value added products. Their earnings are expected to grow multi-fold times from current levels. The stock is trading at 34x P/E on FY24 EPS of INR 28.67. We are working on the numbers and will come out with a detailed note soon.

Abhishek Jain
abhishek.jain@arihantcapital.com

Aman Jain
Riddhi Shah

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**research@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880