Management Discussion and Analysis

Performance Review

During FY'21, overall operating and financial performance of the company was stable despite challenges posed by Covid-19 pandemic. There were government imposed lockdowns in Q1, which led to closure of our manufacturing plants in the initial part of first quarter of the year (except for Agri related businesses). Post that, demand revival took some time especially in Chlor-alkali and Fenesta businesses. The above factors led to lower earnings in Q1 FY'21, after which there was improvement as the economic scenario in the country stabilised.

Plastics (Vinyl) business reported strong growth driven by higher realizations for both PVC & Carbide, in line with international prices. Businesses like Sugar & Shriram Farm solutions registered good growth led by higher volumes. Chlor- Alkali business registered de-growth as operations were initially impacted by lockdowns and domestic demand remained under pressure even post Q1. The International and domestic prices for Caustic Soda continued to be sub optimal for most part of the year, the prices started improving by end of the year. Fenesta business also witnessed de-growth as operations were impacted in Q1 but recovered well during second half of FY'21

Balance sheet continues to be strong. A significant development was in terms of release of Fertiliser (Urea) subsidy in Q4, which historically builds up in second half of the year, leading to lower working capital. Operating Cash flows are comfortable which enables us to look at further growth initiatives as well as manage business uncertainties.

- Total Revenue from operations stood at Rs. 8308 crore vs Rs. 7767 crore last year.
    - Sugar business revenue was up 34% at Rs. 3385 Crs. contributed by higher domestic sugar volumes due to higher domestic releases and higher exports due to additional quota allocated. Distillery also contributed to higher revenue due to higher volumes as FY'21 had full year operations of 200 KLD distillery at Ajbapur commissioned last year.
    - Chloro-vinyl: Chemicals revenue was lower by 26% to Rs 1283 crore as both volumes and prices were affected by subdued demand due to Covid-19 as well as new capacity additions in the domestic industry in Q4 FY'20. However, Plastics (Vinyl) business revenue was higher by 32% at Rs. 732 Crs driven by higher prices for PVC and carbide due to persisting global supply constraints. Overall revenue for Chloro-Vinyl was 12% lower at Rs. 2015 Crs.
    - Agri Input businesses' – Shriram Farm Solution: Turnover of Value-added inputs vertical up by 25% YoY, led by improved focus post closure of bulk fertilizer business. Bioseed up by 12% YoY' led by higher sales volumes. Fertiliser down by ~11% due to lower gas prices. Overall Agri inputs business revenues were up 1% at Rs. 2223 crores.
    - Fenesta Business revenue was lower by 14% to Rs. 361 crore as it was impacted by lockdowns in Q1 of the financial year
- Profit before depreciation, interest and tax (PBDIT) declined by ~4% to Rs. 1244.3 crore vs Rs. 1294.9 crore last year:
    - Sugar Business PBDIT stood at Rs.503 crore, an increase of ~11% from last year, the improvement was driven by higher export volumes and higher earnings from distillery operations led by higher volumes
    - Chemicals Business PBDIT stood at Rs. 326 crores, a decrease of ~48% from last year, on account of lower realizations and lower volumes as impacted by lockdowns in Q1 and subdued demand throughout the year due to Covid. Margins lower due to substantially lower realizations
    - Plastics business PBDIT stood at Rs. 287 Crores, an increase of ~157% from last year despite volumes being affected in Q1 as profitability was driven by higher realizations for PVC in view of global supply constraints from mid-Q2 and rising global demand, leading to higher global prices
    - Shriram Farm Solutions PBDIT improved to Rs 110 Crore vs Rs 69 Crore last year led by better volumes and margins for value added business
    - PBDIT for Fertliser, Bioseed and Cement business declined
    - PBDIT for Fenesta business was also lower at Rs. 43 Crs vs. Rs. 67 Crs last year due to lockdowns in Q1. Business has however improved quarter on quarter
    - Overall PBDIT margins declined to ~15.0% from ~16.7% last year
- Finance Costs – Finance costs during FY 21 decreased by 26% to Rs. 122 crore.
- PAT decreased to Rs 673 crore, down 6% from Rs 717 crore in FY 20.
- EPS for the year at Rs 43.2 down from Rs 46.0 in FY 20.
- Net Debt as on March 31, 2021 stood at Rs. 180 crore vis-à-vis Rs. 1623 crore as on March 31, 2020
- Projects Completed in FY 21 at an investment of ~ Rs. 35 crore –
    - SBP expansion project (43 TPD) at Kota was commissioned in March'21 at an expenditure of ~Rs. 10 Crs
    - Country Liquor project (6400 cases per day) was part commissioned in March '21 at Hariawan Sugar unit at an expenditure of ~ Rs. 25 Crs.

In line with our strategic direction of strengthening our businesses through scale, integration and cost efficiency, we have launched new Projects at our Chemicals complex in Bharuch Gujarat, the total investment is about Rs. 1500 crs.:

- Hydrogen Peroxide facility with a capacity of 52500 TPA, expected to be commissioned by Q4 FY'23
- Epichlorohydrine (ECH) facility with a capacity of 51000 TPA along with Glycerin purification facility expected to be commissioned by Q4 FY'23
- Expansion of Anhydrous Aluminum Chloride capacity by 32850 TPA, expected to be commissioned by Q1 FY'23
- A multipurpose Product Research & Development Center expected to be operational by Q1 FY'23
- 120 MW coal based new power plant is underway and is expected to be commissioned in Q4 FY'22
- Hydrogen Compressors with total capacity of 60398 NM3 per day expected to be commissioned in Q1 FY'22

The decision on implementation of 700 TPD Caustic Soda plant and 500 TPD flaker will be taken in due course.

We believe these steps will significantly strengthen our Chemicals business.

Key Financial Ratios Standalone

Ratios	Mar'21	Mar'20	Remarks
Operating Profit Margin (%)	13.9%	15.5%	
Net profit Margin(%)	8.1%	9.6%	
Interest Coverage Ratio	14.0	11.0	Improvement in coverage is due to lower finance cost in FY'21 on account of lower debts
Current Ratio	2.3	1.6	Increase is due to lower current liabilities i.e. short term borrowings
Net Debt Equity Ratio	0.04	0.4	Reduction is on account of lower debt
InventoryTurnover	4.0	3.0	Due to lower sugar inventory
Debtors Turnover	18.1	7.1	Led by Lower Debtors in FY'21 on account of lower FICC dues
Return on Net Worth (%)	15.0%	19.4%	Reduction due to lower profit in FY'21 and also higher net-worth

Business – Wise Performance Review and Outlook

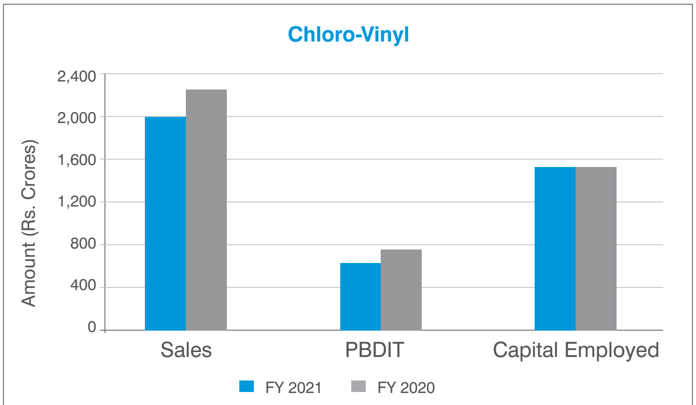
Chloro – Vinyl Businesses

This Business is energy intensive and integrated and is supported by 225 MW coal based captive power facilities. There are multiple revenue streams with Chlor-Alkali (Caustic Soda lye / flakes, Chlorine, Aluminium chloride, Hydrogen, Stable bleaching powder), Vinyl / Plastics (PVC resins and Calcium carbide). These multiple revenue streams lend stability to Chloro-Vinyl operations.

Business Performance

The Revenue, PBDIT and Capital employed for this business for FY 21 is as follows:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	2015.2	2278.2
PBDIT	613.7	744.8
Capital employed	1492.3	1492.6



- Chloro-Vinyl segment's revenue stood at Rs. 2,015 crore as compared to Rs. 2,278 crore in FY 20. The decline was primarily a result of lower Chlor – alkali prices which were impacted during the year due subdued demand as impacted by Covid-19 global pandemic, new capacity additions in the industry in Q4 FY'20 and lower international prices. Impact was substantially mitigated due to higher PVC prices which were higher due to global supply constraints from mid-Q2 FY'21 onwards that led to higher prices.

Chlor-Alkali

Chlor-Alkali (Chemicals) business produces core chemicals viz. Caustic Soda, Chlorine, Hydrogen, Hydrochloric acid and Stable Bleaching Powder, which are widely used in manufacturing processes of other industries. The growth of this business is largely correlated to the GDP growth in the country. Caustic Soda and Chlorine are produced as Co-products in the ratio of 1:0.88. Caustic Soda is used in Alumina, Paper, Textiles, Detergents, Pharmaceuticals industries etc. and Chlorine is used in Polymers, Dyes & inks, Agro-chemicals, Water treatment etc. The prices of Caustic Soda are influenced by international prices as well as domestic demand supply factors. Chlorine Prices are driven only by local demand supply factors.

The company operates manufacturing facilities at Bharuch (Gujarat) and Kota (Rajasthan). The aggregate production capacity at both the sites combined is 1843 TPD. DCM Shriram is the second largest manufacturer in the domestic Chlor-Alkali Industry and the Bharuch facility is the largest single location Chlor-alkali manufacturing unit in India. Both the manufacturing units have access to coal based captive power.

Business Performance

The Revenue, PBDIT and Capital Employed for this business for FY 21 along with quantitative data are as follows.:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	1,283.0	1,724.8
PBDIT	326.4	632.9
Capital employed	1,240.6	1,209.1

Year	Sales (MT)	Realizations (Rs./MT)
FY 21	4,73,042	20,404
FY 20	5,25,024	27,579
% Change	-9.9	-26.0

Chloro-alkali revenue decreased by 26% YoY in FY'21 and PBDIT fell by 48%. The domestic market was under pressure in terms of prices and volumes, due to lower demand as a result of COVID-19 pandemic, which was further accentuated by new capacities that got added in Q4 FY'21 and soft international prices.

Industry Overview and Outlook

The Chloro- Alkali industry in India has 35 operating units with a combined installed capacity of 5.1 million Tons per annum of Caustic Soda. The Top four players comprise about 60% of the total installed capacity. The domestic demand for Caustic Soda in 2020-21 is estimated to be about 3.7 million Tons per annum, de-grew by 2.6% due to Covid-19 pandemic, the demand is expected to pick up going forward and restore normal levels of growth of ~5%. While demand of chlorine has registered higher growth led by growth in downstream industries. Both caustic and chlorine are considered as the building blocks of various industries and the demands of both the products are linked to the Indian GDP growth. As GDP is expected to register a higher growth, the demand of these products is also expected to increase.

Our Strategy

Company remains committed to capitalize on the growing demand in the chemicals sector supported by the strong fundamentals of the economy, by constantly upgrading the production capacities and building downstream capabilities

This year, the company has approved the investment of Rs. 1000 Cr into downstream products of Hydrogen Peroxide, Aluminium Chloride and Epichlorohydrin to improve the captive chlorine utilisation and expand the overall chemicals portfolio. The company has also expedited its expansion of an additional captive power generation unit of 120 MW which was approved by the board in FY 20. This will bring cost efficiencies to the Bharuch Chemicals complex.

Notwithstanding the current challenges in global economy, the above investment demonstrates our firm belief in future of chemicals business and going forward we will continue exploring the possibilities to increase the portfolio of chlorine downstream and allied products to strengthen our capability to manage fluctuations in chlorine prices and further strengthen the business

Plastics (Vinyl)

The Plastics business involves manufacturing of PVC Resins and Calcium Carbide. The company is one of the oldest manufacturers of PVC Resins in the country with over five decades of experience in the business. The Plastics business is an integral part of the Chloro-Vinyl manufacturing facility at Kota with backward integration in terms of own Captive Power, Chlorine and Calcium Carbide. The Calcium Carbide manufactured by the company is partly sold as merchant Carbide, while a large part is captive consumed for the manufacture of PVC Resins.

DCM Shriram Ltd. is the only company in the country which manufactures PVC Resin through the Calcium Carbide route as against the Ethylene route which is being followed by most of the countries worldwide with exception of China.

PVC resin is a thermoplastic with 57% chlorine and 43% carbon content which makes it an excellent fire-resistant material, Pipes & fittings used in Agriculture & Construction account for more than 70% of PVC resin consumption in India as against ~45% for the world. The other key drivers for PVC Resin is the growth coming from applications other than pipes such as packaging, profiles, pharmaceuticals segments, etc. which are expected to account for a higher share of the demand for PVC Resins in the years to come. India's per capita PVC consumption is merely 2.4 kg which is low compared to global average of 5.7 kg. Calcium Carbide is used in the production of dissolved acetylene gas and de-sulphurizing (DS) compound

With steady rise in demand and promising prospects in the downstream agriculture, building & construction and infrastructure segments amid high dependence on imports, India is likely to remain at the forefront of the global PVC market.

Business Performance

The Revenue, PBDIT and Capital employed for this business for FY 21 along with the quantitative data is as follows:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	732.2	553.4
PBDIT	287.2	111.9
Capital employed	251.7	283.5

	PVC Resins		Carbide	
Year	Sales (MT)	Realizations (Rs./MT)	Sales (MT)	Realizations (Rs./MT)
FY 21	63,839	98,692	12,409	62,450
FY 20	56,376	72,305	23,180	54,352
% Change	13.2	36.5	-46.5	14.9

The business revenue was higher by ~ 32% y-o-y and PBDIT increased by ~157 % y-o-y. This was primarily on account of higher PVC resin prices during FY'21 in view of disruption in global supplies from mid-Q2 FY'21 onwards along with increase in global demand leading to higher global prices. The volumes of PVC resins were higher during FY'21 and Calcium carbide were lower, since given the better prices of PVC, more calcium carbide was diverted to manufacture of PVC using the swing capability. The domestic Calcium Carbide prices too were overall higher during FY'21 in comparison with the previous financial year in view of higher international prices for Calcium Carbide from China. During Apr-May'2020, production and sales of both PVC resin & Calcium Carbide were disrupted with pressure on demand & pricing owing to lockdown and ensuing logistics constraints. The business witnessed strong recovery post Q1 FY 21.

The de-bottlenecking of PVC plant during FY'20 led to improved efficiency and increase in PVC resin production capacity by ~14,000 MT per annum. This helped to maximize business profitability during FY'21 in view of preference given to PVC owing to its higher netback over Calcium Carbide.

The cost of power has declined primarily due to reduction in fuel rates, and also commissioning of the new 66 MW energy efficient power plant at Kota in FY'20. However, there was pressure on cost of raw materials mainly due to high carbon prices.

Industry Overview & Outlook

The PVC Resin installed capacity in India currently stands at ~1.5 million metric tons per annum. The domestic demand for PVC, which typically tracks GDP, is expected to shrink by ~16% y-o-y to ~2.8 million metric tons in FY'21 in the wake of the Covid-19 pandemic. It had been growing steadily at a CAGR of 6% since FY 2009-10 and had reached ~3.3 MTPA in FY 2019-20. Similarly the Calcium Carbide demand in India is estimated to shrink to ~54 KT for FY'21, a drop of ~20% from previous year. Demand growth is expected to remain firm in the medium term in line with GDP growth. The imports bridge the gap between demand & domestic supply and account for more than 50% of domestic consumption in case of both PVC & Calcium Carbide. With steady rise in demand and promising prospects in the downstream agriculture, building & construction and infrastructure segments amid high dependence on imports, India is likely to remain at the forefront of the global PVC market.

Our Strategy

The company is focused on maximizing product volumes based on higher net pay back per unit of power, implementing cost reduction initiatives and continuously evaluating new models that enhance process efficiency and support the business' profitability.

The long term growth prospect for PVC in India continue to be positive with domestic consumption driven growth supported by low per capita consumption and the continued focus of the Government on infrastructure development expected to fuel growth of the PVC industry in India over the next several years.

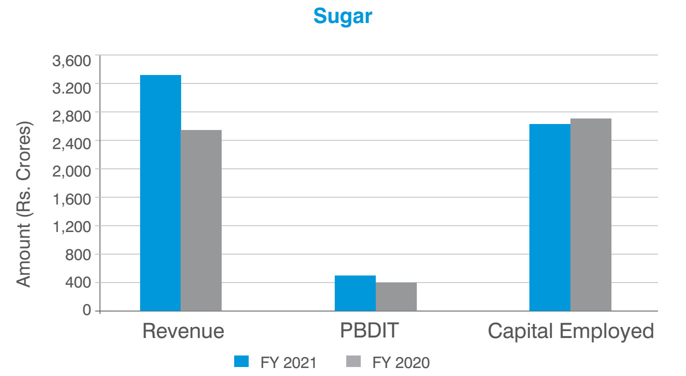
Sugar

DCM Shriram is a major player in the domestic sugar industry based out of the State of Uttar Pradesh. The company has four integrated sugar complexes located in central U.P. at Ajbapur (10,500 TCD), Rupapur (6,500 TCD), Hariawan (13,000 TCD) and Loni (8,000 TCD) with a total crushing capacity of 38,000 TCD supported by power cogeneration capacity of 141 MW of which 84 MW of power can be exported. Hariawan sugar facilities are partially supported by a refinery of 700 TPD. These four units are also supported by two distilleries at Ajbapur (200 KLD) & Hariawan (150 KLD) with power cogeneration capacity of 14 MW, of which 3.5 MW is exportable and a country liquor bottling line of 6400 cases per day which was commissioned in March'21.

Business Performance

The Revenue, PBDIT and Capital Employed for this business for FY 21 along with the quantitative data are as follows:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	3,384.5	2,521.6
PBDIT	503.2	454.4
Capital employed	2,621.1	2,704.6



Product	Year	Sales (Lac Units)	Realizations (Rs./Unit)
Sugar (Domestic)	FY 21	57.2	3,246
(In Quintals)	FY 20	50.9	3,293
	% Shift	12.3	-1.4
Ethanol	FY 21	1251.3	49.4
(in litres)	FY 20	596.7	46.4
	% Shift	109.7	6.4

Operating Parameters:

Particulars	Unit of Measurement	FY 21	FY 20
Financial Year			
Cane Crushed	Lac Quintals	618.4	603.0
Recovery Rate*	%	10.6	11.2
Sugar Produced	Lac Quintals	65.9	67.6

* Due to B-heavy operations at some units

- Top line growth of 34% as well as PBDIT growth of 11% is attributed primarily due to:
  - Higher volumes of Sugar on account of higher domestic releases and additional export quota.
  - Higher volumes of Ethanol due to commissioning of 200 KLD Distillery at Ajbapur.
- Sugarcane yield and recoveries are lower across Uttar Pradesh and industry is expecting ~ 10% reduction in sugar production in Uttar Pradesh on account of these. We will also be impacted, however the impact will be relatively lower in our case.

Industry Overview and Outlook

India is the second largest producer and largest consumer of sugar in the world. In domestic context, sugar is the second largest Agro based industry supporting over 50 million farmers along with indirect employment to rural population. It is estimated that about 7.5% of the rural population in India is involved with the sugar industry.

Indian Sugar Industry is highly fragmented with private sector, Government undertakings, Co-operatives, and unorganized players. Unorganized players are mainly involved in production of Gur and Khandsari, the less refined form of sugar. The crushing period varies from region to region beginning in October/ November and goes on till April/ May in all states except in southern states like Tamil Nadu, Andhra Pradesh where it continues till July/ August.

There have been no significant investments in global sugar capacities over the last few years and the variations in sugar production have been largely attributable to the vagaries of nature and the flexibility in Brazil between sugar and ethanol production. Also, the consumption has been stagnant at ~174 mmt. Based on latest updates sugar balance sheet will remain almost balanced in current and next years with minor deficit/surplus. Some areas that may impact the balance are:

- Movement in crude prices presently at 70$/bl (Brent) may change sugar mix in Brazil.
- Recovery in Thailand from back to back drought in recent past
- Upcoming distillation facilities in India for diverting excess sugar to ethanol

India is structurally a sugar surplus nation with sugar production almost stabilized at ~30-31 mmt levels with a variability of 3-4 mmt due to climatic condiitons and Consumption at close to 26 mmt. Recently, Co0238 sugarcane variety in Uttar Pradesh has seen increased incidences of red rot, thereby impacting sugar production by almost 10% in the State, future impact of the same needs to be assessed, although the industry has already started taking measures to promote new varieties.

Indian sugar stocks have started to reduce recently with the help of export policy and diversion of sugar for ethanol production. As per WTO guidelines sugar exports in the current format can only sustain upto Dec 2023 i.e. one more sugar season (SY 2021-22). With current capacities maximum sugar diversion for ethanol can be only 3 mmt.

Government of India continues to be aggressive in the ethanol blending mandate and intends to achieve the target of 20% blend by 2025. For the current Ethanol season the prices have been increased across categories. The government continues its support to production of Ethanol including grain based, through various financial schemes.

Our Strategy

Sugar business has been working for the last couple of years on building a fully integrated sugar complex having a capability of capturing full downstream value for all its four sugar factories. Now our key focus areas are

1. Focus on improving productivity and quality of sugarcane through dedicated cane development efforts, thereby benefitting both farmers in terms of higher yields and mills in terms of better recoveries & volumes
2. Focus on sweating existing assets and drive operational efficiencies across all business lines
3. Further evaluate options of value addition on by-products

Shriram Farm Solutions

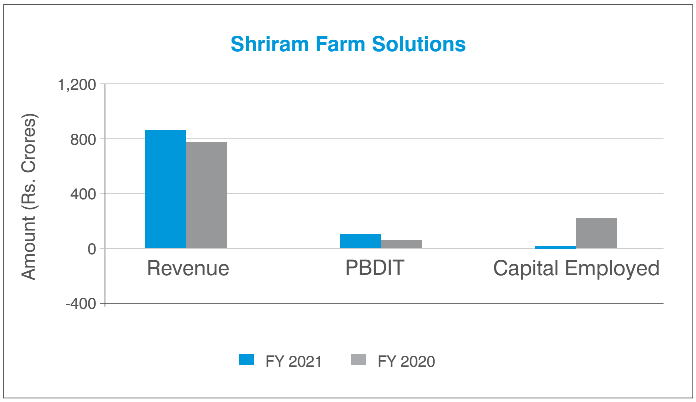
Agriculture Challenges in the coming decades are expected to be vastly different from the agriculture challenges of the past. With climate change impacting farm yields, there is need for newer technology sustainable inputs. The Shriram Farm Solution business strives to provide new technology solutions to the farmer ranging from products to agronomy. The product portfolio includes Seeds, Specialty Plant Nutrition and Crop Care Chemicals. In spite of Covid-19 challenges during the FY21, Shriram Farm Solutions retained its focus on new technology Agri-inputs with launch of new products & also maximized social media for demand generation & sales promotion activities. All three categories of SFS viz. Seed, Specialty nutrition and Crop care chemicals saw an overall growth. The business is supported by a strong team for agronomy services and farmer outreach.

The company lays strong emphasis on educating farmers and strengthening its farmer interface which is critical to increase adoption of newer products and technology. SFS's vast network of field workforce and its digital presence has been instrumental in building awareness amongst farmers. The business is supported by a strong distribution network spread across 15 states, reaching out to ~ 2 million farmers through ~ 35,000 retailers. The Company sells these Agri-Inputs under the brand 'Shriram' which has stood for quality, for the last 5 decades and has a strong brand equity amongst the farming community.

Business Performance

The Revenue, PBDIT and Capital employed for this business for FY21 are as follows:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	858.2	762.0
PBDIT	109.9	68.5
Capital employed	-1.4	121.2



- Revenue was higher mainly on account of revenue of the 'Value Added' inputs vertical which was higher by 25%. In FY 20 there was sale of Bulk fertiliser of Rs. 76 crs. which was nil this year as a result of rationalisation of this business.
- PBDIT for FY 21 was higher at Rs. 110 crores from Rs. 69 crores, primarily due to Value Added business reported better volumes and margins.

Industry Overview and Outlook

Over the medium term, the Agri-inputs sector in India is poised to witness strong growth given the macro factors such as population growth , rising per capita income that are leading to rapid rise in growing demand for food.

Our Strategy

Company is focused on driving growth in the differentiated portfolio of new technology products. To achieve this, company plans to strengthen its Research & Development, it has entered into partnerships with leading global R&D players and enhanced its market reach. The product pipeline is strong. We believe, that these steps will enable the business to achieve healthy growth in the medium term. As a part of the rationalization, the only bulk fertiliser product SSP left in its portfolio has been discontinued during the FY21.

Bioseed

Bioseed is a Research oriented organization and believes in serving the farmers by providing high quality hybrid seeds with desired traits. It is a business with end to end integration which involves research, production and marketing.

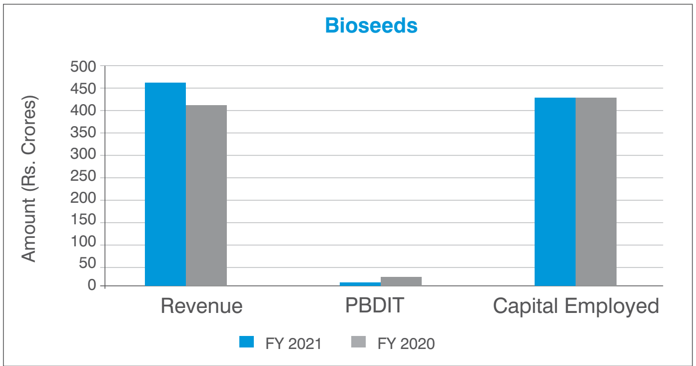
The key crops that we deal in India comprises of Corn, Paddy, Bt Cotton, Mustard, Vegetables, Wheat among others. In Philippines we deal primarily in Corn and paddy. Our distribution network is wide spread across regions and continues to grow as we increase our volumes and crops.

We have our research stations in all major agro-climatic regions in Asia pacific region, to cater to farmers in the respective regions. We spend about 12-14% of our revenue on research activities. This has led to a healthy product pipeline. The product development is not only focused on providing high yielding hybrids, but also meeting other challenges, such as pest resistance, disease tolerance, salinity and drought tolerance. The Company has got into various research alliances to further strengthen its capabilities in new technologies.

Business performance

The Revenue, PBDIT and Capital employed for this business for FY21 are as follows:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	464.2	415.9
PBDIT	11.1	17.0
Capital employed	427.4	425.4



Bioseed Revenues in FY 21 stood at Rs 464 crore vs. Rs 416 crore last year. Indian operations witnessed an increase in revenue to Rs. 355 Crores from Rs. 328 Crores last year, a result of higher corn, paddy and vegetable seed sales. While international operations revenue increased to Rs. 97 Crores from Rs 88 Crores last year. The Phillipines operations have continued to show consistent improvement, where revenue in FY21 increased to Rs 95 crores from Rs 74 crores in FY20. The operations in Indonesia were divested in FY 20 and Vietnam was divested in FY 21. PBDIT has declined primarily due to provision made on account of slow moving Cotton Seed inventory.

Our Strategy

Research and development are the foundation of this business and we continue to strengthen it, to ensure medium to long term sustainable growth in the business. These efforts have enabled us to develop a robust pipeline of products, which meet the evolving needs of the farming community such as tolerance to climate variations, disease and pests. The company is continuously taking all necessary steps to strengthen conventional breeding as well as biotechnology related initiatives. The Company has an applied biotechnology research program which is focused on supporting breeding programs through the use of latest molecular and bio-informatics tools, as well as on developing GM and Non GM traits to meet various farming challenges.

The business is strengthening its product portfolio and intensifying marketing efforts to create a demand pull by organizing the field activities especially on newly launched hybrids in all the major crops. The trade channel is also being strengthened.

Fertilizer (Urea)

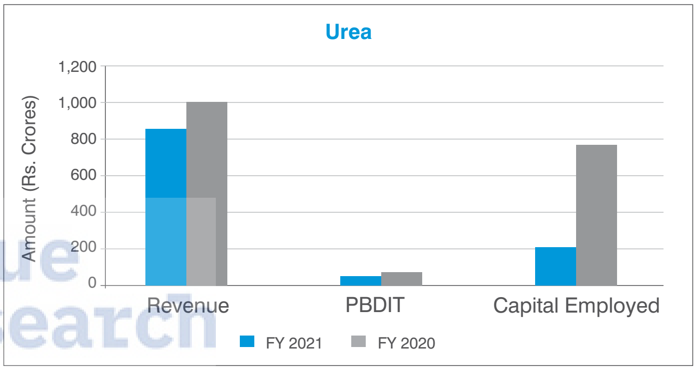
The company's Urea plant located at its integrated manufacturing complex at Kota, Rajasthan, is one of the oldest plants in the country with a reassessed capacity of 3,79,500 TPA of Urea. The company markets its products under the “Shriram Urea” brand,a trusted name and enjoys high brand equity amongst the farmers. The Company has an extensive distribution network over the entire Northern and Central India.

Business Performance

The Revenue, PBDIT and Capital employed for this business for FY21 along with the quantitative data is as follows:

Particulars	FY 21 (Rs/Crores)	FY 20 (Rs/Crores)
Revenue	900.7	1016.6
PBDIT	70.1	91.5
Capital employed	229.5	768.2

Year	Sales (MT)	Realizations (Rs./MT)
FY 21	4,07,936	20,347
FY 20	3,80,392	24,675
%Change	7.2	-17.5



There has been a substantial reduction in Capital employed in current year end due to receipt of pending urea subsidy through additional fund allocation for Urea subsidy under “Atma Nirbhar Bharat” Scheme of Govt. of India.

Industry Overview and Outlook

India is the second largest producer and consumer of Urea in the world. Urea is most preferred fertilizer and constitutes about 81% of entire 'N' fertilizer consumption in the country. Low farm gate price (fixed by government) and high nitrogen content has made it a preferred choice of the farmers. The gap between demand and supply of Urea has been met through imports. During 2020-21, urea imports were 98.3 Lac MT (till Feb.'21) against 79.0 Lacs during 2019-20.

Our Strategy

The Company has been making continuous efforts towards improvement in energy consumption, maximising urea production as well as control on fixed expenses.

Other Businesses

Fenesta Building Systems

Fenesta is India's largest and most preferred windows and doors brand. Fenesta provides complete solutions in terms of design, manufacture, fabrication, installation and service of precision-engineered, made-to-order window and door systems. The company operates in two segments, i.e 'Retail' and 'Projects' (Institutional). It provides solutions for uPVC Windows and Doors as well as System Aluminium windows

Business Performance

During the year, the performance in Q1 and Q2 was impacted caused by Covid-19 related disruptions in the country. The business witnessed healthy revival in H2 and reached pre-covid levels. The revenue stood at Rs. 361 crore in FY20 vs. Rs.419 crore last year.

Our Strategy

Strategic focus area of the business is to provide exceptional customer experience and offer comprehensive product portfolio resulting in enhanced volumes.

Fenesta continues to focus on improved service and geographical expansion and channel expansion. Business is targeting to improve channel productivity and sales effectiveness, which is expected to result in better conversion rates and increase in overall sales.

Cement

The company operates a Cement plant with a capacity of 400,000 TPA located at its integrated manufacturing facility at Kota. Calcium hydroxide sludge is generated in the process of manufacturing PVC resins through calcium carbide route, which is then converted to cement in an environmentally friendly manner using 'wet' process.

The Company produces high quality, premium grade Pozzolana Portland Cement and Ordinary Portland Cement. The Cement is characterized by light colour, superior strength and early setting properties. These characteristics have made "Shriram Cement" to be considered as a premium brand especially in markets like Delhi/NCR and Rajasthan.

Business Performance

Revenue of the Cement business stood at Rs. 167 crore vs. Rs 170 crore last year. This decrease of ~2% was mainly on account of lower sales quantity specially during Q1 2020-21 on account of lockdown condition.

Hariyali Kisaan Bazaar

The Company has limited its operations in this business to fuel retailing at the existing outlets. The Retail operations were rationalised in 2013. The company plans to close this business.

PVC Compounds – under Joint Venture

Shriram Axiall is an Indo-US 50:50 Joint venture between DCM Shriram Ltd. & Axiall LLC, USA (A Westlake company). Shriram Axiall is one of the largest organized players for PVC compounds in India and has world class manufacturing facility and product development lab.

The product range includes wire & cable, Automotive, Food & Medical, Colors segments and "Specialty Compounds"

The market of PVC compounds which is around 3.45 Lac MT per year out of which 4% is catered through imported compounds. There is export of about 23 thousand MT per year from India. In terms of the total market split, wire and cable business constitutes around 72% of the total market size by volumes with remaining volume of Medical, Automotive, EVP and Master batch market. The JV holds about 15% market share in automotive grade.

Business Performance

The company's total revenues during the year were at Rs 130.6 crore vs Rs 160.5 crore last year. The PBDIT stood at Rs 6.5 crore vs Rs 9.5 crore last year. This decrease was mainly on account of lower sales quantity during Q1 2020-21 on account of lockdown.

The company is exploring new avenues of market segments which would be mainly engineered vinyl products through its R & D facility known as iPAC (Innovative Plastic Application Centre).

Opportunities, Threats, Risks and Mitigants

The Company being a conglomerate has a default business hedge however individual businesses are exposed to various opportunities and risks.

Opportunities:

- Agri-Inputs
  - The Agri-inputs business of Bioseed and Shriram Farm solution will have opportunities over medium to long term in the form of rising demand for quality seeds and other farm inputs with desired traits. Demand is going up for food in the country leading to a need for higher productivity and resistance to climate, disease and pests for crops. Approval to GM technology in India for crops such as corn, vegetables as and when it happens, will further foster growth of hybrid seeds.
  - Presence of company's seed business in overseas markets of Philippines provides opportunity to the business to grow along with the growth in Agri sector in these countries
- Sugar business segment of the company provides multiple opportunities for forward integration into Distillery and other products
- Chlor-Alkali business is seeing opportunities in capacity expansion to meet the medium-term demand growths as well as in downstream products that will help Chlorine evacuation and other value added downstream products.
- The company's Fenesta Building Systems business provides opportunities in existing windows business and newly entered System aluminium windows through product innovation as well as in related building products.
- Strong brand in all businesses, which enjoy high level of Trust and Credibility with customers including farmers.
- Strong financials with healthy cash flows and good project implementation track record provides ability to continuously invest in growth.

Risk, threats and mitigants:

- Businesses such as Sugar, Fertiliser and parts of Bioseed business segments are exposed to risk of regulatory intervention. Exposure to these businesses is kept at reasonable level. Further, we alongside with other industry participants and associates work with regulatory agencies on continuous basis to ensure a policy framework which benefits farmers (key stakeholder in all these businesses), consumers and industry. We have diversified the product portfolio in Sugar and Bioseed to limit the risks.
- Substantial delay in payment of dues form government related to fertiliser and Sugar business. The Company manages its working capital and tries to keep overall debt at low levels to enable handling such risks
- Businesses like Chloro-vinyl are energy intensive. Rising energy costs as a result of rising international and domestic coal prices, freight, duties and levies, is increasing the cost of production. Climate change related impacts are the possible new risks. We continuously work and invest in improving our technology, efficiencies, fuel mix and sourcing, to ensure that overall cost of production is competitive. As regards climate change we work extensively towards climate sustainability.
- Chemicals, Plastics, Cement and Sugar are commodity products, hence their prices are led by global commodity prices along with domestic demand and supply position. The Company focuses on being amongst the lowest cost producers in these businesses.

- Compliance - Increasing regulatory enactments has brought in the need for additional compliances. With various statutes and regulations, non-compliance may not only lead to monetary penalties but also have an impact on the reputation of the organisation and the goodwill it enjoys. The risk is mitigated through regular monitoring and review of changes in the regulatory framework to ensure compliance with all the applicable statutes and regulations.

Internal Control Systems and their Adequacy

Our business is run on SAP S4 Hana ERP, which provides high level integration of all transactions including financial transactions and statements. The key business processes and policies are documented. Risk Control Matrix (RCM) has been prepared for all the key processes and business transactions. Process adherence and compliance effectiveness of control matrix is tested at three levels i.e. by the Business Accounts Team, Corporate Internal Audit Team and then the Co-sourced Internal Auditor. The statutory auditors also carry out their audit on processes and internal controls on financial reporting. The internal audit is carried out regularly as per the plan approved by the audit committee. The audit observations are discussed and monitored by Corporate Office as well as the Audit Committee regularly. The company has already implemented GRC (Access Control module) for SAP access management and further also implemented GRC (Process Control module) which will facilitate continuous monitoring of controls and further enhance the effectiveness of the internal control systems.

Human Resources and Industrial/Employee Relations

The Organisation has continued through the entire year its focus on building a great work culture, healthy relationships, enhancing capabilities to drive performance and leading initiatives to make a difference, along with creating a culture of vibrancy and high employee engagement. Developing people has been a key agenda for the Organisation like every year because of its ability to drive business performance and outcomes. Also, some new focus areas like holistic Employee Wellbeing and Leveraging HR Technology has been at the core of the people agenda last year, with multiple high impact initiatives around physical, emotional financial and spiritual wellbeing of employees and proactive identification of areas for automation, in order to improve HR deliverables and help strengthen the strategic role of HR.

The commitment of the Organisation towards People is strongly enshrined in the core values and beliefs of the Organisation and the related programs, policies and practices that have got institutionalized over the years.

Productivity and Optimisation

There has been an ongoing focus on driving productivity and optimization of resources on a sustained basis in the Organisation across all the businesses and units. There have been awareness programs and initiatives in all the businesses around building efficiencies in the entire work spectrum, raising standards of performance, improving quality of products and services and reducing costs. This is seen a key contributor to building competitiveness at the market place.

There is an increased focus on ensuring employee safety and wellbeing and improving the engagement score and strengthening the managerial effectiveness across the different businesses in the organization. Focus on talent acquisition, strengthening the selection/onboarding process continues to be the cornerstone for improved employee engagement. Learning processes have been continuously redefined and consists of experiential learning process, with blended approach of online training and on the job projects, for greater effectiveness. There have been various CFTs, action learning projects, ideation initiatives and suggestion schemes to engage with the larger workforce to seek their inputs and involvement to reduce costs, improve productivity and profitability in line with the industry standards and benchmarks.

Capability Building

Building capability of employees has always been a significant driver of enhancing business performance on a sustained basis in the Organisation. Like every year, the company has continued to invest in imparting new skills, competencies and knowledge of its employees across all the levels in the various businesses. Employees have continued to go through structured training and development programs, attend some of the best in class programs, conferences and seminars. There have been focused efforts on overall upgradation of unique capabilities relevant to the businesses through structured and systematic learning programs, on the job training, job rotations, multiskilling, projects and assignments. All Competencies across the entire spectrum – technical, functional and behavioural – have been focused as part of the development programs. There has been an increased focus on defining and enabling the cultural shift required to better meet customer expectations and ensuring that all processes align with the shift along with a focus to internalize the new values coined by the company over the course of last few years.

A conscious effort is being made to enable a performance culture and empower employees. Talent and leadership development has continued for the high potential employees of the Organisation based on the developmental needs of the individuals and Organisation. Mentoring and coaching programs have continued along with rotations of employees into new and different roles to give them a developmental exposure and learning for better career.

HR Initiatives and Interventions

Some of the most significant interventions, along with pursing the on-going ones, have been around holistic employee wellbeing and enhancing employee experience through integrated technology platforms. There has been a lot of focus on ensuring the quality of key processes impacting day to day experience of employees, encompassing Recruitment & On boarding, Goal and Performance Management, Learning Management System, CDP, Succession Planning and Continuous Performance Management. These are seen as strategic initiatives, enhancing the effectiveness of HR processes & systems and creating a win-win situation for all the stake holders. The focus on leveraging the other initiatives like Talent & Leadership Development to build a talent pipeline for the future, Succession Planning for key leadership positions and Balanced Scorecard for a sharper focus on outcomes and deliverables has also been significant. There has also been extensive work around following-up on the findings of the Engagement Study and implementing the action plan emerging out of the same to impact the various engagement drivers.

Employee / Industrial Relations

The focus on building cordial and harmonious relationship with employees of the Company has continued on a sustained basis. An environment of mutual trust, understanding and faith has been nurtured in line with the progressive philosophy of the Organisation to work in a collaborative way and build togetherness to achieve the larger goals of building a great institution and business Organisation. The core value of respect and dignity has been well institutionalized in the organization ensuring fairness, transparency and engagement. With every passing year, the organization has increased its focus on Employee health safety, responsible care, process safety and a cleaner and safer work environment.

The unique initiatives undertaken from time to time, along with an authentic people philosophy of the Company, has ensured that the workplace provided to the employees is engaging, positive and enabling. All this has led to the building of a facilitating ecosystem and ethos in the Company. It has ensured that employees give their best and align themselves fully to the business and organizational goals of the Company so as to create a bright future for every stakeholder.