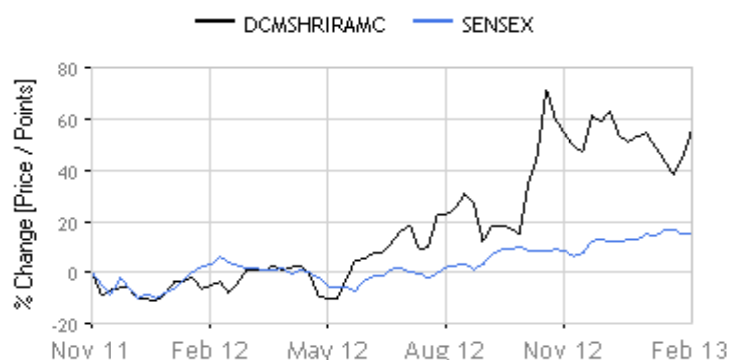


DCM Shriram Consolidated Ltd.**BUY**

Key Indicators as on 12/03/2013	SOURCE:CMIE
Closing Price (₹)	56.6
EPS (₹) - TTM	10.25
P/E - TTM	5.52
BV per Share (₹)	80.93
PB	0.7
Yield	2.12
Mkt Cap (₹ Crore)	928.23
Borrowing as on Dec-12 (₹ Crore)	1300.00
Beta	1.1
Mkt Cap/Sales - TTM	0.17
Mkt Cap/PBIDTA - TTM	1.89
Mkt Cap/PBDT - TTM	2.76
Mkt Cap/PAT - TTM	5.52
Mkt Cap/Cash Profit - TTM	2.93
PBDITA ₹ in Crores TTM	469.26
Face Value	2
Shares Outstanding crores	16.59
Equity Share capital in ₹ Crores	33.34
Share holding (%)	Dec-12
Promoters	62.28
Public	14.92
FII's	0.59
Others	22.21

Investment Highlights:

- Co. focusing on new growth areas like Bio-seeds, Farm Solution and Chloro Vinyl.
 - ✓ Sales of Bio-Seeds division as contribution to total sales have grown from 5.5% in FY-10 to 7.5% in FY-12 and Farm Solution from 11% in FY-10 to 21% in FY-12.
 - ✓ EBIDTA contribution for the same period has grown from 10.84% in FY-10 to 25.56% in FY-12 for Bio-seeds and Farm Solution from 6.37% in FY-10 to 24.66% in FY-12.
- Restructuring of Hariyali Kissan Bazaar will be EBIT accretive as losses will be reduced.
- Other fundamental reasons why the stock seems attractive are:
 1. PAT net of P&E & OI for pass nine months is already more than FY12.
 2. Reduction in Debt to 1300 Cr. in Dec-12 from 1818 Cr. in Mar-12 resulting in lower interest cost.
 3. Trading at presently at PB of 0.68X this is below average PB since 1994 of 0.95X.
 4. Co. had regularly paid dividend since 1991 with dividend rate above 20% and current dividend yield @ CMP is 2.17%.
 5. Promoters have increased stake in the Co. by 3.05% within last 5 Qtrs i.e. from Dec-11 to Dec-12



Investment Rationale:

Company focus on new growth areas like Bio-seeds and Farm Solution are currently reaping benefits.

→ Company focusing on new growth areas like Bio-seeds, Farm Solution and Chloro Vinyl. Since last three years these segments contribution to total sales and EBIT is growing. In FY-10 it contribute 37.7% to Total Sales and 84.12% in EBIT, similarly in FY-11 46.79% in Total sales and 146.02% in EBIT, in FY-12 47.44% in Total sales and 122.87% in EBIT.

Significant to note that contribution of Bio-Seeds to total sales have grown from 5.5% in FY-10 to 7.5% in FY-12 and Farm Solution from 11% in FY-10 to 21% in FY-12.

(₹. Cr.)	Mar-10	%	Mar-11	%	Grw	Mar-12	%	Grw
Segment sales	3,665.13	100%	4,327.73	100%	18%	5,245.57	100%	21%
Bioseed	202.5	5.53%	291.08	6.73%	44%	391.41	7.46%	34%
Cement	134.65	3.67%	122.84	2.84%	-9%	140.66	2.68%	15%
Chloro Vinyl	772.54	21.08%	809.83	18.71%	5%	1,009.68	19.25%	25%
Farm Sol (Agri Inputs)	406.75	11.10%	923.84	21.35%	127%	1,087.59	20.73%	18%
Fertiliser	479.46	13.08%	471.19	10.89%	-2%	503.6	9.60%	7%
Hariyali Kissan Bazar	630.02	17.19%	773.99	17.88%	22.0%	853.41	16.27%	10%
Others	305.69	8.34%	320.61	7.41%	5%	351.28	6.70%	10%
Sugar	733.52	20.01%	614.35	14.20%	-16%	907.94	17.31%	48%
Less: Inter seg. sales	118.35		176.45		0	206.37		0.17
PBIT	261.9		121		-1	245.25		1.03
Bioseed	28.4	10.84%	37.81	31.25%	33%	62.69	25.56%	66%
Cement	37.22	14.21%	16.41	13.56%	-56%	15.06	6.14%	-8%
Chloro Vinyl	175.23	66.91%	93.35	77.15%	-47%	178.18	72.65%	91%
Farm Sol (Agri Inputs)	16.67	6.37%	45.52	37.62%	173%	60.47	24.66%	33%
Fertiliser	44.63	17.04%	29.30	24.21%	-34%	20.03	8.17%	-32%
Hariyali Kissan Bazar	-81.17	-30.99%	-83.10	-69%	2%	-105.96	-43.20%	28%
Others	-1.57	-0.60%	-11.17	-9.23%	611%	-15.85	-6.46%	42%
Sugar	42.49	16.22%	-7.12	-5.88%	117%	30.63	12.49%	530%
Less: Interest expense	88.56		103.92		0.17	160.29		0.54
Net profit	122.53		-31.99		-1.26	9.55		-1.30
ROCE	8.93		3.87			7.81		
Bioseed	26.49		32.5			23.64		
Cement	117.64		57.44			59.95		
Chloro Vinyl	22.38		12.93			30.57		
Farm Sol (Agri Inputs)	29.36		44.51			26.33		
Fertiliser	51.97		16.14			7.6		
Hariyali Kissan Bazar	-19.8		-20.23			-27.52		
Others	-0.48		-3.25			-6.12		
Sugar	3.75		-0.58			2.72		

As of now company is lagging behind in PBIT% with peers

→ Other initiative which may help Co. to improve its EBIT% with its peers are

₹. Cr. (as on Mar-12)	DCM Shriram	Advanta India Ltd.	Camson Bio Tec. Ltd.
Net sales	391.41	102.9	112.24
PBIT	62.69	38.53	21.08
PBIT %	16.02%	37.44%	18.78%

New initiatives taken may help company improve its EBIT margins compared to its peers.

1. On Jun-12, DCM Shriram Consolidated Ltd (DSCL) subsidiary Bioseed Research Pvt Ltd has partnered with US-based firm Arcadia Biosciences Inc to enhance the shelf life of tomatoes in India and Asia. DSCL will incorporate the shelf life-enhancing traits developed by Arcadia into four of its proprietary hybrids. Operating efficiency of Bio-Seeds is increasing Y-O-Y from 14% to 16%. This is still below industry as we see in the table above.

- Company is planning to develop Seed Processing Unit and Hybrid Seed Research Centre at Hyderabad with the investment of ₹. 70 Cr. and ₹. 30 Cr. each. Both these projects were announced in July 2010. These projects are still in planning stage due to shortage of funds.

Restructuring of Hariyali Kissan Bazaar by reducing outlets from 165 to 37 as on Dec-12 will help reduce losses

- Co. has restructured its loss making unit Hariyali Kissan Bazaar to make it profitable by closing down some units by reducing its store to 37 as on Dec-12 from 165 in on Mar-12. Co. has 37 outlets, which are only fuel pumps. Co. is not planning to reduce any other outlet because they are profitable business.

(₹. Cr.)	Mar-10	Mar-11	Mar-12
Sales	630.02	773.99	853.41
EBIT	-81.17	-83.10	-105.96
EBIT % to Sales	-12.88%	-10.74%	-12.42%

- **Other fundamental reasons why the stock seems attractive are:**

- PAT for the first 9 months of the FY-13 is already more than 10 times of FY-12 full year. As we see in the table below which indicates that heavy loss making division Hariyali Bazaar have lower its pace by minimizing losses, Chloro Vinyl and Sugar segment have surpassed its FY12 achievement.

FY-13 9-months results have surpassed FY-12 whole year results.

(₹. Cr.)	FY13 (9 mth)	FY12
Segment sales	4276.21	5245.57
Bioseed	329.56	391.41
Cement	98.77	140.66
Chloro Vinyl	848.79	1,009.68
Farm Solutions (Agri Inputs)	997.62	1,087.59
Fertiliser	381.09	503.6
Hariyali Kissan Bazaar	422.54	853.41
Others	220.83	351.28
Sugar	977.01	907.94
Less: Inter segment sales	164.13	206.37
PBIT	331.3	245.25
Bioseed	34.67	62.69
Cement	12.06	15.06
Chloro Vinyl	243.52	178.18
Farm Solutions (Agri Inputs)	43.26	60.47
Fertiliser	3.53	20.03
Hariyali Kissan Bazaar	-33.98	-105.96
Others	-24.03	-15.85
Sugar	52.27	30.63
Net profit	128.89	9.55

Debt reduced by more than ₹. 500 Cr. in last 9 months.

- As per concoll Dec-12 Company has reduced its borrowing by more than ₹. 500 Cr. in 9 last months to ₹. 1300 Cr. in Dec-12 from ₹. 1818 Cr. in Mar-12. This help to reduce interest cost and to improve its margins.

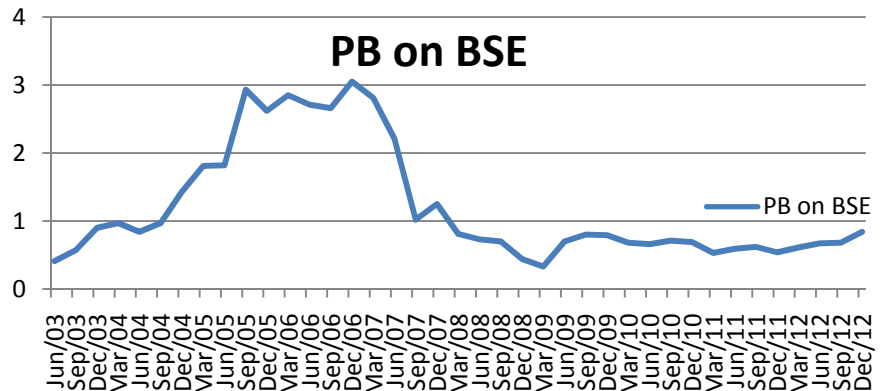
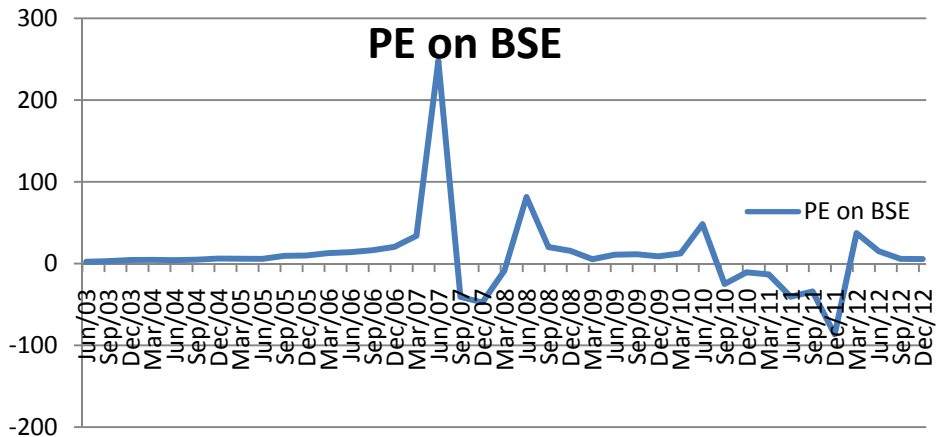
Promoters have increased stake in co. by 3.05%.

3. Promoters have increased stake in the Co. by 3.05% within last 5 Qtrs i.e. from Dec-11 to Dec-12 expressing their confidence in the company. As we see in table below

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	% $\uparrow\downarrow$
Promoters	59.23	61.14	61.82	62.28	62.28	3.05 \uparrow

Cheap availability of stock at CMP.

4. DCM Shriram is trading at PB of 0.7X this is at discount to its average PB since 1994 of 0.95X and is available cheap with PE of 5.52X as on 12th Mar 2013. And avg. PE since 1994 is 8.63X. With a market cap of ₹. 928.23 Cr. Co. has cash and bank balance of ₹. 241.26 Cr. as on Mar-12.



Regularly paid Dividend since 1991 with yield @ CMP is 2.12%.

5. Co. had regularly paid dividend since 1991 with dividend rate above 20% and dividend yield @ CMP is 2.12%.

	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13 (Interim)
Dividend Rate (%)	170	40	40	20	20	40
DPS	3.4	0.8	0.8	0.4	0.4	0.8

Areas of concern:

→ History of Non – Performance

During period 2006 & 2012 despite the macro doing good this company has only managed to double its top line to ₹. 2540 Cr. in FY-06 to ₹. 5233 Cr. in FY – 12. During the same period EBDITA net of P&E & OI have also increased by just 17% from ₹. 286 Cr. to ₹. 339 Cr. This is despite the fact that borrowings increased by more than ₹. 750 Cr. from ₹. 1085 Cr. in FY-06 to ₹. 1818 Cr. in FY-12.

Company Profile:

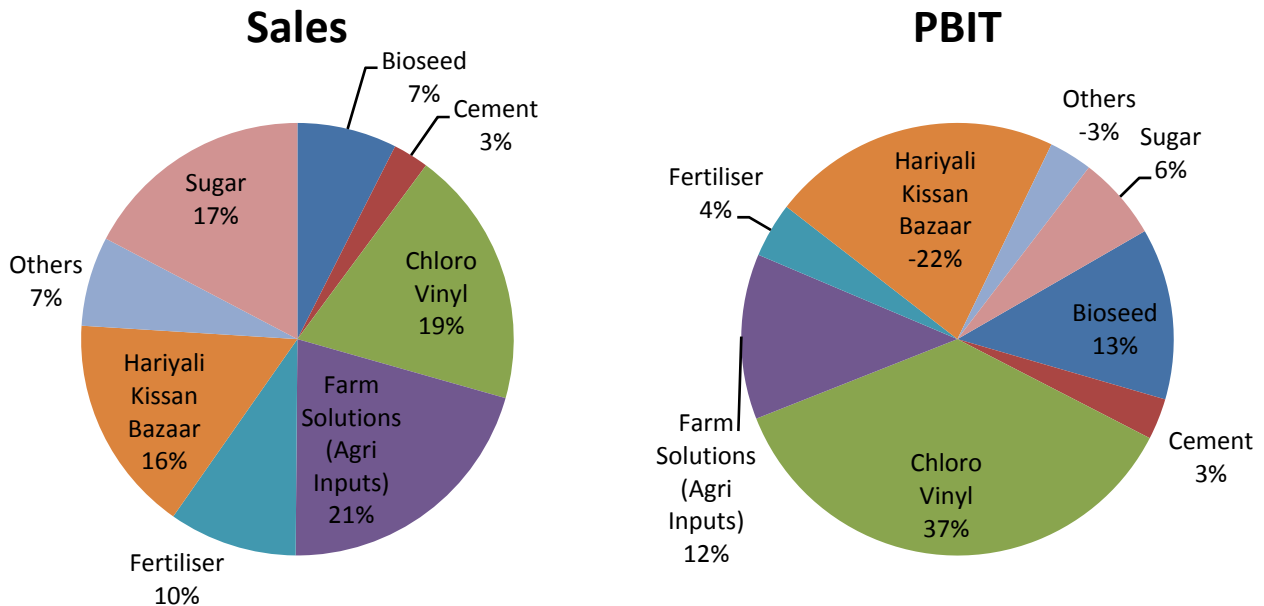
DCM Shriram Consolidated Ltd. is a diversified business group incorporated in the year 1989 after merging four following DCM units namely Shriram Fertilizers and Chemicals (Kota); Shriram Cement Works (Kota); Swatantra Bharat Mills and DCM Silk Mills (Delhi).

Promoters hold more than 50 % of the shares. The Chairman and Managing Director of the company is Mr. Ajay S. Shriram. He is also the promoter of the company, Mr. Vikram S. Shriram & Mr. Ajit S. Shriram are promoter and executive Director of the company.

Segment details:

Main Segment	Sub-segment	Location	Capacity	Product
Agri – Businesses	Fertilizer	Kota (Rajasthan)	379,500 TPA	Urea
	Farm Solutions	--	--	Seeds, Pesticides, Soluble Fertilizers, Crop Care Chemicals etc and Bulk Fertilizers like DAP, MOP and SSP.
Bioseed	--	--	--	Cotton, Corn, Rice, Millet, Okra, Tomato, Hot Pepper, Brinjal, Gourds etc.
Sugar	--	Ajbapur (U. P), Rupapur (U. P), Hariawan (U. P) and Loni (U. P)	33000 TCD	Sugar
Hariyali Kisaan Bazaar	--	Multi Location	37 Outlets	Fuel
Chloro – Vinyl	Chlor – Alkali	Kota (Rajasthan) and Bharuch (Gujarat)	765 TPD.	Caustic Soda and Chlorine
	PVC resins & Calcium carbide	Kota (Rajasthan)	112000 MT	PVC resins & Calcium carbide
	Power	Multi Location	283 MW	Electricity
Cement		Kota (Rajasthan)	400,000 TPA	Cement
Other Businesses	Fenesta Building Systems	Multi Location	Around 1mn till Mar-12.	UPVC windows and doors
	Textiles	Tonk (Rajasthan)	14,544	Spindles

Segment-wise Revenue as on Mar-12 :-



Quarterly Results – (Consolidated)

(₹. Cr.)	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Total income	1,082.54	1,420.72	1,349.65	1,434.73	1,351.21	1,353.54
Net sales	1,071.33	1,405.76	1,336.99	1,427.12	1,342.16	1,342.80
Other income	11.21	14.96	12.66	7.61	9.05	10.74
Extra-ordinary income	5.93	10		0		
Change in stock	-107.39	119.15	396.2	-183.46	-202.49	-2.36
Total Expenses	1,013.56	1,565.07	1,696.36	1,220.34	1,119.84	1,290.43
Cons. raw material	151.74	503.34	895.74	258.7	169	547.69
Salaries & wages	95.69	97.01	95.43	100.64	99.94	96.4
Other expenses	235.02	283.38	346.7	312.29	260.23	283.44
Extra-ordinary expenses	0	38.06		56.32		
PBDIT	45.88	53.06	136.56	112.29	107.84	139.57
Depreciation	45.09	38.57	37.43	43.31	39.25	36.25
Interest	39.2	39.69	38.75	38.05	36.89	37.06
PBT	-38.41	-25.2	60.38	30.93	31.7	66.26
Tax	0		10.89	0	2.82	5.51
PAT	-38.41	-25.2	49.49	30.93	28.88	60.75

From **NAYAN M. VALA SECURITIES PVT.LTD. RESEARCH**
By **Mayur R. Nakhwa**

Disclaimer: The information contained herein is confidential and is intended solely for the addressee(s). Any unauthorized access; use, reproduction, disclosure or dissemination is prohibited. This information does not constitute or form part of and should not be construed as, any offer for sale or subscription of or any invitation to offer to buy or subscribe for any securities. The information and opinions on which this communication is based have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, correctness and are subject to change without notice. NAYAN M. VALA SECURITIES PVT.LTD. and/ or its clients may have positions in or options on the securities mentioned in this report or any related investments, may affect transactions or may buy, sell or offer to buy or sell such securities or any related investments. Recipient/s should not consider this report as only a single factor in making their investment decision. Neither NAYAN M. VALA SECURITIES PVT.LTD. nor any of its affiliates shall assume any legal liability or responsibility for any incorrect, misleading or altered information contained herein.

MEMBER: NATIONAL STOCK EXCHANGE OF INDIA LTD	CODE NO. 13511
MEMBER: BOMBAY STOCK EXCHANGE LTD	CODE NO. 6222
MEMBER: THE CALCUTTA STOCK EXCHANGE ASSOCIATION LTD	CODE NO. 506
MEMBER: MCX-SX	CODE NO.38300

NAYAN M. VALA SECURITIES PVT.LTD. 403-404, Cosmos Court, Above Waman Hari Pethe Jewellers S. V. Road, Vile-Parle (West), Mumbai – 400056. INDIA	Tel: (+91-22) 2610 5973 / 2610 5974 Fax. +91-22- 2612 4310 E-Mail: research@nayanmvala.com Website: www.nayanmvala.com
--	--