



Ashish Chugh's **HIDDEN GEMS**
..... in search of Market Beating Stocks

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**HIDDEN GEMS REPORT SENT TO PAID
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DCM Shriram Consolidated Ltd.

CMP – Rs.97.00 NSE Symbol -DCMSRMCONS BSE Code –523367
(Face Value – Re. 2)

DCM Shriram Consolidated Ltd. (DSCL) is a Rs.2500 crore diversified business conglomerate based In North India and has interests in the fields of Sugar; Fertilisers & Chemicals; Agri Business; Plastics – PVC & PVC Compounds; Real Estate; Retail; Building Systems – Fenesta Division; Fertilisers & Chemicals; Cement, Textiles, IT and Energy.

The company had been undertaking expansion at its various divisions and some of the recently completed expansions are :-

Sugar - The company's sugar mills are located in Central UP. The company has increased the crushing capacity to 33,000 tpd (expected to be operational by the coming sugar season) and captive power

cogeneration plant of 85 MW capacity, the company is amongst the top players in the sector. The company's factories are located in the cane area, which helps it get regular supply of cane leading to high plant utilization.

Chlor-alkali: The Company had completed the chlor-alka capacity expansion in FY2006 to 510 TPD. Its entire chlor-alkali capacity is now based on modern, environment friendly, efficient, membrane cell technology.

PVC Resin and Calcium Carbide: The Company expanded its Calcium carbide capacity from 190 TPD to 340 TPD and PVC resin capacity from 115 TPD to 175 TPD in FY 2006. It further expanded its PVC resin capacity from 175 TPD to 200 TPD in Q2 FY 2007.

Power: The Company enhanced its captive power capacity at Kota to 125 MW in Q3 FY 2006, which currently operates at above 100% capacity that enables it to sell the surplus power generated to the state electricity board.

Hariyali Kisaan Bazaar – The company has added 9 new stores during Q2 FY 2007 taking the total number of stores to 40. The company is aggressively adding more Hariyali Kisaan Bazaar stores and plans to substantially increase its number in the next 2 years.

Fenest Building Systems: - The Fenesta business is a value-added extension of the Company's existing PVC resin and PVC compounding operations. The Fenesta division continued to deliver healthy order booking. The Fenesta division's has seen a major swell in its order book which on September 30, 2006 stood at 1,44,000 windows Vs 40,000 windows as of September 30, 2005. In order to meet the growing demand for Fenesta, during the current quarter, the Company expanded the capacity of its fabrication shop in Bangalore.

Financials

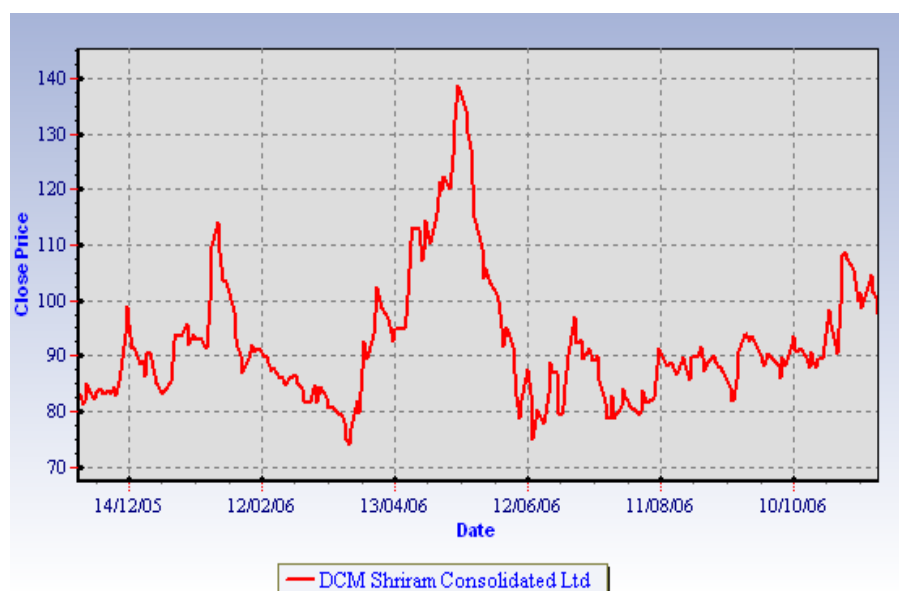
The latest financials of the company are given as under :-

QUARTERLY - LATEST RESULTS - DCM Shriram Consolidated Ltd (Curr: Rs in Cr.)

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	YTD / Latest Half	YTD / Latest Half	YTD / Latest Half	Year Ended	Year Ended	Year Ended
	(Sep 06)	(Sep 05)	(% Var)	(Sep 06)	(Sep 05)	(% Var)	(Mar 06)	(Mar 05)	(%Var)
Sales	666.36	558.89	19.2	1346.88	1142.94	17.8	2332.63	1800.3	29.6
Other Income	9.53	1.76	441.5	18.13	4.73	283.3	17.29	9.15	89
PBIDT	55.42	63.56	-12.8	136.83	145.29	-5.8	283.74	198.51	42.9
Interest	19.41	9.84	97.3	38.15	21.33	78.9	48.45	34.21	41.6
PBDT	36.01	53.72	-33	98.68	123.96	-20.4	235.29	164.3	43.2
Depreciation	20.37	16.04	27	40.63	31.2	30.2	70.19	54.36	29.1
PBT	15.64	37.68	-58.5	58.05	92.76	-37.4	165.1	109.94	50.2
Tax	4.83	-2.34	LP	17.1	28.04	-39	18.11	20.23	-10.5
Deferred Tax	0	13.88	-100	0	0	0	31.8	-14.72	LP
PAT	10.81	26.14	-58.6	40.95	64.72	-36.7	115.19	104.43	10.3

(Source : Capitaline)

The stock price movement is given below :-



(Source : Capitaline)

Conclusion

DCM Shriram Consolidated has been a well managed corporate and has successfully carried out various expansions and diversifications over the last few years.

The company's sugar, Chlor Alkali and fertilizer business, though cyclical are witnessing a growth trend and the expanded capacities should augur well for the company in the times to come. The Fenesta Building Systems division of the company started a few years back has started turning around and may see accelerated growth in the coming years.

The company is bullish on rural retail and its Hariyali stores cater to all the needs of a rural household from agri-inputs like seeds, fertilizers, tilling equipment and pesticides to consumer durables like TV and refrigerator and household items like Toothpaste and pulses. With 40 stores already opened by the company and many more in the pipeline, the business will give the company a strategic advantage due to high rural penetration and can command rich valuations in case of the company offering a strategic stake to a partner.

The company has large real estate holdings in Delhi. The holding estimated to be around 112 acres is located close to the business hubs like Karol Bagh and Connaught Place. The site is also located very close to Delhi Metro. The company has plans to unlock value by doing real estate development. This could be a big trigger for the stock as and when the plans of the company regarding development of real estate become more clear.

Investors can buy the stock at the current levels and on declines.

*Ashish Chugh is an equity analyst and investment consultant based at New Delhi, INDIA. **At the time of writing this article, he, his firm and dependent family members do not have a position in the stocks mentioned above.** The author, his firm or any of his dependent family members may make purchases*

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