

Kiri Industries Limited
Earnings Conference Call
February 13, 2020

Moderator: Ladies and gentlemen, good day. And welcome to the Q3 FY20 Earnings Conference Call of Kiri Industries Limited. As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

At this time, I would like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you, Janice. Good afternoon, everyone. And a warm welcome to all. My name is Anuj Sonpal, from Valorem Advisors which represent the investor relations of Kiri Industries limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the third quarter of financial year 2020.

Before we begin, I would like to mention a short cautionary statement, as always. Some of the statements made in today's earnings con-call maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and making any investment decisions.

The purpose of today's conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

I would now like to introduce you to the management participating with us in today's earnings con-call. He have with us Mr. Manish Kiri – Managing Director, Mr. Jayes Hirani –Senior Manager Accounts and Finance, Mr. Suresh Gandalia, Company Secretary.

Without much delay, I request Mr. Manish Kiri to give his opening remarks. Thank you and over to you, sir.

Manish Kiri: Good afternoon, everybody. It is my pleasure to welcome you all to the third quarter of the financial year 2020 earnings conference call. For the ones who are participating for the first time, let me give a brief quick background of the company. Kiri Industries Limited is one of the

largest manufacturers and exporters of diversified range of dyes, dyes intermediates, basic chemicals, which also include recently introduced disperse dyes, reactive dyes, specialty dyes intermediates, mainly based on naphthalene and amine, sulfuric acid, derivatives of sulfuric acid, etc.

The company has sizable manufacturing facilities of dyes intermediates, basic chemical at Vadodara. Majority of its production facilities are located at Vadodara, which is the main concentrated location for the manufacturing premises. Company has strengthened its competitive edge by having fully vertically integrated facilities in India. Kiri also has a joint venture with Lonsen of China in the name of Lonsen Kiri, which has set up manufacturing facility for dyes, and financials are included as part of the consolidated results.

Let me brief you through the operational and financial highlights for the quarter. Generally, December quarter is a seasonally low quarter on account of festivals of Diwali and Christmas, etc. Additionally, around three weeks of plant maintenance also impact the overall business in third quarter, and same situation prevails in this quarter also. During the current quarters, the prices of dyes, dyes intermediates and basic chemicals were under pressure on account of demand supply mismatch. Average market prices of dyes, dyes intermediates and basic chemicals will lower by 5%, 8% and 7% respectively on quarter-to-quarter basis, and around 7%, 25% and 45% respectively on year-to-year basis.

The company adopted a concentrated approach on penetrating local markets for sale of dyes and dyes intermediates. Company was having lower presence in domestic market earlier which company tried to expand, especially in the case of dye sales in the Indian and domestic market. During the current quarter, the company concentrated on volume growth across the product portfolio and achieved year-to-year volume growth of 20%. That means that company has captured higher market share in the current financial year.

For the third quarter, on standalone basis, our operational income for the quarter was around Rs. 227 crores, which declined by around 3.1% on a year-to-year. EBITDA reported was around Rs. 23 crores, which declined by 28.6% on year-on-year basis, and EBITDA margins were at 9.3%, close to 10%. With a net profit after tax Rs. 11 crores with a PAT margin of around 5%. The gross margins for quarter three financial year 2020 was 38.8% which have strengthened by 334 business point on quarter-on-quarter basis and 490 basis point on year-on-year basis.

During quarter three financial year 2020, finance costs have reduced by 11% quarter-on-quarter basis and 15% on year-on-year basis, preliminarily on account of reduction of discounting assets and other bank charges. The company doesn't have any borrowing interest or any borrowing which is interest bearing. Operational expenses include legal expenses towards continuing litigation in matter of DyStar at Singapore International Commercial Court, as well as Singapore Supreme Court, which impacts bottom-line of the company. I would like to highlight that the legal costs running is quite high and significantly increased during last few

quarters. And one of the reasons was continuing hearings after hearings and submissions after submissions in Singapore.

The working capital cycle has improved with collection period reducing from 76 days in quarter two 2020 to around 68 days in quarter three 2020. Payables were around 190 days in quarter three 2020 as compared to 104 in 2020, which remain almost similar to the earlier quarters. Inventory turnover remain also static at 37 days in quarter three 2020 versus 38 days in quarter two 2020. Year-to-date, operational income on standalone basis was around Rs. 757 crores, which was flat on year-on-year basis with EBITDA of Rs. 87 crores, was declined by around 30% on year-on-year basis, bringing EBITDA margin 11.28%, with net profit Rs. 50 crores and PAT margin around 6.64%.

Now, I will take you through the third quarter performance of the company on consolidated business. The operational income for the third quarter was around Rs. 315 crores, which increased by 4.4%. EBITDA Rs. 42 crores, which has declined by 4.8%. EBITDA margins were maintained at around 13.23%. So if you look at the company's performance on consolidated basis, EBITDA margin still remains healthy and strong with a net profit after tax of Rs. 24 crores with a PAT margin of 7.65%. Gross profit for quarter three 2020 stood at 37.19%, which grew by 253 basis point on year-on-year basis. The gross margins have been range bound between 34% to 38%. And that also reflects company's backward integration which has benefited throughout the years. The major contributors to the conservative profits, net of write-downs, exceptional provisioning in DyStar include Kiri standalone contribution of Rs. 11.34 crores, Lonsen Kiri contributing Rs. 12.59 crores and DyStar contributing Rs. 112.73 crore in the corner.

The year-to-date operational income on a consolidated basis were around Rs. 1,007 crores, which were flat year-on-year. EBITDA was Rs. 155 crores, which declined by around 15% year-on-year. EBITDA margin was 15.42% on consolidated business, and net profit of Rs. 98 crores, which remains at 9.68%. Kiri has been concentrating on consolidating its product portfolio by expanding and optimizing its manufacturing facilities to manufacture diversified range of specialty intermediates and is focused on continuing innovations to achieve sustainable growth.

The ongoing expansions of multi-purpose specialty intermediate facility is on track. Certain parts of facilities have already started. Certain products have already commenced commercial production which has been added in this quarter performance. So, when we talk about 20% year-on-year volume growth, that also includes the additional products which have been added in this year. The expansion projects are continuing in phased manner. Second and third phases will also be up and running in next several months. So, you will see that the next quarters would have more and more addition of products of specialty intermediates from the new facilities, and that will enhance the overall product portfolio, improve the product basket, allow EBITDA margin to be more sustainable in coming quarters. It will also add top lines in the financial year

and company would benefit from this expansions which have been going on for the last one and a half year.

Now, I would also like to highlight to you about the recent incidents which have happened due to Coronavirus effects in China. And as the interdependency between India and China in terms of supply of raw materials coming to India, there are some affects you will see, which are related to the import of raw material, and that will have turbulence time, certain disturbances would take place. And positively, there are a lot more intermediates and lot more dyes which are produced domestically, sold domestically and export also, which will have short supply from China. We have already seen in the last two weeks, a sharp increase in the prices of India based intermediaries, where India is also equally prominent to China, such as vinyl sulphone and H-acid, as well as other intermediaries have increased.

In case of Kiri, almost 80% of our raw materials are India based, domestically either procured or produced. And only 20% of the requirement of raw materials are coming from China. So, from that perspective, that could be a net positive effect which we will see as long as the situation in China continue to be negative and we will see that the prices may further go up, because lot more demand is getting diverted to India. Export buyers are also moving towards India and which has not only increased the demand but could also support the price increases in the next several weeks and months.

Lastly, I would like to update you about the Singapore lawsuit matters. And as per the directions of Singapore International and Commercial Court, currently the final days of the evaluation hearings are scheduled from February 26 to March 2nd, 2020 as of first tranche of hearing. And second tranche of hearings has been given between March 31st, 2020 to April 3rd, 2020. So we are expecting that with this date, provided that these dates do not move due to this Coronavirus related effects, we expect the case to get concluded by April 3rd, 2020.

Recently, yesterday, the judgement has come from Singapore Supreme Court. That judgement was the second Supreme Court judgement in favor of Kiri, which was related to the to the criteria of valuation which was decided by Singapore International Commercial Court. Counterparts had appealed against that, and I am pleased to mention that Kiri has won that appeal and minority discount has not been allowed, which means that Kiri would be entitled to receive the full farewell without any discount for the for execution of the court order to buy out Kiri stake by Senda or by Lonsen.

So, I would like also all of you to understand that even if there would have been some discount, if the court had allowed, that could have implicated with a large dollar amount. But now there is no discount, which means that company will get its due fair share from the buyout execution.

With that now, I would add two more decisions from yesterday's judgement, that all full cost that Singapore International Court had awarded earlier in favor of Kri for Lonsen to pay for the

all legal costs that Kiri has incurred, that has also been upheld by Supreme Court. Now, which means that it is final that Kiri will have to receive the entire legal cost that it has spent over all these years.

In addition to that, there was a claim which earlier concluded by International Court, which was awarded in favor of DyStar, and Kiri is to pay whatever amount is to be still decided by SICC on account of a breach of the non-compete clauses. And Kiri is expecting that to be paid cost as 50% as for the recent order as per yesterday, so that legal cost has been awarded as 50% to be paid. And we expect this amount would be negligible compared to the amount that Kiri has to receive. So, it is very miniscule amount which would not impact the overall receipt of Kiri from the buyout proceeds.

With that, I would like to conclude my opening remarks. And now I would like to open the floor for questions. Thank you.

Moderator: Sure. Thank you very much. Ladies and gentlemen, we will now begin the question answer session. We take the first question from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead

Manish Ostwal: Sir, my first question on the DyStar case. So, based on the current understanding, if we win this case, the all-inclusive legal cost plus value of stake of DyStar, net of taxes how much we will receive at end of the day? And secondly, how do we use these funds, any thoughts on it? It will be very helpful.

Manish Kiri: First, your first question, how much value we would receive. Today, the next course of proceedings and hearings are related to the determination of the value. So court is going through proceedings to finalize the value, so valuers have submitted their valuations. And now going through this legal process, court will give a judgement and decides the value. So we will not no value at this moment. But when the court decides and gives judgement, we will know the number, right. So, it would be premature to speculate any number. But DyStar's profitability has been given and has been has been disclosed in quarterly as well as yearly results. From that you can make out as a prudent analyst what could be the value that Kiri and Kiri shareholders would expect. So, that was your first part of question.

Second, where these funds can be used has not been crystallized by company yet. Kiri's board will decide at a mature time, what could be the best use for the funds for the benefit of the shareholders. And there are several options for that, some funds can be used for the future expansions of the company in several areas and there are project teams working on it, certain amount can go back to the shareholders. But how that portion and what amount to be attributed to each of the options would be dependent on what amount that we will receive when things crystalize. So let's wait till the amount and the number is available and then we'll

appropriately address. Only I can assure you that the use of the funds will be very prudent and the Board would be celebrating lot of a firsts before making decision where to use.

Manish Ostwal:

Thank you for the clear and the assurance part. The second question on the Coronavirus related short-term benefit to the chemical industry in general, and some of the products like -acid or Vinyl Sulphone. So, can you tell us what is the price increase in last 15 to 20 days in these categories? Number one.

Number two, in terms of profitability of this quarter, can it be meaningfully improved on the back of the short-term benefit? Thank you.

Manish Kiri:

Prices of Vinyl Sulphone and H-Acid were around Rs. 170 to Rs. 175 for Vinyl Sulphone, close to Rs. 340 to Rs. 350 for H-Acid in around December when this quarter ended. Only in the last two, three weeks they have sharply increased. Today, H-Acid price has increase beyond Rs. 500 rupees, Vinyl Sulphone prices has also increased beyond Rs. 300, many companies are quoting, including us, around Rs. 350 rupees for Vinyl Sulphone and H-Acid for Rs. 550. This prices will take some time to get absorbed before dyes prices also have to increase parallely. And as per the market information, most of the companies have already started increasing the dyes prices. These price increases could be temporary, if Chinese get restart. But based on our assessment of the situation, it can prolong at least two, three months by the time actual manufacturing plants get stabilized in China, if the situation comes in control. So I would say, wisdom wise, that we should have three months' time to capture this opportunity, which could be temporary, but it can help the remaining of this quarter maybe somewhat, and especially in the next quarter, because the real meaningful impact can come in the next quarter.

Moderator:

Your next question is from the line of Agastya Dave from CEO Capital. Please go ahead.

Agastya Dave:

Sir, I had two questions, one was on the new CAPEX that you have done. By when will we see, which will be the first quarter impact of the entire new CAPEX? When will it be fully stabilized and fully operational? And what quantum of revenues will get added at current prices, by current prices I mean the previous quarters' prices, not the current elevated prices. So, what kind of turnover and what kind of margins would you make up in the expanded capacity?

Manish Kiri:

Expanded capacities would be fully operational and working from April 1st, that is the target. And we will be able to achieve that full effect in the financial year 2020-2021. Now, from first year we do not expect that 80%, 90% capacity can be utilized. But gradually, within two years it can be reached to that level. At full utilization, we expect about Rs. 600 crores to Rs. 800 crores of revenue depending on the price in the market. If I consider the bottom prices of last year, it could be around Rs. 600 crores of revenue to come from there. Regarding EBITDA, we are expecting it to be at least maintain 18% to 20% EBITDA. And those products have been selected such that even in last two quarters when overall general intermediates went down, certain specialty intermediaries helped to maintain that kind of EBITDA. So, we hope that we

can generate 18% to 20% at EBITDA level, and around Rs. 600 crores to Rs. 800 crore, depending on the prices.

Agastya Dave: And sir, these expansions that you have undertaken, are these in a separate entity or in Kiri's parent entity?

Manish Kiri: They are all in Kiri.

Agastya Dave: So the tax rate that we will get on this will be 25%, right?

Manish Kiri: Yes, true. Because these expansions were already started before this new policy was announced. And actually these plans are coming in the same campus. So, we are adding new buildings in the same campus.

Agastya Dave: I just wanted to make sure. And sir, congratulations on the court order which came yesterday. So, I was going through the order and one question that I had was, are there any subsequent appeals which they can go for, for the matters which has been discussed in the court order yesterday, is there any other forum they can go to for appeals?

Manish Kiri: No, there is no higher forum at all. So yesterday's order of Supreme Court order was the highest level, that's it, there is no further higher up from there.

Agastya Dave: So on what they say is the main judgement, on the main judgement there is no further appeal. Now we move to valuations, and there could be appeals on valuation or even that is now done?

Manish Kiri: Yes, you are right. See, Supreme Court today has heard two appeals, let me clarify to you. The first appeal was the appeal on the main judgement, which was a judgement dated July 2018. That was already heard by the Supreme Court, judgement already announced by the Supreme Court on 29th May, 2019. So May 2019 judgement already upheld the buyout order and already confirmed the minority operation, so that appeal was disposed off and in Kiri's favor. Yesterday's judgement was the second appeal in the Supreme Court. So till now two appeals were filed and both the appeals were awarded in Kiri's favour. Now, as you rightly said, for the valuation and valuation number, whenever that is decided and given by the court, that could also be subject to appeal. And that would be the third appeal in that case, if Supreme Court admits that third appeal of the evaluation number, whenever it comes.

Agastya Dave: Right. And sir, the second part of the judgement, it speaks about, you, Kiri breaching certain non-compete agreements, right? So, even that matter is not completely settled? So there is, again, on the second judgement also there is no further appeal?

Manish Kiri: No, there's no further appeal.

Agastya Dave: Right. So now we are completely in the valuation part, the matter is now decided, its valuation.

Manish Kiri: Yes, correct. So only the valuation piece is now in the court proceedings. Correct.

Agastya Dave: And the hearings are, as you said, the next set of hearings, the last date is 3rd April, if that is required. So post 3rd April, on some particular day, the court will come up with another judgement and that...

Moderator: Well, ladies and gentlemen, we have just lost the line for the current participant. We take the next question from Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Sir, just want to understand with regards to, again, the DyStar case itself. When do we see sort of long stock date by which we think this entire thing will get resolved and we actually the receiving the cash in hand?

Manish Kiri: See, if you try to project timelines, as I said, currently based on the data given by the court, April 3rd is the date on which the hearings and the closing arguments would get completed. Which will be followed by the judgement, as per our experience, in the next two, three months. You can say, by middle of 2020 we can have a judgement, if that is appealed and let's assume that it is appealed and Supreme Court admits that appeal, that will have another four to six months' timeline. You are looking at 2020 maybe November, December, by the time Supreme Court final evaluation related hearings and the decision gets over. And then some time is given to pay, you are looking at first quarter 2021, realistically, to have some color of money to receive.

Ritesh Gandhi: Got it. And Isn't there any sort of out of court settlement we can reach which, I mean, saves them legal fees, you legal fees, time, value all of that and just sort of reach an agreement?

Manish Kiri: I don't see any possibility, because we passed those phases long back. And when Kiri is sitting on the final judgement, on the Supreme Court awarding judgments and there is no active any negotiations or discussions between the parties currently. So, finality would be through the court only, I don't see any such possibilities.

Ritesh Gandhi: Got it. And the legal expenses which you are bearing in disregard, is it all expense to the P&L?

Manish Kiri: Yes, they are all booked in P&L. Last four and a half years it has impacted our P&L quite significantly.

Ritesh Gandhi: So just to understand, in the last nine months per se, in the first three quarters of this year, what has been the extent of the legal expenses?

Manish Kiri: Let me give you, because now with the Supreme Court order yesterday, Kiri will be compiling entire legal costs from 2015 till date and putting that claim. Now, that amount would be a large amount. And difficult for me to give you one number...

Ritesh Gandhi: No, again, I am not asking or effectively speaking historical, I am just saying how much are we actually expensed to our P&L in these nine months?

Manish Kiri: Just to give you, it has impacted almost 4% of over EBITDA in this nine months. So our EBITDA on standalone basis would have been close to 15% instead of 10%, 11%.

Ritesh Gandhi: Got it. So effectively, with 4% on an EBITDA, I mean, marginal level is just a legal expenses?

Manish Kiri: Yes, correct. That's a hit on the margin we have been taking.

Ritesh Gandhi: Got it. And on the China thing, are you seeing things being, I mean, temporary, until they are resolved or are you seeing some of your customers looking at a long term diversification of this supplier base and, therefore, a larger opportunity cropping up? Or is this more sort of, once the corona goes away, then ultimately again prices will come back down and go back to normal?

Manish Kiri: Our views are that once this Corona goes away and once the Chinese companies are back on the normal performance and on the normal operations, prices would come down to a normal level, that's our assessment. Now, the second part which you said on a long-term effect, the long-term effect can arise if the trend in in textile orders get diverted from China, which is happening now, today we are getting more demands of dyes from Turkey, from Bangladesh, from Central America, because lot of orders of textile are immediately getting diverted to those countries, which are demanding more dyes from India. So, if that trend continues, and if the purchase pattern of the major buyers of textiles get reshuffled to other countries at the expense of China, then to that extent, we will have a long term benefit. But that is to be seen how it plays out in the long-term. But temporarily, people have moved away from China and a lot of our end user customers where we supply directly to the processing houses have got higher quantum of orders, and there is immediate spurt in their requirements of dyes.

Ritesh Gandhi: And a last question is with regards to, obviously, a lot of the textile manufacturers are in stress given the overcapacity and slight slowdown and some of the incentives of going away, etc., etc. Are you seeing any sort of risk with regards to the collection of receivables or any sort of pressure on that front?

Manish Kiri: Especially for Kiri, we do not export in open credit.

Ritesh Gandhi: No, I mean our local plants.

Manish Kiri: For local, yes. Another issue is that we have the payment terms which used to be earlier is now extended. We see liquidity issues from textiles to pay to our distributors and our normal collection cycles in domestic sales of dyes has increased. But if you look impact, it is not there in Kiri's case, because almost 50% of our sales belongs to intermediate. All those intermediaries

are sold in cash terms or in a short payment terms, where the textile impact and the textile companies' impact is not there. To the portion that we sell to domestic market to textile companies through distributors, we see some extension of the payment cycle and the liquidity crunch there. So if I look at the overall revenue and the impact on Kiri, it would be less than 10%.

Moderator: Thank you. Next question is from the line of Raghvendra Kedia from MH Capital. Please go ahead.

Raghvendra Kedia: Good afternoon. My question is regarding the Indian JV, Lonsen Kiri. What would be the fate of this entity post your total exit from DyStar?

Manish Kiri: I believe, and based on our expectation, see current lawsuits in Singapore has nothing to do with Lonsen Kiri. But eventually, Lonsen Kiri would also go through separation because of the same partners for both. Right now, which is not on the table because everybody's focuses on DyStar, but at some point in time, I think, both the shareholders will have to go through a discussion for the separation. And Kiri has already expressed multiple times a desire not to sell its stake, but Kiri has expressed interest to buy our partners' stake in the JV.

Raghvendra Kedia: And my next question is in regard to your market share in global space, specifically to the dyes. DyStar, as per your presentation, has around 21% of the market share in terms of the global dye market. Now with your exit from DyStar, would you think that Kiri on a standalone basis could have some kind of increase in this market share eying that that 21% or broadly the general market share in the dye space?

Manish Kiri: No, because Kiri doesn't sell anything to DyStar. Number one. Number two, only JV sells to DyStar. And joint ventures' biggest customer is DyStar, which means that Lonsen Kiri's almost 60% to 70% sales is through DyStar, right. And even though we get separated from DyStar level, it depends on DyStar and it depends on Lonsen Kiri for the benefits of each other. And in all good terms, the suppliers can be continued and which are continuing even today. There is no reason I see now or in future, unless it is coming from DyStar's side that the JV in DyStar supply or the relationships of supplier and customer can get disturbed. I don't see it currently.

Raghvendra Kedia: Okay. But do you see that there is some headroom for a revision of pricing what the Indian JV Lonsen Kiri is being selling to DyStar now onwards?

Manish Kiri: I think both companies are dealing with each other on arms-length basis. So sales team of Lonsen Kiri and purchase team of DyStar, even today they are negotiating and working with each other as if two independent companies from separate teams. So, it would be fair to say that it will continue the way it is today. So we can expect that whatever is the terms and the pricing between two companies can have continuity if there is no disturbance coming from DyStar side.

Raghvendra Kedia: My last question sir is in regard to any inorganic growth or takeovers you would eye once you have the cash in your books, probably in the quarter one of next financial year? So, going ahead, how open are you on that front?

Manish Kiri: We haven't made any deliberations on any acquisitions or anything like that, neither there are any efforts being made. But as a company, if there is a good offer which comes, or if we see a very lucrative deal, like it was DyStar 10 years ago, then of course company would be open to look at it. Depends on what opportunities come in the market at that time.

Raghvendra Kedia: Exactly. And what may be the potential outlay for buying out the stake in your Indian JV, Lonsen Kiri?

Manish Kiri: Cannot say anything, because we are not at a discussion stage yet. So, right now the status quo is there. And I think finality can be under discussion once DyStar gets concluded. That's what my understanding is.

Moderator: Thank you. Next question is from the line of Harsh Gupta from Ashika Group. Please go ahead.

Harsh Gupta: Congratulations for the good results. I just had one question, because the questions were already asked by the other panelists. About the dividend policy going forward, I understand the Board is still discussing for the future monies that we will receive in terms of inorganic growth or some kind of special dividend or buyback, whatever. But in terms of even the organic cash flow we are already generating from the existing standalone entity, we finally have the first dividend, so right now the yield is 0.5%. So, can you give us some color how to expect some predictability or clarity? Because for long term, shareholders, while this process of the court case solves out in the next one year or so, it can provide a flow to the price of the stock and, therefore, make it easier to remain in the counter. So, just some color on how do you think about dividend policy going forward please?

Manish Kiri: So, irrespective of the DyStar proceeds, let's put it on the side. Whatever operational cash flow company generates, now onwards, it would 100% give dividends. I mean, wouldn't be there every year. Okay? So, I can give you assurance that the dividend would be given by the company every year and that is the view of the Board. Now, how much to give, what percentage, that is to be decided by the Board. But as you know that the current expansions which have been going on last one and a half year, expansions would also continue to happen next year too. But irrespective of the percentage of dividend, dividend will definitely be there, I can tell you that.

Harsh Gupta: Can we say even if the percentage of dividend deal goes down, at least we will try to match or increase and definitely not decrease in absolute amounts? Like is there something, because its already quite small right to begin with?

Manish Kiri: Yes, absolutely. It can be only higher, but not lower than this. That's for sure.

Moderator: Thank you. Next question is from the line of Ayush from Equitas Investment. Please go ahead.

Ayush: Sir, I just wanted to understand the demand situation. So the demand has been bad from the past few quarters. So how is it looking good ahead, considering the increase in prices because of the China situation? Will demand get further affected you do that or what is your view about it?

Manish Kiri: I think from January onwards we have seen that, in general, demand has started going up from January, compared to earlier two quarters. Because of this current situation, there is a sudden increase in demand which we are experiencing right now. I would believe that such increase which is exceptional increase in demand, and that has affected the price hike too, should continue for at least two, three months on a conservative basis.

Ayush: Okay. And other than the exceptional demand situation, I am talking about in general where the demand of the entire textile industry was affected, how is that firming up?

Manish Kiri: I think from January onwards we see that the demand has been increasing in fact. Demand has been coming up, we are getting more inquiries, the orders volumes are increasing and we hope that this will continue till middle of the year, in general, irrespective of this unusual situation.

Ayush: And you mentioned that some companies are looking for shifting their exports to India. So, have you received any queries yet?

Manish Kiri: Yeah, for example, we have received several queries from major textile producers in Turkey, in Bangladesh as well as in Central America. They are saying clearly that they have got more orders, because Chinese orders got diverted to them for textiles, for buying textile items. And because of that they are asking us more quantity of dyes than their usual consumption. So, we see that and we see such emails being received almost daily basis.

Ayush: Okay. And dyes prices have not increased yet, right? But, some companies have started increase it, right?

Manish Kiri: Yes, started increasing it. See, usually intermediate prices go up first, which you have seen in the past. And it takes some time for dyes prices to get absorbed to increased levels. So, now it has already started increasing already.

Ayush: And sir, on the raw materials front, so which are the raw material that we import from China?

Manish Kiri: There are some raw materials which we import from China, for example, Beta-Nepthol, Tobias Acid, Thionyl Chloride, these are some of the intermediates where China is having its dominancy, and India in general, import these raw materials from China.

Ayush: Okay, but these are not major operators, right? Like even if the prices increase, that would...

Manish Kiri: These raw materials would create some heat-up for some products. For example, if there is a J-Acid base orange color and if J-Acid is not coming, so in overall product portfolio there would be some products were due to non-availability of raw materials and non-supply from China, there might be non-availability of dyes also. So, those productions of those particular products and availability of those particular products would be affected. And we inform customers accordingly that these products would have delays, these products would not be available, and these product will be available. And sometimes we give them options also that you can use others other than this temporarily till the situation stabilizes. But yes, there would be some hiccups, and there would be some disturbance on some products. But majority, no, there won't be.

Moderator: Thank you. We take the next question from the line of Ketan Suneji, individual investor. Please go ahead.

Ketan Suneji: This is regarding the DyStar's case. After the case is finalized and all is done, is it okay? I think it will be okay for us to sell material to all DyStar customers. Is it true what I understand?

Manish Kiri: Well, when this case is concluded, right, there would not be non-compete applicable to Kiri, because the agreements will fall apart. Now, see, Kiri's market segments and DyStar's market segments as on today are actually different market segments. And in Kiri's market segments where Kiri is expanding today, for example, this year we are doing 20% growth in our sales, which is not at the expense of DyStar sales. So, Kir's growth and Kiri's market share and Kiri's strategies to expand are not relevant with the DyStar, and Kiri doesn't have to go to DyStar pockets also in future. Kiri will grow in market generally. DyStar serves to very high end market, Kiri and other players from India also serve to medium and low end markets. And for that I don't see much conflict between Kiri's sales structure and DyStar's structure. So, they are quite different not competing with each other.

Ketan Suneji: Okay. Sir, but just why I asked this question, because there is a case which actually we are supposed to pay some money to DyStar, that is non-compete agreement. So, that's the reason I asked this question, if that goes that we are definitely able to sell some product to their customers. Because, again, we have that customers.

Manish Kiri: Yeah, but let us first get the case over. But just to give you an example, and to give you finality of the numbers, DyStar's top-line is \$1.2 billion, \$1.1 billion plus. The case, the non-compete claim which DyStar made to Kiri for a period from 2010 to 2018, for almost 8 years, that claim was for the amount of \$1.2 million in eight years, \$1.2 million.

Ketan Suneji: Okay. It is very less.

Manish Kiri: And court what can award to them, could has already, based on the recent judgments cut down to almost half. Which means I think 8 years, more than \$1 billion top-line company, and

\$600,000 for conflict customer business amount perspective, which means nothing. That shows that Kiri and DyStar are not competing in fact.

Moderator: Thank you. Well, ladies and gentlemen, that was the last question. I would now like to hand the conference back to the management for their closing comments.

Manish Kiri: Thank you all for participating today. Thank you very much.

Moderator: Thank you. On behalf of Kriti Industries Limited, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.