

Kiri Industries Limited
Q1 FY21 Earnings Conference Call
August 11, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '21 Earnings Conference Call of Kiri Industries Limited. As a reminder, all participant lines will be in the 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 "0" followed by "*" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the contents to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you operator. Good afternoon, everyone and a warm welcome to you all my name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Kiri Industries Limited. On behalf of the company and I would like to thank you all for participating in the company's earnings conference call for the first quarter of the financial year 2021.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call may be 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 in making any investment decisions. The purpose of today's earnings 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 call. We have with us Mr. Manish Kiri, Managing Director, Mr. Jayesh Hirani, Senior Manager, Accountant & Finance, Mr. Suresh Gondalia, 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 everyone. It's a pleasure to welcome you all to the first quarter of the financial year 2021 Results Conference Call. For the ones who are participating for the first time. Let me give a brief background about the company. Kiri Industries Limited is one of the largest manufacturers and exporters of diversified range of dyes, dye intermediates, and related chemicals, which include reactive dyes, disperse dyes, intermediates which are based on aniline and naphthalene as well as other relevant intermediates. Company has sizable manufacturing facilities of dyes intermediates, dyes in basic chemicals at Padra Vadodara. Majority of its production facilities are located at Vadodara . And company has strengthen its

competitive age by having fully vertically integrated facilities in India. Kiri has formed a joint venture with Longsheng of China and that is Longsheng Kiri which is manufacturing of dyes facility located at Vadodara and the financials are part of consolidated results of the company. Let me now brief you through the financial highlights of the quarter.

As you know company has faced lockdown between March and April this two months where end of March till April and part of May also after which the plants were allowed to partially operate. Initially during May 2020, the company was allowed to fulfill its only export obligations and commitments by operating dyes facility. And then June the company was allowed to operate all its plants, we a normalize operations. So, all most you can say practically 60 days of this quarter was under lockdown for the quarterly performance of the company on standalone basis, operational income for the quarter was 69 crore which is declined by 75%, operational expenses reduced to about 63%, export sales reduced by about 75%, impacting the revenues from dyes which are generally exported outside India.

Competitive gross margins have reduced by 4.2% on year-on-year basis and 9.2% on quarter-on-quarter basis. EBITDA loss was reported at around 21 crore, net loss after tax reported was 31 crore. The average self-realization for dyes intermediates reduced during first quarter 2021 as compared to the last quarter 2020, impacting the revenues of dyes intimidates. Certain types of basic chemicals achieved little better price realization, increasing revenues of basic chemicals during the quarter. Post unlocking, initiative the sales for high end quality products with good margins also reduced and hence the margins attained were lower, because of the product in exchange, which attracted lower margin in the quarter as an overall margin. During quarter one 2021, EBITDA turn into negative soon. Primarily because the company did not cut down salaries and wages as the company took a conscious decision of taking care of all its employees during, including blue collar workers and all other employees. Further the legal and professional fees, which are mainly related to Singapore court case increased by about 53% in this quarter 2021 compared to the earlier quarter because the trial was ongoing throughout the period in the month of the quarter so that was the biggest expense which impacted EBITDA after company.

The financial costs reduced by 22% as compared to corresponding quarter of previous year. Mainly because financial charges did not incur due to lack of business in shutdown. Working capital cycle, elongated because of lockdown the amount of receivables, payables and inventory remains almost same as compared to previous quarter. The receivables are slow especially for export sales. However, we expect the same to be streamlined in the coming two or three quarters. Since the operational expenses include legal expenses towards continuing litigation in matter of registered case at Singapore International Commercial Court as well as Singapore Supreme Court. The cost of litigation in Singapore is well fairly high, substantially impacted the bottom line of the company in this quarter.

Now, I will take you to the quarterly performance of the company on a consolidated basis. The operation income for the quarter was around 109 crore which decreased by 70%, EBITDA reported a loss of 5 crore and net loss after tax 21 crore on a consolidated basis the revenue dropped by 70%. Operational expenses dropped by around 63% year-on-year basis. On the consolidated basis the revenue dropped by 70% again and expensive drop by 63%. The share of profit of associate companies which basically dyes are 37.57% of Kiri shares, it accounted 37.14 crore of loss, which was 26.86 crore profit in the corresponding quarter on previous year.

It is important to highlight that Dystar had earned profits during quarter one 2020. If disputed items of exceptional write down exceptional provisioning of expenses and claim during management and administrative fees, guarantee fees, et cetera are adjusted. So, once all this disputed items are adjusted then Dystar would be in the profitable territory. During the last five years, Kiri has been in disagreement and dispute with several substantial amount of exceptional items write downs, provisioning, expenses, which include the items which I just mentioned. And details of such disputed items are not current available for the first quarter 2021.

Lastly, with regard to update on the query suit in Dystar, a thought proceedings for the valuation pertaining to the final phase of the trial got completed. The trial and hearings were officially over by April 6th, then the closing took place and closing submissions took place in the month of May and June. On June 30th and July 1st, on these two dates overall closing and closing arguments also got completed. And as on July 1st, the judgment was resolved by the court. The court can give judgment at any time we are waiting for the judgment to come. And as soon as the judgment becomes a **(Inaudible) 9:27** in SICC it would be disclosed right away. So right now it's a waiting period this waiting time to obtain judgment from Singapore court.

That's all for quarter one 2021. And floor is now open for your questions. I'll be happy to answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. First question comes from the line of Pranjal Kothar from Snowball Money Advisors. Line is unmuted.

Pranjal Kothari: So my question basically was more regarding the certainty of payment from the Longsheng group. Is their balance sheet strong enough to pay us and any time limit for receiving the money from Longsheng group after the date of announcement of the verdict?

Manish Kiri: Okay, so your first question was regarding the ability of Longsheng to pay. Looking at the financials of Longsheng and which is a listed company you can also have a look at them. And having market cap of more than \$6 billion, I believe close to \$7 billion. Having strong cash reserve and retained earnings Longsheng has definitely financial ability to pay which has been proven beyond any doubt. So Longsheng is capable to pay Kiri and honor court order, which we strongly believe number one. Now, your second question was related to, how much time

they would be getting to pay. So it depends basically on the court, so whatever time court prescribed in the order, that is the time within which they will have to pay and the third point which you try to touch upon was a certainty of the payment. Even within the time frame what if they don't pay. So as soon as the order comes out the clock starts for them to pay us from that date even though they go to appeal doesn't mean that they can leave away with their obligation to pay Kiri. So their obligation to execute buyout would continue to be enforced. And if they do not pay, they would face consequences of the contempt of court. And it is Singapore court then which will decide what further actions are to be taken in the event of **(Inaudible) 12:32** or in the event of not paying to Kiri.

Pranjal Kothari: Okay, but the period of payment will get decided, in how much time they're supposed to pay will be decided by the court itself in its order?

Manish Kiri: Yes, that would be part of court order as one of the terms of the payment.

Moderator: Thank you. Next question comes from the line of Saurabh Soni from Retail Investors. Line is unmuted.

Saurabh Soni: Sir, I have two questions one is any tentative deadline the court is given that by when the, beyond when the judgment will not be announced, that is a question one?

Manish Kiri: There is not a specific deadline or any specific, any specific time that the Singapore international Court or Supreme Court provides, based on the practical experience and the timeframe during which usually SICC and Supreme Court gives their judgment and based on our prior experience also, it takes around two to three months' time, even in our judgments it has taken that much of a time. But there is no definitive date, anytime, any date we can get a message from the court to collect the judgment and it is up to the judges when to give. So, we have to be ready and just waiting for a call, especially our counsels would get a call from the court and they will go to collect the judgment, but there is no specific deadline or timeline or any specific timeframe given by the court.

Saurabh Soni: Okay. And another question is, sir this quarter is badly hit because of the COVID. So, are we expecting, is there a pipeline of order was already there and we could not be able to execute due to this Coronavirus. And will those revenue which is there in this quarter will be proportionately increase in the rest of the quarter we are, rest of the coming quarters will that be the situation or that gone quarter lost revenue is lost?

Manish Kiri: Well, let me start with the pending orders, the order book which you refer to in your first question. And the order book was almost canceled because the moment pandemic started and the uncertainties in the market in terms of, in terms of requirements in terms of prices, because everything was going down almost entire industries order book and our order book was all cancel at that time. And this was a period around March, April and part of May. So, whatever

we started dispatching it is mainly coming from June month and the revenue which you see in the books is also coming from the month of June. And in month of June to do 60 crore only in one month was not so bad to be honest with you. Which we were happy about but, these are all new orders. These are all new demands which are coming from various countries and also domestically. For the current quarter your second question for the quarter which is going on right now and the next quarter, we expect that recovery would come, how fast that recovery comes will depend on how fast the demand and how fast the lockdown in other countries are open up and opening up actually. So we are now seeing month-on-month improvements and we expect that in the current quarter and next quarter we should have a have a quite decent recovery. Now to go back to the normalize operation which means that the operations which we used to have pre lockdown with a revenue of close to 270 to 300 crore a quarter to come back to that kind of revenue based on current forecast, we don't foresee it to happen by December end. In case if it happens, we can only expect and be hopeful optimistically to happen in the last quarter of this financial year and then we don't force it to come before December as a normalized quarter pre lockdown or normalized basis pre lockdown that we had. So that is optimistically maybe beginning of 2021 or if not, we will have to then wait till next financial year when we have absolute normalized demand and absolute normalize operations in terms of the performance.

Moderator: Thank you. We have a question from the line of Rajesh Jain, he is an Individual Investor. Line is unmuted.

Rajesh Jain: My question relates to the quantum of the valuation that we accept from Dystar because I believe it's based on July 2018 financials, but we must have worked out some range as to what will be the expectation in terms of the resolution in terms of the quantum of money that we can expect. Thank you.

Manish Kiri: Okay. Thank you for the question Rajesh with regards to July 3rd, 2018 which is the valuation date and in no uncertainty court as already given the view that whatever post July 2018 events would not affect the valuation of Kiri and whatever is the valuation as on that date would be the valuation that Kiri is to receive. So just for your information that Longsheng also tried to apply and to influence court and try to request court to consider COVID-19 pandemic related valuation which means that they wanted to basically reduce valuation in today's time but court dismissed their application and court denied clearly not to consider pandemic or any other events after July 3rd, 2018 to influence Kiri's valuation that is very important decision by the court. So as on July 2018, whatever is the number that is the number Kiri is to receive. Now, a specific number which you refer to or a range which you refer to, as the matter is still subsidized and the court is in the process of deciding the number. It would be speculative for me to indicate any number to you. But, if you look at till July 3rd, 2018, even in 2018 which was the year, full financial year Dystar made a post exceptional items and disputed items close to more than \$140 million profit after tax. Before that since 2014, it is made every year almost more than \$100 million profit after tax. So, \$100 million profit after tax is the established track record

and the number which Dystar has already proven till the valuation date and not only that, all the other IPs and 1700 patterns and world's largest network. So, those are the soft assets and those are the soft business features Dystar have. So, if you have any MNC with such a profitability and if you look at their public domain valuations as on July 2018, you will be able to come up with a fairly decent number if you ask me honestly and you are more expert in valuation than us to figure out what value that company can expect and we have full faith in the court of Singapore, that whatever number they decide, it will be a fair number and we believe that we will have a fair decision from the court when it comes. Till now, with our experience of last five, six years we have received all fairness, every decision court has ordered has been fair and we have been quite pleasant with that. So let's hope that we get a fair number and let's hope that it comes at any time.

Rajesh Jain: Understood sir. My question is that the court may have also asked you to share what valuation you are deriving in terms of expectation by your own CAs or valuation team. So, is there a number for clarity purposes that you're expecting from them, irrespective of the court may or they may decide?

Manish Kiri: Yes. Just to give you more insight there were two valuers appointed. And both the valuers were appointed from each side. So Kiri appointed a valuer, which was independent valuer and Longsheng also appointed independent valuer from their side and both the independent valuers duty was to report to the court. So their responsibility was to the court and not to the company. So that means that whatever valuation submitted to the court by both the valuers as part of the courts internal confidential information that is not to be disclosed by either party. So, when you ask me what Kiri's appointed valuer has indicated what number, of course we are aware of that number, but those number are within the confidential part of courts documents, and which are not accessible by anyone in the public domain, but only for the for the courts fair trial and decision. So for that purpose, we are not supposed to disclose that number what was submitted by the independent valuer appointed by and submitted to the court. Because we are not able to disclose that number and I am sorry, because it's part of our confidentiality to maintain till the judgment comes out from the court.

Rajesh Jain: Thanks very much, I understand that and I agree with you. And just that I have been a very long term investor. So there's a lot of confusion and clarity was something that everybody was seeking instead of speculating. But I can understand where you're coming from and I agree with you that if something is in the core domain it is something that you can't disclose.

Manish Kiri: Yes and we hope that the judgment comes even tomorrow, will be very pleased if our counsels would get a call tomorrow and to be fair, it is up to the court, the judgment is reserved and come at and be delivered at any time. So, the earlier is the better for all the investors and shareholders to know the number and to know what amount company is going to receive.

Moderator: Thank you Mr. Jain. Next question comes from the line of Naushad from Systematics. Line is unmuted.

Naushad: Two, three questions. First of all quickly, if you can share the prices of vinyl sulphone and HSE in this quarter versus the same quarter last year?

Manish Kiri: Yes, the price of vinyl sulphone right now is hovering around Rs.150, Rs.155 and which was at a similar level last quarter and this price is probably the lowest price in last 10 years, as I remember or even more than that. So, we are almost at the bottom of the price. The price of HSE which is currently around Rs.345 to Rs.350, the last quarter was also around Rs.335, Rs.340. So, I would say even HSE price is at a similar level in this quarter compared to last quarter. Of course, these prices are much lower compared to the average prices which we realized last year. So, these are some of the lowest prices Naushad which are prevailing in the market now, and not only from India, but the prices are also at the lowest level coming from China. So, for example as per sulphone price from China is also around \$2.1 and HSE price is lowest to the extent of \$4.4, \$4.3 sometimes coming from China. So, Chinese are also under pressure and they are also floating quite low prices to the markets outside China.

Naushad: Okay. So it is purely because of the demand slowdown or is it something to do with the government as pricing has also gone down so there might not be much impact on the overall spread where realization was lower?

Manish Kiri: Well, the overall both the effects are there. Raw material prices are also down and some of the raw material prices are also historically low that is one area and the second is the prices are proportionately lower side with a higher percentage which is beyond the raw materials related reduction is also driven by low demand. For example, the prices which will be at Rs.150, Rs.155 level if only consider the raw material reduction it should have been at Rs.175, Rs.180. So, we have another impact of Rs.15, Rs.20 both in HSE as well as in vinyl sulphone which is driven out of the lower demand.

Naushad: Okay. And what is the trend now, currently and how do you see this, so I believe this price is these prices are not very difficult for us to survive at this level of realization?

Manish Kiri: If you look at these prices and because the raw material prices are down, dyes prices also follow the same pattern. So, the dyes prices are down, I foresee that if the demand picks up in this quarter or before the end of this quarter and knowing that the prices are some of the lowest in years-and-years, everyone expects including us that the prices would move on the positive side. The moment some demand comes up, the moment the sparking of requirements within India as well as outside India prices would go positive from current levels we don't see much room for the prices to go further down from here. Manufacturers in NII, I believe that people will prefer to scale down their operation or stop their plants if the prices go further down.

Naushad: Yes, this level how much margin you must be making at EBITDA level sir?

Manish Kiri: At this level you are almost near your breakeven, you would be hardly making 3% to 5% EBITDA with this kind of prices.

Naushad: Okay, so still EBITDA positive, the prices are at EBITDA positive level?

Manish Kiri: Yes, it is still at EBITDA positive level, correct.

Naushad: Okay. And sir we were in a process of doing some CAPEX to do some optimization to reduce our employee costs and just wanted your update on that and if you can get into more details, how these things are going to benefit to us and quantitatively, how much will this benefit in terms of overall employee costs and margins?

Manish Kiri: Yes, for example we would we completing all our process automation, which we had already started more than a month back by August end and so by the end of this month, we will be finishing that. And that would reduce now final our headcount of labor requirement by close to 30%. And it will not save too much of cost, but it would reduce our dependency on labor. On a quarterly basis, it would hardly **(Inaudible) 31:37** to reduce by 50 lakhs on our salary wages or even less than that 40 to 50 lakhs, but on dependency we would be less dependent, number one.

Number two, our efficiency would improve, with this process automation and some of the areas of the plants we would be more efficient compared to our earlier times. And with more efficiency, we hope that we will have better productivity, our plant capacities because all these changes are happening mainly in the intermediate facilities and not in the dyes facilities. So in intermediate facilities we don't see much explanation on capacity because capacity is going to mean the same. But our efficiency, our downtime that will help us overall on month on, to have better output. So if we get even 2%, 3%, 4% better output every year utilizing existing capacity, actually, it will help us to improve our margins a little bit.

Naushad: Okay, sir. And lastly can you quantify how much we spend in this quarter in terms of our legal and professional fees towards the court case?

Manish Kiri: Well, if you look at our net loss on a standalone basis, if we had not incurred this legal cost, it would have been half, that would give you the indication.

Moderator: Thank you. Next question comes from the line of Ashish Agarwal from **(Inaudible) 33:17** Capital. Line is unmuted.

Ashish Agarwal: Most of my questions have already been responded to just a couple of them. One is, I noticed in exchange filing last month about shutdown of a production facility, what is the current status and if it's operational at what capacity utilization are you operating at?

Manish Kiri: Well, we are still operating at less than 50% right now. And you must have seen the recent announcement where we shut down due to certain environmental **(Inaudible) 33:53** measures. You might have looked at that announcement. So that is also getting over now and from this week we will increase, we will restart our plant probably we'll give you the confirmation on the stock exchange once done, but we are hopeful and throughout this quarter we expect to be on an average basis more than 50% utilization. So, we hope that we are at least break even or a little more in this quarter in the current situation. But just an optimistic view Ashish and we will try our best to achieve that and let see how we are able to match up.

Ashish Agarwal: Sure, appreciate that. Also a clarificatory question all the legal expenses that have been incurred, even the ones after July 18, as per the court order will be reimbursed by Longsheng is that understanding right?

Manish Kiri: Yes. They are all being paid, have to be paid by Longsheng and all cost expense till July 3rd, 2018 are already been quantified, and they are in the process to submit claim so, it can happen anytime as we speak. But even post July 3rd, 2018 expenses will also have to be paid by them, correct.

Ashish Agarwal: Thank you. Sir embarrassment of these legal costs maybe a different timeline from the overall settlement?

Manish Kiri: Well, this will be a separate process where court has already ordered SICC, Supreme Court has already upheld the judgment. So, after submission of our total records with all the backup documents and everything Court is going to then decide on that and SICC judge would be there and we were told by the Council that it is fairly quick because it's only the number which is going to be approved agreed on certain set criteria's by them and it can go really fast because then there is no separate basically processes to be made. But it is just follow the guidelines of what gets qualified and what doesn't get qualified out of our all claims that we make. But it may take few months Ashish, for Court to process.

Moderator: Thank you Mr. Agarwal for your questions. Next question comes from the line of Vishal Jajoo from Tycoon Mindset. Line is unmuted.

Vishal Jajoo: Sir first of all, my first question was more regarding, the last few years the profit which has been entitled from Dystar. So, from the last year from 2018 will the profit will be inculcated in our balance sheet. And the second question was more sort of on the future outlook which we discussed in the last quarterly con-call. So, you are more sort of inclined towards starting the manufacturing of aniline and just want to know how your updates are going on the next capital expansion part and where are you planning to expand in the future?

Manish Kiri: Okay. So, regarding your first point, see today all the CAPEX plans especially for this year they are being put on hold. So, we are not going to incur any further CAPEX in whatever we had, we

had to complete related to a specialty intermediate plant which I referred to in our last conference call, we are going to finish that part which is not going to incur us major investment it would be very small, but besides that all other CAPEX plant are on hold till March 2021. And post that we will see what to do as far as companies CAPEX is concerned. Regarding Dystar profit post July 3rd, 2018, Kiri is not entitled to receive even though Kiri is consolidating in balance sheet as long as Kiri remains shareholder of Dystar. So, statutorily we are bound and we are obligated to consolidate, so we are consolidating but Kiri is not beneficiary to that profit. Only Kiri is going to receive is the sales proceeds under court order for its (Inaudible) 39:20 to Longsheng under court order, as on the valuation dated July 3rd, 2018. Besides that, post that date Kiri will not receive any part of profit and if court orders Kiri has already requested would be the interest, where in that interest would be awarded by the court as per Kiri's request from the date of the filing of the petition which is June 2015. or from the judgment date whatever court decides and if court awards interest to Kiri. Then from that specific date which court decides Kiri will receive interest on the entire valuation amount. Till the transaction gets completed and till the date Longsheng pays to Kiri. So, maximum we can get qualified for, through the court order would be the interest.

Vishal Jajoo: Okay. So, interest has been taken still under consideration interest part right?

Manish Kiri: Yes, and if court considers it and awards it would be part of the court order which we will receive.

Vishal Jajoo: Okay. And can we get some more light like in the last quarter you said the company was planning on to expand some other sector as well because dye and dye sub sector has been in a hampered manner in the last coming quarters due to COVID. So, has company come to any conclusion that where we are planning to expand in the coming quarter or coming year, year or so like after March 2020, 2021 when we are likely if likely to get some receivables from the Dystar case, so has the company planned where to expand sort of or we would continue with the Dystar sector?

Manish Kiri: No, as I mentioned last time, whatever proceeds that the company receive out of Singapore, right would not be invested into dyes and intermediates, they would be invested in areas which are different from dyes and intermediates and within the chemical space. That's the overall decision already reached by the court and whatever Kiri earns from its existing business as and when required Kiri will continue to invest in dyes business from its own earnings of dyes business. Singapore proceeds that demarcation is very clear by the board of company. Now in chemical sectors in which areas, which products and where it would invest it is not crystallized yet. It would depend on the amount how much Kiri is to receive. It could also depend on which project is the best feasible, achievable and which projects will earn the maximum return to the company. So, there are vast number of projects being analyzed a lot of feasibility studies have been prepared since last two years and then we will make a prudent decision, once we have clarity on what kind of amount we are getting.

Vishal Jajoo: Yes. Okay, and one another thing can you please share in the coming quarter where we are hampered with the working capital management. So, in the coming quarters will they be requiring working capital borrowings from the bank or our cash flow will be sustainable enough to cover the working capital for the next quarter as well?

Manish Kiri: So, as per the current working we will continue to survive based on our own cash management. We have not borrowed from anyone and there is no working capital lines. The company uses from any banks. So there is no interest bearing debt on the books of the company, and as per the current plans, we will manage from our own working capital and try to manage with the existing resources that we have in the company.

Moderator: Thank you for your question. Next question comes from the line of Karan Ramesh from **(Inaudible) 43:29** Group. Line is unmuted.

Karan Ramesh: I had a question regarding the legal expenses that you have spoken about before. So there is of course, the main evaluation that is going on about Kiri's minority operation. So for that, we will receive, we will be Dystar will pay for the legal cost. But what about the other minor cases if you could elaborate, whether we will have to pay for the legal cost or that also will be paid by **(Inaudible) 43:59** or Dystar?

Manish Kiri: Well, say for example for the side as you are referring to and the legal cost pertaining to side cases so the simple rule is that whoever loses the case will have to pay the other party. And the same rule applies here too. To give you an example, when Kiri was, when the order was made in favor of Dystar awarding Dystar \$675,000. Court also awarded Kiri to pay around \$200,000 plus legal fees to Dystar. So, court will decide on this side issues whoever is a losing party would need to pay how much to the winning party. But all this would be maybe in the range of 1000s in dollars and probably not in millions in dollars.

Karan Ramesh: Okay, so it's not even the legal cost that you're paid for the side cases. It's just a small proportion of your total legal expenses?

Manish Kiri: Yes. And those would be paid by the losing party. So for example, if Kiri has launched a counter claim on Dystar and if Kiri wins counter claim for that portion Dystar will have to pay to Kiri for Kiri's legal and same applies vice versa.

Moderator: Thank you. Next we have Dhiral Shah from PhillipCapital. Line is unmuted you may ask your question.

Dhiral Shah: Sir there is a significant front in EBITDA margin in standalone as well as consolidate result, so what products enjoys high vector margin in JV and what are those margins?

Manish Kiri: Well JV has three product ranges, so if you talk about JV and Kiri also has certain products standard alone business also, which has high end products and which fetches more margins while in JV also for example, there are product ranges, which are based on fluorine chemistry makes high and better margin. Indigo is also there in JV which makes comparatively better margin. In Kiri certain, in standard alone basis certain intermediates and those are the intermediates which are high value intermediates. For example, ranging from Rs.700 a kilo to Rs.1500 a kilo fetches better margins, quantities are small and lower quantity for those. So these are the products of different categories in both JV as standalone and also in standalone, which generates comparatively better margin than the other generic products, either dyes or intermediates applies for both.

Dhiral Shah: Okay. And sir in our multipurpose plant what are the list of 26 products can I get the list of that product?

Manish Kiri: There are certain derivatives in those such as **(Inaudible) 47:34** derivatives, some of those derivatives are again aniline derivatives and cricline derivatives, but specific products we may not be able to give, but those ranges are the ranges which I'm mentioning and in many of those products are Chinese replacements by the way.

Dhiral Shah: And sir is there a potential demand after this COVID situation normalize and what are the expected margins on this product?

Manish Kiri: Yes, we can give some guidelines on expected margins of the products once this, let us say non-COVID situation where normalized operations are, in which our new intermediate specialty intermediate plant would produce at least, would generate at least 20% EBITDA margin. So, that kind of product mix has been there and it will be replacement of Chinese imports. So, these two key parameters are there which will help us to overall boost our bottom line.

Dhiral Shah: So, do you think there will be a sufficient demand after the COVID situation normalize?

Manish Kiri: 2021 onwards we would have sufficient demand we believe so. But again uncertainties I know, as well as you know. Now if the vaccine and the sentiments comes faster, improves better then recovery would be faster, if the sector is not because a lot of, at least 60% to 70% of performance of dyes and intermediates is linked with textiles, so heavy dependency on textile. So, if textile improves that again helps, so all are interlinked and interconnected on how recovery comes. So, we may try to be optimistic, but only time will tell how things will recover.

Dhiral Shah: Okay. And sir lastly, so whatever amount we realized from Dystar, are we going to pay any one time dividend or anything for minority shareholders?

Manish Kiri: Yes, that it is also under discussion of course, yes.

Moderator: Thank you, Mr. Shah for your question. Next we have Kalpesh Verma he is an Individual Investor. Line is unmuted.

Kalpesh Verma: I have one question regarding the Kiri share in the Dystar profit which is total of Rs.870 crore for the last seven years FY '14 to FY '20. So, are we not going to receive this or this is the amount apart from the valuation figure we are going to receive?

Manish Kiri: So, see whatever Kiri's portion of the profit of Dystar was never been paid to Kiri till date, nothing. So, whatever profit earned has already retained in Dystar. So, Dystar's valuation will take that into effect. So, what we will get is the is a valuation and the price Which will incorporate all the factors of Dystar Financials and one of those factors also include the retained profit which is not been dividend out to their shareholders. So, which would be part of it. So, as a business valuation whatever value that has been decided by the court we will get that value and that price for selling share under court order. We would not get a profit separately and the valuation number separately. It would be all one number which is a valuation number.

Kalpesh Verma: Okay sir. Sir, another thing is that you said that till 3rd July 2018, the legal cost has been quantified, can you disclose the amount?

Manish Kiri: That has been worked out by the company, which would be submitted to the court it would be claimed in the court and once the claim is launched, definitely we will inform you.

Kalpesh Verma: Okay sir. Sir another question is that, once the valuation amount is being disclosed so, the interest component that is we are going to receive is from 2018 3rd July or from the original case that is from 2015?

Manish Kiri: Kiri's demand was from June 2015 that is what Kiri presented to the court. And the interest rate in Singapore is a fixed interest rate which is 5.33. So, we have demanded, not necessarily the court would consider. So, finally, it is up to the court to decide whether from the judgment date or whether from the date of the rate, so that would be known when the judgment comes out.

Moderator: Thank you. Next question comes from the line of Vivek Sahani he is an Individual Investor. Your line is unmuted, you may ask your question.

Vivek Sahani: Manish, I have a question relating to this valuation amount only and in continuation to the earlier question and answer given by you. So, you said that once the SICCC gives the judgment then Dystar or we will get the money irrespective of the fact that they still have appeal right, against the valuation amount. So, legally speaking in the context of judicial system, what happens is if you have a right of appeal, then generally you get the stay for making those payments, because otherwise it will frustrate the entire purpose of having the appeal right. So,

what are your thoughts in terms of because, you said that, that would be contempt of court if they don't immediately pay the amount. Even if they have the appeal right?

Manish Kiri: Yes, I understand your point. Now, when the SICC order is out post which the appeal is made in the Supreme Court. And appeal doesn't mean the automatic stay on the SICC order. So there is a separate stay to be taken and according to our counselors advice, they would not and they might not get that stay. Being deterred appealing the case. So there are indications from our council that our right off enforcement of order would continue even though they would appeal. And the same thing had happened in the last judgment also. So for example, when the July 3rd, 2018 judgment came, they appealed in the Supreme Court and the stay was not granted to stop the valuation proceedings. So even though Supreme Court appeal was made after July 3rd, 2018 valuation process continued in SICC.

Vivek Sahani: But, continuing the valuation proceeding is a different ballgame then making the payment because the entire **(Inaudible) 55:43** and if for example, if I have a appeal right and I make the payment to you and the appeal is admitted before the Supreme Court, then my entire appeal right is frustrated, because I paid the amount and I am still fighting for that amount. So, do you think that I'm not able to get the logic that why would they get if the appeal is **(Inaudible) 56:00** then why would they not get the stay?

Manish Kiri: See based on very valid question you asked, but based on our discussion with the council, the logic which comes is that the order is made by the SICC, the order exists and the order is enforceable to pay to Kiri, unless that order reverse by appeal. So, if order is not reversed by appeal, which means that the liability is continuing to stay. So, unless and until they are successful in reversing the order from the Supreme Court doesn't imply them not to pay their obligation that is where it is coming from. So, I understand you have very valid point But the way we have been explained by the council, that our right of recovery, and the enforcement of the order doesn't go away with filing the appeal. Unless appeal court gives a separate stay that yes, now I'm giving a separate stay on SICC and there is, so one is a appeal application and then there has to be a stay application, which is a **(Inaudible) 57:34** application. Unless and until that stay application is granted by Supreme Court, enforcement rights continue to exist.

Vivek Sahani: So, but I think once if they file the appeal they would surely file the stay application also. And if Supreme Court admits the appeal, then Supreme Court will definitely give the stay to them otherwise, I don't think so admitting appeal will serve any purpose there?

Manish Kiri: So, let us say in a stay application if Supreme Court say well, we can allow a stay but Kiri is saying that you pay security first, pay 50% amount, put in the escrow account, give some commitment to the court Isn't it.

Vivek Sahani: Yes, that can happen anyways because they may, Supreme Court may order that pay some deposit amount or.

Manish Kiri: Yes, so if the stay is granted the court has a right to demand something against it, isn't it and Kiri has right to present also why not to grant stay in that case?

Vivek Sahani: Absolutely. It's a valid point, court can say that it will deposit amount in escrow account, some partial amount so that your seriousness about the appeal is displayed. You are not just stretching.

Manish Kiri: Yes, so you should not appeal only just to basically misuse the process and just pass time, that should not be there isn't it.

Moderator: Thank you, Mr. Sahani. Due to time constraint, that was the last question for the day. I now hand the conference over to management for closing comments over to you.

Manish Kiri: Thank you all for participating in today's call. All the best to all of you, be safe, be healthy and see you for the next quarter results. Thank you, bye.

Moderator: Thank you. On behalf of Kiri Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you all.