

**KIRI Industries Limited Q2 FY'21 Earnings Conference Call  
November 11, 2020**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 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 and operator by pressing star then zero on a touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you, and over to you, sir.

**Anuj Sonpal**

**Valorem Advisors:** Thank you. Good afternoon, everybody 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, I would like to thank you all for participating in the company's earnings conference call for the second quarter and half year ended of 2021.

Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings concall 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 information currently available to management. Audiences are cautioned not to place any undue reliance on forward-looking statement and making any investment. 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. We have with us Mr. Manish Kiri -- Managing Director, Mr. Jayesh Hirani -- Senior Manager, Accounts and Finance; Mr. Suresh Gondolia -- Company Secretary.

Without much delay I request "Mr. Manish Kiri to give his Opening Remarks." Thank you. And over to you, sir.

**Manish P. Kiri:** Good afternoon, everybody. It is a pleasure to welcome you to the Second Quarter of Financial Year 2021 Earnings 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 the diversified range of Dyes, Dyes Intermediates, Specialty Chemicals which includes Disperse Dyes, Reactive Dyes, Dyes Intermediates and other products. Company has sizable manufacturing facilities of Dyes Intermediates and Basic Chemicals at Padra, Vadodara. Majority of its production facilities are located at Vadodara and

company has strengthened its competitive edge by having fully vertically integrated facilities in India. Kiri had formed a joint venture with Longsheng of China and had set up manufacturing facility for Dyes. And the financials are part of the consolidated results.

Let me now brief you through the "Operational Highlights for the Quarter." GIRI's standalone performance was impacted by COVID-19 pandemic in the current quarter also and the shutdown of dyes plant which was almost 37-days during Q2 FY'21. The earnings of the company have been also impacted by the litigation expenses, which were substantially higher in this quarter, which relates to Kiri's stake of DyStar at Singapore. Further, the sales volume of dyes and intermediates were lower by around 51% on a year-on-year basis; however, were up by 81% on quarter-on-quarter basis, whereas the sales price realization reduced by around 14% on year-on-year basis which impacted the earnings of the company negatively. The company anticipates prices to recover and sales volume to get normalized gradually in coming two to three quarters. Exports decreased by 25% on quarter-on-quarter basis and by 85% on year-on-year basis. Gross margins have reduced by around 1.7% on quarter-on-quarter basis and 5.4% on year-on-year basis to 29.8%. Finance cost has been lower during the current quarter by around 14% on year-on-year basis mainly because of lower amount of finance charges pertaining to discounting of LCs and other bank charges. The payable cycle which had increased earlier from 300 to 390 days during Q1 FY'21, now has been brought down to 248-days in Q2 FY'21. Similarly, collection period which had increased earlier to 233-days in Q1 which has reduced now to 132-days in Q2. Inventory holding has been around 84-days which is in normal times used to be around 30-days. The elongated working capital cycle shall normalize once the sales volume increases. The company anticipates normalize working capital cycle of around 60 to 75 days of receivables, around 90 days payable and 35 to 40 days of inventory holding gradually in the coming two quarters before the end of this financial year.

For the quarterly performance of the company on a standalone basis, operational income for the quarter was around Rs.111 crores which degrew by 56% on year-on-year basis. EBITDA reported a loss of 40 crores. The decline was due to lockdown which affected revenues and correspondingly the fixed overheads could not be absorbed, thereafter, impacting EBITDA. Net profit after tax stood around Rs.31 crores negative. Since the operational expenses include legal expenses towards continuing litigation in the matter of DyStar at Singapore International Commercial Court as well as Singapore Supreme Court. The earnings of the company have been impacted by huge litigation expenses in this quarter in relation to stake of Kiri and DyStar.

On a consolidated basis for Q2 FY'21, operational income for the quarter was around Rs.175 crores which decreased by 46%. EBITDA reported a loss of 20 lakhs which is a very nominal loss and net profit after tax stood at around 17 crores negative.

Lastly, with regards to update on Kiri suit in matter of DyStar, as we reported earlier, hearings for the valuation of Kiri's stake in DyStar and the submissions including closing arguments were completed on July 1, 2020 and judgment was reserved on the same date. We are expecting the

judgment to be delivered at any time in the current quarter and we are highly hopeful that the judgment can come at the earliest possible.

I would also like to repeat what we have mentioned earlier that the valuation of Kiri stake of DyStar shall be crystallized based on the financial position of DyStar as on effective date of July 3, 2018, which is the judgment day, which was determined by the court in the buyout order of Singapore International Court. Hence the financials of DyStar post July 3, 2018 will not have impact on the valuation of Kiri stake on DyStar and on the buyout order for Kiri stake by the court. The company has succeeded significantly in the appeal, which was filed by the company against DyStar in the Supreme Court of Singapore. And that helped the company with this new appeal order which has reduced damages by almost half than the earlier award which was given to DyStar by SICC. So company had significant retreats in the last appeal. Again, this was announced and I am just trying to repeat for your knowledge.

Now I like to keep the floor open for the questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Radhakrishna Durarla from Wealth More Capital. Please go ahead.

**Radhakrishna Durarla**

**Wealth More Capital:** Sir, our company was having expansion plans in Gujarat with the new capacities and all. Have we started any work with respect to this new expansion or we are waiting for anything like that?

**Manish P. Kiri:** The expansion is almost at the verge of completion, and I am pleased to mention that we are starting the new expanded plant from 1st of December. So, post immediate Diwali, we would have our new facility of specialty chemicals will be operational from 1st of December. As we speak, right now, the trials are already in process and we are in the final stage of starting commercial production. So, hopefully we should be up and running from 1st December.

**Radhakrishna Durarla**

**Wealth More Capital:** In this DyStar judgment, I think from first week or second week onwards, we are having the Singapore Court holiday. So, can we expect before that or it is a better way to wait from the court side only?

**Manish P. Kiri:** I think only court can guide us whenever the judgment is announced. And we have been highly expecting as it has been more than four months passed since the trial was closed. And we are now almost at four and a half months in fact. And because of the time that has passed, but we are sure that the court must be doing its own diligence and act prudently in giving the judgment. So, we expect the judgment should come at any time and we are hopeful for that.

**Moderator:** Thank you. The next question is from the line of Vishal Jajoo from Tycoon Mindset. Please go ahead.

**Vishal Jajoo**

**Tycoon Mindset:** Sir, I just want to know, in the past two quarters, you have been focusing on expanding other chemicals as well like you mentioned for the aniline we have taken REC approvals. So, have we given any thoughts to where we are going to expand like from March 2021?

**Manish P. Kiri:** I think those new projects which we have scrutinized and are planning to implement would start only after the receipt of DyStar proceed funds, right. So, our groundwork, our paperwork all related internal work would continue till the time. But once the funds are available, and once the proceeds are with company, then we will embark on implementing those projects. Till the time we will wait and we will start to improve our workings internally. I think that is what we are doing right now.

**Vishal Jajoo**

**Tycoon Mindset:** Second question on the recent textiles market which have been still at the lumpy pace. How do we expect for the next two, three quarters like will it be a revival or whether the textiles market will have a share of other countries so that we can have our chemical sales as well?

**Manish P. Kiri:** You have rightly asked this question and one of the reasons that the financials have been down is a dependency on textile, and the link of dyes business with textile. Assuming the trend which we are having right now continue for the next quarter or two, we would see an increasing demand, we have seen month-on-month increase, I think in this quarter India's export will also resume to the original level of pre-pandemic looking at the rates which we are seeing now. So, the exports are coming back, sales are coming back better than what we expected earlier, and we will see that the recovery would be faster. So we are quite optimistic for the current quarter where we have order book which is now till the end of December, we would be able to operate at decent capacities in this quarter, and hopefully the speedy revival should continue in the next quarter too. So let us hope that the positive increasing trend continues.

**Vishal Jajoo**

**Tycoon Mindset:** So sir, because we are having a downward in the pricing of the H-Acid and Vinyl Sulphone, so do you expect like the specialty chemicals to support us in our gross margins or to sustain our gross margins because the pricing of the normal chemicals are going down, so do we expect the specialty chemicals to have sustainability in the gross margin?

**Manish P. Kiri:** So, our gross margin as well as our EBITDA you will see them improving from 1st of December onwards as soon as the new products are added and that was the objective earlier and that

will happen as a better product mix from the end of this quarter, and, of course next quarter, we will have better margins for specialty intermediates, it is definitely going to happen, you will see that.

**Vishal Jajoo**

**Tycoon Mindset:** So sir, can you name the specialty chemicals for which we are going to start our production?

**Manish P. Kiri:** Well, there are several of those. I may not be able to go into each of them because certain products also maintain some confidentiality. But, those are the products which would be almost 70%, 80% Chinese import replacement.

**Vishal Jajoo**

**Tycoon Mindset:** In the Dyes segment or it will be some other segments?

**Manish P. Kiri:** These are two segments; one also is a Dyes segment as an intermediate, and it will also go into agrochemicals and some of the products which will be used in cosmetics as a raw materials too. So, those intermediates would go not only to final textile segment, but other diversified segments too.

**Vishal Jajoo**

**Tycoon Mindset:** So that product mix will be improved with variety of chemicals added, right?

**Manish P. Kiri:** Yes, it will improve and the product basket would expand, better margins will have, even though the volumes may be lesser because the quantum would be less, unit price realization would also improve.

**Moderator:** Thank you. The next question is from the line of Murthi Raju, an individual investor. Please go ahead.

**Murthi Raju**

**Individual Investor:** This is Murthi from Hyderabad. Sir, you have projected around Rs.2,000 crores of turnover per year from this year. By when we can reach our Rs.2,000 crores target of this turnover from this existing operations?

**Manish P. Kiri:** I think COVID has delayed us at least for one year. So we would need at least one year gap in between to come back to that number which we wish to achieve, which means that we would be almost doubling our standalone turnover, which we can do from our existing assets from the new expanded facilities which are just starting. But that can happen at the earliest in '22-23 and not in '21-22. So I think we have to have one year gap in between because we have to

forget this year and see how we can ramp up in the coming two years. But what you are asking is virtually doubling our numbers where we are.

**Murthi Raju**

**Individual Investor:** Yes. See, my second question is you are continuously showing court fees and law fees that is legal expenses, almost every quarter you are showing. What is the total amount you have spent as of date towards the legal expenses sir? We are really worried about that number every quarter in the last at least eight quarters. So how long we are going to have this kind of legal expenses in the coming?

**Jayesh Hirani:** See, most of the legal work got completed when the trial got over, but the invoicing of the lawyers came in subsequent months. And that is why post of 1st July in the second quarter we saw another round of expenses from the legal team at Singapore, but that was the end of the major fees. Now, only few site cases are going on from this quarter onwards. So almost I would say, 70%, 80% of what we have been having this legal cost since last eight quarters as you mentioned, would now significantly drop from the current quarter. Because the valuation trial was the most important where the highest expenses have taken place. But from this quarter onwards, we will not have those high legal cost. But to ask the exact number, it has been continuously under compilation. And it will be submitted to the court. I would request you to wait till we file our submissions to the court and post that you will have in the announcement but let us wait till our compilation is over. But as we have reported in all these quarters, the amounts are substantially large. One point you should also understand is the court has awarded Kiri to receive its full legal costs and expenses, that has already been upheld by the Supreme Court related to the valuation case and the minority operation case. So we hope to have this number as soon as we are completing our compiling.

**Moderator:** Thank you. The next question is from the line of Shanti Patel from SP Investment. Please go ahead.

**Shanti Patel**

**SP Investment:** My question is, our turnover will double in '22-23. Is it correct?

**Manish P. Kiri:** Well, that is the optimistic view. But yes, based on our existing capacities, and based on what we have invested now, our turnover is expected to get double in two to three years time, let us see.

**Shanti Patel**

**SP Investment:** What will be our PAT margin at that time and what will be our return on capital employed and return on equity approximately?

**Manish P. Kiri:** EBITDA margin, our current internal estimation is somewhere between 16% to 18%, that is what we are targeting. And expected return on capital employed, that I will have to actually estimate the number, but it would be again north to 19%. Return on equity up to '23, I mean, around 20%, debt is not there, so expecting to be again almost similar.

**Moderator:** Thank you. The next question is from the line of Karan Ramesh from Ashika Group. Please go ahead.

**Karan Ramesh**

**Ashika Group:** I had a question regarding something added on the annual report, where it was mentioned about the trade receivables, and in that note, I saw that there is some around Rs.49 crores which has been pending for more than 180-days. I was just hoping if you could throw some color on that like who are these customers and are we confident of receiving this eventually?

**Manish P. Kiri:** The majority amount belongs to our dyes exports and some of that amount also belongs to domestic sales. But more than Rs.40 crores is exports. We are 100% confident that each and every dollar or rupee is going to be received. Because there were also lockdowns in various countries such as Brazil, Honduras and various other places where customers delayed in paying, but we are very positive, we have seen the recovery coming fast in the current quarter, and we expect that every rupee of that would come back because those distributors and customers have been having long years of relationships with us, we know them, our distributors also know the final end users very well, and all these amounts belongs to our distributors mainly because Kiri does not do much business directly with the end user. So, we expect the entire amount to come to the company.

**Karan Ramesh**

**Ashika Group:** Maybe by this year or it might take a little longer than that?

**Manish P. Kiri:** Maybe this year before the 31st March. The target is to bring maximum back. These are all extended receivables due to current situation.

**Karan Ramesh**

**Ashika Group:** What kind of capacity utilization we are at right now?

**Manish P. Kiri:** Right now, if I give you information, last quarter was 45% capacity utilization for dyes and even lower for intermediate, so, it was overall less than 40% capacity utilization. But for this quarter, we expect the intermediate utilization to be almost 80% to 90% and dyes also will go north to 60%. So, this quarter would be a normalized quarter we are expecting.

**Moderator:** Thank you. The next question is from the line of the Prashant Ajariwala, an individual investor. Please go ahead.

**Prashant Ajariwala**

**Individual Investor:** My question is regarding our revenue contribution. How much contribution we are getting from textile industries currently and how much it will be after the expansion completed and it will be in line?

**Manish P. Kiri:** If I give you the overall break up, out of our total sales, almost 50% sales are for intermediates and almost 50% sales for dyes. Now, from dyes sales of 50% you can say that most of that relates to textiles, because almost 90% of those dyes are used in textiles. So, dyes sales is purely linked with textiles sales. Now, with new capacity kicking in, that portion will go down. So, where we are 50:50 right now for dyes and intermediates, with intermediates expanding and intermediates also non-dyes area intermediates which I just mentioned about, we expect that intermediate portion would be more than 60% and dyes portion would be lesser, but again, textiles dependency on our dyes sales is going to be there because that is where the maximum usage is.

**Prashant Ajariwala**

**Individual Investor:** What about this 50% intermediates... it is always going towards textiles industries only, right?

**Manish P. Kiri:** I would say post-expansion at least 70% to 75% would be used to make dyes. So eventually, that will connect to textiles. And...

**Prashant Ajariwala**

**Individual Investor:** Altogether even after expansion we will have exposure to textiles by around 70%, right?

**Manish P. Kiri:** Yes, let us say approximately 75% ultimate exposure to textiles is going to remain.

**Prashant Ajariwala**

**Individual Investor:** Currently, we are almost 100% kind of a thing?

**Manish P. Kiri:** Yes, almost 90% kind of a thing right now.

**Prashant Ajariwala**

**Individual Investor:** What about the trend in our H-Acid, Vinyl Sulphone, is it improving or is it still remain stagnant?



**Manish P. Kiri:** Vinyl Sulphone is hovering around Rs.170-180 and H-Acid is ranging between you can say Rs.360-375. It has been in this range last quarter. It is continuing to be in this range in the current quarter also.

**Prashant Ajariwala**

**Individual Investor:** What can we expect going forward for this?

**Manish P. Kiri:** I think based on the demand increasing and based on the exports of dyes increasing, we would expect that both of these raw materials before the end of this year should have at least another 5% increase because the prices are also impacted by what prices prevailing in China and the Chinese prices are also not increasing. And that is another reason that the Indian prices of H-Acid and vinyl Sulphone are also in parallel to the Chinese prices and are not able to go higher. But the moment that we see that the Chinese prices are going up, then Indian prices would also follow.

**Prashant Ajariwala**

**Individual Investor:** And is there any improvement you have seen after like this corona crisis against China movement kind of thing, on export side or any enquiry side for...?

**Manish P. Kiri:** Yes, exports are increasing and overall export from India for dyes is expected to be normalized in this quarter compared to pre-pandemic. To give you the number, India exports reactive dyes every month in the range of 14,000 to 16,000 tons. So let us say on a quarterly basis you are expecting 45,000 tons of exports of reactive dyes which is major category of dyes out of India, that 45,000 tons might resume in the current quarter. That kind of demand has already come for exports. And domestic demand is reviving at a slow pace. So as an industry, this quarter is expected to be actually very near to normalized quarter.

**Prashant Ajariwala**

**Individual Investor:** So next quarter we can be in green again, right on the profit after tax on standalone entity?

**Manish P. Kiri:** Even in this quarter also, expecting to be on green.

**Moderator:** Thank you. The next question is from the line of Ashish Agarwal from Navis Capital. Please go ahead.

**Ashish Agarwal**

**Navis Capital:** I had two questions; first one, I was noticing the gross margins during this quarter which were down not just compared on a YoY basis but even compared to Q1 when the volumes were down given what you just mentioned about the direction of selling prices of H-Acid and Vinyl

Sulphone, what is the trajectory of gross margins that you expect for the next half of the financial year? The second question was the new capacities that you were referring to earlier in the call. What is the revenue potential for those capacities?

**Manish P. Kiri:**

So to address your first question, the latest shrinkage of gross margin has happened due to increase of the raw materials which has not been passed on to the sales prices. For example, acidic acid prices have increased compared to the earlier prices, Aniline has also gone up. So Vinyl Sulphone and H-Acid both have increased but not to the extent of increase of those prices. So, we expect that this quarter we would be able to increase and pass on whatever gross margin shrinkage that we had in last quarter to get to the normalized level which is basically below 70% of the raw material cost compared to our sales price. So hopefully this quarter we should be able to pass on and have a little bit increase which will cover up in the 5% which I have just mentioned as an expected price increase. That is the first answer. To your second question, they are getting online at the current price level on an annual basis we can expect minimum 400-500 crores additional per year.

**Moderator:**

Thank you. The next question is from the line of Ragendra Uppal, an individual investor. Please go ahead.

**Ragendra Uppal**

**Individual Investor:**

My doubt is since it has been more than four months judgment has been reserved, sir what is the maximum time in assessing the delivery of the judgment sir? I think you must be aware from your legal team at least in this order they cannot take three years, four years after it is reserved no sir.

**Manish P. Kiri:**

If you look at the general tendency of announcing judgments post trial closures, that timeframe ranges between two to three months as per the legal advisor we have received. And even if you look at our last Supreme Court judgment, which we received in 25-days. So the trial got over on September 25th and we got judgment somewhere around October 20<sup>th</sup>. So, there is not a fixed timeframe. When you look at the average, it is ranging from two to three months. So this 4.5-months is above average. There is no deadline or any statutory deadline from the court that any judgment has to be announced within certain time, it is not like that. It all depends on the complexity of the case, it all depends on how lengthy the trial is and how long the trial is and the content of the trial. And to be fair, our legal counsels also said that we have a complex case here and probably court giving a verdict on the valuation with such a large company also happening probably first time in minority operation suit in Singapore. And naturally, court's expertise is not valuation. Correct? They must have taken a little longer time and the counsels are saying that they are diligently working on. And we hope to be positive that even though it is taking a long time, it would be a fair judgment.

**Ragendra Uppal**

**Individual Investor:** What is the maximum time that you are expecting for the delivery of the judgment?

**Manish P. Kiri:** I am expecting anytime, I mean, to the extent that we started calling lawyers two times that can we expect tomorrow. I think we have high hopes, maybe curiosity like you and with that we are chasing our lawyers to have prepared from them on daily basis actually.

**Moderator:** Thank you. The next question is from the line of Murthi Raju, an individual investor. Please go ahead.

**Murthi Raju**

**Individual Investor:** This is regarding the PLI Scheme which the Government of India has announced recently. Are we qualifying for that scheme for the forthcoming project?

**Manish P. Kiri:** Yes, yes, that is pretty much on our radar and there are two; one is the PLI Scheme announced by the Government of India, right, and there is another scheme which has come as a part of the industrial policy of Gujarat, so that is another benefit. And probably one of the best industrial policy the state has ever announced. So there are a lot of incentives to the extent of 12% of your capital investments are given by the Industrial Department of Gujarat also. So we are clubbing both. And in our new projects, we will try to maximize the new policy benefits being given by central as well as state government of course definitely.

**Murthi Raju**

**Individual Investor:** What about the same PLI benefits from the Gujarat government that is going to cover the current expansion recently you have completed?

**Manish P. Kiri:** The one which we have just completed would not qualify for this new policy announcements.

**Moderator:** Thank you. The next question is from the line of Harsh Gupta from Ashita Group. Please go ahead.

**Harsh Gupta**

**Ashita Group:** I had a question about the timeline. Once the judgment is out... I think when we had last spoken, you had mentioned that there is a good chance that the Chinese company on the other side would appeal against the judgment and then one more it will go from SICC to the Supreme Court. And by the time the money comes, it maybe the end of fiscal year '21. But now because we have delays of another couple of months at least, what is the timeline for any future appeal and actual cash coming to Kiri Industries?

**Manish P. Kiri:** So the clock starts for the appeal when the judgment is announced. So from the date of the judgment, the other party would have 30-days to file an appeal to the Supreme Court. So

whenever judgment is announced, first 30-days would be the timeframe that the other party would have to file an appeal. Post that, Supreme Court based on our earlier experiences as well as in other cases if you see in Supreme Court, takes around four to six months to hear and to dispose appeal. So, even if you try to be let us say five months and one month for them to go for an appeal from the date of the judgment, you are looking at six months timeframe. So when we talked earlier, we were expecting that the judgment would come somewhere around August, September which has got delayed. So six months approximately was coming to around March but even if we assume that the judgment comes in November, which takes one month for them to file till December, then the one quarter delay would definitely be there and then you are looking at the extended timeframe of June 2021.

**Harsh Gupta**

**Ashita Group:**

So, on that, one angle more to ask you, Manish ji, so what happens for example because the 3<sup>rd</sup> July 2018 is when the valuation gets frozen, do we have any interest component? The reason I am asking is, is it in their interest to maybe not appeal this time, if they have been losing all the appeal because they will have to pay more interest then.

**Manish P. Kiri:**

Yes, of course, the interest element is already there and interest element would be part of the judgment. Actually, Kiri has demanded interest from the date of filing the writ which is from June 2015. Even if the interest is allowed, we must get interest from the date of the judgment at least which is July 2018. And we consider it to be fair, and I am sure court is looking into it and that was one of the points during the trial. So the meter would be running on them from the date of the judgment. But please understand that even if the other party goes to appeal, this would be the third appeal on the case. And the right of Kiri to recover its dues, it is going to continue. There is not an automatic stay on the right of recovery from the Kiri's perspective once the judgment is out.

**Kalpesh:**

Kalpesh here. I have one major question. To be a long-term investor I have one major question that FCCBs are getting converted by January 2022. Their holding in the company will rise to 39% and your holding will go to 27%. Because of this pressure, there will be any management changes?

**Manish P. Kiri:**

No.

**Kalpesh:**

Are you at the liberty to name these FCCB holders?

**Manish P. Kiri:**

See, we have to consider as on today as the full conversion how we have announced that every quarter as a fully diluted stake. So, as a promoter, I would be very happy to buy more equity in future whenever I get a chance... whenever I have financial ability to do so. But besides that it is going to remain at a current level, but there is no threat or anything which relates to management change, no, I do not think so.

**Kalpesh:** Can you name the FCCB holders? As you have said in the last concall that three FCCB holders are right now.

**Manish P. Kiri:** Well, we will have records, we will take those names because they also change hands several times. So what is the current, whether three, four, same guys, we will take those names and you send us a separate query, we will be happy to answer.

**Kalpesh:** Sir, one another question is after this DyStar litigation is getting completed, whether are we going to demand certain amount to be deposited by Senda before going to the appeal?

**Manish P. Kiri:** Of course.

**Kalpesh:** What will be the percentage wise?

**Manish P. Kiri:** It is up to the court but Kiri side is going to definitely demand at least 50%.

**Kalpesh:** Sir, now you have shown that you have interest that you will buy shares more from the open market whenever you are in financial position. So can you give the timeline when that can be possible?

**Manish P. Kiri:** I do not have such timelines.

**Moderator:** Thank you. The next question is from the line of Vijay Bhatia, individual investor. Please go ahead.

**Vijay Bhatia**

**Individual Investor:** I want to know that during the course of final hearing of Senda and the DyStar matter regarding the valuation, had they attributed any number to the valuation of DyStar?

**Manish P. Kiri:** Well, there were two valuers, right. Both independent valuers; one was appointed from Senda, another was appointed from Kiri. And the numbers of those valuations are part of court submissions. And those numbers are confidential in the court which are not existing anywhere else. Those two numbers from two valuers went through a lot of scrutiny, there were several joint meetings between both the valuers, there were affidavits from both the valuers, there were cross-examinations from both the valuers, judge has asked them a lot of questions also to both the valuers. So, it has gone through the whole process and now it is up to the court to decide which number. That number is according to one valuer or the second valuer or neither of these valuers a different number. So anything can happen in the court. It would be only speculation till the judgment comes.

**Vijay Bhatia**

**Individual Investor:** What you are saying is the company the counsel of the company during the course of the argument are aware of the numbers given by Senda, but as it is sub judice it is confidential, the numbers cannot be...?

**Manish P. Kiri:** Exactly because numbers are sub judice today.

**Vijay Bhatia**

**Individual Investor:** One more question regarding the deposit of amount. I am sure you would definitely ask the court that they have to deposit some amount. Will the amount be made available to the company or will it be kept in escrow account?

**Manish P. Kiri:** Usually based on the legal advisory court, it remains in escrow account.

**Vijay Bhatia**

**Individual Investor:** So the company will not be able to lay hands on the money until the final order has come?

**Manish P. Kiri:** Exactly, it is only to get the commitment from the other party. Court can also say that well, there is no need for any deposit and we continue trial or court may impose. It depends on the court. But company would never have access to that.

**Moderator:** Thank you. The next question is from the line of Vishal Jajoo from Tycoon Mindset. Please go ahead.

**Vishal Jajoo**

**Tycoon Mindset:** Sir, just wanted to know in the last quarter you said you are decreasing the number of employees with taking new technologies in hand. So are we seeing any improvement in the operational efficiency, the decrease in labor are still going on or are we facing any operational problems as well?

**Manish P. Kiri:** Right now, we are not facing any operational problems in terms of labor, number one. Whatever earlier plans, we are sticking to that. We have already reduced significant labor force. Number three, whatever labor that we need, most of the migrant workforce have come back and to the extent that we have been getting calls from some more labors who went from here, saying that "Why do you not send buses?" So they would like to come back. 100% solved. There is no labor issue anymore in this quarter.

**Vishal Jajoo**

**Tycoon Mindset:** So the labor expense would be back to normal in the next quarter compared to that of the last year, right?

**Manish P. Kiri:** Our target is to have little reduction, but conservatively you can say we are back to normal.

**Vishal Jajoo**

**Tycoon Mindset:** Will there be need for any working capital loan for this coming quarter because most of our debtors have been increased due to COVID?

**Manish P. Kiri:** No, we do not use any working capital loan from any banks or any other working capital. What we would do is, we would generate enough profit and enough EBITDA to bring down the working capital to a normalize level. So only way for us is to make profits and not to inject extra working capital.

**Vishal Jajoo**

**Tycoon Mindset:** No debt infusion will be there?

**Manish P. Kiri:** No debt. We will only focus on improving our profits in next two quarters and try to reach to normalcy as soon as we can.

**Moderator:** Thank you. The next question is from the line of Shanti Patel from SP Investment. Please go ahead.

**Shanti Patel**

**SP Investment:** Sir, I wanted to know what is our market share in India as far as our product is concerned? And number two, can you name the valuers who are appointed by us and opposite party?

**Manish P. Kiri:** If you look at Kiri as a group which means that Kiri, JV at a dyes level, right, in exports segment, we would have almost 15% to 20% market share of Kiri as a group including standalone and the exports of JV when you put together. Intermediates, we have major market share. Intermediates, Kiri would be definitely more than 20% of H-Acid and Vinyl Sulphone sold in India or elsewhere. So intermediates market share is larger. Dyes market share is relatively lesser. I am not talking about market share of DyStar which is almost 20% of global market share but that is not what I am referring to currently because Kiri very soon is expected no longer to be the shareholder of that company. So that is the market share portion.

**Shanti Patel**

**SP Investment:** But sir, after expansion, our market share will double?

**Manish P. Kiri:** No, because we are adding more new products. So, in the same product range, our market share is not going to change. Our overall market share of intermediates definitely will increase but with addition of new products. To your next question, from our side, there was valuing

from Accuracy which is based in London, was appointed as an independent valuer from Kiri side and DyStar appointed PwC.

**Moderator:** Thank you. As there are no further questions I now hand the conference over to the management for closing comments.

**Manish P. Kiri:** Thank you, all for participating today. We will talk to you next quarter hopefully with better results and better number. Wish You All Happy Diwali. All the best. Thank you.

**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.