Kiri Industries Limited

Future Full of Colours.....

July 05, 2021

To, BSE Limited 1st Floor, Rotunda Building, B.S. Marg, Fort, Mumbai - 400 001 **Scrip Code: 532967**	To, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 **Scrip ID - KIRIINDUS**

Dear Sir/Madam,

Sub: Submission of Transcript for Q4-FY21 Earnings Conference call as per Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

In compliance with regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the Transcript of Q4-FY21 Earnings Conference Call held on June 29, 2021.

The Transcript of Q4-FY21 Earnings is also available on website of the Company at www.kiriindustries.com.

You are kindly requested to take note of the same.

Thanking You,

Yours faithfully,

For Kiri Industries limited

KIRI INDUSTRIES LTD. AHMEDABAD

Suresh Gondalia
Company Secretary
Encl: As stated

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KIL Q4 FY21

Earnings Conference Call Transcript

June 29, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY21 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 over the conference to Mr. Anuj Sonpal, from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: 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 fourth quarter and financial year ended 2021.

Before we begin, I would like to mention a short cautionary statement as always. 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.

Now, I would like to introduce you to the management participating with us in today's earnings conference call. We have with us Mr. Manish Kiri, Managing Director; Mr. Jayesh Hirani, Senior Manager of Accounts and Finance; and 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 everybody, it's a pleasure to welcome you to the fourth quarter and financial year 2021 earnings conference call. I hope everyone is keeping safe and well under the current circumstances. As you can see from the financial performance in the fourth quarter of financial year 2021. There has been a significant turnaround in the operations. The revenue from standalone operations for the fourth quarter was around INR 275Cr which grew by around 30% on year-on-year basis. EBITDA was reported at INR 26Cr, which increased by around 135% on year-on-year basis, with EBITDA margin 9.34% while net profit after tax was reported at INR 22Cr versus INR 33 lakhs loss in the corresponding period in the previous year. For the financial year ended 2021 on a standalone basis, the company reported revenue from operations of INR 689 Cr with EBITDA was reported at a loss of INR 90 lakhs and earnings after tax reported at a loss of INR 37Cr.

The company has attained a gradual recovery in volumes in Q4-FY21 enabling absorption of its operational cost. Operational expenses have remained under tight vigil during the quarter and hence are lower by 24% as compared to Q4-FY20. Quarter wise gross margins earned during last six quarters demonstrates recovery post lockdown. We have attained near to normalcy in its margin by achieving 37.3% gross margin in Q4-FY21 which was around 41.3% in Q4-FY20.

The company envisages further strengthening of gross margins in coming quarters with increase in turnover by attaining optimum product mix. Financial cost too has reduced on account of reduction in finance charges, pertaining to discounting of letter of credits and other bank charges. On a consolidated basis for the fourth quarter of financial year ended 2021, revenue from operations were INR 363Cr, which increased by 22% year-on-year basis. EBITDA was reported at INR 49Cr which improved by 60% on year-on-year basis. EBITDA margin at 13.5% while profit after tax was INR 39Cr up by 115% year-on-year basis. For the financial year ended 2021, on a consolidated basis the revenue from operations were INR

957Cr, with EBITDA reported at INR 83Cr, with EBITDA margins at 8.63% and profit after tax was INR 22Cr.

During Q4-FY21, DyStar attained turnover of USD 240 million and earnings after tax of USD 24.02 million. The valuation of stake of Kiri and DyStar has now been crystallized on the basis of financial position existing on effective valuation date of July 3, 2018 as per the judgment of Singapore International Commercial Court in minority operations suit, which was upheld by Supreme Court of Singapore and hence the financial performance of DyStar included in the consolidated financial performance is to comply with the statutory requirement of consolidation until the transfer of shares in compliance with SICC order takes place.

This is a reduction of a share of profit of associates by 18% on a year-on-year basis which is on account of reduction of profit after tax of DyStar. But it is important to note that the share of profit of DyStar does not have any impact on the valuation of stake of Kiri and DyStar which has now already been awarded by Singapore International Commercial Court. With regards to the update on Kiri suit in the matter of DyStar, Kiri has been awarded valuation of USD 481.6 million for its 37.57% stake in DyStar Global holdings Singapore as on July 21, 2021 by Singapore International Commercial Court, which has been crystallized based on financial position of DyStar again as of July 3, 2018.

Lastly, coming to the future outlook, as you may already be aware that the Indian chemical sector is on the cusp of very high growth trajectory in the coming years. Kiri's entire product range of dyes, specialty chemicals, dyes intermediate is supposed to provide impetus to its order book for exports and domestic market in the second half of financial year 2022. We all know that the current quarter, the first quarter of this financial year has started on a rough note. It is important to highlight that this specialty intermediate plant which has been operational since January 2021 is one of the growth drivers which shall also enhance well volumes and margins of the company in the near future. Now, I would like to open the floor for 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 Manish Oswal from Nirmal Bang. Please go ahead.

Manish Oswal: My question on the DyStar related only. Sir, what is the timeline, now the Supreme Court judgment is also out so what is the timeline for the Kiri to get the money that is the first question. Secondly in terms of FCCB conversion and the usage of the cash available, what are the key areas where we will deploy that money?

Manish Kiri: Okay. So, let me answer your first question which is related to the timelines to receive funds. The order which we have received is the final order from Singapore International Commercial Court and which can be challenged in the Supreme Court and that can go in appeal. There are 30 days to file an appeal from the order date. So, exactly in 30 days we will come to know and highly probable that the parties will go for an appeal against this order. And that will take its process for appeal hearing as Supreme Court. We expect that at least next four to five months would be there. So earliest date, we can expect somewhere around October/ November, where Supreme Court hearing can take place and subsequently we may have order from the Supreme Court.

However, as on today, there is no stay on the execution of this order, which means that Kiri has right to enforce and execute this order are going to continue and whatever legal steps and, whatever rights Kiri has under law to execute this order, Kiri is going to exercise those rights in the coming days and coming months. So, we'll have to work towards execution of this order by the time Supreme Court hears this matter. So, to give you a practical timeline, by the time funds can come, can take anywhere from 4,-6 months to 8-9 months. From the legal advice and from the way we understand the timelines, it may be the first quarter of 2022 where we can expect to see the funds arrive to Kiri. So, that was your first question.

Your second question was related to the use of funds. Now, knowing the amount, having the amount crystallize, we have already started expediting our project evaluation process and whenever we reach to a decision and whenever Kiri has made a concrete decision, where and which projects we are going to implement in which areas including specialty chemical areas, we will announce, we will make disclosure and we will also make you aware that what are the next plans for Kiri to go to the next level and where we are going to invest. So, that you will come to know in due course.

Manish Oswal: There's no plan for the existing shareholder in terms of buyback of that because earlier there was some plan around that?

Manish Kiri: Of course special dividend, buyback, these are also part of the plans and Kiri more will deliberate now in the due course and decide on what could be the allocation of USD481.6 million and we will inform you but that is definitely there as one of the objectives.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: First question sir, is regarding your CAPEX which was done last year. So, how much of CAPEX amount has been spent, how much is pending and if you can give some sense of how much revenues incremental we will expect out of this and what will be the overall gross margin impact because these are intermediate in some way?

Manish Kiri: Right. So, if you talk about the financial year which has just ended, we have invested almost INR 57Cr for the specialty intermediate facility. So, that was for phase one and also partially for phase two and phase two investment we have put on hold right now. And CAPEX has been put on hold currently, unless if something essential and we would restart to complete phase two and parallelly we would have phase one up and running fully. That expansion would add to our top line depending on the market price somewhere around INR 300Cr to INR 400Cr minimum on an annual basis. So, our objective is to capture that and to have those numbers reflected in our performance quarter-on-quarter and post that we will have phase two which would be kicking in and that would also almost on the similar revenue with normalize EBITDA of 15% to 18% minimum we should be able to earn on the new facility.

Sarvesh Gupta: Also, just to clarify, you have spent INR 57Cr, you are saying you will get INR 300Cr to INR 400Cr revenues by just spending INR 57Cr?

Manish Kiri: No, INR 57Cr was spend on the last financial year let me just clarify. If we are talking about the year ended, also year before we had spent and if you wish we'll give you how much we have spent on total that number also we can provide to you later on if you wish to, but it has been last two years where we have been putting CAPEX for this project.

Sarvesh Gupta: Okay. So, you will get INR 300Cr - INR 400Cr around from phase one at 15% to 18% EBITDA margin, that I understood, but because these are backward integration, you should have some advantage, some of it will not show in your increase of revenues, it will show in a way that you are making your own raw material and your margins are higher. So, what is that margin impact for the remaining whatever INR 9000Cr or INR 1200Cr of revenues that you have?

Manish Kiri: At least we should have 2% to 3% of EBITDA incremental when the plant is operational fully. So, based on our projections, we should be adding bottom line EBITDA of the entire company because of some of the backward integrated products by 2% to 3% that is what we plan earlier and hopefully we should be able to achieve in a normalized year.

Sarvesh Gupta: So, on phase one you will get INR 300Cr to INR 400Cr additional revenue at 15% to 18% EBITDA margin, plus your existing business should show 2% to 3% higher margin?

Manish Kiri: Yes, 2% at least higher margin for the entire turnover of the company.

Sarvesh Gupta: Okay. And then on phase two, how much are you going to spend, you said it will also give INR 300Cr to INR 400Cr?

Manish Kiri: Yes, phase two also a lot of funds have already been invested. For example, building on phase two was ready much earlier. So when we complete phase two partially, phase two is also invested for the last two years, but we'll be spending at least another INR 30Cr to complete phase two minimum INR 30 to INR 35Cr is what we are expecting to complete phase two and that will add another INR 300Cr to INR 400Cr because buildings are ready. Some of the machinery are common, utilities are common. So, to that extent we'll be able to spend lower to also have phase two up and running.

Sarvesh Gupta: Okay. And now sir coming to a general question now, a lot of industries and sectors have been impacted by COVID. But very few have seen this sort of a poor performance in FY21 vis-à-vis FY22 as we have seen in the case of your company. So, is it because of the industry sectors that we are facing which is mostly textiles maybe because of rising intermediates because even if you look at other chemical companies results in FY21 many of them have been even better than FY20. So, what are the specific factors which are leading to us getting impacted much more because of COVID compared to many other sectors within chemical and outside of chemical as well?

Manish Kiri: The most important point which you rightly mentioned is the dependency on textile. So dyes and intermediate industry, including intermediates too, is majorly dependent on textile and retail of textile. So, that's the main impact which we see in terms of margins, as well as in terms of demand. So, if you look at the current quarter we were expecting the current quarter to similar or better than last quarter but since the second wave started, there was an impact on domestic textiles and also there was an impact on various countries and lockdowns in various countries such as Bangladesh, Turkey with are textile centers again, caused negative impact in first two quarters, and the demand went down, margins have been impacted, as well as the sales has been impacted. So over dependency on textile, it's a main factor which is comparatively different from other industries such as agro chemicals, other specialty chemicals, API so when you compare those chemical companies with rise in intermediate industry that's the main differentiating factor.

Sarvesh Gupta: Is it fair to say that you are dependency is more on non-home textile because home textiles for example, have been on a boom itself because of much higher export revenues and all that. So are you mostly in apparel which is leading to this?

Manish Kiri: Not necessarily, see the range of products which are used in home textiles also use cotton, and majorly you will see poly cotton. So, as long as the consumption of cotton and as long as cotton is used 90%, at least 80% to 90% of Kiri's finished products are used there, whether it is home textile or its garment or any other applications where cellulose and cotton is used. So, not necessarily, but if you look at including home textiles, including garments, including overall demand of cotton based textile and in general in textiles including polyester and disperse which are used which is also lower compared to earlier times. Our exports are lower for example, last two months India's exports of reactive dyes was ranging somewhere around 17,000 to 18,000 tonnes per year. Last month export was 12,000 tonnes per year of re active dyes. So, that also shows that there is an overall impact not only in India in home textile, but also globally with less consumption compared to normalize levels of consumption. So, that's almost 35% to 40% reduction in exports in recent months and overall also there is a reduction in exports, plus because of lockdowns and restrictions last two, three months domestic was down, domestic textile consumption was down. So, overall impact is there, maybe less impact due to home textile and more impact due to others but when you combine overall impact which has been negative impact since April onwards.

Sarvesh Gupta: Okay. Now sir on the DyStar part, assuming that let's say you get INR 3500Cr by March of 2022. Now, we are a company where probably the invested capital is INR 1000Cr or something there about till now cumulatively. So, what is the plan, because this is a multiple of what we have invested cumulatively throughout the years INR 3500Cr is a very large amount compared to what we had invested cumulatively in this company over maybe past 20, 25 years. So, broadly how will you think about spending this INR 3500Cr because that would be the most crucial decision that you will ever be taking till now?

Manish Kiri: Very true and that is a reason that the decision would be taken prudently and that will completely change face of the company. Where we invest INR 3500Cr, will completely change profile of Kiri what you see today. Only thing I can tell you, we will give you the details of where we would be investing when it is crystallized, but as you rightly said it cannot be an overnight decision, it could be a well thought through decision and it would be investments in areas other than dyes and intermediates, because Kiri's board has already made the decision that majority and almost all of these funds are not going to be invested in dyes and intermediate industry, because we are at a saturation points where a lot of capacities are there and Kiri has enough internal generation for future requirements related to dyes and intermediates. So, new funds are not required there. So, wherever we are investing is going to change everything which relates to the business of the company, you may see dyes and intermediate remains less than 10%, 15%, 20% of the total business of the company post our plants are announced. You may also see that we would become prominent in lot more other sectors. We're looking at somewhere between USD 1, USD 1.5 billion of top line added to the existing. So, it would be completely change the profile of the company, I would say.

Moderator: Thank you. The next question is from the line of Palak Agarwal from Prabhudas Liladher. Please go ahead.

Palak Agarwal: So, as you mentioned that Kiri's traditional business which is dye business is already at a saturation point. So, how Kiri would be going ahead with the traditional business as in, how much growth I can expect from our additional business, except the new CAPEX of this intermediate plant and another INR 3500Cr?

Manish Kiri: So, if we keep the new money aside, let us not talk about it right. Then only based on the traditional business and only based on our CAPEX plans and expansion plans which have been regularly announced during last two years. On the standalone business we plan to expand from maybe INR 1100Cr to more than INR 2000Cr almost double from where we are. Unfortunately, our CAPEX getting over and the pandemic getting hit are coinciding with each other, but the moment things are regularized, we should be able to take off and with minimum further pending CAPEX which I just mentioned about INR 30-INR 35Cr which we would complete from internal generation, then only from existing investments to fully utilize to sell products in the market and to generate revenue would bring us through INR +2000Cr so, if it takes let us say another two to three years, if we are delayed by one year due to pandemic then in three years, we are looking at doubling our existing revenue at least you would see growth of +25% on traditional business.

Palak Agarwal: Okay. And then, the new revenue from the new plant which would be capitalized soon by you guys for INR 3500Cr would be another additional thing for our company?

Manish Kiri: Yes, which would not be related to dyes intermediate business, but maybe related to specialty chemicals, maybe other chemicals and maybe whatever Kiri's Board will make decision, those all sectors would be additional to what I'm just saying to you on traditional**.**

Palak Agarwal: Okay. And if I could ask that, how far we can take our EBITDA or PAT margin say in next coming years?

Manish Kiri: Well INR 2000Cr this financial year, which has just started and in the first quarter getting over, if on a standalone basis, if we reach to almost close to INR 900 to INR 1,000Cr that is what we have currently budgeted for, knowing that the first quarter started with a rough scenario, but hopefully we should be able to get there. On the consolidated basis we should be able to achieve 1400 crore to 1500 crore which would bring us to a normalize year. So, 2021-22 we are expecting to become absolutely normalized year what was there pre-pandemic and then add +20%, +25% at least by 22, 23. So, that is what the existing forecast is.

Palak Agarwal: And this would be sustainable?

Manish Kiri: Yes, it would be sustainable correct.

Palak Agarwal: Also, another thing I wanted to ask that right now, we are seeing a very good traction in cotton yarn export. So, how have been the demand for Kiri and for the overall industry over there, because as our dyes also go into the cotton fabrics and the yarn?

Manish Kiri: Yes. So, it depends on yarn is one part of the application. It depends on those yarns which are exported, dyed yarns or non-dyed yarns and if you see most of the export taking place is non-dyed yarn. And dyed yarn export is lesser comparatively. So, if you ask me to give you some link, then higher the yarn used in our own country domestically, higher the dyes are used and the more the exports of yarn, less is the consumption of dyes and less is the dying of those yarn which is exported in India because majority of the yarn exported is non-dyed yarn.

Palak Agarwal: Okay. So, the export trend is not favoring much to the domestic dye company, if I'm correct?

Manish Kiri: You are correct, not actually. But if, instead of having this yarn exported, if processed in India, used in India, made fabric in India, dyed in India, processed in India then we would have better chance and we would have better opportunities to sell our products which are dyes, colors, and related chemicals in India.

Palak Agarwal: Okay. And last question from my side is, from the recent CAPEX in the intermediate plant, which you can give around INR 300Cr of revenue. So, is there any other CAPEX plan apart from that INR 3500Cr we are planning. Because, I want to know, the doubling of this revenue in next two to three years, what would be backing this up, is it only the traditional dye business and the intermediate business or there is any other business which we are planning?

Manish Kiri: So, post this CAPEX there is no further CAPEX which has been planned in this year, let me put it this way. This is the only CAPEX that we are going to complete. The ramping up, completing phase two and going into full swing of production and sales that can generate INR 700Cr to INR 800Cr of top line would be our target not only pertaining to dyes and intermediate sectors, this specialty intermediates are used and will be sold to three different sectors, agrochemicals, performance chemicals and dyes and intermediates. So, we will have our sales into few other sectors and to achieve those, we might take some time because we would be new entrant for those specific products in those sectors. So, when I say two to three years that is to consider the time it may take for us to generate overall business in all three sectors and to utilize facilities at full scale at an optimum capacity.

Moderator: Thank you. The next question is from the line of Keval Ashar from DSP Investment Managers. Please go ahead.

Keval Ashar: I have two questions, so first is, by when do we see the phase two of our CAPEX commencing, and what will be the margins when we achieve 100% utilization?

Manish Kiri: Well, we would be taking our time currently because, the first objective is to strengthen further our working capital and to utilize whatever first phase we have invested for. So, to answer your first question, it would take throughout the year and we will invest slowly I would say before the end of this financial year we will complete that, before March 2022 we would complete the second phase the capital investment.

Second question regarding margin, is at least 15% to 18% depending on the market price we would be able to generate from this incremental sales utilizing new capacities. So that's the margin part which we are expecting. Hopefully prices would maintain based on even last one and a half, two years' experience prices of those products which are niche, specialized, non-commodity, we should be able to get the forecasted and projected prices on these products.

Keval Ashar: And one more thing is that, I understand that our company is on a new trajectory from now on, because you faced this event in the past and now it's time for us to perform. So we are close to closing our DyStar as well. So by when do we expect the final hearing after the Singapore company files the application, the Chinese company?

Manish Kiri: Well, 30 days is the timeline to file an appeal. So if the order was 21st of June so, 20th July, because 20th July would be the deadline to file an appeal. And as I said based on the legal advice that we are getting, the earliest hearing date from the court of appeal, which is the Supreme Court of Singapore, can be around October, November because there would be a process of filing pleadings, grounds of appeals, then replies to each other's filing. So that process will take several months, and then Supreme Court would give time for and the date for hearing. That hearing based on our prior experience could be a one-day hearing, because all prior hearings including the first minority oppression hearing was for a day. So this might also be again, this is all of our expectation would be one-day hearing, somewhere in October, November and post which the judgment would come. Based on our last three judgments from the Supreme Court of Singapore, they are quite fast and we have received final judgments from Singapore Supreme Court very short times, sometimes less than a month, sometimes within two months. Let's expect that the same experience would continue even in this appeal. And we would get the final judgment from the Supreme Court soon after the hearing.

Keval Ashar: So, sir we receive the payment, how much time will it, so we basically have dense for the expansion for the specialty chemicals and intermediate?

Manish Kiri: Expansions, investment is from the internal accrual and the profits of the company, it has no relevance it is not dependent on the Singapore funds at all.

Keval Ashar: I'm talking about going to after we receive the payment?

Manish Kiri: After we receive the payments, yes, sorry, my misunderstanding. After we receive the funds, there would be a mega plan as I mentioned, it would be changing the face of the company and the platform of the company completely what you see today, and we will make announcements of investments in due course, but it would be non-dyes intermediates, and it would be in other sectors, you will hear that. And that will make the company's overall portfolio of products and businesses much, much stronger. And we will have at least as I mentioned earlier one, one and a half billion minimum top line from those investments but we'll give you specific details, when time comes.

Moderator: Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

V.P. Rajesh: The first one, I was just trying to understand when you were talking about cotton being a main product where our chemicals are used. So, how much of our chemicals are being exported versus use in the domestic market or even in terms of revenue?

Manish Kiri: They are around 50, 50 sometimes 60, 40. So, last year it was almost 60-40. So 60% was exports and 40% was domestic sales.

V.P. Rajesh: Okay. And is it correct to assume that 90% of our revenues are from the cotton side?

Manish Kiri: Ultimately, yes. Let me just explain to you in detail. When we sell our finished dyes, which are used for textiles and mainly for cotton. And 10%, 20% also we sell for polyester like the disperse dyes which we sell export as well as sell domestically are used for synthetic fiber, mainly polyester. So that's on the dyes part. There are many intermediates that we sell and those intermediates then are further used by dyes producers to make dyes and then sell those dyes for textile applications. Sometimes they are also used for wool, for nylon and for silk not only for cotton. So, if I give you the rough idea of both, let us say dyes sold used in cotton and intermediate sold used converted into dyes and then ultimately dyes used in cotton would be around, I will say 70%. Others would be polyester, others would be silk, nylon and wool if I talk about textile users.

V.P. Rajesh: Okay, that's very helpful. My second question is in your CAPEX you are talking about phase one and phase two. So, when will that is to be completed and how long will it take you to ramp up production after that is completed?

Manish Kiri: So, the phase two will be completed before the end of this financial year, which is March 2022 and 22-23 is a year which we will have full phase one and phase two to be utilized. It depends on how fast we can ramp up sales and how fast we can perform on the invested CAPEX.

V.P. Rajesh: Sorry, I was asking that, when you get these proceeds from DyStar, what is the tax you will have to pay on this?

Manish Kiri: Which would be 10% if we don't take indexing, which is 10% of what we get, would be paid as tax and 20% if we do the indexing. So, indexing will take place from 2010 till 2022, so almost 10 years of indexing. But most probably indexing is not going to help. Because the original investment of Kiri was close to INR 100Cr in 2010. So, mainly it would be on your estimation, you should take 10% of whatever is coming. It's on long term capital gain tax.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Just a follow up question on the use of proceeds. And I know you guys haven't yet laid out a specific plan. You alluded to getting into actually specialty chemicals. Now nature wise chemicals are considered the specialty is because there are reasonably high barriers to entry and the ability to break into clients has a longer gestation period or the technology is hard. So, how easy do you think it's going to be to expand in that area, given it's not something that we right now do and how do we plan to sort of buildup capabilities?

Manish Kiri: So, you addressed, and you mentioned the right points. Number one is access technology. So the areas which we are exploring right now, all those areas and all those projects would have technology aspects which would be very important and that would be the key area that we have access to the technology, which may not be necessarily from India and more than 80% of the projects that we are evaluating the technology supplier would be from outside India. So that is first in the restrictive barriers. Second, is we have to build the management bandwidth and because of that, we already have initiated process and there are many senior people that we are in the process of hiring to bring them on board. Some of them are already there with Kiri today, who have worked with those companies in India, outside India. So we are trying to build the management bandwidth for experienced people to execute those projects which we do not have experience in. The third entry barrier, which you rightly said would be the CAPEX. So the CAPEX that we are trying to envisage, those CAPEX would only be possible with large scale investments. So, compared to the areas where you have fierce competition and numbers of hundreds of players, this would be more or less a kind of two, three players in the whole country or number one player in certain products for the whole country. So, that would give us on an oligopoly situation where those investments and CAPEX would also somewhat barrier, I don't say that investing INR 3000Cr is a barrier for some companies and not for others, but for many medium and small scale, it would be a barrier to enter large scale companies can still do. So, those are the hurdles where we would see to position ourselves and we enter into something which is having long term consumption in India. So, every of our project areas would have our growth in India, our domestic consumption in India, and an important element is the replacement of imports and replacement of what we are currently importing from other countries, including China.

So, these are the factors that would influence our decision, in addition to of course financial parameters on return on investment and equity and capital employed. But besides those, these would be the soft aspects and the real term aspects of the business to be able to successfully implement those projects.

Riddhesh Gandhi: Got it, that's extremely helpful. And just a last question from me. So, just to clarify what you were saying was that, on the existing asset base that we had, plus some small CAPEX which we need to do, we should be able to generate you're saying roughly about INR 1500Cr of revenue and should we assume about a 10% to 12% at the EBITDA level, or how should we think about that?

Manish Kiri: Yes, on a traditional business, yes, INR 1500Cr of revenue on a standalone basis in 2022 to 23. That's our target and the budget too, for the next year when we make three years plan and to generate more than 12% actually, we want to have at least 13%, 14% minimum percent of EBITDA and optimistically 18%. So, that's the range within which depending on how markets supports we should be able to generate on a traditional basis, on an ongoing basis, correct.

Riddhesh Gandhi: Correct. And just my last follow up question on the nature of your dyes and intermediaries which is there, how much of it is sort of commodity based where we are a price taker and if you could just run us through maybe some of the demand, supply. So, who do we compete with, how much is the supply, how should we be thinking about these things because we do see a degree of the recovery happening one stuff normalizes in textiles, be it export or domestics. So, how should we think about this overall opportunity and competitive dynamics?

Manish Kiri: See the area of dyes is an area that has been commoditized to a large extent, which means that your margins are more or less equivalent to tolling margins be it export or be its domestic sales. Intermediates is an area where margins are better, intermediates is an area where profits are better, where number of players and the level of competition is relatively lower. And that is where we also make a major profit on a standalone business when you talk about dyes, intermediates, as well as basic chemicals all three areas that we are present into. So middle area intermediates area, from the nature of its manufacturing, from the market competition perspective would be the most profitable segment out of three segments we are present in. Dyes are the most competitive and highly commoditized area, in intermediate there are two or three intermediates out of almost 30 intermediates which we will be making are also considered to be commodities area because they are consumed in large volumes and the price fluctuations are higher and those intermediates you can somewhat classify as commodity intermediates for this specific industry. So, that's the competition level and when you talk about competitors, for export markets out of the overall exports, you would see that the majority of the export is polarizing among hardly five, six, seven players. So, for example, Kiri Group, there is non-listed company Colortex, another non-listed company Jay Chemicals, Bodal and Meghmani which is listed. So, if you look at the overall export, and the names which I told you, because you asked the names of the peer group competitors, these are the five, six, seven players and few more, they would be almost 60% to 70% of India's exports. And year-on-year basis, it's more-and-more concentrated among these players. Remaining 20%, 30% is among various others small and medium scale producers who do export out of India, but their share is shrinking day-by-day. If you talk about domestic sales, there is a larger sales of domestic by small and medium scale producers in terms of this industry scale, I'm not talking about in a general sense, but relative scale of the producers and players in this industry. So, these players which I just mentioned you names who have larger market share for export they must have around 40% market share for domestic and 60% is still being served by players who are many and who are domestic players in India for Indian domestic market. So that's how it is divided.

Moderator: Thank you. The next question is from the line of Sanjay Mahajan from Wealthhy Vice. Please go ahead. The next question is from the line of Vishal Srinivas Jajoo. Please go ahead.

Vishal Srinivas Jajoo: Sir, I just want to know like the currently if you look at the last two to three quarters, most of the dyes intermediate companies like peers and even the textile chemical companies who are main manufacturing of the end product textile, they are sort of giving out a good recovery and almost they are back to like pre pandemic and even they are having higher growth with respect to pre pandemic. But in Kiri sale, we are still not at the level of pre COVID or at the level of 2018 sales, which we can look in this quarter as well. So, sir is there any reason like why we are having currently trouble, you have mentioned in the call previously that the home textiles are not showing growth, but however other chemical companies are showing somewhat growth. So, is there any specific things which I have missed out in the company like why we are not having that much growth and not back to the pre COVID levels in terms of revenue? Yes, we are back in terms of gross margin, but in the revenue terms?

Manish Kiri: Yes, if we talk about only revenue terms 2021 revenues of some of the companies in particular in this sector, in dyes and intermediate sectors, almost all are impacted. Some may be less and some may be more impacted. But they are performing better and higher revenue compared to FY18 or FY19. We should check the numbers.

Vishal Srinivas Jajoo: Not from the year term basis, but just speaking on the last one or two quarters because the last quarter, in the yarn price in the textile segment the boom was very high much because the prices of yarns were also increased and the demand for exports was also increased. So, I just want to know, is there any correlation like sort of thing when the demand for yarn in domestic India is increasing. So, our chemicals business is also getting higher sales and margins. So, I just want to connect from that list, is there any correlation in textile segment and if it is there then, the growth in the textile segment got higher so, didn't the dye segment in the last one or two quarters all over India has been higher growth?

Manish Kiri: Yes, correct you are right. And that's the reason that our growth of quarter four is the best among all other four quarters. So, quarter four if you look at our Indian consolidated sales is INR 362Cr on a EBITDA of INR 50Cr which was from the, let us compare only on the revenue of INR 362Cr is almost on a quarterly basis equivalent to the normalize here, if I talk about only quarter. So, quarter four of Kiri may be the same as other peers, this was a very good quarter and everyone had a good quarter, for which the results we are talking about today. Now, there is a link and you're right, how much cotton yarn is produced in India, how much processed in India in various sectors, how much polyester consume in India, how much leather, wool, paper all this dyes growth would be linked to all of this consumption and the highest consumption would be related to cotton because we are cotton producing country and we are a cotton processing the country. A large part of our textile industry irrespective of their final application area is related to cotton and processing and dyeing and finishing cotton. You are right it is highly linked to it, how much cotton exported out of India maybe dyed with Indian products or may be dyed with Chinese products it is hard to tell, but I can definitively tell you that the consumption in India would be directly linked.

Vishal Srinivas Jajoo: Okay. And sir one another point if you can give in such a scenario, whether the benefit of yarn or the yarn industry is going well. So, are getting more benefits, more in terms of the intermediate side or the dyes final product like we are getting higher margins because we are backward integrated and there are very few peers in India which are fully backward integrated in terms of end product dyes. So, are we getting more benefit in terms of margin in dyes intermediate segment or the end product dyes?

Manish Kiri: Dye intermediate segment. And to the extent, as you rightly said, backward integrated, fully integrated players like us, dyes is only a mechanism or a mode of converting intermediates to dyes and selling dyes. So, in other words, for players like us and others, we are selling dyes is just converting intermediates and not capturing much profit margin as an incremental margin at the dyes level. Most of the margins are captured at the intermediate level whether we sell intermediate outside or whether we consume intermediate inside captively. So, it's all captured at intermediate level, incremental margins at dyes level are much lower based on the nature of the industry and based on the fierce competition prevailing for dyes segment.

Vishal Srinivas Jajoo: Okay. Sir have seen an increase in price in H-Acid and Vinyl Sulphone**?**

Manish Kiri: Prices of H-Acid and Vinyl Sulphone were good in last quarter but in the running quarter currently they have gone down. H-Acid has reduced from INR 400, INR 410 to INR 350. Vinyl Sulphone has also gone down from INR 270 to INR 280 to INR 230 to INR 235 to that range.

Vishal Srinivas Jajoo: Okay. So again sir this quarter the pressure is again from the China side and what is the outlook over in the China has the production over there in the dyes segment has been back to normal or due to their environmental issues there has been China Plus policy and the production of China has also reduced due to Chinese outlook where their industry is standing?

Manish Kiri: The major pressure this quarter has, you have rightly said is coming from mainly China and the way Chinese prices are prevailing. The reason for Vinyl Sulphone and H-Acid to go down is also because Chinese Vinyl Sulphone prices reduced down from USD4.5 to USD3.20, USD3.30 because Chinese domestic textile demand has gone down and there is a link between, their environmental compliances are also at the same level, I have not seen any evidence where there environment compliance levels have gone down. The focus for pollution control is still there, but there is an embargo on Chinese cotton and there is some kind of sanctions not to use clothes and the garments and the products which are from the textile industry which are coming from an area where there are problems of oppression of minorities and you know the news. So, international buyers and certain countries are avoiding purchase. And, I was told that there is a link between non-use of that cotton within China causing and it's a big cotton growing area. So, there is a reduction in demand from Chinese textiles and that has reduced Chinese demand for dyes to some of the lowest levels. And that's the reason for the reduction of prices of dyes and intermediates in China. And that is impacting India because Indian producers and Indian players also will need to align and we need to make sure that they can compete with Chinese prices for the export market. And that's one of the main factors that has affected.

The second factor which has affected is also the reduction in the raw material prices, some of the raw materials compared to last quarters have gone down. For example, by February, March the price of aniline was higher, somewhere around INR 170, INR 180 which went up almost INR 210 which is now reduced INR 150. Few other raw materials have also gone down and both are there in the reduction of prices in this quarter.

Vishal Srinivas Jajoo: Okay. Now, we have been dyes industry in India, it is like-to-like pre COVID levels, there is still some impact baring this wave two effect?

Manish Kiri: I would say January to March quarter, quarter four of the last financial year was almost at pre COVID. April, May, June, we definitely see effects of second wave in reduction in demand. But recently the way the order book has now started coming, we are positive for July onwards. So let us see how far next quarter can reach to normalize level, whether it comes to similar to January to March quarter, or it remains a little lower. It's uncertain right now and things are opening up. Let's see how July onwards month-on-month basis how business performs and that would give us better idea.

Moderator: Thank you. The next question is from the line of Srinivas, shareholder. Please go ahead.

Srinivas: Hello sir my question is, now we have taken case against DyStar, you have and other joint venture with them. So, how will that get impacted because they lost this case. So, what will be the future of the joint venture and if you are looking at any acquisition to speed up market share and all the things like, are you planning to buy any small acquisition in and around Gujarat?

Manish Kiri: Well the joint venture in India is not part of the Court case. That's a separate legal entity.

Srinivas: No, but the partner is the same person. So they will be angry with you, so how you want to mend things up with them now that they have to give you such a big pay up. So, they might try to sabotage this joint venture?

Manish Kiri: Yes, I'm trying to come to that point only, the operations of this joint venture have not been impacted in past, not impacted today. And we don't see that the Chinese partner is trying to disturb that company, or we don't see any possibility as of today, that they sabotage the operations of the Indian joint venture, there are no signs of it. The operations were normal earlier now and we expect the operations to be normalized in the future also. As far as shareholders are concerned. There are no talks right now, there are no discussions on separation at the moment. Both the partners are waiting for proper separation and execution of court order at the DyStar level first, and I hope that there might be some discussion after that. But operationally, there is no impact. There are no signs to have an impact in the future. And we do not foresee any negative impact on the Indian joint venture. So that's your first answer.

The second question which you talked about, about the acquisition, there is no acquisition on the table right now. There are no plans to acquire, there are no targets that have been identified. If any opportunities come, we will be open to look at it, but not right now. Not in this year, In 2022. We'll definitely explore if some attractive opportunities come but there is nothing on the table currently.

Moderator: Thank you. The next question is from the line of Bhavesh Khandelwal from RII. Please go ahead.

Bhavesh Khandelwal: Sir, my question is basic and most of my questions have been answered. So, just another one clarity, the outlook looks very promising and you mentioned so many things. So, what is the reason that the promoter is reducing stake in, that's what I wanted to check?

Manish Kiri: Look, promoters are not selling stake or nothing like that. The reason the stake may reduce is because of the earlier FCCB conversion which may take place otherwise, promoters are not at all selling any stake or anything like that, that could be the reason.

Bhavesh Khandelwal: Okay, got it. Sir my another question is like, do you think there's any impact on the standalone business because of this, because of this DyStar we are moving out from the joint venture?

Manish Kiri: No, there is no impact on standalone business at all, because standalone business was not selling anything to DyStar since 2013-14. So standalone businesses, its customer base is completely different and the markets and the sales profile and the distributors are all different. So there is no relation between the standalone business and DyStar's operations, no.

Moderator: Thank you. The next question is from the line of Sharad Singh, an Individual Investor. Please go ahead.

Sharad Singh: Sir, what are the company options, is there a scenario where the DyStar refuses to pay off the quantum and if so what are the company's option?

Manish Kiri: Sorry, can you repeat your question, maybe I didn't hear properly?

Sharad Singh: Sorry, is there a scenario where DyStar might refuse to pay up the judgment order quantum?

Manish Kiri: Yes, you mean Longsheng/Senda. Understand no issues. So it's up to them, see the order has been already made against them. And Longsheng has enough financial capability to buy and to execute this court order and whether not honor a court order and face the situation of contempt of court is up to them, there is enough cash in DyStar and there is enough cash at Longsheng level based on the publicly available information, Longsheng is sitting on more than $900 million of cash, which we all know. So, if somebody doesn't want to intentionally not to honor court order, then it would be quite difficult scenario. And at this moment, there is no reason for us to think so or believe so, because all the indications that we have seen till now seems that they should be honoring the court order.

Sharad Singh: Okay. And other question is like, the renewable energy subsidiary, the incorporated subsidiary is it related to the funds that we receive for the existing business?

Manish Kiri: It's not much related to fund we received, it is mainly to utilize the new solar policy of the state of Gujarat, where the benefits are awarded for the solar renewable power captively produced by the large power using groups and having all our units, having substantial power consumption. Idea was to set up solar plant in the future and that is why this company is formed. And that will provide benefit in terms of reduction in power cost. So, currently, our average power cost is above INR 7 a unit and the idea in future is to reduce it down close to INR 4 a unit and that can directly add to the bottom line and to the profits of the company. So, that is towards objective of reducing power and fuel cost of the company in future years. That's the objective.

Moderator: Thank you. The next question is from the line of Ashish Kothi an Individual Investor. Please go ahead.

Ashish Kothi: Sir, I would just want to ask you two questions. One is, in a way we have lost an opportunity in a decade in DyStar.

Manish Kiri: Yes, very true, we lost 10 years in DyStar and especially seven years of my life standing in court, we have lost.

Ashish Kothi: Right. So, how do you see we recoup or recapture that, that is one and the second question is, if Longsheng says that, we are not in a position to buy this out or we are not interested, let them buy our stake. Is it possible in this scenario possible?

Manish Kiri: Okay. So, the number one answer to your question is that, yes we have lost many years. And more than 10 years are lost because Kiri was deprived of receiving its share of profits from DyStar, all these years while DyStar was performing, making money and doing good. So Kiri was deprived, god has given justice to Kiri by awarding buyout order to sell it's shares. And that buyout order is expected to capture the lost year's value because all these years DyStar was profiting. And that is why you see a number of something like USD 481.6 million because it captures the essence of Kiri being not rewarded all these years and deprived of DyStar's profit. So that is to answer your first question and how we can recoup, it all depends on how prudently, how best we use this once in lifetime money for the company to create its next phase of the platform to be in high growth and to be in an area that can define its future. So we will work towards investing this money very smartly, prudently in a way that can give a new platform and that can increase the growth of this company multi fold, that is the only way by growing fast, by growing in an area where we can bring all more returns to our shareholders and recapture the time lost.

Number two question what if, see the order is specific and very direct. Order says very clearly that Longsheng's one of their subsidiary, has been directed by court to buy Kiri shares, that's the period there. Nothing beyond it, which means that there is no scenario, there is no order, or there is no option for Kiri to buy their shares, that's not on the table. It's what Kiri has to receive, Kiri has to sell its shares and Longsheng has to buy, that's it nothing beyond it. If they do not buy or by any reason and if they dishonor court order, they will face the consequences. Whatever court decides, but there is no option and there is no provision in court or anywhere for Kiri to buy the shares. So that's not there.

Moderator: Thank you. The next question is the line of Prashant Hazariwala an Individual Investor. Please go ahead.

Prashant Hazariwala: Most of the questions are already answered, so not much to ask thank you.

Moderator: Thank you. The next question is from the line of Mansi Shah an Individual Investor. Please go ahead.

Mansi Shah: May, I know the segment wise revenue and the volume of the company?

Manish Kiri: Yes, sure. So for the full financial year dyes was 40% of the revenue, intermediates was 56% and basic chemicals was 4%.

Mansi Shah: Okay, so the volume in million tonnes if you can help me?

Manish Kiri: Right, in terms of quantity. What breakup I gave you was a breakup in revenue. Now in quantity, so dyes quantity was 12281 tonne, intermediates was 14,714 tonnes, basic chemicals were 72,708 tonnes. So these are the, so the total quantity for the year was 99,703 tonnes. So like almost 100,000 tonnes was the quantity.

Mansi Shah: Okay. This is for financial year 21, full year right?

Manish Kiri: This is for the full financial year 21, correct.

Moderator: Thank you. The next question is from the line of Harsh Gupta, an Individual Investor. Please go ahead.

Harsh Gupta: My questions are just two fold, firstly on the government side, is there anything why the PLI scheme or whatever will be the replacement of NEIS orders, or interest subvention or on pollution checks, what do we expect on the public policy side with respect to Kiri and it's expansion, because last year, one of the plants was closed for a few days because of the pollution check as well. And most of the PLI schemes coming up. So that's the first question and then once you answer it, I'll go to my second question.

Manish Kiri: Yes, so regarding the environment compliance concern, there are no issues. We have further strengthened since last August where we had one incident where the government gave certain directives to make certain changes, we implemented successfully and environmental compliance of pollution related, there are no issues at all in any of our plants and facilities. So, that is not there. your part of question was related to the PLI or NEIS scheme. We all have been eagerly awaiting the replacement of NEIS, there have been several discussions at the associations level, representations to government have been made. And the government is actively preparing because the interaction which I see, the government is also almost ready and seems to have done a fabulous job in what I know, is giving a little bit better than what was there in NEIS. So, I'm sure that once the announcement comes we will have better than what we used to have with NEIS, but that scheme has not been announced yet. So once it is available we would be able to start claiming incentives in that scheme, that's one. And PLI is not, I haven't seen much products which are part of the dyes intermediate industry under PLI scheme. One of the areas that we are examining and looking into is API in future and where the PLI has already been announced with identified products. On existing product portfolio, PLI scheme benefit has not been announced yet or let me put it this way none of our existing product portfolio has been included in PLI scheme currently. So, unless we revise the new list comes, which is not part of it right now.

Harsh Gupta: Okay, on the first question itself, anyone on the interest rate that we have seen benefit from the policy or in general reduction of interest rates, in working capital in the order anything on that?

Manish Kiri: You must have heard during the conversation today that we are starting this new facility and we have already availed which we are starting to claim benefits now as the phase one of expansion already started, would be related to the refund of state GST. So, we have already got approval from the state government and we are eligible and we would be getting a part of our state GST refunded back to us, which is like 70% of your payment of SGST is refunded back. So, that was the policy which was an earlier incentive policy of state government and we had applied for it, we had got approval for it. And we would be now starting to avail that benefit. Now, onwards, our first refund would be coming in the next quarter. So, that benefit definitely we would get and we are already qualified for that.

Harsh Gupta: Okay. Thank you, my second and last question you mentioned sir, you want to build out the management bandwidth as Kiri goes to the next phase and it becomes very different the company once it receives those funds and does CAPEX. So, how do you plan to go about having a much deeper second layer of management is and within the promoter family also, is there any person in your family coming up just to understand the next 10 years from the point of view of the promoters and the senior management?

Manish Kiri: Yes, see the senior management of existing business if you evaluate, currently, it has been run day-to-day decisions are made, operations have been handled and delegations of authorities have already been given to two Chief Operating officers, our CFO, our Chief Technology Officer, our Chief Marketing Officers, so there is already a team which is existing, running and operating Kiri's business on day-to-day basis, at Baroda facilities as well as in Ahmedabad facilities. My monitoring involvement and review has been quite in detail. But, slowly it will reduce when we go to new investments and then my focus will also change, I can tell you that to run operate existing businesses we have team in place which is very capable, experienced team. The management bandwidth is required to be strengthened for the new businesses to be obtained for the new businesses. As far as the promoter's family is concerned, there are no family members who are immediately required to be on board, but the company would be run, operated, managed by professionals, at least for foreseeable years. My son is still young in his third year of college, studying chemical engineering in University of Michigan in the U.S., still take some time Masters, experience so at least five, six years away till the new generation take the flagship. But, I can give you assurance that we'll have enough professionals who would be able to operate, run and manage company, in my supervision, my monitoring will continue to be there.

Moderator: Thank you. We will take the last question from the line of Palak Agarwal from Prabhudas Lilladher. Please go ahead.

Palak Agarwal: So, one question which I wanted to ask regarding the management only. So, as we were planning to get into the businesses which are other than dye and the intermediate business. So, what about the expertise into those areas, because as our current management have been into the business of dye and dyes intermediate and the stuff thing since many years. So, are we planning to add someone into the management who could have those expertise?

Manish Kiri: Yes, absolutely as I mentioned earlier, we will hire a new team, new very experienced people for example we have already taken on board today the Ex-Executive Director of GNFC, we have also on board the Ex-Strategy Head of Deepak Nitrite. And few others, we have already on board the head of projects, who has come from GNFC. So, we have already started building team and we have already started hiring good talent, experienced talent, and for new businesses there will be a completely new team, new people and an experienced people and relevant people. So, that's how we are going to build new business with relevant experience in those specific fields. But yes, we will be doing that and that is also our key agenda. When we decide what projects we are going to get into as new sectors, we would also ensure at the same time, who are the key management people who would run, manage and built and operate those businesses, absolutely.

Palak Agarwal: Okay, this is a really good news. And another one last thing which I wanted to ask is, so before COVID it was very much, it was very much evident that people in India are buying these dye and other things from China. So, after COVID, all the aniline and everything. So, do we see any material change from China imports, are people shifting sustainably to domestic products or they are going to shift again back to China?

Manish Kiri: There is a shift happening and majority of the buyers and when you talk about major brands and retailers in this industry, they are all working on or looking for second source and substitute to Chinese suppliers. They all want to build and they are all looking towards India, to have that second source and we see that happening. We see that the buyers are shifting their orders towards India in more increasing quantum than what they used to do earlier times. But to change dependency, to have the volume plus required specifications quality of products to be established would take some time and which is happening now, there are also certain gaps in terms of feedstock's and major raw materials because India continues to have a dependency on China on several basic chemicals, the more successful we are in having indigenous production and Atmanirbhar on those basic chemicals, the better chance and the faster speed we can cater to those customers who are already willing to change and willing to have India is a second source but not sacrificing competitiveness. So, everybody wants to have a second source but to be as competitive as China. So that's where more work is required and industry as a whole is working towards it.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

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

Kiri Industries Limited

Future Full of Colours.....

Moderator: Thank you. On behalf of Kiri Industries Limited, that concludes the conference. Thank you everyone for joining us and you may now disconnect your line.