

## Redefining Future Growth through Sustained Innovations

Kiri Industries Limited (KIL) is one of the largest manufacturers and exporters of wide range of Dyes, Intermediates and Chemicals from India. It is an accredited and certified Key Business Partner with world's top Dyestuff majors across Asia-Pacific, EU and Americas having footprint in over 50 countries across 7 continents.

The Consolidated Net Profit of KIL for 9Months period ending on December 31, 2017 amounts to Rs.238.05Crore, 12% higher Y-O-Y basis. **DyStar's contribution to the Net Profit** during the 9Months of FY17-18 has been **Rs.140.93Crore**. Similarly, the JV, Lonsen Kiri Chemical Industries Limited (**LKCIL**) has contributed **Rs.17.98Crore** during the same period.

**The Consolidated Basic EPS of KIL for 9Months period ending on December 31, 2017 is Rs.84.59 and Diluted EPS is 52.06.**

KIL's **Capex plans envisage to contribute to the growth from FY2018-19** which shall add to its portfolio various products including disperse dyes.

### Industry Outlook- China Effect

The textile dye market remains attractive due to its large market size and around eight percent CAGR. Asia is the most attractive market due to its large demand and high growth rate. Specifically, India, the second largest global dye producer, is ramping up its capacities to meet demand growth within India and Global Markets. Secondly India is gaining a strong foothold in Global Markets because of deteriorating supply from China on account of environmental constraints in China.

China is a dominant player in Global Dyes and Dyes Intermediate Markets. Any progressive or adverse action in China, would impact Global Dyes and Dyes Intermediates Market.

In recent times, China's rigorous environmental inspections and subsequent capacity closures are causing waves across chemical supply chains globally. It is expected that the environmental issues in China shall hover over the industry for the entire 2018 which is expected to continue for three to five years.

Since past three years around 40% of China's total manufacturing capacity was temporarily shuttered impacting around 80,000 factories, which were fined with breaching emissions levels. Global Markets expect around 70,000 chemicals and other manufacturing facilities in 18 cities in three provinces of China, i.e. Hebei, Henan and Shandong can be ordered for permanent shutdown on account of their failure to meet both safety and environmental standards. Secondly, in some of the provinces in China, Local Government has ordered to relocate manufacturing facility which must be completed in year 2019 to 2025.

The real impact is now being felt across many chemicals value chains around the world as significant capacity closures leave Chinese manufacturers seeking imports from chemical companies elsewhere in Asia and the Middle East as well as Europe and the US. China which was a net exporter of chemical products is now required to import many of its requirements globally.

The world markets does not expect a total shift of chemical industry out of China, but during the intervening period, till the corrective environmental actions are not completed, the other markets would definitely gain benefits. The Indian dyes and dyes intermediate market has been exporting exponentially in China dominated global markets especially South-East Asia.

## 9Months Ending December 31, 2017

### Consolidated – Operational Performance

The Comparative Statement for 9Months Ending on December 31, 2017 vis-à-vis 9Months Ending December 2016 of Consolidated-Operational Performance is as under:

Particulars	Nine Months Ended (INR in Crore)	
	December, 31 2017	December, 31 2016
Sales	863.36	882.24
Less Excise Duty/GST	78.01	54.05
<b>Net Sales</b>	<b>785.35</b>	<b>828.19</b>
Other Income	4.10	1.46
Less: Operational Expenses	652.35	712.22
<b>EBIDTA</b>	<b>137.11</b>	<b>117.43</b>
<b>EBIDTA %</b>	<b>17.46%</b>	<b>14.18%</b>
Depreciation	23.27	20.12
Finance Cost(including Interest)	2.47	7.57
Share of Profit of Associates	140.94	128.80
<b>Earnings Before Tax</b>	<b>252.31</b>	<b>218.55</b>
Taxes	14.31	6.38
<b>Earnings After Tax</b>	<b>238.00</b>	<b>212.16</b>
<b>Earnings to Sales %</b>	<b>30.30%</b>	<b>25.62%</b>

The **Consolidated EBIDTA** for 9Month period has **increased by 3.28%** which is mainly on account **good realization from Dyes Intermediates** of Standalone KIL. Secondly, LKCIL share in Consolidated EBIDTA is Rs.36Crore. The contribution of LKCIL has increased on account of its sale of specialty dyes up the value chain to DyStar.

The **Consolidated Net Earnings after tax has increased by 4.69%**. The overall finance costs have reduced by around 67% in the current 9Months in comparison to corresponding period of FY16-17 since debt burden of KIL has been reduced by Rs.248.86 Crore during FY16-17 and further Rs.1.78 Crore during current 9Months.

Further debt amounting to Rs.8.80 Crore of KIL shall get repaid in coming twelve months which shall further strengthen the earnings.

DyStar's share to the Consolidated Net Profit amounts to Rs.140.94 Crore during current 9Months, 9% increase Y-O-Y basis.

There is a disagreement and dispute for a substantial amount in DyStar Results relating to Management Fees, Guarantee Fees and also Bonus & Special Incentives. **During Calendar Year December 31, 2017, the disputed Management Fees and Guarantee Fees amounted to US\$.10.30Mio.** Additionally Bonus & Special Incentive has been charged to DyStar's Financial Performance which are not included in the amount of US\$10.30Mio. The Company has taken the position that the claims underlying such disputed amount by the DyStar Management/Longsheng Group have not been properly substantiated and therefore should not be approved and/or paid. The Non-Recurring provision for restructuring cost in DyStar amounting to **S\$7.3Mio** has also impacted the financial performance of DyStar.

## 9Months Ending December 31, 2017

### Standalone -Operational Performance

The Comparative Statement for 9Months Ending on December 31, 2017 vis-à-vis 9Months Ending December 2016 of Standalone-Operational Performance is as under:

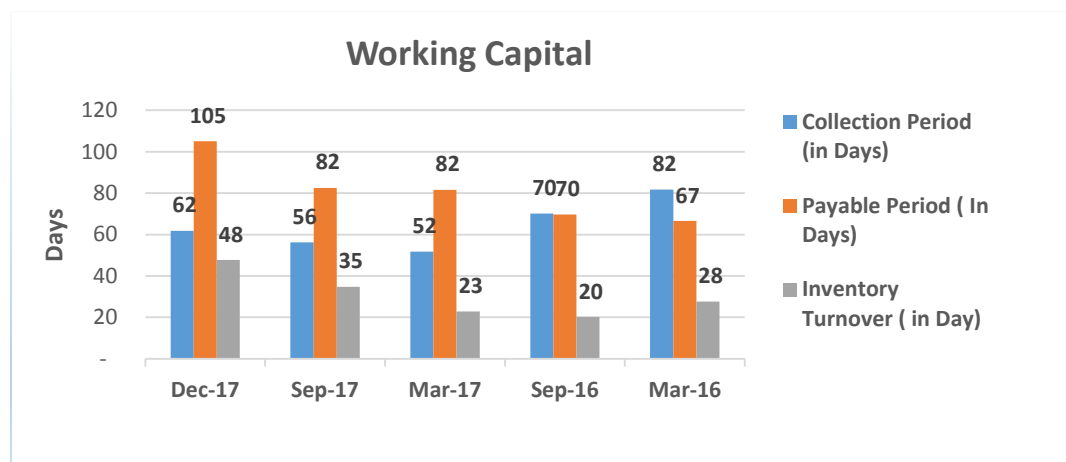
Particulars	Nine Months Ended (INR in Crores)	
	December, 31 2017	December, 31 2016
Sales	697.89	774.44
Less Excise Duty/GST	69.27	51.18
<b>Net Sales</b>	<b>628.62</b>	<b>723.26</b>
Other Income	2.64	0.59
Less: Operational Expenses	529.7	629.05
<b>EBIDTA</b>	<b>101.56</b>	<b>94.80</b>
<b>EBIDTA %</b>	<b>16.16%</b>	<b>13.11%</b>
Depreciation	17.7	15.27
Finance Cost(incl Interest)	0.64	7.08
<b>Earnings Before Tax</b>	<b>83.21</b>	<b>72.44</b>
Taxes	5.29	2.00
<b>Earnings After Tax</b>	<b>77.92</b>	<b>70.44</b>
<b>Earnings to Sales %</b>	<b>12.40%</b>	<b>9.74%</b>

KIL has achieved a turnover of Rs.697.89 Crore which is less by 9% Y-OY basis mainly on two count. Firstly, **annual maintenance shutdown, a non-recurring occurrence, for almost a month** at two units at Padra, Baroda for Dyes Intermediates and Basic Chemicals and at Dyes manufacturing unit at Vatva, Ahmedabad during the Quarter three of FY17-18. Secondly, the topline is affected by Diwali Festive Season and Christmas Holidays during quarter ending December 31, 2017.

The EBIDTA to Sales for 9Month ending on December 31, 2017 has improved by around 3% and Net Profits also has increased by around 2.5%, **in-spite of average cost of raw material consumption has increased marginally by around 1.4% in Q3 of FY17-18 and incurring of substantial legal costs for dispute with DyStar.** Generally, increase

in raw material costs are passed on to the end customer in the ensuing quarter, nullifying any impact on the performance of the company for FY17-18.

### **Standalone- Working Capital Cycle:**



The Working Capital Cycle has been under tight vigil and the average cycle has been controlled between 90-100 days.

### **Updates of Court Case in Singapore:**

With regard to our minority oppression suit in Singapore International Commercial Court, we would like to update that recording of evidence in our case has been completed on January 16, 2018. Parties to the suit have to submit their respective closing statements, and the court has fixed March 5, 2018 and March 6, 2018 for oral closing submissions. Thereafter, matter is likely to be reserved for the final order.

### **Future Outlook**

The company has been taking firm strides in establishing its presence in specialty tech-intensive chemical space and has its focus on organic growth in the Colors business by strengthening its product mix and introducing additional range of products such as disperse dyes and others in its portfolio. The company's expansion plan remains on tract

and will start contributing from FY18-19. The on-going research and development is strengthening product basket enabling KIL to improve margins by broadening its product offerings to its customers.

KIL has invested around Rs.42Crore till date on Zero Liquid Discharge to strengthen its environmental responsibilities from the total expected capital outlay of Rs.72Crores, which is in process of completion in the first quarter of FY18-19.

During Q4 the company expects to improve strengthen its performance in comparison to Q3 since the global markets demands shall open up during January-March, for the next season, especially for the market segments related to textiles, leather, paper, etc to which KIL has been a market leader from India.

---

### **Forward Looking Statements**

*This document contains forward-looking statements which may be identified by their use of words like “plans,” “expects,” “will,” “anticipates,” “believes,” “intends,” “projects,” “estimates” or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, product development, market position, expenditures, and financial results, are forward looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The companies referred to in this presentation cannot guarantee that these assumptions and expectations are accurate or will be realized. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. These companies assume no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events, or otherwise.*