atharva
valuation

Date: 07th October, 2024

To,
The Board of Directors,
Kiri Industries Limited
7th Floor, Hasubhai Chambers,
Townhall, Ellisbridge, Ahmedabad,
Gujarat, India, 380006

Dear Sir/ Madam,

Subject: **Addendum to Valuation Report dated 28th August, 2024 recommending the fair value of the equity shares of Kiri Industries Limited for preferential issue of warrants convertible to equity shares.**

Ref:

1. **Our original valuation report dated 28th August, 2024 issued to recommend the Fair value of Equity Shares for the proposed Preferential issue of warrants convertible into Equity Shares under Regulation 164 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.**
2. **Your email dated October 01, 2024 requesting clarification pursuant to the query from NSE.**

The Board of Directors of the Kiri Industries Limited appointed Atharva Valuation (OPC) Private Limited to recommend Fair value of Equity Shares for the proposed Preferential issue of warrants convertible into Equity Shares under Regulation 164 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the report was issued as well for the same.

We are in receipt of your email dated October 01, 2024 wherein clarification is sought from us pursuant to a query received from National Stock Exchange (NSE). Accordingly, this addendum serves as a supplementary insight to valuation report dated 28th August, 2024 issued to recommend the Fair value of Equity Shares for the proposed Preferential issue of warrants convertible into Equity Shares under Regulation 164 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

1. **Weightages for Different Methods:**

Our Original Report has not assigned any weightage to other methods of valuation considering the fact that the value derived using the method prescribed in Regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 is the highest amongst all other methods and the said Regulations indicate to use the highest value derived. However, responding to the queries by the NSE, we have revised the weightages for valuation approaches used.

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We have reassessed the methodologies for calculating the fair value of equity shares for Kiri Industries Limited. Furthermore, we are adjusting the weightage allocated to each approach in accordance with revised instructions received from the National Stock Exchange (NSE) as under:

WEIGHATAGE TO DIFFERENT APPROACHES			
	Particulars	**Amount (Rs.)**	**Weightage**
[A]	Weighted Average Value per share as per P/E Multiple and P/B Multiple (Market Method)	272.00	50%
[B]	Book Value Per Share (Asset Method)	76.62	50%
[C]	Price Earnings Capacity Method (Income Method)	N.A.	Not relevant
	AVERAGE PRICE	**174.31**	

Floor Price Calculated using the method prescribed in Regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 is **Rs. 368.81.** As it can be observed that the floor price obtained is higher than the price obtained by taking weighted average of different approaches, we recommend Rs. 368.81 per equity share, as the fair value for the proposed preferential allotment of equity shares by the management.

2. **Rationale for not considering Discounted Cashflows Approach:**

The Valuer has not considered the Discounted Cashflows Method (DCF Method) in the calculations considering the fact that the Company has not had income for the past few years, including the last financial year. The rationale has been further elaborated as under and shall be read and considered as part of point no. 8.2 of the Valuation report dated 28th August, 2024.

The Company, Kiri Industries Limited, operates in the specialty chemicals sector, particularly focusing on dyes and chemicals, which makes its financial performance closely tied to the textile industry.

Since the outbreak of COVID-19, the dyes and dyes intermediates sectors have faced significant challenges. China, as a leading supplier in this market, has been aggressively dumping products, which has diminished the competitiveness of Indian manufacturers. The global environment has further deteriorated since February 2022 due to geopolitical tensions, including the Russia-Ukraine conflict and the ongoing situation in Israel and Hamas, alongside political instability in Bangladesh.

Given that a substantial portion of India's chemical and dye exports go to Bangladesh, recent political shifts and ongoing dollar shortages have resulted in sluggish business conditions, adversely affecting the financial outcomes for Indian companies. As a result of these uncontrollable external factors, Kiri Industries has been incurring losses since June 2020.

Therefore, given the fact that the company has been incurring losses and the market scenario is not favorable for the company, it becomes impractical to use the DCF method as it solely relies on positive cashflows. Instead, the Valuer considered the PECV Method under the Income Approach. However, given that the Company has experienced negative earnings over the past few years, this method is unable to produce a valid fair value for the Company. Consequently, the Valuer decided not to assign any weight to the Income Approach in the valuation process.

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3. Rationale for not considering consolidated financials:

The rationale for not considering consolidated financials is elaborated as under and shall be read and considered as part of point no. 8.1 of the Valuation report dated 28th August, 2024.

The Consolidated PAT in the Financial Statements is mainly on account of considering share of profit of associates i.e. DyStar Global Holdings (Singapore) Pte. Ltd ("DyStar"), in which Kiri Industries Limited ("Kiri") is holding 37.57% stake without any economic benefit in DyStar since 3rd July, 2018.

It has been informed that Kiri Industries Limited has filed a minority oppression suit in Singapore, and the Singapore International Commercial Court (SICC) vide its order dated 3rd July, 2018 confirmed the minority oppression and ordered the majority shareholder i.e. Senda International Capital Limited ("Senda") to buy out Kiri's entire 37.57% stake in DyStar. In the said order, the SICC fixed valuation date of 3rd July 2018 to determine value of Kiri Industries Limited's Stake in DyStar.

Even after the direction of the SCC and subsequent valuation of Kiri's stake in DyStar as at 3rd July, 2018, Senda did not honor court's buy out order. Therefore, in July 2023, Kiri Industries Limited filed enforcement application. Since Senda did not have enough funds to comply with the buyout order, the SICC vide order dated 23rd February 2024 ordered to sale entire DyStar, the whole Company.

Considering the above legal position, it is important to highlight that the share of profit of DyStar is not at disposal to or relevant anymore to Kiri because of the buyout order and more importantly the value of Kiri's stake is already fixed as on valuation date 3rd July, 2018, and therefore there is no economic interest of Kiri in DyStar after 3rd July 2018 including the present valuation date. Solely due to regulatory requirement, Kiri is disclosing share of profit of associates in their financial statements merely to fulfil its statutory obligation of compliance.

Considering that the matter is sub-judice and pending before the Singapore Courts and inferring that the profits after 3rd July, 2018 accrued in Dystar are not relevant to Kiri as on the valuation date, the Valuer cannot consider the profits of Dystar in the valuation exercise.

Moreover, if we consider the adjusted net profits of the Company ignoring the profits of Dystar, the Company has made negative profits in the past two years *(Please Refer to the Table below)*. Thus, the Valuer is unable to proceed for income approach in absence of positive profits even in case of consolidated figures (without Dystar)

Table Showing Consolidated Net Profits ignoring the Dystar's Share in the profits

(Amt in Lakhs)

Year	Net profit after tax	Less: Dystar's Share of profit	Adjusted NP after tax
2023-24	13,242.01	22,091.65	-8,849.64
2022-23	10,714.81	21,161.12	-10,446.31

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Continuation Sheet

4. Correction of the Typographical Error

With respect to the valuation report dated 28th August, 2024 issued to recommend the Fair value of Equity Shares for the proposed Preferential issue of warrants convertible into Equity Shares under Regulation 164 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, we had made a typographical error on **page 15** of the valuation report. In the table showing comparison of prices derived as per Regulation 164 and 166 A of SEBI (ICDR) Regulations, 2018 we had mistakenly mentioned that we have given 100% weight to the Weighted Average Value per share as per P/E Multiple and P/B Multiple whereas actually 100% weight was provided to Market Price as per Regulation 164(1) of ICDR. Moreover, we have made corrections in the weightages for methods as requested by NSE (as discussed in Para 1 of this Addendum.

Table comparing the fair values derived as produced under point no. 12 of the Valuation Report dated 28th August, 2024 shall be replaced and read in the manner set out below: :

COMPARISON OF PRICES DERIVED AS PER REGULATION 164 AND 166A OF SEBI (ICDR) REGULATIONS, 2018			
	Particulars	**Amount (Rs.)**	**Weightage**
[A]	Weighted Average Value per share as per P/E Multiple and P/B Multiple	272.00	50%
[B]	Book Value Per Share	76.62	50%
[C]	Price Earnings Capacity Method (Income Method)	N.A.	Not relevant*
	AVERAGE PRICE	**174.31**	
	Market Price as per Regulation 164(1) of ICDR	368.81	100%
	Highest Value	**368.81**	

* Considering the negative PAT of the Company in FY 23-24 and even the negative weighted average PA T of last 5 years, the PECV method or any other method in the Income Approach will not be useful in the Company for valuation.

We further clarify that there is no change in Fair value for the proposed Preferential issue of Equity Shares under Regulation 164 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Respectfully submitted,

For, Atharva Valuation (OPC) Private Limited

Keyur J. Shah
DIN: 03111182
Director/Registered Valuer
Reg. No.: IBBI/RV-E/03/2022/174

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