

**Kiri Industries Limited**  
**Earnings Conference Call**  
**November 13, 2019**

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**Moderator:** Good day, Ladies and gentlemen and a very warm welcome to the Q2 FY20 Earnings Conference Call of Kiri Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” followed by “0” on your touchtone 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:** Thanks Ali. 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 earnings conference call for the first half and second quarter ended of financial year 20.

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 beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward looking statements in making any investment decision. The purpose of today earnings concall 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 concall. We have with us Mr. Manish Kiri – Managing Director, Mr. Jayesh Irani – Senior Manager of Accounts and Finance Mr. Suresh Gondalia – Company Secretary. Without much delay I request Mr. Kiri to give his opening remarks. Thank you and over to you, sir.

**Manish Kiri:** Good afternoon everybody. It is my pleasure to welcome you to the first half and the second quarter of the financial year 2020 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 exports of diversified range of dyes intermediates and basic chemical products which include disperse dyes, reactive dyes, specialty dyes intermediates which are based on naphthalene, aniline as well as other intermediates. The company has sizable manufacturing facilities of dyes intermediates which are ongoing under expansions basic chemicals at Vadodara, majority of its production facilities are located in

Vadodara. Most of the companies investment are in Vadodara and company has strengthen its comparative age by having fully vertically integrated facilities in India. Kiri has formed a joint venture with Longsheng of China about 10 years back and set of manufacturing facilities of dyes in India and financials are consolidated when you look at the consolidated financials of Kiri.

Let me now brief you through the operational highlights of the quarter the general market witnessed muted growth due to slowdown in textile industry mainly and general slowdown in the market which have effectively reduced prices in the dyes and dyestuff industry by about 15% to 20% and hence the sales revenues have been impacted during the current quarter. The pricing pressure has also increased because of few plants in China have come operational. The Chinese capacities we have seen are coming back and hence few new plants especially in the areas of dispersed dyes have started have started in China and some of them are expected to become operational in coming two quarters in China. We have seen that there is a soft approach adopted by Government infused the upcoming capacities from China.

For the quarterly performance of the company on a standalone basis operational income for the quarter was around 252 crore which degrew by about 11% year-on-year. Volume have increased by 8% in Quarter 2 financial year 2020 on year-on-year basis. So there is a volume growth a major market share but the reduction in the prices. Comparative gross margins have remained range bound at about 35% in Quarter 2 2020 and EBITDA was 25 crore which declined compared to the earlier year same quarter, EBITDA margin was at 9.9%. Net profit after tax was 13 crores broadly the dyestuff segment Kiri reactive sales in quantity terms increase by around 9% in the first half in the Quarter 2 of 2020 on quarter-on-quarter basis and increased by 11% on year-on-year basis. So there is a volume growth for the first half of this year for dye sales by about 11%. Quarter 2 2020 exports volumes have also increased by 13% in volume terms and 8% in value terms. So there is overall market share gain for the dyes business for the first half as well as in the first and second quarters of this year.

Operational income on a standalone basis for the first half was around 530 crore which grew marginally by 1.3% on year-on-year basis. EBITDA for the first half was 63 crore and EBITDA margin stood at 11.85%. While net profit for the first half of 39 crore with a PAT margin of 7.32%. The capital investment plans, the CAPEX plan of the company is on track and in Quarter 2 020 specialty intermediate plant has become partially operational which supported the increase in production of specialty dyes intermediates by 15% on year-to-year basis. Since the operational expenses include the legal expenses towards continuing litigation in the matter of DyStar at Singapore international and commercial court as well as Singapore Supreme Court the cost of litigation in Singapore is fairly high specially in this quarter there was a significant rise in the legal cost and legal expenses because of both the trials SICC trial and Supreme Court trial were scheduled in October. So the quarter was heavily involved in the legal work and that is affected the bottom line of the company in the current quarter.

Now I would like to take you through the quarterly performance of the company on a consolidated basis. The operational income for the quarter was around 326 crore which decline by 12%, EBITDA was 52 crore and EBITDA margin maintain at about 16% and net profit after tax was 34 crore on consolidated basis. The operational income for first half was 692 crore on a consolidated basis which is decline by 2% and EBITDA for the first half was 114 crore EBITDA margins were about 17%. So if you look at the consolidated basis which includes Kiri and Longsheng Kiri EBITDA margin of 17% is still additional margin maintained by the company. Profit after tax a 73 crore on the consolidated basis and total comprehensive income for the first half stood at 127 crore. The consolidated revenues have decline by about 11% and earnings before interest expense depreciation also reduced by 15% in Quarter 2 as compared to the previous quarter, but EBITDA margin were maintained at about 16%. So company has been able to align its product mix and try to maintain on consolidated basis EBITDA margin and try to be more cautious on choosing the product mix on quarter-to-quarter basis.

The constant drive to strengthen and improve operational efficiency by incrementing cost effective strategies and techniques for utilizing available resources at the product besides the improving inventory management has supported to reduce the operational expense by 10%. During the current quarter of financial cost has reduced by 8% as compared to the previous quarter mainly on account of the financial charges pertaining to LC discounting and other general bank charges because there is no borrowing of the company which is interest bearing due to effective working capital management. The consolidated total comprehensive income of Kiri for second quarter 2020 accounts to 140 crore without taking into consideration the disputed exceptional provisioning and items which were disputed by Kiri and DyStar. If you look at on the total comprehensive income for the quarter which was around 114 crore which is the major contributors of the profits include standalone, contributing 13 crore JV contributed 21 crore and DyStar contributed almost 80 crore in the quarter. Again I would like to mention to all of you that Kiri valuations will be based on July 3<sup>rd</sup>, 2018 and performance of DyStar post July 3<sup>rd</sup> 2018 is not relevant either up or down whatever is not relevant for the valuation purpose of Kiri stake as per the order of the court and those by the Supreme Court in 2019 May and Kiri has been concentration on consolidating its product portfolio by expanding and optimizing its manufacturing facilities to manufacture diversified range of product and is focused on continuous innovation to achieve sustainable growth.

The ongoing expansions of multipurpose specialty chemical facilities are on track, certain parts of the facility has already started, certain products have already commenced commercial production which has been added in this quarter performance and the product mix improvement in the quarter is benefitted due to the beginning and starting of a partial intermediate specialty facilities. The expansion projects are continuing in a phase manner second and third phase would be up and running in the next several months. So we will see that the next quarters would have more and more products which are added from the specialty intermediates new facility in our product portfolio and in our sales offering and this would also

have certain top line in the financial year and company would benefit from the expansions which has been going on for the last one and half years. Our focus is on the bottom line and with all this expansions starting in phase manner the idea is to have a better product mix that allow us to maintain our EBITDA margins. So we will continuously strive to achieve that.

Lastly with regards to the update on Kiri suit in the matter of DyStar as per the directions of SICC hearing of SICC 3 which was the suit between DyStar and Kiri for the assessment of damages was completed and it was completed within the days from October 14 till 15 and it was also concluded on October 17. Now so one case is completely over the judgments are waited and we are waiting for the judgment to come in due course. Regarding SICC-4 which is Kiri minority operation suit against Senda group for the valuation of Kiri stake which was fixed on October 16 and 17 unfortunately that has been delayed and in the new hearing dates are now given by end of February between February 26 to March 2<sup>nd</sup> and also further days between March 31<sup>st</sup> to April 3<sup>rd</sup>. So entire valuation related process unfortunately in the court has now been delayed by three months. These are definitive dates we do not expect any further delays on this dates court has also indicated the firmness on this date and hopefully we should be able to complete the valuation exercise at the court on this new given dates.

There was also another development in the Supreme Court of Singapore and regarding judgment data at January 2019 which has Sandas presentation and Sandas' submissions to provide discount on the DyStar valuation for Kiri and that was denied and rejected by the international court and sender went to appeal and all that along with the valuation related criteria was also heard by the Supreme Court by appeal court on October 25 and that hearing is also get completed judgment is awaited, we are expecting the verdict for Supreme Court for the second appeal also which is now completed to arrive in due course. With that I would like to keep the floor open and I invite questions from you. Thank you.

**Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

**Ritesh Gandhi:** Can you just quantify the amount of legal expenses which we bought this quarter with regards to the Singapore arbitration and case?

**Moderator:** Thank you very much. Ladies and Gentlemen on behalf of Renaissance Global Limited that concludes this conference. Thank you for joining us.

**Manish Kiri:** See as you are aware that the entire cost of legal expenses have been awarded in the favor of Kiri by international court. On this matter was also heard by Supreme Court on October 15. Now Supreme Court has also given hearing completed hearing and if supreme court upheld the judgment of the international court then there is no upper level and then all the courts till July 3<sup>rd</sup> 2018 would become due. Now as soon as the judgment arrives for sender to pay to Kiri and

Kiri would then launch a claims for that, but especially for this particular quarter it is a significant amount and we are having valuation exercise as well as legal cases exercise. So both put together if you compare with earlier quarter it has increased by almost 50% and if you look at the EBITDA impact the EBITDA impact of only legal expenses is close to 35%. The reason I am not giving you the exact number because numbers are still being put together for the court not only for this quarter, but since June 2015 till date.

**Ritesh Gandhi:** Quarter would be over, and we would have already borne a few expenses in this quarter which impacts the EBITDA so how much is that specific number that we have actually expense out this quarter in terms of expenditure?

**Manish Kiri:** It is close to 10 crores.

**Ritesh Gandhi:** And any reason for the actual delay in the executive valuation hearing is this typically how this Singapore in a court operates because I am not typically familiar with that?

**Manish Kiri:** Actually no it is not typically how they operate, but what has happened is court had given four days of hearing which was October 14,15, 16 and 17. Two days for SICC 3 which was the Kiri against DyStar and two days for the valuation. Now for the first case there were five witnesses and five witnesses could not get completed on two days. Actually it went for three days. So the first took more time during the cross examination and questions and then the court decided that let us close this case first once for all rather than starting valuations which would also be half way. So rather than having both the cases half ways finish one first and then have valuation hearing at a stretch from beginning to end. I think that is what the intention was now that was in October than November was a whole month, December is a court vacation, but unfortunately the Bench comprising of three judges could not have dates which because they all have to come physically to Singapore two international judges and one Singapore judge. So the dates could not match till end of February that was the main reason. So by the time we got the dates from the court after our request to them the earlier we could get was February 15. So non availability of the judges actually influence the dates for the valuation and again the valuation witnesses are for example the factual witnesses from the both parties are like 13 okay and the two value. So there are 15 people who will go through the cross examination and not more three of four so four from valuation I am sorry. So you are all looking at the number which is around 15 to 17 witnesses to go through and court said that let us have a one stretch which finishes off and court has also indicated that these are the definitive dates no more dates are given both the parties will have to complete their process within these dates. So the final days and total 8 days are given now.

**Ritesh Gandhi:** So we were indicated that even October was the final date how do we know December to February that is moved to April, December and after that?

**Manish Kiri:** Because there are no interlocutory other case is pending now everything is over. There is nothing that can delay. Like SICC 3 was pending earlier, Supreme Court another judgment was pending earlier. So there is nothing on the plate anymore that hopefully makes us believes that this would be done.

**Ritesh Gandhi:** And on pricing with regards to the dyes business given the incremental capacity in China is that increasing, decreasing or remaining flattish how should we thinking about that?

**Manish Kiri:** So these are two factors which are affecting Chinese capacity increasing. One and the major one is a replacement of earlier capacities. Some of the plants are relocated, restarted with a new CAPEX with all the compliance measures which they had to take. So they are restarting the earlier capacity at a same location or the different locations. Second is a incremental capacity increase if we look at dyes we have seen the disperse dyes almost 10% net increase capacity in disperse dye is happening there no further increase in reactive. We have not seen any significant increase in the dyes intermediates area. Whatever we have seen in dyes intermediates is coming back the whole previous capacities.

**Ritesh Gandhi:** pricing as well coming back or not much?

**Manish Kiri:** Prices have reduced because of the extra supplies in the market. We believe that even Chinese players would also go through corrections because their local demands are low some trade war effects are also there, but their cost factors are high. Now with a new investment it is not free the compliance levels, Chinese government is not comprising just two months back they have given announcement of closing down nine industrials parks and which is happening now and by December you will see those parts getting close. So they are not giving too much levy on environmental compliances. So they will be to strictly follow environment compliances which will have operational cost plus they have already infused CAPEX for that and because of that we do not see that the price would correct in January onwards, but we should also be prepared that now there would be a comparative field from India and China. Earlier we had a time till this guys were coming back. We should now assume that they are back in operation with whatever demand requirement in China would be sufficiently served by them.

**Moderator:** Thank you. The next question is from the line of Manish Oswal from Nirmal Bang. Please go ahead.

**Manish Oswal:** Sir, on the product prices side what is the current trend and secondly supply side issue in China what is the update whether the things are improving, or things are stable?

**Manish Kiri:** So first question about the prices right now the prices of two major indicators, Vinyl Sulphone price is around Rs. 170 to Rs. 175 in that range, H-Acid prices are around Rs. 350 in that range which are already reduced prices a lower level prices. So similarly when intermediates reduce dyes also reduce through similar percentage at a dyes level. So dyes prices have also reduced

to the same levels. Now to answer your second question supplies from China, supplies from China are not coming to India just for your example, supplies of dyes from China to other countries are also marginally increasing influences the price because increase in supply of Chinese products in China have influenced the prices in China which required global prices to also get adjusted to similar levels. So that other producers from India who are exporting or selling domestically had to adjust their prices through similar levels and that is how price levels have come down. We have not seen any flow of Vinyl Sulphone and H-Acid coming to India. We have not seen a major flow of dyes of China going to other markets. India continue to export somewhere between 15,000 to 17,000 tons we had two dyes every month from January till date and as I said in my earlier presentation we could gain even more market share by increasing export in terms of quantum, but again the prices we had to adjust everybody had to adjust with the market prices. So supply side we do not see much flow from China price side that is where they influences.

**Manish Oswal:** The second question on the legal case with respect to DyStar I understand fully in legal matter one cannot time say about definitive time about resolution, but now at the current assessment of the management and advise from your legal experts when we can see the resolvable of DyStar issue?

**Manish Kiri:** Well as I said you are looking at March by the time and beginning of April end of March that the entire legal matters are getting over for valuation in Singapore International commercial court. Now I mean Longsheng would still have right to go to appeal if they go to appeal which I am sure it would be their third appeal and we have seen from past two experiences in two cases where we already went through Singapore Supreme Court of appeal it takes three to six months' time. So you are looking at getting everything resolve through the Supreme Court if the third appeal is also admitted. Now previously we were estimating if the trial had completed in October somewhere in middle of 2020. Now our estimation, conservativeness should be end of 2020 this is what the management can have conservative assessment of the time.

**Moderator:** Thank you. The next question is from the line of Ayush Tandon from AZB Partners. Please go ahead.

**Ayush Tandon:** So Mr. Kiri I wanted to check this share of profits of 80 crores in this quarter, is it the amount that you have received from DyStar assuming the share of profit or is it adjusted to some disputed amount that you had mentioned earlier?

**Manish Kiri:** It is post adjustment of the disputed amount and it is the earnings which we have to consolidate continue to be shareholders of DyStar and it is not transfer of funds or payments of dividend by the time. It is a process of consolidation which Kiri has to do and again if you look at quarter-on-quarter whether it is 80 or whether it 20 whether it is 100 it would not impact Kiri it would not have basically relevance with Kiri valuation assessment. Kiri's benefits are frozen in time on the valuation dated July 3<sup>rd</sup> 2018.

**Ayush Tandon:** And what was the pre-adjusted amount?

**Manish Kiri:** A pre-adjusted amount.

**Ayush Tandon:** A rough range of pre-adjusted amount I just want to know the range of adjustments that we have done?

**Manish Kiri:** So 30.40 around 30 crores.

**Ayush Tandon:** So roughly 50 crores is what we are disputing as being excess adjustments done in this quarter?

**Manish Kiri:** We are disputing 50 was already there.

**Ayush Tandon:** A couple of quick question on this so is there any debt in DyStar as of July 3<sup>rd</sup>, 2018?

**Manish Kiri:** Net of cash very minimum actually because see of DyStar if you ask me is almost debt free it is actually debt free.

**Ayush Tandon:** And the third and last question is what is your assessment of sender one is that the matter that is going on the other is when the amount fructifies and it achieves the finality, what is your assessment of their ability to pay such a huge amount once it becomes due?

**Manish Kiri:** Well so first is when it becomes due is a date when Supreme Court decides let us assume in the most conservative way the Supreme Court admits to third appeals so that would be the date and post that it is due for them to pay and I believe that there would be specific timeline also. Regarding ability to pay Longsheng is a listed company and if you look at their financials and their market gap and their cash generations plus DyStar also has balance sheet which can raise funding. We do not see any doubt at all on their ability to have these kind of funds for the size of the Longsheng from the financial strength of the Longsheng and from also financial strength of DyStar.

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

**Ashish Agarwal:** I wanted to understand that is why in response to the previous question in terms of the pricing outlook is it right you expect H-Acid and VH prices cool down?

**Manish Kiri:** You mean Ashish ji whether the H-Acid prices would go below at the current level.

**Ashish Agarwal:** We reverse that they will start to increase?

**Manish Kiri:** I think it should start increasing that is our expectation and looking the market situation that is what as a management we believe Ashish ji that there is no room to go down. Chinese are also

not going below 2.8 level they have also stop themselves there. At the H-Acid level they have also stopped at certain level and not quoting below \$4.9. So looking at those numbers we see that now everyone has reached to a level that there is no further to go down and we have seen some of the plants voluntarily closing themselves not being able to make in a profit to operate the plants and if that happens we expect that January onwards and if you look at every years December is the slowest month, but this is a quarter in which there are certain companies which will have anywhere shutdown like we would also have anywhere shutdown in the current quarter. Similarly others would have anywhere shutdown in the current quarter. So that will take out certain capacities and we have seen that post Diwali certain plants were stop during Diwali also. So some supplies in the stock levels have gone down that makes us believe that January onwards there should be positive corrections should be that is where our expectation is.

**Ashish Agarwal:** And changed in expected tax rate announced last month?

**Manish Kiri:** See right now we will have to assess for because we are in a full tax regime now Ashish as you know. All previous loses have already been wiped out but looking at the MAT credit which company has by the end of the year company will have almost more than 50 crores of net credit. So we will have to make a decision whether we use MAT credit or we use the new tax rate which is now 25%. So whichever is beneficial to us that we will make to make a decision towards the end of the year, but it would be either or.

**Ashish Agarwal:** If SICC 3 case the original amount claim was \$1.2 million claim by DyStar and we believe over the course of hearings that they were not able to prove again that is our opinion as a management opinion I cannot comment on the court opinion, but they could not prove this amount throughout the course of hearing during the proceedings. There were lot of challenges which we believe has not overcome, but that was the maximum which was claim. Now whatever court decide would be the amount in this case.

**Moderator:** Thank you. The next question is from the line of Sanjay Agarwal an Individual Investor. Please go ahead.

**Sanjay Agarwal:** Sir, you have informed that various expansions are going on and that will be completed in a phase manner in several months, can you give us some timeline for that and can you inform us that how much top line growth is expected out of this all expansions?

**Manish Kiri:** Assuming that the prices could remain which we believe at a relatively normal levels. Once all this expansions are completed there are two plants, and both together could put us 800 plus it would bring us at a normal level somewhere between 1200 to 1500 crore of top line. So it would double from where we are once all the phases are completed.

**Sanjay Agarwal:** And when it will come what is the timeline?

**Manish Kiri:** Well, the timelines which are going in a phase manner so few product stabilize another few products add then few products stabilize. Conservatively I should keep an estimate of the at least one year it should take from the current date.

**Moderator:** Thank you. The next question is from the line of Ayush B from Equitas Investment. Please go ahead.

**Ayush B:** Sir, you have mentioned that there has been pricing pressure due to the China capacity coming up and you expect more plans to restart going ahead so how does that affect us going ahead in the realization of dyes and dyes intermediate?

**Manish Kiri:** If we go into details and look at the category wise products when the capacities are coming the area in which the capacities are not having a net increase is intermediate dyes intermediates which is a key area where we do not see on a long term effect we do not see a long term effect. Old capacities have come back but now new additional net additional capacities are there in China. If you look at reactive dyes no new capacities so we do not see impact there. On disperse dyes yes at least there is 10% base on our current estimate additional capacities are coming in China and that net capacities may influence disperse dyes prices in coming few years. So that is where the area where there could be an impact assuming that the Chinese government does not shutdown any other plant in any other industrials area. So let us assume that the capacity which would be coming up would remain an operational to satisfy Chinese demands.

**Ayush B:** So you are saying more capacities are coming in dyes or dye intermediates?

**Manish Kiri:** Dyes, not dyes intermediates.

**Ayush B:** So dye intermediate capacities have not restarted?

**Manish Kiri:** Some previous capacities have restarted, but not new plants are coming.

**Ayush B:** Okay old capacities have come back no new plants are coming.

**Manish Kiri:** Sorry let me clarify that.

**Ayush B:** So can you give me the prices of H-Acid, Vinyl Sulphone how have they moved quarter-on-quarter?

**Manish Kiri:** See the prices for the second quarter for Vinyl Sulphone were the prices around Rs. 175 right now. H-Acid prices are around Rs. 350 and we should that till end of the year this prices will continue till the end.

**Ayush B:** So the pressure will be maintained till the end of the year?

**Manish Kiri:** Yes we expect that January onwards we expect there could be corrections and we also believe that this seems to be bottomed out prices.

**Ayush B:** Now India is currently a net exporter of dye intermediate right?

**Manish Kiri:** Yeah India is today not importing the intermediates H-acid, Vinyl Sulphone not coming from China only prices are getting influenced by the Chinese supply demand and how the Chinese prices move.

**Ayush B:** So even though the new capacities are coming back still India the prices are lower compared to Chinese prices?

**Manish Kiri:** Indian prices are maintained at a level of Chinese prices. It usually it automatically adjust so that the import flow does not come to India.

**Ayush B:** Yeah that is what I wanted to understand what if again Chinese imports coming to India because of Chinese capacities starting?

**Manish Kiri:** Yes.

**Ayush B:** On the demand side how is the demand outlook like have we seen any improvement or seeing any improvement going ahead from the textile industry?

**Manish Kiri:** Textile has been slow and in that slowness of textile has affected domestic sales of dyes for almost all domestic companies and ultimately that will have backward effect on intermediate store and since last several months I would say last four to five months it has been slow and if that improves next year beginning calendar year then that would help. Export has not impacted by the way. Export of dye still maintained, and India continue to export reactive dye sometime between 15,000 to 17,000 tons per month from January till date. So export demand has not slowed down and because of that we could increase our dye market share in export in terms of quantum in the first half of this financial year.

**Ayush B:** So are we planning any capacity expansion, dyes or dye intermediate segment?

**Manish Kiri:** The dyes intermediate segments there are already new products addition plants phase wise are coming on stream, but we do not plan anything on dye capacity increase at the moment.

**Moderator:** Thank you. The next question is from the line of Kavita Thomas from First Global. Please go ahead.

**Kavita Thomas:** I have the question pertaining to the Longsheng Kiri JV, so actually if you see sir in spite of pressures witnessed in prices and the demand slowing down a bit the overall margin business in this JV business has really shown a significant improvement and even there is a very

significant jump in the profitability, so could you just throw some light in terms of how is this JV how the performance has improved and what is your outlook for this JV?

**Manish Kiri:** So that is mainly due to the better product mix there. There are certain specialty dyes which are produced in this JV and there are certain products which are produced in JV are complex and specialty in nature which means that there are limited producers of those products those are not commoditized and because of that and because of those product mix products the margins are relatively better because those are not influenced by the commodity dyes and commodity intermediates ups and down and that is where the benefit is. Now the second question going forward I think it should maintain at a reasonably good level which you have been seeing over the past one year and half year the similar level should continue to be maintained. So that can realize that even in the difficult time also it has done well. So that is when you look at the consolidated certain intermediates which go from Kiri to Longsheng Kiri and then Longsheng Kiri exports dye. So when you look at the consolidated picture it is actually a correct picture that gives a integrated approach and that gives you integrated profitability of Kiri in fact on a consolidated basis.

**Kavita Thomas:** I mean this integrated effort is actually bringing in the significant improvement in margin?

**Manish Kiri:** And because of this integrated effort even today also we could maintain 16%, 17%.

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

**Ashish Agarwal:** You had shared a guidance at the end of Q4 and also in Q1 for FY20 25% revenue growth and stable EBITDA margin given the change in operating environment how would you modify is that?

**Manish Kiri:** I think that there should be a correction in that looking at a change of situation and on a long term basis let us say if we were expecting that kind of a growth in three years, two to three years we should expect another six months to year let me put it this way. So that should be let us say 25% to 30% per year if the prices remain down and let us say prices remain at current level only then you are looking at close to 20% 15% to 20% rather than 25% to 30% so that change of 15% to 20% correction and assuming that it remains at this level which we do not. So we understand that next year onwards when the markets give some corrections we will have better understanding but let us keep our views conservative in that case instead of two to three years you can say three to four years we should be able to achieve whatever we have promised.

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

**Manish Kiri:** Thank you all for participating in the call, wish you all the best and we will see you next quarter.  
Thank you.

**Moderator:** Thank you. Ladies and Gentlemen on behalf of Kiri Industries that concludes this conference call for today. Thank you for joining us and you may now disconnect.