

May 28, 2023

BSE Limited
Corporate Relationship Department
P.J. Tower, Dalal Street,
Mumbai – 400 001.

Scrip Code: 514183

Dear Sir/Madam,

Sub: Annual Performance Review FY23

Please find enclosed Annual Performance Review of the Company for FY23 for the information of all the stakeholders of the Company.

Thanking you,
For **Black Rose Industries Limited**

Harshita Shetty
Company Secretary and Compliance Officer



ANNUAL PERFORMANCE REVIEW
Financial Year 2022 – 2023

Performance Review

The financial year 2022-2023, across the globe, was a year of demand disruption. The sudden and steep reduction in chemical prices led to the company’s profit and revenues taking a hit. The universally much-anticipated post-COVID demand surge in China never materialised, and rising inflation took a toll on economies. The Indian rupee fell steeply during the period from Rs.76 per US Dollar to Rs.82/83, mirroring the weakening of global sentiment. On the bright side, international shipping costs saw a magnificent fall from the terrifying peaks seen in FY22.

The first signs of the impending slowdown were seen in the first quarter of the year. Both manufacturing and distribution sales came down with buyers beginning to adopt a wait-and-see approach as international prices of commodity and specialty chemicals fell. Profit margins came down in the second quarter due to high raw material inventory costs and sales of distribution products at reduced prices. The third quarter saw improvements in overall revenue due to a pickup in exports but margins continued to be under pressure as prices in the domestic market continued to fall and the company still carried higher cost inventories. As prices began to stabilise and old inventories were consumed, signs of improvement were seen in the fourth quarter with EBITDA margins doubling over the previous quarter and manufacturing activity rising.

The company ended the financial year 2022 - 2023 with expectations of improvements in the coming financial year.

	FY 23		FY 22		Change	
	Standalone	Consol.	Standalone	Consol.	Standalone	Consol.
Revenue	279.54	432.48	342.97	488.79	-18%	-12%
EBITDA	13.91	15.82	44.43	46.50	-69%	-66%
PBT	9.04	10.95	40.92	42.99	-78%	-75%
PAT	6.58	7.92	30.50	31.90	-78%	-75%

all numbers in Rs. crores

The standalone segment-wise results for the financial year 2022-2023 are as follows:

Year	Distribution		Manufacturing		Unallocated*		Total	
	Sales	EBITDA	Sales	EBITDA	Sales	EBITDA	Revenue	EBITDA
FY23	196.54	9.28	81.16	11.01	1.84	(6.38)	279.54	13.91
FY22	233.98	24.14	106.68	24.10	2.31	(3.81)	342.97	44.43

*includes administrative and CSR expenses

all numbers in Rs. crores, standalone



Key financial indicators (standalone) during the period are as below:

Parameter	Year Ending, FY23	Year Ending, FY22
Distribution : Manufacturing Revenue	2.4:1	2.2:1
Debt : Equity Ratio	0.02	0.09
Cash Flow from Operations (in Rs. crores)	22.5	9.2
Current Ratio	3.8	2.7
Quick Ratio	2.6	1.6
EBITDA Margin	5.0%	13.0%
Net Profit Margin	2.4%	8.9%

Business Review for FY23

Chemical Distribution

The distribution business was adversely affected by falling prices and reduced demand in the domestic market and boosted by stable and strong demand from the US oil and gas market. Margins fell during Q1 – Q3 as higher priced inventory was disposed, and margins improved in Q4 with fresh stocks coming in at competitive prices. Limited availability of key products such as ethanolamines and meta cresol also resulted in lower sales. With strong support from suppliers, volumes were increased in products such as resorcinol and methacrylamide.

Acrylamide (Liquid and Solid)

Falling price realization and reduced domestic demand resulted in a fall in revenue and operating margins especially during Q2 and Q3. Raw material (acrylonitrile) prices which at the start of the year were at around US\$1,900/MT fell to US\$1400 levels by the end of the year. Freight costs came down significantly during the year making global exports feasible once again, and the decision of the company to obtain EU REACH registration allowed entry into the European market. The acrylamide powder plant was started during the year, but sales were limited as Chinese suppliers continued their relentless dumping into the Indian market. The company is the only company outside of China to produce acrylamide powder and caters to customers who are looking for an alternative to Chinese sources for their key raw materials.

Polyacrylamide Liquid

The company sells its polyacrylamide liquid ceramic binder - BRILBIND CE01 – in the ceramic tile industry in Morbi, Gujarat. This market has been badly affected by the global demand slowdown, the increasing gas prices caused by the Ukraine war, and increased Chinese competition. Although the year started with strong sales, this quickly deteriorated in Q2 with an industry-wide shut-down of tile manufacturing plants. As the shut-down eventually ended and the market slowly re-opened, several small manufacturers of ceramic binder entered the fray with low-priced / substandard products. The company strategically decided not to enter the price competition and focused on catering to its long-time business



partners. Despite the reduced sales, profits increased over the previous year as raw material prices fell.

n-Methylol Acrylamide (NMA)

The company has been producing n-Methylol Acrylamide (NMA), a specialty monomer used in the coatings and adhesive industry, since the end of FY22 with an installed capacity of 2,000 MTPA. The company sells the product to both domestic and multinational companies. The sales of NMA have increased every quarter with repeat orders being received from key clients.

Business Outlook for FY24

Chemical Distribution

The importance of distributors is heightened during times of demand slowdown and intense competition as suppliers depend on their networks to push sales and increase market share. With strong cash flows and deep market knowledge, the company is well-positioned to support a) its principal suppliers with higher volume offtakes and b) its end-user customer base with competitive and timely supplies. Overseas suppliers looking to expand their markets have started approaching the company for increasing their sales in India. Return of domestic demand is expected to be gradual, but with the fall in chemical prices having slowed down, less pressure is expected on margins. Meta cresol which was in short supply last year is now available, and supply of ethanolamines is also expected to resume in Q2. Products such as resorcinol and isophthalic acid are expected to have a larger share of overall distribution revenue. Exports to the US oil and gas industry are seen to be slowing down due to recessionary sentiment and correction in oil prices.

Acrylamide Liquid

Prices of acrylamide liquid in the domestic market fell throughout FY23 and continued their fall into the first quarter of FY24. Prices in the export markets are more remunerative and the company now exports more acrylamide than it sells domestically. With the support of low freight costs, the company intends to continue increasing its presence in the export markets while maintaining its market share in the Indian market.

Acrylamide Solid

Chinese dumping of acrylamide solid into India continues. The company's focus has been on exports and the product has been approved by several international customers, including in Japan. The company expects to ramp up production and exports during Q2 as new machinery and equipment is installed during Q1.



Polyacrylamide Liquid

Sales of the company's polyacrylamide liquid ceramic binder have remained stable during Q1 FY24. The company intends to prioritise quality, service, and realisation over volume growth. Market share is expected to grow during the ensuing quarters with introduction of new products.

n-Methylol Acrylamide

Repeat orders are being received from regular clients while the approval process is ongoing at other clients, both in India and overseas. The company expects volumes to increase four-fold during Q2 as key approvals begin coming in towards the end of Q1.

Ongoing and Upcoming Projects

Besides the ongoing research and development work on ceramic binders, acrylic dispersants, and polyacrylamide solids, the company is conducting feasibility studies on a specialty chemical project in collaboration with a Japanese company and is in discussions on two toll-manufacturing projects with US and European companies. The company will share more details whenever the same becomes available.

FOR BLACK ROSE INDUSTRIES LIMITED
AMBARISH DAGA
JOINT CFO & INVESTOR RELATIONS OFFICER
DATE: MAY 28, 2023

Note – Performance review, business review, and business update is provided for the standalone (parent) entity.

DISCLAIMER

Some of the statements in this press release may be forward-looking statements or statements of future expectations based on currently available information. Such statements are naturally subject to risks and uncertainties. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference in the company's operations include the availability of raw material/product, cost of raw material/product, changes in demand from customers, fluctuations in exchange rates, changes in government policies and regulations, changes in tax structure, economic developments within India and the countries in which business is conducted, and various other incidental factors. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in making any assumptions. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.