

August 17, 2022

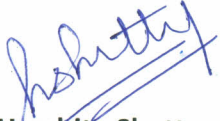
BSE Limited  
Corporate Relationship Department  
P.J. Tower, Dalal Street,  
Mumbai – 400 001.

Dear Sir/Madam,

**Sub: Performance Review Q1FY23 and Update on Business**

Please find enclosed Performance Review of the company for Q1FY23 for the information of all the stakeholders of the Company.

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



**Harshita Shetty**  
**Company Secretary and Compliance Officer**

**Black Rose Industries Ltd.**

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## PERFORMANCE REVIEW Q1FY23 AND BUSINESS UPDATE

### PERFORMANCE REVIEW

Q1 FY23 saw demand for the company's products fall with decreasing prices in several products causing customers to adopt a wait-and-watch stance. Inventory levels were high across customers and competitors. Also, oversupply of acrylonitrile in the domestic market and delay in supply of meta cresol from Germany resulted in loss of combined sales of approximately Rs.15 crores during the quarter. Revenue in the manufacturing business was affected due to reduced demand for acrylamide, while realisation was affected due to a fall in Chinese acrylamide powder prices. Exports remained subdued with global recessionary pressure but sales were maintained at the same level as the previous quarter.

	Q4 FY22	Q1 FY23	Change (%)
Revenue	87.4	66.3	-24%
EBITDA	7.5	5.7	-24%
PBT	6.7	4.8	-28%
PAT	5.0	3.6	-28%

*all numbers in Rs. crores, standalone*

The key financial indicators during the period are as below. There was a slowdown in the company's distribution business causing a buildup of inventory.

Parameter	Q3 FY22	Q4 FY22	Q1 FY23
Distribution : Manufacturing Revenue	1.9 : 1	2.0 : 1	1.5 : 1
Debt : Equity Ratio	0.02	0.10	0.04
Quarterly Interest Coverage Ratio (times)	55.3	48.1	23.3
Quarterly Inventory Turnover Ratio (times)	2.57	1.81	0.95
Quarterly Return on Equity	33%	17%	12%
Current Ratio (as at end of quarter)	3.93	2.72	2.89
Quick Ratio (as at end of quarter)	2.48	1.60	1.19
EBITDA Margin	14.5%	8.6%	8.7%
Net Profit Margin	10.0%	5.7%	5.5%

### BUSINESS UPDATE

#### 1) Acrylamide

##### Liquid

Domestic sales of acrylamide liquid reduced by 29% over the previous quarter as demand from downstream sectors fell. The CIF India price of acrylonitrile came down to \$1600/MT levels as the oversupply position in the Indian market and low plant capacity utilisation in China continued to plague the spot markets. Lower acrylonitrile prices coupled with the dumping of Chinese acrylamide powder into India led to reduced price realisations for acrylamide liquid.



Exports of acrylamide liquid were unchanged over the previous quarter, but with the drop in domestic sales, exports made up 30% of total acrylamide liquid sales.

#### *Solid*

The company commenced commercial production of acrylamide powder on June 2, 2022 and has become the only company outside of China producing acrylamide in solid form. The slowdown in Chinese domestic demand has resulted in dumping of Chinese acrylamide powder into India, resulting in large domestic inventories of Chinese product. The company exported acrylamide powder during the quarter.

#### *Outlook – Acrylamide Liquid and Solid*

Q2 FY23 has seen a further reduction in both acrylonitrile prices, which is now at \$1400 levels, and in acrylamide prices. Demand from the ceramic tile industry has reduced following the announcement in July of the month-long Morbi industry shutdown during August 2022 ([https://www.business-standard.com/article/companies/gujarat-s-ceramic-tiles-hub-to-take-month-long-break-after-production-glut-122071400924\\_1.html](https://www.business-standard.com/article/companies/gujarat-s-ceramic-tiles-hub-to-take-month-long-break-after-production-glut-122071400924_1.html)). Exports of acrylamide liquid have improved.

The company has started reviewing the possibility of applying for anti-dumping duty on Chinese acrylamide. Also, the company has completed its application under the EU's REACH regulation and is awaiting final REACH registration to allow it to export product to the European market. Export freights have started to come down and the company is working to enhance its export activities.

## **2) Polyacrylamide Liquid**

#### *Ceramic Binder*

Sales of the company's ceramic binder, BRILBIND CE01, increased by approximately 4% compared to the previous quarter despite an overall weak sentiment in the ceramic tiles sector caused by overcapacity and increasing inventory of tiles. Selling prices were increased to reflect raw material cost increases from the earlier quarter and in consideration of increased packaging costs.

#### *Outlook*

As highlighted above, in July 2022 the Morbi ceramic tile industry announced a month-long shutdown during August 2022. Market demand for ceramic binder has reduced during Q2 FY23 due to this announcement. It is expected that the current supply glut in the tile industry would be alleviated due to the shutdown, and that demand for the company's ceramic binder will start picking up towards the second-half of September, following the shutdown.

### **3) N-Methylol Acrylamide**

The company produces two variants – NMA 48% and NMA LF. The products were launched in February 2022, and being specialty monomers, customer approvals are required in multiple stages. Repeat orders were received from regular customers while sampling and trials were on at other potential customers' ends.

#### *Outlook*

The company has started receiving orders/inquiries from domestic and foreign multinational companies during Q2 FY23. Competition is largely from European manufacturers and the company hopes to make significant breakthroughs in this product.

### **4. Distribution**

The distribution business witnessed a drop in sales of 30% over the previous quarter. Sales would have been higher in meta cresol and ethanolamines if not for delivery issues, and in acrylonitrile if the markets had not been oversupplied. Overall EBITDA margins of the distribution activity remained constant but margin reductions were seen in products like resorcinol where slowdowns in China led to increased availability and depressed prices in the Indian market.

#### *Outlook*

Demand for isophthalic acid, ethanolamines, and neopentyl glycol remained weak till the end of July but has started to pick up in August. Supplies of meta cresol continue to be erratic due to logistical issues faced by Lanxess (Germany) and we anticipate a loss in sales of approximately Rs.9 crores during the quarter from this. Prices of resorcinol have stabilised and while demand from the pharmaceutical sector has been growing the dyestuff sector continues to be slow on uptake. Acrylonitrile is still in an oversupply position. International prices of a wide range of chemicals have been falling to reflect the subdued demand and we expect some product prices to bottom out by the end of quarter. On the performance chemicals side, a new sales team was inducted and has been actively promoting the company's range of flocculants and water treatment chemicals.

### **5. Projects and Expansions**

From July 2022, the company is associated with an experienced R&D advisor in Japan with relevant polymer chemistry and process engineering knowledge and experience. The advisor provides guidance to the company's R&D team on process development, product improvement, performance engineering, and troubleshooting aspects.

The company focuses on providing growth to its existing businesses through cost optimization and product improvement, while working on new products and projects in the areas in which it operates.



**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.

**FOR BLACK ROSE INDUSTRIES LIMITED**

AMBARISH DAGA

JOINT CFO & INVESTOR RELATIONS OFFICER

DATE: AUGUST 17, 2022