

November 15, 2022

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

Dear Sir/Madam,

Sub: Performance Review Q2FY23 and Update on Business

Please find enclosed Performance Review of the company for Q2FY23 for the information of all the stakeholders of the Company.

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

Harshita Shetty
Company Secretary and Compliance Officer



PERFORMANCE REVIEW Q2FY23 AND BUSINESS UPDATE

PERFORMANCE REVIEW

Q2 FY23 started with sluggish demand and was hit by plant shutdowns in the ceramic tile manufacturing cluster of Morbi. The price fall which started in the earlier quarter started to show a turnaround towards the end of the quarter as inventory levels began to come down across customers and competitors. Continuing oversupply of acrylonitrile in the domestic market and shipment delays in meta cresol resulted in loss of sales. Sales of the company's manufactured products were negatively affected by the almost 6-week shutdown of tile-producing units in Morbi, while realisation fell with softening acrylonitrile and Chinese acrylamide powder prices. Exports saw an increase over the previous quarter as falling freight rates spurred international sales. The company obtained EU REACH registration which now allows the company to export acrylamide to the European Union. The company's subsidiary, B.R. Chemicals, increased its sales of chemicals to the US oil and gas market.

	Q1 FY23	Q2 FY23	Change (%)
Revenue	120.1	102.4	-15%
EBITDA	6.7	3.6	-46%
PBT	5.8	2.2	-62%
PAT	4.3	1.6	-63%

all numbers in Rs. crores, consolidated

The key standalone financial indicators during the period are as below. Inventory buildup is seen primarily due to stock of acrylonitrile and of certain distribution products.

Parameter	Q4 FY22	Q1 FY23	Q2 FY23
Distribution : Manufacturing Revenue	2.0 : 1	1.5 : 1	2 : 1
Debt : Equity Ratio	0.10	0.04	0.23
Quarterly Interest Coverage Ratio (times)	48.1	23.3	3.5
Quarterly Inventory Turnover Ratio (times)	1.81	0.95	0.70
Quarterly Return on Equity	17%	12%	4%
Current Ratio (as at end of quarter)	2.72	2.89	2.78
Quick Ratio (as at end of quarter)	1.60	1.19	1.14
EBITDA Margin	8.6%	8.7%	5.4%
Net Profit Margin	5.7%	5.5%	2.0%

BUSINESS UPDATE

1) Acrylamide

Liquid

Domestic sales of acrylamide liquid reduced in value by 12% and in quantity by 4% over the previous quarter as demand from the ceramic tile industry was curtailed due to shutdowns and



as Chinese powder imports kept liquid prices depressed. The CIF India price of acrylonitrile came down to \$1480/MT levels as producers in Asia were unable to move inventory.

Exports of acrylamide liquid grew 7% over the previous quarter and realisations were higher overseas. Exports made up approximately half of total acrylamide liquid sales by revenue.

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 as well as to other countries. Prices of acrylamide powder in China began to increase towards the end of the quarter. The company exported acrylamide powder to Europe and to the US during the quarter.

Outlook – Acrylamide Liquid and Solid

Q3 FY23 has started on a positive note with demand from the ceramic tile industry slowly returning. Acrylamide powder prices in the domestic market have risen by 15% from the bottom seen in Q2 FY23 and acrylonitrile prices have started to increase in China to \$1600 levels. Exports of acrylamide liquid continue to improve with falling freight costs, and shipments to the European Union have also commenced under the recently obtained REACH registration.

The company is in the process of compiling data to apply for anti-dumping duty on Chinese acrylamide.

2) Polyacrylamide Liquid

Ceramic Binder

Sales of the company's ceramic binder, BRILBIND CE01, fell by 47% in terms of revenue as well as quantity because of the shutdown of ceramic tiles manufacturing units in Morbi during August and early September. Selling prices remained constant during the quarter while margins improved due to reduced raw material costs.

Outlook

Demand for ceramic binder is gradually returning to normal. However, as raw material prices have reduced, small and new players are entering the market with lower prices.

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 is awaiting approvals from domestic and foreign multinational companies with whom significant discussions took place during Q2 FY23.

4. Distribution

Revenue of the distribution business was largely unchanged during the quarter. Export activity picked up to compensate for the reduction in domestic volumes. Sales would have been higher by 9 crores in meta cresol if not for supply delays, and expected acrylonitrile sales could not be achieved as the market was oversupplied. Margin reductions were primarily seen in isophthalic acid as higher cost stock had to be disposed, and in resorcinol where Chinese prices continued to fall.

Outlook

Demand for isophthalic acid, ethanolamines, and neopentyl glycol has been picking up during Q3 FY23. Supplies of meta cresol have started once again and some volumes have returned, Prices of resorcinol remain depressed with material from various Chinese producers being offered domestically. Acrylonitrile is still in an oversupply position but is expected to turn around closer to the end of the quarter. International prices for a majority of chemicals are generally weak but the steep crashes seen in the previous quarters seem to be over. In India, inventory kept by trading intermediaries is reducing and some product prices have bottomed out and are on the rise once again. The performance chemicals team is expected to double its sales of the company's BRILFLOC range of polyacrylamides this quarter. The export distribution business has been a beneficiary of the high oil and gas prices in the US and is expected to add significant revenue in the quarter.

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 Ltd.

Ambarish Daga

Joint CFO and Investor Relations Officer

Date: November 15, 2022