

## **Black Rose Industries Limited Q1 FY23 Financial Results Webinar**

- **Host:**
- Good morning, ladies and gentlemen. And thank you for attending this virtual meeting. It's my pleasure and privilege to welcome you on behalf of Black Rose Industries Limited and SKP to this Q1 FY23 Financial Results Webinar. We have with us Mr. Anup Jatia, Executive Director, along with Mr. Ambarish Daga, Joint CFO and IR officer. During this discussion, there may be certain forward-looking statements, and these must be viewed in conjunction with the risks that the company faces. A reminder, this meeting is being recorded for compliance reasons. We'll have opening remarks and presentation from Mr. Jatia, followed by a Q&A session. Thank you and over to you Mr. Jatia.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Thank you, Naveen ji. Welcome, everybody to the quarterly webinar earnings call for Black Rose. I hope everybody's doing well. I understand of course, it seems that COVID is somewhat behind us. But now we are faced with other issues such as swine flu and other illnesses which have been coming up recently, but I hope everybody's keeping well. I will let Mr. Ambarish Daga, our Joint CFO, Investor Relation Officer to start with the presentation. Thank you.
- **Mr. Ambarish Daga - Joint CFO & Investor Relations Officer, Black Rose Industries Ltd.**
- Thank you, Mr Jatia. Yes, let me share my screen. I hope the screen is visible to everyone.
- **Host:**
- Yes, Ambarish. Please go ahead.
- **Host:**
- You just need to do page down change, it will change, yeah.
- **Mr. Ambarish Daga - Joint CFO & Investor Relations Officer, Black Rose Industries Ltd.**
- So, just a short disclaimer, there will be certain forward-looking statements which are based on the current market situation and understanding and they carry their risk along with it. We start off by explaining our business presents. So we have two main business segments, the chemical distribution business and the chemical manufacturing. Chemical distribution involves the important and distribution of speciality and performance chemicals from a number of globally renowned chemical manufacturers, especially based out of Japan and some of those based in Germany as well as Thailand. This forms the core of our business and leads us to strong relationships, which helped us in moving towards manufacturing.

- The chemical manufacturing division is based fully out of our plant at Jhagadia. We started off in 2014 by putting up South Asia's first acrylamide liquid manufacturing plant. The current installed capacity for this plan is 32,000 metric tons per annum, out of which 20,000 are earmarked for merchant sales and the balance 12,000 for our captive consumption. Next, we added the polyacrylamide liquid to this facility. And the current installed capacity for this is 40,000 metric tons. In this, we manufacture, currently we manufacture the binders, which go into the Morbi ceramic tile industry primarily. In February, earlier this year, we also added N-methylol acrylamide, NMA with a capacity of 2,000 metric tons per annum. Already, we are having commercial sales for this and trials are underway for the larger customers.
- Recently on second of June, we commenced commercial operation for acrylamide solid with a capacity, initial capacity of 3,600 metric tons per annum. And this will boost our overall sales from the manufacturing division. The polyacrylamide solid which is going to be set up with an initial capacity of 10,000 metric tons per annum is currently the focus of our R&D team. And we are hopeful that later on this year we should start with the actual setup of the manufacturing unit firm. B.R. Chemicals Co., Ltd. is our 100% subsidiary based in Japan and is involved in the distribution and export of chemicals. Apart from this, we have some other legacy businesses which in all contribute to about less than 1% of the total business.
- Moving on to the highlights of the financials for standalone as well as consolidated, and the comparison, between last quarter and this quarter. We see there is a dip of about 24% in the overall revenue from operations on a standalone basis, and 11% on consolidated basis. In spite of that, the EBITDA margin remains more or less in line, it has remained constant, and we have a satisfactory PAT margin as well. The EPS is currently at Rs. 0.71 for this quarter compared to Rs. 0.98 for the previous.
- Moving on to the financials in terms of balance sheet for standalone, again, we see that the company is totally long-term debt free and that is depicted in the debt equity ratio, which is 0.04. The return on capital employed and return on equity is also pretty healthy for the company.
- Moving on to the standalone financials, we see that we have done about Rs. 663 million in sales in the current quarter compared to the previous quarter where it was Rs. 874 million. The reduction in revenue is mainly due to the oversupply situation, and the lower demand in products like acrylonitrile and isophthalic acid, and also the products in distribution business like resorcinol were supplied because of the slowdown in China. Apart from this products like meta cresol and ethalonamines suffer due to the supply constraints from our principals. The chart at the bottom also shows the division between the revenue and EBITDA for the distribution business and the manufacturing business, which we have introduced since the previous quarter.
- The exports for the quarter remain more or less constant and in line with the previous quarter. Going forward, we expect the export volumes to pick up and add substantially to our revenues. The sales and the profitability of the quarter continue to be impacted by the war in Europe as well as the slowdown in China, which disrupted the entire chemicals market for this quarter. Now, we look at the

distribution between the revenues in terms of the geographical and the revenue mix. So our distribution business, which reduced substantially from the previous quarter meant that the overall distribution and manufacturing mix now stands at 60% to 39%. Going forward, we anticipate as new product lines in the manufacturing business keep adding to the revenue, we expect this ratio to be more or less in this percent. The exports also we anticipate will continue to grow as a percentage of the sales. It currently stands at 10% for this quarter.

- Now looking at the distribution financials in detail, we see that overall there has been about a 30% reduction in the overall revenue because of the decrease in volume of certain, decrease in demand and also oversupply due to the slowdown in China. The top five products in the distribution business have generated about 77% of the revenue and have contributed 58% to the profit. The EBITDA margin during this quarter remained unchanged over the previous quarter. Because of our strong customer base and support.
- Now moving on to the financials for the manufacturing sector, overall, we see an 11% dip from the previous quarters in the revenue figures. However, certain products did when. The acrylamide prices declined due to the decrease in the raw material price as well as the spill over effects of the market slowdown in China. There was a lot of dumping of Chinese material in the Indian domestic market, which led to the slowdown. The higher freight costs also continued to hamper our export business, especially to the US market which would otherwise have added to our overall revenue. The raw material costs have been coming down as you will be able to see in the next slide.
- The acrylonitrile, which is a key raw material of our acrylamide product has continued to slide down. And going forward also in this current quarter we see that acrylonitrile prices have now gone down from the level shown in this chart to about \$1,400 rate present as we speak. This has led to lower realization and cost pressures. And at the same time, it is given the opportunity of oversupply from countries like China for the acrylamide powder which has disrupted our manufacturing revenues.
- Now, going forward to the outlook for the current quarter, I will request Mr. Jatia to please take this forward and
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Yes. Thank you Ambarish. So to go through to just explain the outlook current quarter and beyond. So, this quarter, the business is expected to be subdued, largely because of the oversupply position, which still continues in products like acrylamide and products acrylonitrile, resorcinol. These are some of the key products of our distribution business. And the low offtake, which has taken place in the last quarter has resulted in a lot of oversupply at many of our competitors ends as well. So, overall, business is currently we would expect to be subdued in this quarter in the distribution business. Towards the end of the quarter, we do feel that things should start to improve as the stocks get reduced. But this is to be seen going forward. We have a new dedicated team for the polyacrylamide business for the import side of the business. And that team has been performing well. We have been able to convert a lot of new clients and that business is going strong. We also continue to

have very strong principal support in the current scenario where international prices are falling. We do have our principals giving us net well cushion support on the future pricing of raw materials, sorry of the future pricing of our distribution products.

- We expect the distribution EBITDA margin to slightly dip during this quarter to anywhere between 5% to 7%. We hope these margins should improve in the coming quarter in Q3.
- Moving on to the manufacturing side of the business. Let's look first at the acrylamide liquid and solid. Just like the distribution product, the domestic market for acrylamide has also been subdued during this quarter. This is a large reason for this is the shutdown in the Morbi ceramic tile industry, which is going on right now. The shutdown was announced back in July. And a lot of the ceramic tile companies, of course consume ceramic binders. And these binder producers are also some of our large clients who are acrylamide. So there is a slowdown in the manufacturing of ceramic vendors, which then leads to a slowdown in the sales of acrylamide as well. Besides that there is also the effect of oversupply from China. China has been dumping their acrylamide powder in India in the last several months, largely because of the market slowdown which exists in the Chinese domestic market. Exports of acrylamide solids which we have launched has started. And we will have a good promising business coming forward in the acrylamide solid business. We are in touch, currently we are in negotiations with some of the large MNCs overseas who are regular customers, regular consumers of these products and entering into contracts with them.
- The raw material price which is currently experiencing a downward trend as what Ambarish mentioned, the acrylonitrile for example, which at the end of June was at around the average price in June was approximately \$1,740 which today is down to \$1,400. So, you can see in two months, there has been a sharp fall in acrylonitrile prices. When acrylonitrile prices fall naturally it does lead to price fall also for acrylamide and at the same time it puts pressure on some of our margins especially for the carry forward stocks of raw material which we always have. As you know, acrylonitrile is not produced in India, we have to maintain significant stock levels in order to ensure there are no supply disruptions. And in times of a falling price, sudden falling price market like right now, it does affect it does put pressure on our margins.
- We keep pushing for growth in the export markets, especially freights have started to come down. We're now pushing our exports into those markets where freight costs have reduced our volumes in the last year. So we are now pushing market pushing back to those markets. At the same time, we have completed all the formalities for the EU REACH registration, and we are expecting the REACH registration to be received either, well either this end of this week, which means tomorrow or early in the next week. So once the REACH registration is through, we will be able to export both our acrylamide liquid and our acrylamide solids into the European market where the prices, the price realizations are significantly higher than what we can expect in the current scenario Indian domestic market.

- On the PAM liquid side, sales during this quarter is expected to be low, as mentioned mainly due basically because of the shutdown in the Morbi ceramic tile industry. This shutdown is expected to last in the middle of September, and we expect the volume to sharply increase right after the shutdown is over. We are continuing to improve our process and our product during this period. And when the markets do open up again. We hope to garner larger market share from our customers and from customers who we have not approached in the past.
- On N-methylol acrylamide side, this again a promising product. We have started receiving product approvals from key clients, both domestic as well as overseas, multinational consumers of the product. We have sent samples during this week as well as in the past week to several customers who have been inquiring for that product in this during this month. And we're very hopeful to receive those approvals. We expect to be able to achieve 610 ton sales by the end of this financial year.
- To add on NMA product, the prices are not volatile, typically for this product. So in a falling raw material price scenario, we expect that this will help improve our margins for a product like NMA.
- On the polyacrylamide solid, mentioned in our last webinar, we were in the process last time of inducting R&D technical advisor from Japan. That induction has been completed in July, and already has been followed up with a visit from the advisor from Japan as well. This has boosted our development and R&D, fast tracking our R&D efforts in this product. On the polycarboxylate, these are basically dispersions used in the ceramic tile industry. This is also in the R&D phase, we were expecting to complete this product in Q1. But there have been certain delays due to some lab equipment which had been ordered which has not yet been received due to delays at our reactor producers and we are following up with the vendor trying to get that equipment in place quickly. And once that equipment is in place, we'll be able to fast track these process as well. This product is very important for us as it helps to build greater inroads into the ceramic tile sector.
- On a general note, on our focus on R&D, this is pretty much the same as what we have discussed in our last webinar. But we continue to work on setting up the new R&D center in the outskirts of Mumbai. We are in the process of still identifying the suitable product line that we would like to use this. The focus at this new R&D center will of course include what we're currently doing, but also to look into new green chemistries, new performance evaluation labs, and we are also in touch with overseas technology owners to see what kind of technologies we can bring to India and to look at converting traditional petrochemical based products into bio renewable and renewable sources.
- Coming to the last chart of our presentation today, this is a CapEx chart we had discussed last time. The first column shows you the products, the second column shows you our installed capacities. The capex is this is the quantum of CapEx which is required for that particular product and the total incurred is shown in the fourth column. The technology is also mentioned here with these are the different technologies of course, the acrylamide liquid technology has come from Mitsui Chemicals from Japan and the rest of the technologies are developed in-house. The further possibility column this basically tells us how much more capacity we can

create at our existing site for these products and the available capacity for growth. This is at the last webinar, I believe there was a lot of confusion about what this signifies, what this signifies is the available capacity out of our existing capacity, which is available which is an unallocated capacity. So a lot of the capacity that we currently have has been allocated either through a known market or known customer or known universe and the available capacity for growth is just to signify how much additional growth can be done with our existing capacities. So if for example, acrylamide, our capacity is let's say 20,000 metric tons. Now, when we say there is available capacity for growth of 30% that means 30% of 20,000 tons which is 6,000 tons, we have additional unallocated growth possibilities, unallocated customers for another 6,000 tons which we can target. This is what it means and of course, once if we are unable if we are we fully utilize that capacity, then we have further possibility to add up to 60,000 metric tons at this instant. So this is what this chart tries to signify. I'm sure there may be questions later on during the question and answer session. So I'll leave it at that. Thank you very much. And I asked Naveen Ji to proceed from here.

– **Host:**

– Thank you, Anup Ji. Friends, anyone with a question? Request you to raise your hand. We'll unmute you and take your question. Just wait for a couple of minutes for some questions to line up. The first question is from Yog Rajni. Yog, please go ahead.

– **Yog Rajni:**

– Hi, am I audible?

– **Host:**

– Yes, loud and clear.

– **Yog Rajni:**

– My first question is regarding the dumping of Chinese acrylamide solid. Could you give us some more colour in terms of have volume of supply and the pricing and with regards to any anti- dumping measures that we will be undertaken any timeline for that?

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– Yes, good morning. Thank you very much for your question. So what's happening with the Chinese dumping acrylamide powder into the Indian market is that a lot of customers are able to interchange their consumption between acrylamide liquid and acrylamide powder. So, when the prices of acrylamide powder are lower than the prices of acrylamide liquid, people tend to compare that price and expect a price reduction on the acrylamide liquid as well. So, this is what affects our business.

– Secondly, what happens is of course, now what happens is when there is a dumping, this means two things. One is dumping in the sense that there is an oversupply too much material has been dumped into India. And it also means in terms of pricing, where product is being sold into India at less than a fair price. So both these things are happening right now when it comes to the Chinese product. And the issues

which happen is when there is a market slowdown in general, there are traders who import acrylamide powder regularly from China. And these traders end up having material in stock, which the future prices are falling. So they start to then panic sell these products into the Indian market, which then further depresses the prices. So this is a whole vicious cycle, which happens when China slows down and when China starts over supplying products into the Indian market. And this is a scenario we see not only in acrylamide but we see it across a lot of products right now, where the domestic prices are coming down rapidly due to the slowdown in the Chinese domestic markets.

– **Yog Rajni:**

– Could I ask a follow up question?

– **Host:**

– Sure.

– **Yog Rajni:**

– Yeah. So wanted to understand are our traders still importing from China? Or are they just getting their existing supply sold in the current market, if there's any clarity you could give with regards to that.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– So largely right now, because traders are basically losing money on their stocks. So what they're doing is they're not importing fresh cargo as much, but they are liquidating their stocks in the domestic market based on the new price offers coming in from China also. So if the new price offer coming in from China is that let's say Rs. 130, let's say it works out. So, what they will do is then even if their stock is at Rs. 150 cost or Rs. 160 cost, they will start offloading that in the market now at Rs. 130 without even importing the fresh cargos. So, this is a typical cycle which takes place in a falling price scenario in our sector. But what happens at this type of situation is that at some point these stocks get liquidated. And when these stocks get liquidated, typically there is a sharp upturn also in the prices. So, when that will happen, that is always a question mark. We were expecting this to happen back in May, because the situation with Chinese powder coming into India had already started back in March. In February and March once the when the Chinese lockdown has begun, but and we expected these Chinese lockdowns to probably end by let's say May or something of that sort during our last webinar. We did not expect these COVID situation and there's zero COVID policy to continue till so long into the year. And this is what is one of the reasons why the prices have still not moved up.

– **Yog Rajni:**

– Okay, thank you. And another question regarding –

– **Host:**

– Yog, if you can please join the queue and give the others a chance.

- **Yog Rajni:**
- All right. Yes, definitely.
- **Host:**
- Thank you. Next question is from Saloni Innan. Saloni, please go ahead.
- **Saloni Innan:**
- Hello.
- **Host:**
- Yes. Saloni, please go ahead.
- **Saloni Innan:**
- Yeah, Sorry. So my first question is regarding what Mr. Daga said in the beginning of the presentation, he mentioned that the poly solid basically they are focusing to start poly solid at the end of this year. And the capex amount I think is Rs. 60 Crores for poly solids. So how are you planning to spend Rs. 60 Crores on it we are raising debt or through equity?
- Second question is regarding –
- **Host:**
- Saloni, we've lost you. We can't hear. You will have to repeat your question. The second part of your question. Saloni. I think we'll come back to her when she's audible.
- The next question is from Nagabrahma. Please go ahead.
- **Nagabrahma:**
- Good morning. Am I audible?
- **Host:**
- Yes, you are. Please go ahead.
- **Nagabrahma:**
- Okay. Sir, I have two questions. I'll start with first, the first one.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Yes, please.
- **Host:**
- Nagabrahma, you need to unmute yourself, please.
- **Nagabrahma:**



- Am I audible?
- **Host:**
- Yes. Now you're audible, please go ahead.
- **Nagabrahma:**
- Sir is acrylamide liquid is the raw material to manufacture NMA and polycarboxylate? If yes, how much of this acrylamide liquid is required to make one kg of these products? And once we are done with the acrylamide solid as well as polyacrylamide solid plants, then do we have to expand the capacity of acrylamide liquid? That is my first question.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Okay. So let me answer the first question. NMA, yes, is made from acrylamide. It is acrylamide is one of the key raw materials for that product. With the polycarboxylate, acrylamide is not a raw material, it is made from acrylic acid typically as well as other constituents, but acrylic acid is the main raw material for making polycarboxylic. And with regard to the capacity increase, so as you see we currently have our capacity divided for acrylamide liquid, we have our capacity divided into two categories. One is for merchant sale which we have a 20,000 ton acrylamide capacity for merchant sale. And 12,000 tons which is the acrylamide capacity for captive consumption. So, the plant is the same, it is not that we have two separate plants, it's just the way we have identified our capacities. If we are, if our capacities are fully utilized this total 32,000 tons is fully utilized for making downstream products and for merchant sales then yes, we will increase our manufacturing capacity of acrylamide and the acrylamide capacity can be increased by 60,000 metric tons at the current size.
- **Nagabrahma:**
- That is very clear, sir. My second question is, you had mention the current the demand of NMA in the domestic market is around 800 to 1,500 metric tons per year. Just wanted to know what is the international demand for this product? And second is in case if we have to double this capacity, how much capex and the timeline would be required?
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Let me answer your second question first. In order to increase the capacity of NMA, we do not need to make any investment. The equipment that is used to manufacture NMA, a lot of it is common, which the equipment we used to manufacture some of the other products. So, the investment required will be, okay, let me correct myself, it will not be zero, but the equipment, sorry, the capex required will be minimal not even in the crores, it will be minimal. So, we can easily increase the capacity of NMA to any level that we would like.
- The other question regarding the market size, the market for NMA in India is concentrated largely on single end user and that particular end user. Well okay, let me correct myself again. NMA is a product where certain companies do produce this

in-house for their own captive consumption. But the NMA that they produce is typically not sellable. Because of the stability issues that they have in their manufacturing process and their product. The NMA which is a stable and saleable NMA is produced by very few companies in the world and we are one of those companies. So, this is the target that we have is the customers who require the grades of NMA that we produce, which our main competition actually comes from Europe. So, that is a product that we are focused on with our NMA. In India, there is, the overall demand is concentrated largely at a single client, trials are on at that particular single client and things are so far looking good, waiting their final approvals. Internationally, again, these are used by a variety of international foreign MNCs where also we have now conducting, we are now conducting sampling and trials. So, once all of these initial formalities are complete, then we will be able to start regularly exporting volumes, selling volumes for this product. So, these are all products this is a product which requires some time for all these processes to get through, but once those processes are done, then this is a product which has a strong regular demand internationally.

– **Nagabrahma:**

– Can you give us what is the quantity, sir, potential the international market?

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– The potential quantity that we are targeting right now, I do not have a number for the entire global requirements, because like I said a lot of it is also gets mixed up together with the self-consumption captive production figures also. So, those are not necessarily our market. So, I do not have a single number that I can give, but the market which we have identified is around 2,000 metric tons.

– **Nagabrahma:**

– Okay. Sir, my last question is, sir, what is the current plant utilization of acrylamide solid as on date? And with the current dumping from Chinese companies, you had given a target of around Rs. 30 Crores to Rs. 40 Crores during last call. Would we be still able to achieve that during FY23? Thank you, sir.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– I think in the last webinar, I think I had mentioned Rs. 20 Crores as the approximate sales for acrylamide powder. Yes, the Chinese dumping is going to affect the volumes which we will sell in the domestic market. And that is the situation, we are currently not offering our acrylamide powder in the Indian domestic market. Instead, we are focusing on the export side where the price utilizations are better and where the customers are more stable, locally these, a lot of this demand comes from local traders, where they have a very erratic buying cycle. So, currently, we are not focusing our sales into the domestic market, which earlier we had planned to, but right now our focus is on the export side. And as we speak, we are having negotiations with some of our international, our customers overseas for export of this product. We have already exported the product into France and into Turkey and in this quarter. So we are looking at the additional volumes now mainly to the US market.

- **Nagabrahma:**
- Are you done, Nagabrahma?
- **Nagabrahma:**
- I have some more but I thought you will put a break hence I'm looking at you.
- **Host:**
- We just finish with the other participants and then take your questions.
- **Nagabrahma:**
- No problem, I'll come back. Thank you.
- **Host:**
- Thank you. Friends, anyone with questions, please raise your hand. We'll unmute you and take your question. Follow up question from Yog Rajni. Yog, please go ahead.
- **Yog Rajni:**
- Hi, I had a question regarding the chart on capex capacity expansion. Do we have the environmental clearance for the suggested capacity expansion or what would be the environmental clearance requirements in the future?
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- You're talking about the 1,2, 3, 4
- **Yog Rajni:**
- For the possibility.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Sixth column, right.
- **Yog Rajni:**
- Yes, the possibility MTPA column.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- No, these possibilities are only the possibilities based on the land and the site availability. It is not based on any environmental tools. These are, to tell you the ability of increasing capacity at their current site.
- **Yog Rajni:**
- So just a follow up on this minor point. So the capex required for expansion should be minimal, like, I mean, brownfield wise. So it should be significantly lower that should give us better returns in the future, right?

- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Yeah, it would depend on the product. If you're going to, if we're going to expand PAM solid from 10,000 tons and add another 10,000 tons then that will be a significant investment. So it depends on the product with, if it for example, for international, even if we increase the capacity of NMA, they will not able increase in capex. So it depends on product to product. It's not that's not what this chart is highlighting.
- **Yog Rajni:**
- Okay, understood. Thank you.
- **Host:**
- Yes. Thank you, Yog. Okay, Saloni is back. Saloni, would you like to take your questions, please.
- **Saloni Innan:**
- So sorry, my connection got disconnected.
- **Host:**
- No worries, please go ahead.
- **Saloni Innan:**
- Yeah. So there are two questions. First one is regarding poly solids. So I heard Mr. Daga mentioning in the beginning of the presentation, that we are expecting to probably start poly solids by the end of this year. So I wanted to understand more on the funding part of it, as we know that Rs. 60 Crores is required to set up this poly solids plant, how are we planning to fund this?
- And second question is regarding acrylamide solids. I just wanted to understand your outlook on the demand coming from exports given that in one of the presentations, we mentioned that we wanted to increase the capacity to 10,000 metric tons currently, which is 3,600 metric tons. And out of this 3,600 how much do we plan to do it this year? If you could mention that, thank you.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Yeah, okay. Thank you, Saloni. So, let me start with the first part. I do not believe Ambarish mentioned that we will be starting the plant up this year, the production this year for poly solids. But yes, we are currently in the R&D stage. And we, like we had also discussion in the last webinar on polyacrylamide solid is not an easy product to produce. And because of the nature of this technology, we want to be very careful when finally selecting the technology and the process that we are going to be using to manufacture this product. So the R&D efforts are being done very diligently. This is one of the reasons why we've also hired the R&D advisor in Japan to guide us on these processes and to assist us with the project. So, the capex and all of these aspects will be done only when we have the final decision taken on the actual processes and the equipment that we require. Some of this equipment is not

available in India, we will have to import some of these equipment. Again, there are a lot of vendors which you will have to identify for all of that. So it's going to be still a little bit of a process to, for that to start. But coming to your question about how it's going to be funded. Right now, the idea is to fund it both from internal accruals as well as from certain level of debt. But the detailed planning on that has not yet been done. We will do that as we get closer to the project kick-off date, but right now it is nothing has been finalized as such.

- On the acrylamide solid, this is a very interesting product. As I mentioned in the past, we are the only company now outside of China producing this product and considering the various situations, geopolitical and otherwise, there is a lot of interest from companies overseas to buy the product from us. These are customers, MNCs and foreign customers who take time to take these final decisions of procurement. And we are in that process right now. We're in that stage right now. What we want to ensure is that once a customer switches over to our product, we should be able to satisfy their needs as fully as possible. And that's where once the product starts to move on a regular basis. And we will conclude some of these contracts that we're working on right now. That's when we will have a better idea on how much further capacity admission we need to do for that product. So we're in that stage right now, where a lot of information will be known to us over the next few months. So a lot of information, we cannot we do not have exact information right now for some of these questions regarding acrylamide solid. But what I can tell you is that the interest is very strong. And the other thing is that, like I Ambarish, like I mentioned earlier, is that we have also now spent a significant amount of money to register our product under the EU REACH registration. Now, once the EU REACH registration is complete, and we receive our documents from them, the entire European market also opens up to us where the pricing is, again, significantly higher than some of the other markets. So we're focusing on these areas right now. While the Indian market is currently depressed in terms of pricing, we are focusing our efforts on targeting those markets, where we get better realizations, and where we get a more stable and consistent business.

– **Saloni Innan:**

- Hi, so just to follow up on poly solids. So one of your points in the last presentation was that you had hired a sales team for the same. So I wanted to understand the significance of hiring a sales team when the R&D is still in process and the capex is yet to be done. And the equipment has yet to be imported. So just wanted some guidance on that point.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

- Yes. Good question. So, for the last many years, Black Rose has been a regular importer of polyacrylamide solids. And we've been doing this now for I would say more than 15 years, we have been importing polyacrylamide solids. So the reason why we have a sales team in place is basically to start off the marketing efforts for these products which are to be produced going forward with an imported product and create our market base. So even the imported product, buying it, bringing it and selling it is a profitable business. And what we're using with what we're doing with this sales team is creating our networks right now. So that when the plant is ready,

we don't have to spend six months, one year as a gestation period, like what we're doing currently with products like NMA or acrylamide solid, where things take time for getting approved. So, this is a reason why we have our sales team in place and active on the field right now.

– **Saloni Innan:**

– All right. Thank you so much, sir.

– **Host:**

– Thank you, Saloni. We have a question from Aman Vij. Aman, please go ahead.

– **Aman Vij:**

– Yeah, good morning, sir. First set of questions is on this Chinese dumping issue. If you can talk about when was the last time we saw such dumping from the Chinese players and how long did it last? And also, so, if they are able to take market share in domestic market in the acrylamide powder, what stops them for trying the same strategy in the export market which we are targeting? These are the first set of questions.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– Okay. So, during COVID, the last two years, we have seen Chinese acrylamide powder prices significantly higher than our prices of acrylamide liquid. And this is largely, see the Chinese situation really is heavily dependent upon their local market demand and their local situations. So, when, during 2020, '21, '22 most, I mean the early part of '22 when Chinese market was still strong and robust, Chinese acrylamide prices were significantly higher than the international market prices of acrylamide. So this is what happens when Chinese market falls then they just basically don't have too many outlets to dispose of their goods. When you're trying to sell a product like acrylamide. Let's say you're exporting it to Europe. You're exporting it to the US, you're exporting it to Japan, and these customers in those countries are typically very structured customers who buy only fixed volumes in a year. Those are not customers where you can go and say, okay, my prices, I can give you a better deal. So why don't you buy some more, those customers don't buy more just because they're getting a lower price. If they need 100 tons, they're gonna buy 100 tons. Even if you're going to give it to them at half the price, they're still going to buy 100 tons. So, typically, customers or typically suppliers do not go to these customers and reduce the prices unnecessarily when they know not going to result in any additional volumes for them.

– The same cannot be said about the Indian market, the Indian market is a 100% spot market. There are no regular buyers, there are no contractual buyers of acrylamide from China, in India at all, not a single one. It's a highly data dominated market, where it's a speculative business. So, what happens in situations like this is China's first market to approach is India, they will come to India and tell the traders that look, I can offer you this product at a 20% discount over the last month. So if you buy three containers or five containers or whatever, I'll give you a better deal. And Indian traders look at it purely on a speculative basis. And they will say okay, the current

market price is x and I'm getting it at x minus 20%. So, why don't I buy 100 tons and bring it in stock and I sell it and make a lot of money. So, this is what happens in the Indian market, it does not happen in the Japanese market, it does not happen in the US market, it does not happen in the European market, the Chinese do not go and reduce their prices there because they know it's not going to give them a single kg of extra business. So, this is basically what happens. So, that's why when the export side, the price maintaining the pricing and keeping a certain level of price, I would say consistency is generally what is done in this business.

– **Aman Vij:**

– Sure, sir, that helps. Second question is on the manufacturing revenue and the PAM liquid scaling. So, we had at the start of this year, almost 60%, 70% growth targets both for the overall manufacturing revenue and the PAM liquid scaling given the shutdown in the tile industry. What are the revised numbers which we are targeting this year? And also because as of now, we are too dependent on tiles industry and one or the other issues keep coming there, for example, gas issue and all those things, are we not trying to target more industries from PAM liquid to reduce this kind of volatility.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– Yes. So for the PAM liquid, there are two ways to basically grow that business. One is to increase the customer base so that even in a slowdown, even after slowing down, we still have a larger customer base compared to the previous year, which then doesn't lead to, I would say, overall slowdown in the business. So that is one way to of course protect from slowdowns. But when it comes to industry, yes, you're right, that our currently our PAM liquid business is focused on a single industry which is ceramic binder ceramic tiles. We are recently starting to look at some of the water treatment sectors where certain customers have demand for PAM liquids to be used in certain specialized water treatment applications. But those volumes will be quite low. It's good realizations, good profitability in those activities, but the volumes will not come from that. The volumes will mainly come from the ceramic vendor industry which we cannot really avoid.

– **Aman Vij:**

– Sorry, the targets for manufacturing revenue for this year, the revised targets if you can talk about the same. And as well as the revised target for utilization of PAM liquid.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

– Okay. So we have worked out a certain reduction compared to what we had earlier anticipated. But again, a lot of it really depends on how the markets move in the coming months, even in May, we had a certain expectation that the markets will improve by the end of -- by the June -- by the month of June with China, coming back bouncing back. But that did not happen. So we really don't know how the markets are going to move going forward. There is a Taiwan issue, there is Ukraine issue, which is still going on, issues with Europe. So it's very difficult to really have anything accurate that we can look at. But in the last year, we had a manufacturing revenue of

around Rs. 106 Crores, I believe, we are expecting around the 30% to 40% growth on that volume in this year, coming mainly from products like the NMA and the acrylamide powder. These are the two areas where we will have definitive growth on the manufacturing side.

- On acrylamide liquid side, we will be able to, we feel we will be able to maintain the capacity utilization which we had last year on acrylamide liquid. But there is a reduction in price realizations. So that may result in a lower revenue for acrylamide liquid because of the reducing price realization, which of course is related to the falling raw material price.

- **Aman Vij:**

- And on distribution, before I come back in the queue.

- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

- Yes, distribution, again is similar, distribution has been the worst hit in the last quarter. Distribution sales is down significantly in Q1, we expect in Q2 as well, the distribution sales is going to be down. Again, like I said sometimes these -- the bounce backs are very strong, very severe. Right now, the international prices for some of these products are still coming down. We've seen in one or two products where the price fall has kind of now stabilized. And we started seeing increase in demand for those products again. So let's see how things shape up. But we do expect distribution revenues to come down. If we were able, last year, I believe we did about Rs. 240 Crores approximately on the distribution revenue. This year, I'm not sure if we'll be able to do those numbers, considering the reduction that has happened already in Q1 and what we are expecting in Q2. I'm not sure if we'll be able to make that up in Q3 and Q4. But again, it really all depends on how the markets move.

- **Aman Vij:**

- Sure, sir, I have more questions I'll get back in the queue.

- **Host:**

- Thanks Aman. Before we take the next follow up question from Nagabrahma, friends, I request you to limit yourself to just one question because we're running tight on time. And probably we have time just for one or two more questions. In case there are any unanswered ones, requests you to write to me and we'll take it up with the management and get back to you. Nagabrahma, please go ahead.

- **Nagabrahma:**

- Am I audible?

- **Host:**

- Yes, you are.

- **Nagabrahma:**



- Sir, is there any other products which company can manufacture from the acrylamide family of products other than what we have already started or planning to do? So, in case if it is not there, then in future do we have to look for any other products or the chemistries?
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- No, there are products that can be made further from the acrylamide chemistries. One such product is there basically the polyacrylamide emergence, which there is a very large market in India as well for use in the textile printing industry. These are textile ink binders. So, this is a very interesting field. We have not yet started R&D on that product. But yes, as a natural progression of our acrylamide focus, that is a product which we may look at in the coming years that's known as a textile printing, a textile ink binders.
- **Nagabrahma:**
- Okay. Sir, then once we are done with whatever the existing capex at Jhagadia and you've also given the further possibility of capacity increase like for these new products and all do we have the space there at the current plant area?
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Yes, we do.
- **Nagabrahma:**
- So, that means, all these can be taken further at the same site.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Yes, we do. We have recently taken some land near our site for greenbelt and we have a certain quantum of area that needs to be used for greenbelt purpose, and what we have done is we have taken some external land to use for this greenbelt purpose. This basically, in any of our future environmental clearance applications, we will then be using that additional space reclaiming that as our greenbelt and freeing up some of the greenbelt areas of our existing plot. So that will give us significant space for growth at the existing site.
- **Nagabrahma:**
- If I am allowed to squeeze one –
- **Host:**
- Nagabrahma, you will have write to us for further queries, thank you. Aman, if you can just ask one question. And if there is more, please write to. This will be the last question for the day. Aman, please go ahead.
- **Aman Vij:**
- On the EU REACH registration part, if you can talk about what kind of investments we have made there? And when do we expect the approval for the same as well as

what is the potential opportunity when EU opens up? Can that geography contributes like Rs. 30 Crores to Rs. 50 Crores?

- And one short question, sorry, on the domestic market size, what we have understood is that the big larger competitor is becoming more focused and all those things. Do you think that also affected our business? Or was it just in the domestic market? Or was it just the Chinese dumping? These two quick questions.

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

- Okay. First question regarding the EU REACH. The investment that we've made on the EU REACH, I believe is approximately 40, around Rs. 40 Lakhs to Rs. 45 Lakhs would be the cost that we spent on the EU REACH registration. So it is a significant cost. We have already certain clients in the EU, who we have been in touch with for a long time, who've been waiting for our REACH registration to be completed, so that they can start procuring material from us. This is both for acrylamide liquid as well as acrylamide solid. As I said, the price realizations in those markets are also higher. The entry barrier which is posed by the REACH regulation is a significant, did not have, as far as I'm aware, there is no import of acrylamide liquid happening in the European region as of today. So this does give us an opportunity to tap those markets. At the same time, acrylamide powder is also covered by the same REACH registration that we have applied for. So the customers in Europe who are constrained to use acrylamide powder, who must use acrylamide powder for their particular applications. Again, we'll have to depend on us as their second source. And so, we expect to be able to recover the investments relatively easily, at the same time it is giving us access to a more lucrative market for our products. This is the on the REACH registration. And your second question was --

– **Aman Vij:**

- On the increased competition are we seeing because --

– **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**

- Yeah, so we do not, like I mentioned in my last webinar -- in the last webinar as well. The change in management or the change in policy at our domestic competitor has really only made the market better. Earlier the companies, the company was not aware of market pricing, was not aware of what is happening in the market and what do certain type of random activities which would be more damaging to the market that stopped since the new management has come in. They seem to be aware of market conditions and they seem to be aware of a lot of basic things about this industry, which earlier they were not very concerned with as far as especially when it came to local sales for acrylamide. We have not, we are not encountering any major issues because of them. But the major issues we face are due to the dumping of Chinese material in the Indian market, which is a main concern.

– **Aman Vij:**

- That's it. Thank you for the clarification.

– **Host:**

- Thank you, Aman.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Thank you, everyone.
- **Host:**
- Sorry, friends, we have to end out here. And invite Mr. Jatia for his closing remarks.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Thank you, everyone, for taking your time out today to join this webinar. I hope I've been able to, I and Ambarish have been able to answer your questions. If you have any other questions, kindly feel free to write to Mr. Naveen @skp. They will forward your questions to us for any kind of clarifications you may require. And thank you. Have a great day and a great weekend coming up. So, see you next time at the next webinar. Thank you.
- **Host:**
- On behalf of all of us at SKP, thank you very much, Mr. Jatia and Mr. Daga. And we look forward to hosting you for your next call and other interactions. Thank you and have a nice day.
- **Mr. Anup Jatia - Executive Director, Black Rose Industries Ltd.:**
- Thank you.
- **Mr. Ambarish Daga -- Joint CFO & Investor Relations Officer, Black Rose Industries Ltd.**
- Bye, Anup Ji.
- **END OF TRANSCRIPT**