“Black Rose Industries Limited
Q4 and FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Black Rose Industries Limited Q4 FY2021 Earnings Conference Call. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over Mr Naveen Agrawal, Head Institutional Equities of SKP Securities Limited. Thank you and over to you Sir!

Naveen Agrawal: Good afternoon ladies and gentlemen. On behalf of all of us at SKP Securities it is my pleasure and privilege to welcome you to this financial results conference call of Black Rose Industries Limited. We have with us Mr Anup Jatia, Executive Director along with Mr. Sandeep Chokhani, Director, Mr. Ambarish Daga, GM (Corporate Operations) and Mr Ratan Agrawal, CFO. We will have the opening remarks from Mr Daga and his colleagues followed by a Q&A session. Thank you and over to you Mr Daga for your opening remarks!

Ambarish Daga: Thank you Mr Naveen. Good afternoon everyone. I am Ambarish Daga, General Manager (Corporate Operations) and on behalf of Black Rose Industries Limited, I welcome you all to this Q4 and FY2021 earnings conference call of the company. I hope you all are safe and healthy during these challenging times.

We hope you have already gone through our financial statements for both Q4 and FY2021 submitted to the Bombay Stock Exchange and uploaded on our company's website last week. Further press releases regarding the company's performance and business of Q4 and FY2021 are also available on both the BSE and our company's websites.

Black Rose Industries Limited has been in existence for nearly three decades. We aim to be the leader in our products and markets by providing high quality service to our customers. We pursue excellence in all that we undertake and take steps to continuously improve ourselves. The company is engaged in the business of distribution and manufacturing a range of specialty and performance chemicals making it possible to service these anytime, anywhere and any quantity needs of the customers.

The distribution segment is engaged in the import and distribution of chemicals working with brand enhancing international principals. Some of our key principals are Mitsui Chemicals, Sumitomo Chemical Company, Taoka Chemical Company, LANXESS Deutschland, GC Glycol etc. Our top distributed products include resorcinol, meta cresol, ethanolamines, cyanoacrylates, isophthalic acid etc.

Many of our principals are based in Japan with some other being from Germany and Thailand as well. Contrary to the conventional practice of manufacturers especially Japanese to distribute their products through Japanese intermediary companies we enjoy direct relationships with these chemical manufacturers from Japan establishing strong and transparent relationships with the managements of the companies.

Recently we have added dental division to our distribution portfolio under the brand name BRILDENT which is importing high quality products from SUN medical company Japan, a company that has traditional and successful history in worldwide operations with high aesthetic and pain free management in dental treatment.

The distribution business provides the company with a ground level understanding of and exposure to the Indian chemical market realities apart from currently contributing over two-thirds of our revenue. It also reinforces the company's foundation. Black Rose is also engaged in chemical distribution within Japan through B. R. Chemicals Company Limited its 100% subsidiary. The company is also engaged in manufacture of fabrics and made up for industrial applications at Kolhapur in Maharashtra coupled with renewable energy and has two wind energy installations in Gujarat and Rajasthan respectively. These businesses contribute less than 1% to the company's revenues.

Now I would like to hand over to Mr. Sandeep Chokhani, our director to speak about our manufacturing business.

Sandeep Chokhani: Good afternoon everyone. We have our manufacturing operations are located in Jhagadia, Gujarat. The company commissioned South Asia's first acrylamide plant in September 2013. Having an installed capacity of 20000 metric tons per annum for merchant sales an additional capacity of 12000 metric tons for captive intermediate monomer requirements. The polyacrylamide division of the company comprises of an installed capacity of polyacrylamide liquid 40000 tons per annum and polyacrylamide solid which is under implementation of 10000 metric tons per annum.

Further the company plans to manufacture acrylamide powder at its existing Jhagadia plant. The expected capacity of the plant would be 3600 metric tons. The required investment outlay would be around Rs.8 Crores and potential revenue would be in the range of 65 Crores at current market prices. The initial capacity would be aimed at replacing 100% of India's imports while further capacity is added to serve larger global requirements as we go forward.

The company has entered into a technical services agreement with Mitsui Chemicals, Japan for this project. The company is currently in piloting stage. Also the company's R&D

department has developed a process a manufacturer of another chemical in N-Methylol Acrylamide called as NMA. This is a speciality monomer which has a market both in the domestic and the international areas. The company has already obtained the environmental clearances for the production of 2000 metric tons per annum of this product, which is used in textiles and coating industry.

India currently imports approximately thousand tons per annum, 48% in solutions from Europe at a approximate pricing of USD 1800 Crores [correction: per] metric ton and the product also has a good export demand. The company will shortly move to the piloting stage.

I would like to hand over the call to Mr. Ratan Agrawal, our Chief Financial Officer to speak about the company's financial performance for Q4 and FY2021. Thank you.

Ratan Agrawal: Thanks. Good afternoon. I am sure you would have had the chance to go through the financial statements shared last week in detail. I will quickly run through some key numbers and performance indicators for both Q4 and FY2021.

Starting with quarterly numbers total revenue for Q4 2021 was 67.95 Crores compared to Rs.74.5 Crores in Q3 FY2020 21 and 66.32 Crores in Q4 in the preceding year. Earnings before interest, depreciation, tax and amortization that is EBITDA for Q4 2020-2021 was 12.63 Crores compared to 13.94 Crores in Q3 FY 2020-2021 and Rs.7.20 Crores in Q4 in the preceding year.

Profit before tax Q4 2021 was Rs.11.94 Crores compared to Rs.13.03 Crores in Q3 FY2020-2021 and Rs.5.83 Crores in Q4 in the preceding year. Profit after tax for Q4 2020-2021 was 9.01 Crores compared to Rs.9.70 Crores in Q3 FY2021 and Rs.4.19 Crores in Q4 in the preceding year.

Coming to the annual numbers total revenue for FY 2020-21 was 235.68 Crores compared to 253.14 Crores in FY 2019-20. Earnings before interest, depreciation, tax and amortization that EBITDA for FY2020-2021 was 39.60 compared to 21.29 Crores in FY 2019-2020.

Profit before tax for financial year 2020-21 was 35.82 Crores compared to Rs.26.41 Crores in FY 2019-2020. Profit after tax for financial year 2020-2021 was 26.75 Crores compared to 19.95 Crores in FY2019-2020. For FY 2020-2021 the company proposed a dividend of Rs.0.45 per equity share that is 45% compared to Re.0.35 for equity share that is 35% in the previous year. Thank you. Now we welcome questions from all participants.

Moderator: Thank you very much. We will now begin the question and answer session. The management will be taking questions from five participants at a time and answer them collectively. Each participant is requested to limit himself or herself to a maximum of two questions. Time permitting we shall revert for any further questions that you may have which remain unanswered. The first question is from the line of Pritesh Chedda from Lucky Investments. Please go ahead.

Pritesh Chedda: Sir a couple of questions; one in the standalone results that you reported for FY2021 if you could give us ballpark what is the manufacturing revenue and EBITDA in that FY2021 number? And second from the Acrylamide expansion of 10000 tons to 20000 ton I think it is operational and if you could comment there if it is operational and the poly liquid 40000 ton that is that product now acceptable with the ceramic industry because that is where the maximum usage of that poly liquid Acrylamide is so you know these were my questions and one clarification you gave out the capex number at 8 Crores it was not very clear whether that 8 Crores includes poly solid 10000, poly powder 3600 ton, and that new product which I missed I do not know which N-Methylol Acrylamide or something does it all include that 8 Crores or you could specify very clearly what is that it grows? Thank you.

Moderator: Thank you. The next question is from the line of Kunal Pawaskar from IndGrowth Capital. Please go ahead.

Kunal Pawaskar: Sir the question was that on the trading revenue piece you mentioned you have some strengths and certain regions that allow you to earn slightly better than normal trading margins here so can you explain a bit more on that and what might say four to five years from now what might the mix between trading and manufacturing side be in revenue terms? And on the manufacturing piece in particular if you can also comment on the large MNC that is also setting up capacity in PA line of chemicals and how that affects us maybe for the first two years import substitution will still be on but beyond that how do you see that risk to the company? Thank you.

Moderator: Thank you. The next question is from the line of Yog Rajani from SageOne Investment. Please go ahead.

Yog Rajani: My question is with regards to the acrylonitrile price as you mentioned in the press release so acrylonitrile price, as you mentioned in the press release so how do we see and what impact do we see on our profit and loss? Do we think we can pass on the cost to our consumer to a very large extent or do you think the company would be hit by the increase in the raw material cost and to what extent? Thank you.

Moderator: Thank you. The next question is from the line of Vishal Jajoo from The Tycoon Mindset. Please go ahead.

Vishal Jajoo: Sir first of all if you can provide the diversification of the revenue in manufacturing of Acrylamide and polyacrylamide what is the revenue share between both and also in the export share how much of our sales is coming from the exports? My second question is if management can give us the timeline for the coming three to five years how is management thinking to expand his business because like polyacrylamide and Acrylamide will be consumed I guess in about next one to two years as in terms of capacity and post that we will again have our payback period in two to three years? So post three to five years where company is planning to expand its spread of portfolio? That is it for me. Thank you.

Moderator: Thank you. The next question is from the line of Aashav Patel from the India SME. Please go ahead.

Aashav Patel: My first question is that as per the press release you mentioned the 10000 metric ton capex in poly solids so what exactly is the roadblock why we are not able to ramp up that? Second point is why have we decided to prioritize products like say polyacrylamide liquid or NMA and stuff over the solids part of it polyacrylamide solids given that poly solids have better margin profile? The third one is that Morbi tile industry has in general seen 15% to 20% realization cut from their level so how does it impact our offtake of poly liquid? That is all. Thank you.

Anup Jatia: Thank you everyone for your questions. Let me answer them one by one or some questions might be answered in more generally which so I will try to answer each of these questions. Now there was a question regarding the manufacturing, the share of manufacturing and distribution. So typically the share of manufacturing and distribution has been in the range of 70% distribution and 30% in the manufacturing side. This year also the ratio is quite similar. There is a small change with the manufacturing ratio increasing slightly but in general it is similar. If you see in terms of profitability these ratios do change. The manufacturing EBITDAs this year have been quite good especially in Q3 and also in Q4 but the distribution EBITDAs also have been quite strong in both the quarters. Out of the total profit I could say that in Q3 approximately 60% of the profitability came from the manufacturing sector, and 40% from the distribution sector whereas in Q4 it was slightly reversed due to reduction in sales on the manufacturing side mainly due to lower exports, which have taken place. The PAM liquid that we produce has been well accepted in the ceramic tile industry and we continue to grow that business; however, this is a performance chemical, it requires approvals, trials, it takes time for these products to get fully utilized and fully replaced, the competitor’s products. Unfortunately, you know because of these COVID disruptions which first hit us last year in April to June and again which are hitting us now in April and May some of these COVID disruptions slow down, these conversions of the clients so we are of course constantly fighting with those challenges and increasing our sales of the PAM liquid which is going into the ceramic sector. There was also a question regarding the expansion 8 Crores capex, the 8 Crores capex is purely on the Acrylamide solid side, which is the manufacturing of Acrylamide powder, it is it is different. There would be additional capex on the other product which is N-Methylol Acrylamide. It is currently in the lab. The process is currently in the lab and now we will be doing a piloting. So once we have more clarity on the processes after piloting we will be able to work out a more accurate capex figure for that. So what we look at you know in terms of manufacturing and distribution revenues, share in the future we do not actually have any targets as such because both the businesses do have their own targets in their own lives but you know we feel as a natural progression as manufacturing increases and distribution increases at some point we would probably reach a level of around 50:50 but again this is you know really not we do not have any targets in mind on what this number should be. The effect of course there is another multinational who has set up a polyacrylamide solid plant recently in Gujarat. The effect of that plant has been discussed in the past as well but we do not find that plant having much effect on our business because we both focus on different segments of the market. The major focus of our competitor is on the oil and gas sector whereas that is not really our focus for this initial 10000 ton plant which we are planning to set up. Our initial 10000 ton plant will focus more on the water treatment and other sectors, not the oil and gas sectors which are highly bulky, more price sensitive and extremely volume, high volume segments. We are not looking at that segment currently at all. The acrylonitrile prices yes you know the acrylonitrile prices have risen since last year the prices have gone up but during this quarter during Q1 FY2022 there has been a price correction. Prices which had started off at around $900 in Q1 FY2021 went up all the way till $3200 by the end of Q4 FY2021, but that was a more of a panic buying price which fortunately we did not have to buy any material at those rates because we did have sufficient raw materials with us so we did not have to buy anything at these peak rates. Now the prices have come down gradually because of surplus capacities getting available in China so China has now started exporting their acrylonitrile and the prices have started to come down to closer to $2400 now but the thing about acrylonitrile is it is a raw material which is used by all Acrylamide producers and it is the price of Acrylamide is generally well correlated to the price of acrylonitrile. So, depending on how well you plan your procurement the effect of that price rise can be negligible and if you do not have a very good planning then the effect of that price can be quite detrimental. Fortunately, we have been planning our procurements quite well, so we are well covered and not having much of an adverse effect due to these prices impact of acrylonitrile. The one of the reasons that the Q4 that we have seen the sales reduce in Q4 one of the key reasons is due to the drop in export sales of Acrylamide. That is one reason and another reason is in Q3 we did have a large short-term demand from the oil and gas sector who purchased large volumes of

Acrylamide. So Q3 we had very good the manufacturing numbers whereas in Q4 the numbers came down a little bit due to falling export sales as well; however, a lot of this export sale reduction came because of the rise in global logistics costs and it took time for a lot of the downstream users to start accepting this inevitable scenario that logistics costs globally have increased. Now this has become something that all have started to accept and in fact in this current month in the month of May our export sales of Acrylamide actually will be higher than the domestic sales of Acrylamide as well. So the exports have started to pick up again and we expect good growth on the export side again. Going down you know two to three to five years down the line in terms of expansions our policy on expansions is very clear that once we start achieving regularly close to 80%, 90% of our operating capacities that is when we start looking at expansions. So whenever we reach such benchmarks that is when we will be going in for future expansions not only in our of course that is for what I am talking about is for the existing products that we manufacture but we do also constantly look at new projects, new opportunities which are coming up in the chemical space so expansions could be in the Acrylamide space Acrylamide related derivative space or also in other areas, which we will keep updating as and when they arise. Regarding why we are prioritizing on these other products rather than the Acrylamide polyacrylamide solid of course the polyacrylamide solid has a very strong revenue in terms of numbers the revenues are very good and profitability also are expected to be quite good but the reason why we have currently decided to prioritize the Acrylamide solid and the new product which is N-Methylol Acrylamide is because these are products which are already in demand by our existing clients in our Acrylamide space plus the gestation period is low so instead of waiting to do that we believe that it is more prudent to get that started and get that rolling while the polyacrylamide solid project continues its journey in the R&D and implementation side. So it is basically to start taking advantage of the markets that are already available with us. So these are generally I think this answers I believe most of the questions which have been asked by the earlier five members. Can we have other questions please?

Moderator: Thank you. The next question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda: My question of the capacity you know it is about just clarifying it is about 20000 ton of Acrylamide and poly liquid of 40000 ton just wanted first is this the correct capacity and what will be the utilization of these capacities and when do you think you will achieve peak utilizations and what revenues do you achieve on that peak utilization?

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Good afternoon Sir. Just two questions in the last annual report you had guided for 650 Crores of revenue by FY2023 so would like to know if the timeline is the same is interest and what kind of EBITDA margins can you do at 650 Crores up revenue for the company as a whole and so my second question is at that level of sales can you maintain your current ratios the current return ratios of 35%, 40% or that is a scope for further improvement in those return ratios at that level of state? Thank you so much.

Moderator: Thank you. The next question is from the line of Saloni Hemnani from Molecule Ventures. Please go ahead.

Saloni Hemnani: Sir I just had a couple of questions. So in regarding poly solids so where are we in terms of completion of R&D and the technical know-how because we have been having the same trouble regarding R&D since the AGM of FY2019. So could you please explain in detail to novices like us that you know where are we having trouble in terms of getting it started? The second question would be regarding the utilization level difficult just give us some volume breakup of poly liquid and Acrylamide liquid the utilization level for this quarter as well as this year? Thank you.

Moderator: Thank you. The next question is from the line of Nitin Rao from Alpha Ideas. Please go ahead.

Nitin Rao: The other folks have actually asked my questions. I will reiterate them. Number one is when what are the possible timelines for the poly solids to come up? Number two this new the two new projects that you are taking up and prioritizing now what is the revenue potential of these projects and number three which again ties in is are we on track to meet our guidance of 650 Crores? Thank you.

Moderator: Thank you. The next question is from the line of Yog Rajani from SageOne Investment. Please go ahead.

Yog Rajani: Thank you. I wanted to know from one of the press updates that I read there was some talk of capital raising for the polyacrylamide solid project has any decision been made regarding the same if you could just explain something on that it would be really helpful?

Moderator: Sir, you may go ahead with the answers.

Anup Jatia: Thank you very much for your questions. Regarding the capacities yes the capacity for Acrylamide we have capacity for merchant sales which is 20000 metric tons per year and 40000 tons per year on the PAM liquid these are the capacities we have currently for these two products. The utilization of the capacities basically in FY2021 and FY2020 our production of Acrylamide was more or less the same. There was not much of a change in Acrylamide production mainly number one due to with the first quarter slowdown and then due to the slowdown in the exports so we were not able to really increase our capacity utilization during FY2021 on the Acrylamide side although we were able to increase during Q3 for example in Q3 we were running at 100% utilization and during that period we were able to improve a lot of our operational efficiencies as well which helped further bring down the cost of manufacturing. On the PAM liquid side the peak capacity that we are at currently we have touched on that the liquid side is about 25% again due to the various starts and stops that we are having due to this COVID disruptions we are not able to have a continuous ramp up of the capacities utilization there. Again for example, April and May have been slow months for PAM liquid because a lot of the workers in this tile sector of Morbi a lot of them have left, gone back to their villages, many of them have got COVID, many factories are shut so or running at lower capacity so we keep having these start and stop issues with the market. This is one of the issues. At peak capacity utilization if see the prices of Acrylamide and PAM liquid both have increased during the year although typically we say the peak utilization of Acrylamide if we take a cost an average cost of Rs.75 that works to about 150 Crores peak revenue. Today the prices are closer to Rs.90 so that should work out to 180 Crores but this fluctuates. It fluctuates with the prompt prices of raw materials. Similarly with PAM liquid we generally consider around Rs.25 as a standard value but that has also increased to around Rs.27 currently. So again but that would be around peak revenue would be around 100 Crores. Now when we mentioned in our earlier annual report about the 650 Crores by FY2023 that was considering peak revenues of each of our product lines and the issue with COVID as we can all see, is that there is very little certainty on how things are going to shape up or how things are shaping in the markets. In the month of February, we were extremely bullish about the market, markets were improving everywhere but suddenly in March things started to slow down again and now we again have an extension of the lockdown till June. So it is very difficult to give you a clear picture at this stage on how and when this 650 Crores number will be achieved although the basis behind the number is as mentioned also in our annual AGM meeting that it is a 150 Crores from Acrylamide, 100 Crores from the PAM liquid, 200 Crores from the PAM solids, and 200 Crores from the distribution business. So that is the general overall picture that we had in mind at the time. These numbers will change with the changes in the product mix also that we are currently undergoing. The potential for example for Acrylamide powder again at the current prices that works out to around 65 Crores per year but that is again based on our initial plant size which we are looking at 3600 tons. The global market is larger and we do intend that once this 3600 tons is up and running we do intend to review that because that will take care of just the Indian market. We do intend to review that and look at possibilities for further expanding that. So that is one area that we intend to go very strongly. The benefit there is that Acrylamide powder currently is only made in China. No other country in the world produces Acrylamide powder and all countries well I should not say all but many countries and many customers are looking for alternates to China right now. So we are planning to be a first non-Chinese producer of this product and we expect the benefits of that to be quite significant. So, our initial potential on that is about 65 Crores with the first size that we are looking at. NMA again is a very similar product. NMA is currently imported into India but all of this is coming in from Europe. Many companies do produce NMA for captive use for their own coatings and other sectors but many companies either import this I mean also import this in India as well as in other countries. So even with our initial 2000 ton capacity we are expecting to replace the existing 1000 tonnes which is being imported in India that brings in that has a revenue potential of around 15 Crores plus if we look at the export side where prices are slightly better that could add another 20 so that is let us say another 35 Crores and again there are different grades, there are low formaldehyde grades, regular grades so again depending on the grades the pricing would be different so the potential with the 2000 ton plant of NMA could be anywhere between 30 to 50 tons [correction: crores]. So that is where these products come in. Now regarding the question about the poly solid R&D technology when it will be done and where are we exactly stuck over there or whether we are stuck over there. It is not really about being stuck anywhere it is really about prioritizing our R&D team's efforts currently so like I said earlier in the earlier questions we have taken a decision that there are other projects which we can bring to market faster, which have also tremendous potential to solidify and strengthen our global market presence in a product like Acrylamide. So we believe that is a better strategy at today's situation so that is why we are following that strategy currently. There was initially of course a slowdown on the R&D side last year because of restrictions on movement of our staff to the plant to operate the piloting equipment and all of these things so when that was happening that is when we decided that okay we cannot do anything else so let us start looking at these other projects which we can start moving to markets faster. So that is how that started. That is the R&D side and the poly solid thing is very much still on the table, very much an important product for our expansion so we will come to that as and when these other products are commercialized. One more question was there regarding the capital raise so as of today we would look at a capital raise when we feel that we do require the funds. There are several projects and several discussions ongoing within the board at the board level as well as you know with our R&D team and with our senior management so whenever we have any announcements to be made regarding a capital raise we will come back to our investors on the same. Yes, any other questions please?

Moderator: Thank you. The next question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda: My questions are answered. Thank you.

Moderator: Thank you. The next question is from the line of Dhawal Shah an Individual Investor. Please go ahead.

Dhawal Shah: I am Dhawal. I just was visiting your website. There is some Dental product I could see which you have launched last year. Can you give us some detail about that product? Thank you.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Sir, good afternoon. Two questions, one if you can breakup your growth into volume growth and realization growth for the quarter and for the full year? The second question is that there has been a QoQ and a YoY improvement in EBITDA margins. That I believe you mentioned earlier that you have done the same volumes that you did last year. So, you could just highlight if these cost saving measures are these sustainable and what will be the sustainable EBITDA margin going forward? Thank you.

Moderator: Thank you. The next question is from the line of Sidharth Shah from ABS Capital Partners. Please go ahead. Due to no response we move on to the next participant. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good afternoon, Sir. My two questions are, first on the utilization of the Acrylamide solid plant which you have. What kind of revenue or sale are we targeting for this year or when do you expect the full utilization or the commercialization of that project? The second question is on the PAM liquid part, as of now we are focusing on ceramics binders and there also our capacity is 25% utilized. But the opportunity in ceramic binder itself is like 4x, 5x and then there are other kind of opportunity for PAM liquid for example, textile, paper and others. So, what are your thoughts on the other segments and any plans on entering those? Thank you.

Moderator: Thank you. Sir, you may go ahead with the answer.

Anup Jatia: Thank you very much for your questions. So, the Dental product is very, very small part of our business currently. The reason why we have entered this Dental product line is more due to our relationships with our existing principals like, Ambarish Daga had mentioned in the very beginning, we work directly with Japanese companies as their distributors in India we do not work through intermediaries. So, this Dental product line was a product is a line which is owned by a subsidiary of Mitsui Chemicals and Mitsui Chemicals is one of our important principal, so this was the product line which they requested us to handle on their behalf for the Indian market. They have the major market share in the Japanese market, but in the Indian market their market share is not very large so seeing our performance in our other distribution products and our ability to help grow their businesses in India they have requested us to handle that and that is why we are handling it, it basically consists of things like adhesives and chemicals which are basically used by dentists at the time, for example when they are fitting the crowns and when they are filling the cavities and all of these things. So, it is a very small part of our business, but it is an important business for developing relationships with our principals, a lot of our products that we handle in distribution cum in the similar manner from our principals asking us to handle new product lines for them. There was a question regarding the growth in volumes and profits. So, just to break it down a little bit between Q3 and Q4 and the EBITDA margins, so basically if we look at our Q3 ratio of distribution, manufacturing, sales was around 60% of our overall sales and manufacturing was around 40%. This changed in Q4 and in Q4 the distribution increased to around 70% and manufacturing came down to around 30%. However, the profitability on the distribution side increased, the gross profit margins that we had in Q3 on our distribution business was close to 15% that increased to around 19% in Q4. While the gross profit levels in our manufacturing business remained largely flat, a slight reduction due to a slight increase in raw material prices which we had to cover but overall, they were flat. So, these we believe or at least during this particular period of Q1 FY2022 and maybe into Q2 FY2022, we feel the profitability should be able to be maintained, but largely depends again on how COVID affects the other markets internationally because currently the situation is that international prices in lot of other products that we deal in are higher than the domestic Indian prices. If domestic Indian prices move up to the level of the international prices, then these margins may increase further. On the other hand, if international market prices start to fall due to maybe the spread of variants in other countries or slowdowns in other countries or lockdowns in other countries then these margins may reduce. So, the situation we are in currently with so much uncertainty around us, it is very difficult to give any clear indications of what margins we will have going forward. But we believe that the existing margins are sustainable at least for the immediate future. On the Acrylamide capacity utilization in FY2022 we are seeing an increase in capacity utilization mainly from the export side. However, domestic markets have slowed down in Q1 FY2022 again largely because of COVID lockdowns. But again, do we see a V-shaped recovery like we did last year or do we not? It is again very difficult to judge. What we are currently focusing on is to further increase our export volumes. We entered the US market in the beginning of calendar year 2020 but after that the US market suddenly came down when oil prices crashed. So, oil and gas customers in the US had reduced their procurements. Now again oil and gas prices have come up to reasonable levels. So, demand from the US has again started coming and we are looking at trying to capitalize on some of these export demands for Acrylamide to help increase our Acrylamide capacity utilization during FY2022. Another question was there regarding PAM liquid yes, we are currently focused on the ceramic binder side. We feel there are still more improvements we can do in the poly Acrylamide liquid side in the ceramic binders itself. But yes, we are also looking at the other markets like textiles, but we have a pipeline of product development everything is going to be working one by one as per our priorities. So, it is definitely there as part of pipeline. In fact if you look at our environmental clearance, we also have another product line which we have announced which is the polycarboxylates, these are basically again chemicals used in the ceramic tile industry which are acrylic dispersants. So, that entire product line we have not even started work on that although that is also there as part of our environmental clearance. So, that is unforecasted revenues which also we will be working on in the coming months. So, there is a lot of product development going on we are in the process hiring additional R&D staff as well so that we can work faster on some of these projects yes, there is a product pipeline in place.

Moderator: Thank you very much. Ladies and gentlemen, we will take the last two questions. The first question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir, one clarification from your comments you mentioned that the capacity utilization in Q3 was 100%, I am just guessing that it was 100% of that 10,000 ton of pre-expanded capacity if I am not wrong and second when you are mentioning that we will the peak utilization is Rs.150 Crores for Acrylamide and Rs.100 Crores for poly liquids, I am just hoping that it offsets the fact that Acrylamide in a new partly poly liquid, so it is offsetted number and when do you think you will achieve this Rs.100 Crores or Rs.150 Crores of peak revenues?

Moderator: Thank you. The next question is from the line of Aashav Patel from India SME Investment. Please go ahead.

Aashav Patel: Sir, my only query, the main question was what kind of operating margins we are looking at for NMA? That is all.

Moderator: Thank you. Sir, you may go ahead with the answer.

Anup Jatia: Coming to the first question; the capacity that we were running at 100% capacity in Q3 that is 100% capacity of our expanded capacity of 20000 tons. We had very large orders that particular month and we were able to operate our plant at close to 100% capacity of our 20,000 metric tons of merchant sales capacity. When we talk about this peak numbers of Rs.150 Crores of Acrylamide and Rs.100 Crores of liquid these do not overlap, so for example, we have 20000 tons of merchant sale capacity of Acrylamide, 200 tons multiplied by Rs.75 a kilo that works to Rs.150 Crores. So, the Rs. 150 Crores which we talk about as the peak revenue of Acrylamide is based purely on the merchant sale capacity and does not take account our captive consumption of Acrylamide at all. Liquid Rs.100 Crores that is again simple calculation based on 40000 metric tons x Rs.25 a kilo, that is how that Rs.100

Crores, figure comes in. There are no overlaps between the two numbers. The capacity for captive consumption is separate from the capacity for our merchant sales. Regarding the operating margin on NMA, I do not have any comments currently on that as the process still in the lab-based stage, once we complete our piloting and once, we are able to perfect, have all the loose ends tied up we will have more clear picture, on what the margins would be there. So, I would not like to give a number without having an accurate detail as of now.

Moderator: Thank you very much. This was the last question. As there are no further questions, I would now hand the conference over to Mr. Navin Agrawal for closing comments.

Navin Agrawal: Thank you Neerav, I now invite Mr. Anup Jatia for the closing remarks. Over to you, Sir!

Anup Jatia: Thank you everyone for joining the earnings call today. This was our first earning call. I am sure all of you must have attended many earning calls in the past and I apologize for any shortcomings on our side with our first attempt at having decent enough earning call for all of you. So, we will continue to improve ourselves, we will continue of course to publish the performance reviews and the annual reviews, the quarterly reviews so that the investors at large are aware of the direction that the company is taking, and I look forward to hearing, some of the voices I have heard today again on our next earning call for Q1 FY2022. Thank you everyone for your participation.

Moderator: Thank you very much. On behalf of SKP Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.