



PERFORMANCE REVIEW 9M FY2020, BUSINESS UPDATE Q3 FY2020, AND UPDATE ON THE EFFECTS OF CORONAVIRUS

Performance Review

The company ended the first nine months of FY2020 with a strong improvement in performance over the nine months, i.e. 9M FY2019:

	9M FY19	9M FY20	Increase (%)
Revenue	158.30	187.00	18.1%
EBITDA	16.44	24.09	46.5%
PBT	12.43	20.57	65.5%
PAT	8.99	15.75	75.2%

all numbers in Rs. crores, standalone

All key financials improved over the corresponding period of the previous year and the company continues to remain on a path to growth with the newly added capacities for acrylamide and polyacrylamide solids commissioned at the end of January.

Compared to the previous quarter, raw material prices for acrylamide moved up slightly as compared to the previous quarter. In the chemical distribution business, the global market slowdown continued to make more product available for the Indian market and helped increase volumes. Despite the slow economy and the festive season in October, the company was able to deliver a consistent and good performance with the support of its increasing product portfolio.

Business Update

Acrylamide Plant

International and domestic sales of acrylamide remained strong despite the festive slowdown in October. Raw material prices increased slightly over the previous quarter in Q3 FY20 but the same has fallen to lower levels during Q4 FY20. International demand for acrylamide remains strong and the company expects continuing increases in its export volumes. With the expansion of the plant, the company has now enough capacity to sell 20,000MT of acrylamide as well as feed its captive demand for polyacrylamide production. The company intends to become a more active player in the global market of 990,000MT and has stepped up its marketing efforts on this front.

Chemical Distribution

Sales of the company's key distribution products remained strong despite the overall slowdown in the economy. Availability of certain products increased due to the global slowdown and the company has been able to improve market share in those areas. The shortage in meta cresol due to force



majeure declared by Lanxess AG reduced product availability but we expect that the force majeure will be lifted during Q1 FY21 and higher volumes should become available at that time. The rupee generally stayed within a narrow band of approximately 71 – 72 per US Dollar and continues to trade in this band.

Polyacrylamides

The company started commercial production of its polyacrylamide liquid using existing facilities to kick off marketing efforts during the last quarter, and in the end of January installed an annual capacity of 6,600MT. During February 2020, the total capacity installation of 40,000MT is expected to be completed. Trials at customers continue to be successful and customer acquisition is progressing steadily. As with the polyacrylamide liquids plant, the 10,000MT polyacrylamide solids plant is also being set up based on the company's in-house R&D. The work on the polyacrylamide solids plant is progressing well and is expected to be completed during Q1 FY21.

Update on the Effects of Coronavirus

The company has received many queries regarding the effects on the coronavirus on the company's business and an internal assessment was carried out. Primarily, we have found that products which are largely consumed in China and imported into China from the world are being faced with excess supply and falling prices, whereas products which are largely produced in China and exported from China to the world are being faced with shortages and increased prices. Although we do not procure any chemicals from China for the manufacture of acrylamide, our key raw material acrylonitrile has been seeing falling prices due to the effects of the coronavirus. Furthermore, acrylamide powder, which is produced only in China, has seen prices increase and this is leading to stronger demand of acrylamide liquids. On the distribution business, the only products imported by the company from China are CTPI (a rubber chemical) and ethyl cyanoacetate. The product forms a very small part (<1%) of the company's distribution business and we carry stocks till April for the same.

FOR BLACK ROSE INDUSTRIES LTD.

NEVIL AVLANI

COMPANY SECRETARY

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