

February 8, 2021

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

Dear Sir,

**Sub: Performance Review Q3FY21 and Update on Business**

Please find enclosed Performance Review of the company for Q3FY21 and Update on Business for the information of all the stakeholders of the Company.

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



**Nevil Avlani**  
**Company Secretary and Compliance Officer**

**Black Rose Industries Ltd.**

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## PERFORMANCE REVIEW Q3FY21 AND BUSINESS UPDATE

### Performance Review

Demand during the third quarter of FY21 continued to rise on the back of strong recovery across most of the company's markets. Requirements from the textiles and dyes sector finally started to pick up while other sectors such as paints, ceramic tiles, tyres, adhesives, and pharmaceuticals extended their gains. Disruptions in international logistics due to container shortages and delays caused tightness in material supplies across industries. The company's focus on maintaining adequate stocks of its distribution and manufacturing products allowed it to gain market share.

	Q2 FY21	Q3 FY21	Change (%)
Revenue	66.77	74.54	+12%
EBITDA	9.08	13.94	+54%
PBT	7.97	13.03	+63%
PAT	5.97	9.70	+62%

*all numbers in Rs. crores, standalone*

The share of manufactured products in the revenue of the company increased. Key financial indicators further improved during the period. Net profit margin increased by more than 4% to 13% and EBITDA margins are now at 18.7%. Profits for the quarter again hit an all-time high.

Parameter	FY20	Q2 FY21	Q3 FY21
Distribution : Manufacturing Revenue	2.2 : 1	2.5 : 1	1.7 : 1
Debt : Equity Ratio	0.34	0.30	0.28
Interest Coverage Ratio (times)	11.9	19.4	62.7
Current Ratio	1.55	1.72	2.03
Quick Ratio	0.82	1.14	1.35
EBITDA Margin	12.4%	13.6%	18.7%
Net Profit Margin	7.9%	8.9%	13.0%

During Q4, the hope that COVID vaccinations and falling cases across geographies will spur worldwide growth has ensured that demand continues to improve and product prices continue to increase in India as well as overseas.

### Business Update

#### Acrylamide Liquid Plant

Acrylamide prices increased along with global acrylonitrile (raw material) prices. While sales increased to customers in the paint emulsion and ceramic tiles industry, there was also significant short-term demand from the oil and gas sector. The plant operated at 90% - 100% of merchant sales capacity during the quarter. The global logistics problems plaguing international trade had two effects on the company's performance – 1) the company gained market share as alternate supply sources of acrylamide were curtailed and 2) export volumes reduced because customers were unable to accept the longer transit times being quoted by shipping lines. Export



volumes have again started to pick up while alternate sources of acrylamide still remain tight and acrylonitrile (raw material) prices continue to increase in Q4.

#### *Distribution*

Barring certain products like resorcinol and certain performance chemicals, the distribution business saw a rise in the prices of most of the products it handles. Material shortages during the quarter due to shipping disruptions affected the distribution business – positively in some cases and negatively in some. On the positive side, we were able to grow business and profit in certain products using stocks that had been built up during earlier periods. On the negative side, the delay in material arrival resulted in some sales being pushed into the next quarter and some missed opportunities as well.

Demand has been increasing during Q4 as well and the company has been expanding its market reach in products such as 1 bromo 3 chloro propane, isophthalic acid, and resorcinol. Prices of several distribution products such as hydroquinone, isophthalic acid and ethyl cyano acetate have been increasing sharply during the last weeks of January and early February and others are expected to increase when China re-opens after their Lunar New Year. The company has added a new principal for ethanolamines and has hired new staff in its performance chemicals business to grow the water treatment business.

#### *Polyacrylamide Liquid*

The company's ceramic binder product, BRILBIND CE01, was launched in Morbi in 2020. Morbi's close to 1000 ceramic tile factories run by local entrepreneurs produce 80% of the nation's ceramic tiles. Morbi is also a major exporter of tiles, being the second largest production hub in the world after Guangdong in China. Morbi is an outsourcing hub for India's well-known ceramic tile brands.

BRILBIND CE01 is used in the production of vitrified tiles. The company has strategically been supplying its product to several units in Morbi to closely monitor performance consistency across different units and tile-making methods, and BRILBIND CE01 has been found to combine superiority in performance with better economics as compared to any other product available. With performance consistency having been established, the company's warehousing and logistics operations firmly in place, and with our focus on maintaining a reliable supply partnership, the company has targeted to expand trials during Q4 to widen its customer base. Each vitrified tile unit consumes anywhere between 25MT – 60MT of ceramic binder per month.



### *Projects and Expansions*

The Indian domestic market consumes acrylamide in two forms – liquid (70% of the market) and powder (30% of the market). For acrylamide powder, the entire Indian demand (3500MT) as well as global demand is catered to by producers in China. Considering the increasing requirement for companies everywhere to de-risk their supply chains, and considering the movement towards an Atmanirbhar Bharat, the company is planning to manufacture acrylamide powder at its Jhagadia plant. The expected capacity of the plant would be 3,600MT, the required investment outlay would be Rs.8 crores, and potential additional revenue would be Rs.55 crores (at today's market price). The initial capacity would be aimed at replacing 100% of India's imports while further capacities could be added to serve larger global requirements. The company has entered into a technical services agreement with Mitsui Chemicals, Inc., Japan, for this planned expansion.

Work on the 10,000MT polyacrylamide solid plant is currently in the piloting and R&D stage after completion of the initial civil work for the building. There have been delays in this project due to the R&D work on polyacrylamide liquids as well as other acrylamide derivatives, including the acrylamide powder expansion. Furthermore, with the rise in the company's profits, the company has considered financing this Rs.60 crore project from internal accruals but lately the company has also received suggestions to consider a possible fund raise through issue of new shares/warrants/etc. In case such an option is considered, the company feels it may be prudent to allow for some time to evaluate possible funding sources and valuations at the time of capital expenditure so that it provides better value to stakeholders.

Needless to say, while work on the projects and expansions continue, the company will continue to concentrate on and grow the distribution, acrylamide, and polyacrylamide businesses which are already on a visible runway and have established their profitability.

### ***DISCLAIMER for forward looking statements, etc.***

Some of the statements in this press release may be forward-looking statements or statements of future expectations based on currently available information. Such statements are naturally subject to risks and uncertainties. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference in the company's operations include the availability of raw material/product, cost of raw material/product, changes in demand from customers, fluctuations in exchange rates, changes in government policies and regulations, changes in tax structure, economic developments within India and the countries in which business is conducted, and various other incidental factors. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in making any assumptions. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

**FOR BLACK ROSE INDUSTRIES LIMITED**

**NEVIL AVLANI**

**COMPANY SECRETARY**

**Date: FEBRUARY 8, 2021**