

PERFORMANCE REVIEW Q3FY22 AND BUSINESS UPDATE

Performance Review

Q3 FY22 saw demand in the Indian chemical market pick up initially and slow down towards the end with the third wave of COVID. Prices of some distribution products started to fall during the quarter due to increased domestic inventory, despite international prices remaining stable. Revenue and profit in the manufacturing business increased with improved demand for acrylamide and a surge in sales of polyacrylamide liquids.

	Q2 FY22	Q3 FY22	Change (%)
Revenue	102.11	92.82	-9.1%
EBITDA	12.92	13.38	+3.6%
PBT	12.00	12.52	+4.3%
PAT	9.02	9.24	+2.4%

all numbers in Rs. crores, standalone

The key financial indicators during the period are as below. The company has improved upon all the significant parameters, and as can be seen, the company is now practically a zero-debt company.

Parameter	Q1 FY22	Q2 FY22	Q3 FY22
Distribution : Manufacturing Revenue	2.0 : 1	3.0 : 1	1.9 : 1
Debt : Equity Ratio	0.11	0.15	0.02
Interest Coverage Ratio (times)	35.3	45.4	55.3
Inventory Turnover Ratio (times)	0.99	2.52	2.57
Return on Equity	30%	34%	33%
Current Ratio	2.48	2.93	3.93
Quick Ratio	1.27	2.18	2.48
EBITDA Margin	17.6%	12.7%	14.5%
Net Profit Margin	11.9%	8.8%	10.0%

Business Update

Acrylamide Liquid

Sales of acrylamide increased by 8% over the previous quarter as demand remained strong and prices continued to rise on the back of tighter domestic supply. The international price of acrylonitrile reduced and was rangebound within \$2100 - \$2300/MT during the quarter. With export freight costs remaining high and limited loading space being available, exports reduced to 10% of total acrylamide sales.



The beginning of Q4 FY22 has seen stable acrylamide prices while acrylonitrile prices are on a decline due to international supply surplus.

Distribution

The distribution business witnessed a drop in sales of 21% over the previous quarter. However, this was primarily due to a reduction in sales of meta cresol (reduction of Rs.9 crores due to delivery deferral) and isophthalic acid (reduction of Rs.4.8 crores due to domestic oversupply). Margins remained healthy across the product range and in rupee terms, the overall profits from the distribution business increased.

Demand from the middle of December till the third week of January (Q4 FY22) was sluggish, primarily due to the third wave of COVID and higher inventories at customers' end. From last week, prices of isophthalic acid have started to increase and meta cresol sales have picked up. Market demand of acrylonitrile and resorcinol is expected to pick up by the end of February. The company has also added hexamine to its range of products and sales from this product will further add to the growth of the distribution business.

Polyacrylamide Liquid

As highlighted in the last performance review, the company's ceramic binder product, BRILBIND CE01 has seen a surge in sales during Q3 FY22. Sales grew 133% in terms of volume and 159% in terms of revenue. Prices were increased by 11% during December 2022.

The outlook for Q4 FY22 is very encouraging in terms of customer retention as well as profitability as raw material prices have started to correct. However, production of tiles in Morbi has been facing challenges due to increased energy costs and low demand for tiles. It is expected that the tile industry will recover in the second half of February.

Projects and Expansions

Acrylamide Powder: The company will start manufacturing acrylamide powder at its Jhagadia plant. The plant, which will be the only one of its kind outside of China, can replace 100% of India's imports and will also serve global requirements. The company also intends to obtain REACH registration to enable sales in the European Union. The company is eagerly awaiting regulatory approval to commence commercial production, which has been delayed due to the third wave of COVID during December '21 – January '22. The expected annual revenue from this product is Rs.85 crores.

N-Methylol Acrylamide (NMA): The company manufactured its first commercial batch of NMA, a specialty monomer used globally in the textile and coatings industry, at its Jhagadia plant. The batch has been sent for customers' approvals, after which the company will commence sales of





the product. Potential additional revenue from NMA is Rs.35 crores per annum at the full capacity of 2000MTPA.

Polycarboxylates: The company is in the process of developing an acrylic polymer dispersant for use primarily in the ceramic tile market. The product finds use widely amongst customers of our ceramic binder and is in high demand across the industry. The product can be made using existing facilities and does not require significant additional capital expenditure.

Polyacrylamide Solid: Demand and pricing for polyacrylamide solids is growing in the domestic market due to supply chain constraints from China and other countries. This product segment remains the prime focus of the company and the R&D team continues its work in product development. Additional R&D manpower is being recruited to accelerate the process.

The company will continue to concentrate on and grow its existing businesses while looking for new projects in the areas in which it operates.

DISCLAIMER

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

For Black Rose Industries Ltd.

A handwritten signature in blue ink, appearing to read "hshetty", is written over a horizontal line.

Harshita Shetty

Assistant Company Secretary and Compliance Officer

