



## PERFORMANCE REVIEW Q2 FY2015 - 16

### *Overview*

The second quarter of FY2015-2016 saw a slowdown in sales and profitability. The company's EBIDTA fell by 18.6% to Rs.218.83 lacs in the quarter as compared to Rs.268.95 in the previous quarter. Cash profit also fell 31.1% to Rs.93.31 lacs as compared to Rs. 135.36 lacs in the previous quarter.

The reduction in sales was primarily caused by market jitters created by sudden instability in the foreign exchange markets in the month of August, continued fall of petrochemical prices, and tight liquidity conditions in the market. Fall in profitability was mainly due to consumption of higher cost raw material for the manufacture of acrylamide during the quarter.

### *Acrylamide Plant*

Capacity utilisation continued to increase during the quarter and is expected to reach 100% during the year. Some key customer approvals are expected in Q3 based on trial shipments that were made during Q2, and this is expected to increase export and domestic volumes from Q4. In the second half of September, the company was invited to present its case for capacity expansion to a committee of the Ministry of Environment and Forests, Gujarat, which it did. We now await directions for further necessary procedures that shall be completed as soon as possible, and expect approval for capacity expansion in Q4. Capital expenditure for expansion is planned for FY2016-2017.

Prices of acrylonitrile (raw material for acrylamide) and acrylamide are related to each other and a profitable spread is maintained between the two. The company imports acrylonitrile, and there is a time lag of several weeks between booking and receipt of material. A fall in raw material prices during transit affects the profitability of acrylamide operations. A sudden and steep fall in the international acrylonitrile prices during Q2 adversely affected the international and domestic prices of acrylamide, bringing profitability down. The pricing of acrylonitrile has been relatively stable in recent months.

### *Chemical Distribution*

Profitability in the chemical distribution business was maintained despite the slowdown in sales. Amidst falling international chemical prices, the company strengthened its focus on specialty chemicals with high price stability and regular end user demand, exiting products of a more volatile nature. Sales were reduced as customers maintain minimum inventory levels during such periods. Furthermore, liquidity in the market is poor and sales were conducted with abundant caution. We expect these general trends to continue for at least another quarter.

# **BLACK ROSE**

With international demand for chemicals at a low level, we saw an increased interest from our foreign principals in offering a wider range of products into the Indian market during Q2. During Q3, we will increase our sales staff to take up distribution of these additional products and should see new volumes being generated from Q4. The company regularly posts product updates on its website.

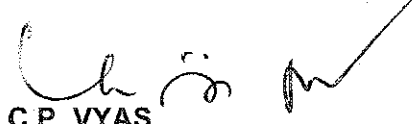
## ***Textiles***

Compared to the same quarter of the previous year, the textile division showed top-line growth of 61.8% and PBIT growth of 38.4%. The division carried on its usual activities, supported by the India Japan Comprehensive Economic Partnership Agreement.

## ***Renewable Energy Division***

The results of the renewable energy division operating the company's two windmills were almost identical to those of the previous quarter. Performance of the windmills is based on natural conditions over which the company does not have control.

**FOR BLACK ROSE INDUSTRIES LTD.**



**C.P. VYAS**  
COMPANY SECRETARY