

BLACK ROSE

PERFORMANCE REVIEW 1H FY2017 – 18 AND UPDATE ON BUSINESS

Overview

The first half of FY2017-2018 saw an increase in profitability and sales over the previous year, despite a reduction in sales during Q2 caused mainly due to the introduction of GST at the start of the quarter. The company's half yearly EBITDA of Rs.849.56 lacs is higher by 5% over the previous year, while the quarterly EBITDA of Rs.472.98 lacs is higher by 26% over the previous quarter due to improving profitability margins.

Acrylamide Plant

Capacity utilisation during the first half of FY2017-18 was largely unchanged over the previous year due to the slowdown in sales of acrylamide to domestic construction-related sectors (due to temporary GST-related issues) and a drop in export orders due to holidays in key markets in Q2.

The price of acrylonitrile (raw material for acrylamide) was mostly stable during the period but started rising towards the end of Q2 because of plant shutdowns in China and a global shortage. Due to this, price of acrylamide powder from China has increased by more than 40% and sales price of the company's acrylamide has also increased.

The company has received Consolidated Consent & Authorisation (CC&A) from the Gujarat Pollution Control Board for 20,000MT acrylamide production at its Jhagadia unit.

Chemical Distribution

Profitability in the chemical distribution business improved during the period. Increasing crude oil prices and widespread supply shortages of chemicals triggered by an environmental cleanup prior to the Chinese Communist Party conference in early October led to better price realisation for the company's distribution products. Chinese production concerns have continued well into the current quarter due to the government's (long overdue) strict environmental policies. The company sources its chemicals primarily from outside China.

The company saw reduced volume of sales of key products such as ethanolamines and cresols during Q2 because of GST-related confusions regarding high seas sales as well as postponement of shipment schedules caused by GST-related slowdowns in our customers' business.

Textiles

Compared to the same quarter of the previous year, the textile division showed a reduction in sales. The division carried on its usual activities,



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supported by the India Japan Comprehensive Economic Partnership Agreement.

Renewable Energy Division

The results for the past 6 months of the renewable energy division operating the company's two windmills were almost identical to those of the previous year. Performance of the windmills is seasonal and based on natural conditions over which the company does not have control.

Polyacrylamide Plant

The company has decided to set up a plant to manufacture polyacrylamides at a cost of Rs.60 crores. The expected increase in revenue from this business is Rs.300 crores. More information is available in a separate press release issued today in this regard.

FOR BLACK ROSE INDUSTRIES LTD.



C.P. VYAS
COMPANY SECRETARY

Date: December 11, 2017

PRESS RELEASE

Black Rose Industries Ltd. will set up a plant for the manufacture of polyacrylamides at its site in Jhagadia at an estimated cost of Rs. 60 crores. The plant will be funded by a combination of internal accruals, equity and debt. The 57,000MT plant will manufacture polyacrylamide solids, solutions, and emulsions and is expected to add 300 crores to the company's top-line.

The company has already applied for Environmental Clearance expects to start operation during FY2018-19.

Polyacrylamides are in high demand globally as well as in India. Most of India's demand for polyacrylamide solids is currently supplied from China, the European Union and Japan. Polyacrylamides are widely used as flocculants in wastewater/sewage treatment, mining, and paper manufacturing, as friction reducers in hydraulic fracturing (fracking) operations, as viscosity modifiers in Enhanced Oil Recovery (EOR) applications, and as binders in textile printing, ceramic tile manufacturing, etc.

Polyacrylamides are produced through the polymerisation of acrylamide monomer, and depending on the ionic nature of the polyacrylamide may include other monomers. Acrylamide is already produced by the company at the same site.

Date: December 11, 2017

