

The rising sun

How Black Rose – from distribution to manufacturing - has created a foundation that prepares it for sustainable growth in revenues, profits and shareholder value

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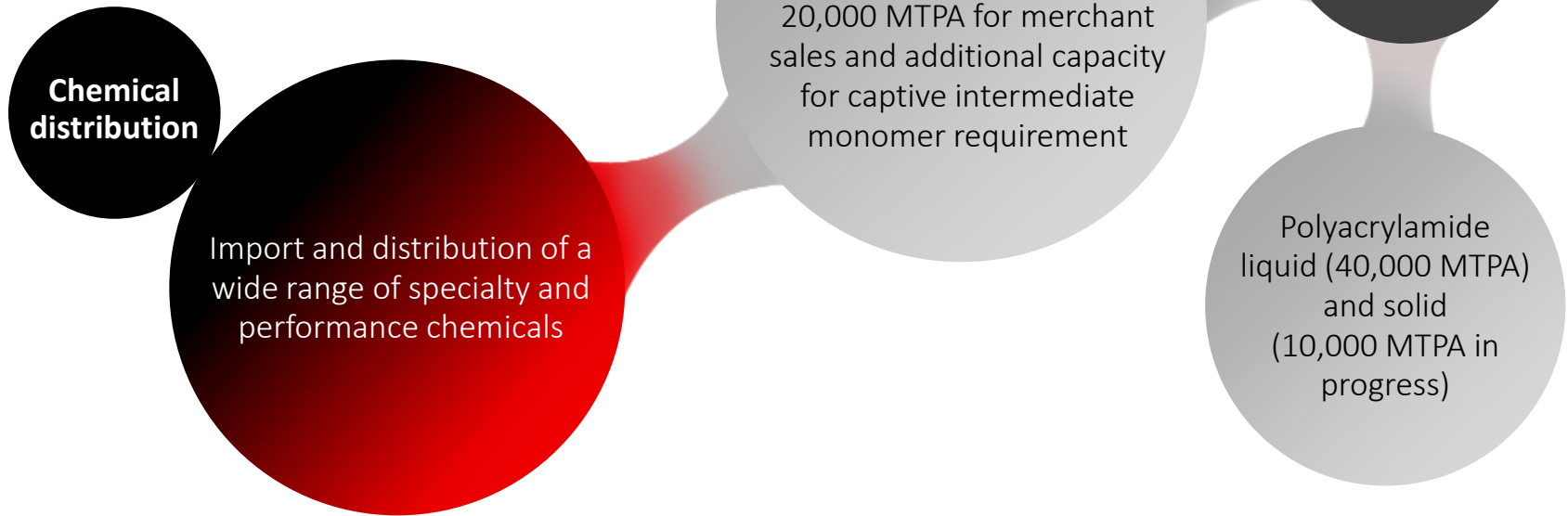
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Strong roots in Japan: A significant strength

- Established as Asia Fab Ltd. in 1990; headquartered in Mumbai, India; listed on the BSE from October 1, 1992
 - Name changed to Black Rose Industries Ltd. in 2006 when the promoters transferred their chemical business to the company
 - Promoter family enjoys a strong business association with Japan for over six decades
 - Contrary to the conventional practice of Japanese manufacturers to distribute their products through Japanese intermediary companies, Black Rose enjoys direct relationships with Japanese chemical manufacturers, establishing strong and transparent relationships with the managements of the companies
- Anup Jatia, Executive Director
 - Raised in and completed schooling in Japan; graduated in E&AS (Chemical Engineering) & Economics from California Institute of Technology, USA
 - 25 years of Japan-centric experience in global chemicals distribution and various manufacturing activities
 - Deep understanding of and exposure to the Japanese language, business culture and practices

Business presence of Black Rose



Legacy/other businesses: The Company is also engaged in the manufacture of fabrics and made-ups for industrial applications at Kolhapur (Maharashtra), and renewable energy (a windmill each in Gujarat and Rajasthan). **These businesses contribute less than 3% to the company's revenues.**

B.R. Chemicals Co., Ltd.: A 100% subsidiary in Japan engaged in local distribution and export of chemicals

Chemical distribution business

The foundation of BRIL's growth – Reliability

Relationship-based distribution involves direct and deeper engagement with principals and customers

Relationships built through distribution business continue to provide new business opportunities (like entry in acrylamide and polyacrylamide manufacturing)



- Deeper understanding of eco-systems of principals and customers has led to a superior need-gap fulfilment with best solutions; service-oriented positioning as a reliable partner



- Fair pricing policy leading to long-standing customer relationships



- Choice to work with credible customers who value relationships and reliability



Chemical distribution business

The foundation of BRIL's growth – Reliability

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Agile business model, benefitting from opportunities but protected from challenges

Efficient forecasting-based stock maintenance

Better and consistent margins

Closer access to markets provides a deeper insight into market dynamics, leading to:

Significant advantage to principals and customers during periods of global tightness/oversupply through preferential allocation and pricing

Product specialisation with in-depth understanding of a global demand-supply scenario

Expert positioning in the Indian market; value-add to principals and customers facilitating their strategic decision making

Chemical distribution business: BRIL works with brand-enhancing principals

Access to first-rate quality, strategic market support and ethical practices



List of key distribution products



Speciality

1 Bromo 3 Chloro Propane
Acrylonitrile
Alpha Picoline
Amine N1 (TEA Bottoms)
Benzylamine
Diethanolamine
Ethyl Cyano Acetate
Gamma Picoline
Hydroquinone
Isophthalic Acid
Meta Cresol
Meta Ureido Aniline
Meta Xylene
Methacrylamide
Monoethanolamine
Pyridine
Pyrrole
Resorcinol
Triethanolamine

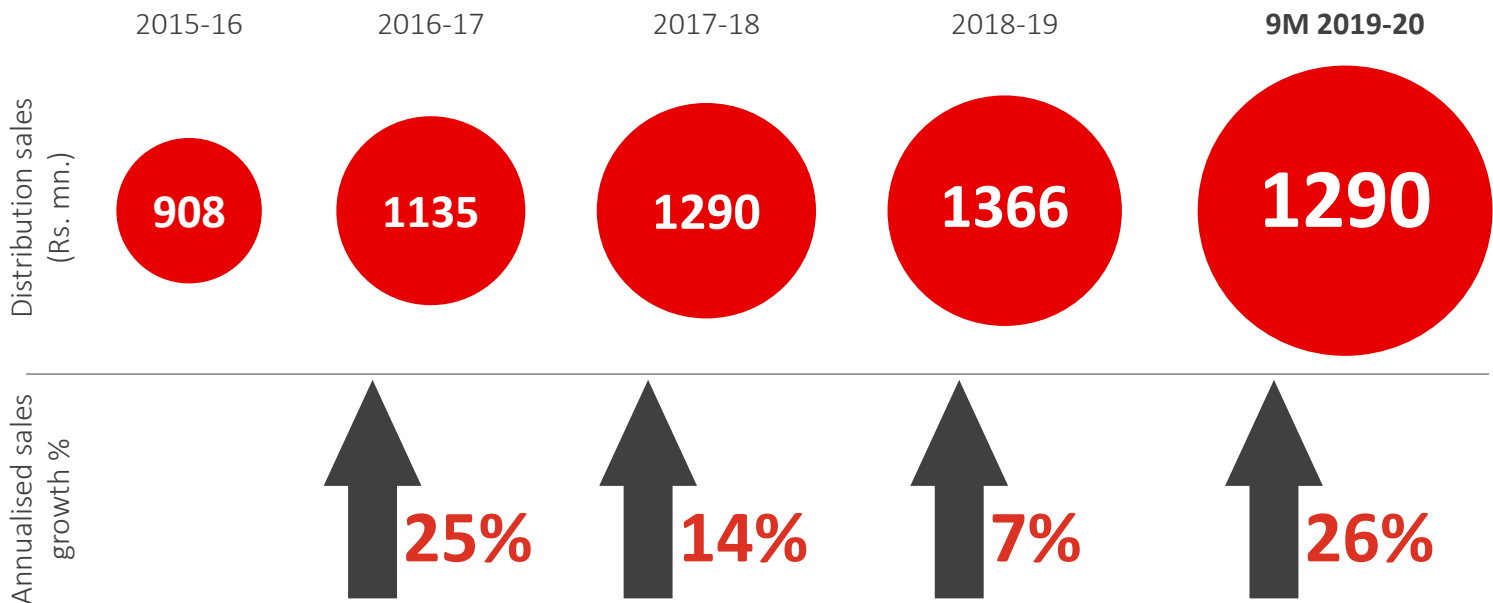
Exports

2,4 Dinitro Chloro Benzene
Acetophenone
Meta Amino Phenol
Meta Ureido Aniline
Vinyl Sulfone

Performance

Cresol Formaldehyde Resins
Cyanoacrylate Instant Adhesives
Flocculants & Coagulants
Liquid Rubbers
Pre-Vulcanisation Inhibitors (PVI)
Tackifying Agents

Chemical distribution business: 'Reliability' translating into growth



Sales growth in 2019-20 (9M) is a validation of the company's...

- Evolving mindset of Indian end users to prefer distributors over traders due to their ability to deliver even during global shortages (e.g. disruptions in the Chinese chemical manufacturing sector), and
- Ability of distributors to corner a larger market share due to preferential pricing during global slowdowns



Acrylamide manufacturing business: The acrylamide opportunity

- Acrylamide is used industrially to manufacture polyacrylamides
- Polyacrylamides are used in the following applications and sectors:
 - Enhanced oil recovery
 - Fracking (shale oil/gas extraction)
 - Water/waste water/sewage treatment
 - Paper
 - Textiles
 - Sugar
 - Ceramic tiles
 - Base metals mining
- Global market size is 3 million MTPA; expected to grow at a CAGR of 4.6% between 2019 and 2024
- Growing investments in water treatment expected to create opportunities
- Asia-Pacific accounted for the major market share followed by North America and Europe
- India has emerged as a manufacturing base to feed domestic and international markets

Acrylamide manufacturing business:

The acrylamide opportunity *(continued)*

Domestic producers: Black Rose, SNF India

Overseas producers: Mitsui Chemicals, Mitsubishi Rayon, several Chinese companies, BASF, Kemira, SNF Group. Most also produce polyacrylamide and captively consume a majority of their production.

Estimated demand and supply of acrylamide (50% basis)*

Estimated figures	FY20	FY21	FY22
India domestic demand	26,000 MTPA	29,000 MTPA	36,000 MTPA
India actual production	26,000 MTPA	35,000 MTPA	51,000 MTPA
India exports	7,000 MTPA	10,000 MTPA	15,000 MTPA
India imports	7,000 MTPA	4,000 MTPA	500 MTPA
Global demand	3,000,000 MTPA	3,135,000 MTPA	3,276,000 MTPA

* Company estimates

Acrylamide manufacturing business: The entry of Black Rose

- Acrylamide was among key products in Black Rose's distribution business. The principal Mitsui Chemicals stopped the manufacture of acrylamide solids to focus on acrylamide liquids
- Acrylamide Liquid typically contains 50% water, resulting in a high logistics cost for import
- Black Rose's **BRILMIDE**[®] acrylamide is available in solution and powder form, packed in drums, IBCs, tankers and bags. It is used in the manufacturing of flocculants, ceramic binders, textile auxiliaries, cement additives, water proofing agents and paint emulsions.

Black Rose obtained an exclusive manufacturing license from Mitsui Chemicals owing to:

Strong market knowledge

+

Direct end-user base

+

Long-standing relationship with Mitsui Chemicals

+

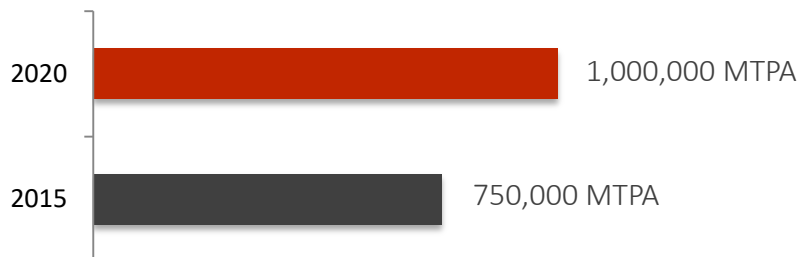
Respect for Japanese business culture

- Licensed Mitsui's biocatalytic technology
- Environmentally friendly zero liquid discharge and no by-products
- Lower capital investment and operating cost when compared with copper-based and other biocatalytic technologies
- Commercial production commenced in September 2013; expanded in November 2018 and in January 2020
- Sales mix: 55% domestic and 45% export (FY19)

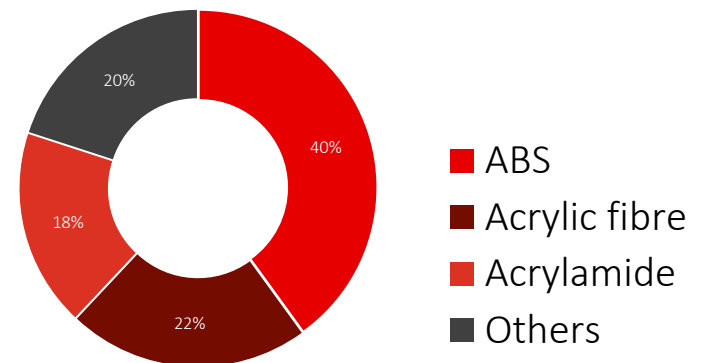
Acrylamide manufacturing business: Raw material scenario

- Acrylonitrile is the key raw material for acrylamide
- 1 kg. of acrylamide (50% basis) consumes ~0.4 kg. of acrylonitrile
- Price of acrylamide is mainly affected by changes in the cost of acrylonitrile
- Acrylonitrile is also used in manufacturing acrylic fiber and other materials
- More than 27 manufacturers globally; key manufacturers comprise INEOS Nitrile, Ascend Performance Chemicals, Tong Suh Petrochemicals, SECCO, Shenghong Group, Sinopec, CPDC, Petkim, Tae Kwang, among others.
- As there is no local producer, the entire India demand is met through imports
- The global acrylonitrile capacity in 2018 was approximately 6.86 mn MTPA; demand was approximately 5.93 mn MTPA

Acrylonitrile consumption for the manufacture of acrylamide has increased consistently from about 0.75 million MTPA to 1 million MTPA in five years at a CAGR of 10.06%



Global consumption of acrylonitrile by application*



* Company estimates

Acrylamide manufacturing business: Further growth

Crossed 90% utilization of installed capacity in October 2019



Since late Q3 FY20, demand growing in the domestic market; further penetration into robust international markets, including USA, achieved



Demand for captive consumption in polyacrylamides manufacturing will gradually increase from Q4FY20



Current capacity includes 20,000 MTPA for merchant sales and additional quantity for captive intermediate monomer requirement



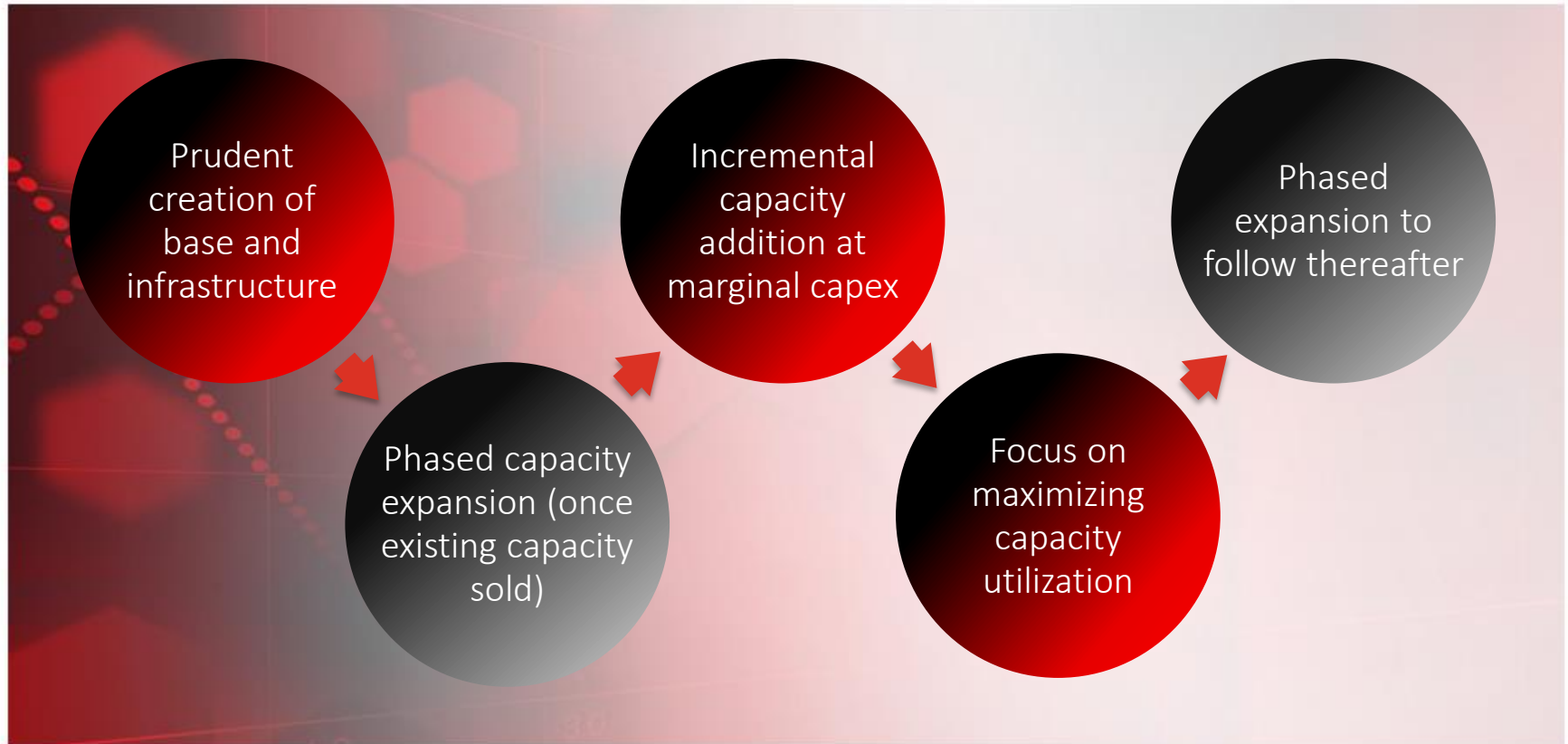
Capex for the initial plant setup was Rs. 369 mn. For additional capacity expansion, capex was just Rs. 32.5 mn, funded from internal accruals.



Further capacity expansion possible at existing site depending upon need



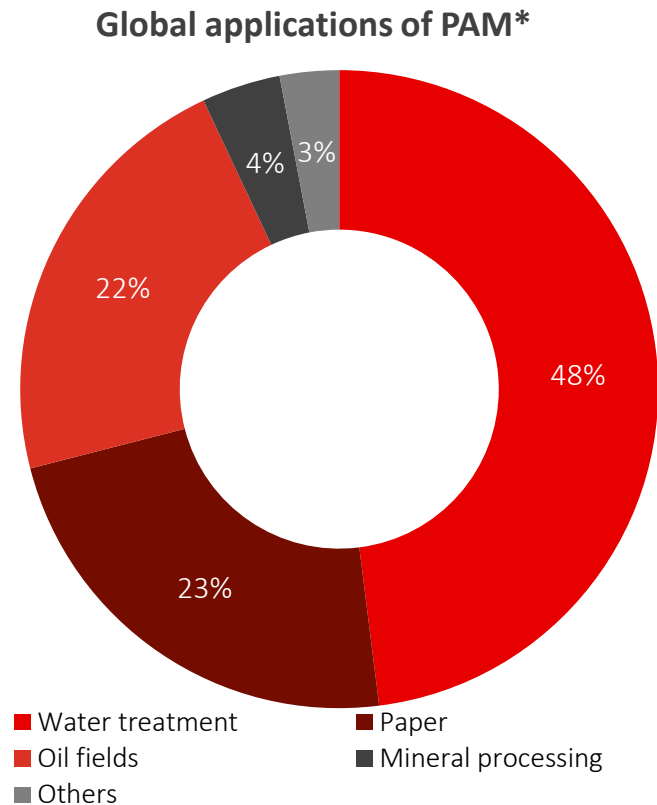
Acrylamides manufacturing business: Provides an insight into BRIL's business philosophy



Polyacrylamides manufacturing business:

Polyacrylamides (PAM) – An overview

- Polyacrylamides represent a class of polymers that are water-soluble and formed solely from acrylamide or together with other monomers
- Widely used as flocculating agent, thickening agent, binder, super absorbent polymers, soil conditioners, filtering aid, lubricant and oil recovery agent
- PAM consumed in sectors with strong growth viz. water and waste water treatment, ceramic tiles, paper & pulp, sugar, base metal mining, oil, etc.
- Depending on the application, PAM is consumed in liquid (PAM-L) and solid (PAM-S) forms



* Company estimates

Polyacrylamides business: Industry scenario

	Polyacrylamide liquids	Polyacrylamide solids
Global market	US\$4.5 billion (2019)	
Global growth (<i>estimated</i>)	6.0% (2019-2025)	
Global producers	BASF, Kemira, SNF Group, MT Aqua, Mitsubishi Rayon and several Chinese producers	
Domestic demand	120,000 MTPA	100,000 MTPA
Domestic applications	Ceramic tiles, paper, paint emulsions, textile, printing inks and mining	Oil & gas: 90,000 MTPA Water treatment, sugar etc.: 10,000 MTPA
Domestic producers	BASF India, SNF India, Ion Exchange, Thermax, Pidilite, Jeson Industries, Visen Industries, Nalco and others	Imports from Europe and Asia (domestic production: <1%)

Raw material sources

Acrylonitrile (for manufacture of acrylamide)

Acrylic acid: Arkema, BASF, LG Chem, Evonik Industries, Mitsubishi Chemical Holdings, Nippon Shokubai

Cationic monomer: BASF / Toagosei

Caustic soda – (local suppliers) Gujarat Alkali, Aditya Birla Chemicals (Grasim)

Polyacrylamides manufacturing business: The entry of Black Rose

Manufacture both polyacrylamide liquids (PAM-L) and solids (PAM-S) using acrylamide manufactured in-house

1

Although acrylamide is sold as raw material to other chemical producers, PAM is sold as a finished product (with higher value-addition)

2

Process and product developed at in-house R&D facility; opportunity to license technology and no restrictions to access any market/customer

3

Helps de-risk the business from a purely raw material supplier to a finished product supplier, widening the customer base as well as markets

4



Polyacrylamide liquids: Attractive domestic opportunity

- Capacity: 40,000 MTPA (under commissioning)
- To service ceramic tiles binder, paper and textile industries
- Timelines: October 2019: 120 MTPA, January 2020: 6,600 MTPA
- Black Rose's **BRILBIND**[®] ceramic binder is available in liquid form, packed in drums and tankers. This product is used for increasing the green strength of vitrified tiles.



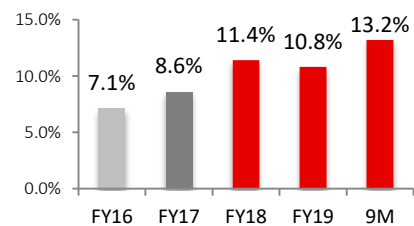
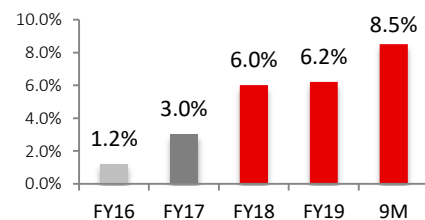
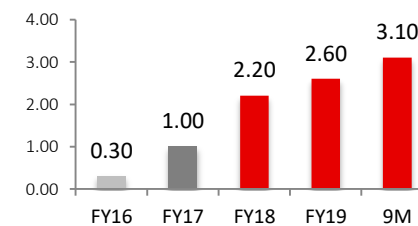
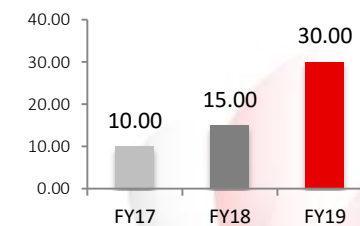
Polyacrylamide solids: Significant opportunity

- Capacity: 10,000 MTPA (in progress)
- Domestic production negligible; first (large-scale) mover advantage targeted
- To service waste water / sewage treatment industries in the initial phase; to address the domestic and international needs of MNC co-producers
- No significant PAM solid capacity anywhere in South Asia, Middle East, or Africa; opportunity to emerge as a significant regional player
- Owing to shifting supply preferences, users are shifting their sourcing of PAM solid out of China which provides additional opportunity for us to fill the gap
- Black Rose's offerings:
 - **BRILFLOC**[®] polyacrylamide used in sewage and effluent water treatment process. Product is available in multiple packing.
 - **BRILTREAT**[®] are organic and inorganic coagulants used for BOD and COD reduction, flocculating aid and de-colourising industrial effluent water. Product is available in multiple packing.
 - **BRILPAM**[®] polyacrylamide used in soil conditioning, filtering aid, oil recovery agent and sugar juice clarification. Product is available in multiple packing.

Financials – Profit & Loss (Standalone)*

Rs. in millions

Particulars	FY16	FY17	FY18	FY19	9M FY20
Income from operations	1,286.8	1,661.6	1,849.7	2,134.9	1,862.3
% growth	-	29%	11%	15%	16%
EBITDA	91.4	143.1	210.6	230.7	245.5
Depreciation	27.3	27.4	24.1	21.1	15.9
PBIT	64.1	115.8	186.5	209.6	229.6
Interest	44.7	47.6	38.2	31.3	19.20
PBT	24.5	75.1	153.1	185.8	205.7
Taxation	8.8	25.5	41.5	52.9	48.1
PAT	15.7	49.6	111.6	132.9	157.6
<i>* Not including 100% subsidiary B.R. Chemicals Co., Ltd., Japan</i>					

EBITDA Margins (%)

PAT Margins (%)

EPS (Rs.)

Dividend (%)


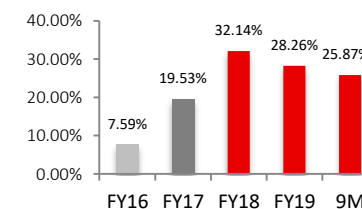
Financials – Balance Sheet (Standalone)*

Rs. in millions

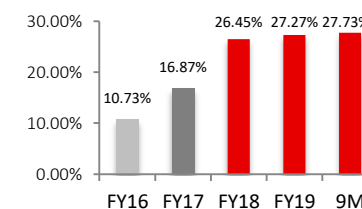
Particulars	FY16	FY17	FY18	FY19	9M FY20
Sources of Funds					
Equity Share Capital	51.0	51.0	51.0	51.0	51.0
Reserves & Surplus	157.0	202.9	296.2	419.2	558.3
Net Worth	208.0	253.9	347.2	470.2	609.3
Deferred Tax	18.4	43.1	41.4	40.2	35.4
Loans	386.7	389.4	316.5	258.2	183.3
Total Sources	613.1	686.5	705.1	768.5	828.0
Application of Funds					
Gross Block	514.1	519.4	524.1	526.0	529.5
Less: Depreciation	130.9	158.0	182.1	199.0	213.9
Net Block	383.1	361.5	342.0	327.0	315.6
Capital WIP	0.0	0.0	0.0	2.2	18.0
Investments	1.6	1.6	1.6	1.6	1.6
Other Non Current Assets	8.6	2.9	27.3	5.4	4.7
Current Assets, Loans and Advances					
Inventories	145.6	245.3	261.6	331.2	238.0
S. Debtors	227.5	296.5	338.4	279.7	476.7
Cash & Bank Balances	5.2	16.2	35.3	48.0	50.7
Loans & Advances	50.2	102.0	1.1	1.7	2.3
Other Current assets	16.9	19.6	34.8	82.2	55.1
Total Current Assets	445.5	679.6	671.2	742.8	822.8
Current Liabilities and Provisions					
S. Creditors	172.2	285.6	269.1	246.7	279.1
Other Current Liabilities	43.4	52.5	62.1	57.5	48.0
Provisions	10.3	21.0	5.8	6.3	7.6
Total Current Liabilities and Provisions	225.9	359.1	337.0	310.5	334.7
Total Applications	613.1	686.5	705.1	768.5	828.0

* Not including 100% subsidiary B.R. Chemicals Co., Ltd., Japan

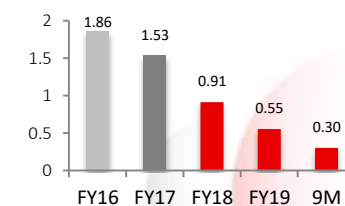
Return on Equity (%)



Return on Capital Employed (%)



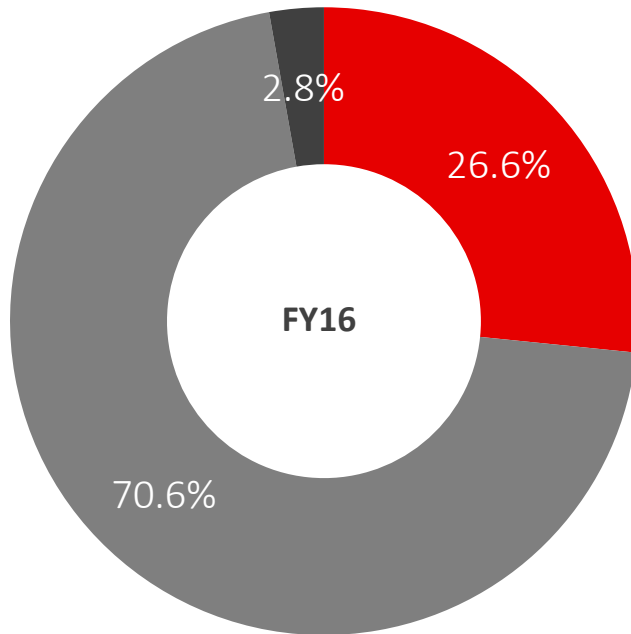
Total Debt/Equity (X)



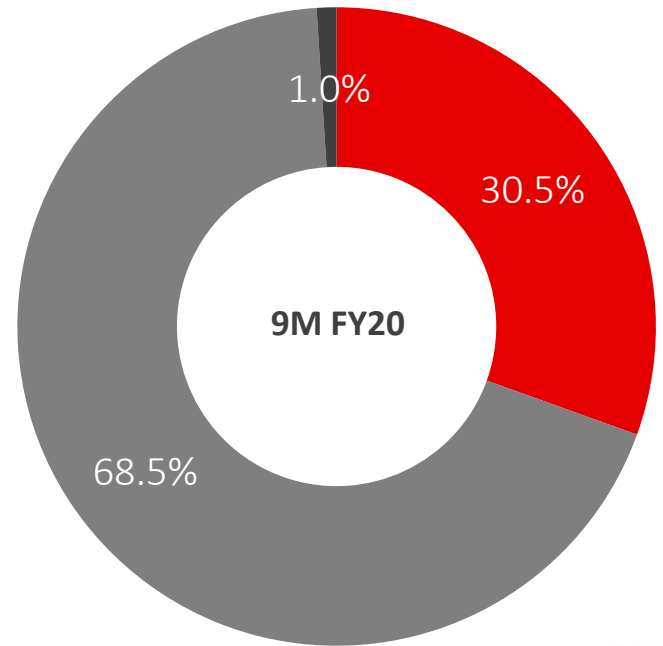
Financials



Revenue mix



- Chemical manufacturing
- Distribution
- Others



- Chemical manufacturing
- Distribution
- Others

The Management

Black Rose believes in strong corporate governance and professional management.

The 70 member team lead by Anup Jatia, Executive Director, comprises:

- 19 managerial staff
- 13 executives/administrative staff
- 38 manufacturing staff as on January 2020

Awards & Recognitions

Best SME for Corporate Governance Award

At the 3rd Business Today Yes Bank SME Awards 2011

Inc.500 Award

By The Growth Institute in 2012-2013

Black Rose is a One Star Export House

ISO certification

ISO 9001, ISO 14001 & OHSAS 18001 for acrylamide plant



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