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TO BE RELEASED AT 2:00PM INDIAN STANDARD TIME
ON NOVEMBER 9, 2011:

## HALF YEARLY PERFORMANCE REVIEW

The first half of the fiscal year started with strong sales and demand in the first quarter and gave a reasonable performance in the second quarter.

Despite uncertainties in foreign markets and rising inflation and interest costs in India, all the revenue segments except for the textile business contributed positively to EBITDA (earnings before interest, taxes, depreciation, and amortisation) which increased from Rs. 286 lacs in the first half of the last fiscal year to Rs. 300 lacs for the current half year. The reduction in EBITDA as compared to the previous half year (2H FY 2011) was largely due to the reduction in business from the textile division.

**Half Yearly Segment EBITDA for Last 3 Half Years (in Rs. lacs)**

| | FY2011 | | FY2012 |
|---|---|---|---|
| **Segment** | **1H** | **2H** | **1H** |
| Chemicals | 276 | 330 | 289 |
| Textiles | 5 | 77 | -5 |
| Renewable Energy | 46 | 43 | 77 |
| Others | 24 | -11 | 2 |
| **Total (net of unallocated interest, etc.)** | **287** | **350** | **300** |

**Half Yearly Segment Revenue for Last 3 Half Years (in Rs. lacs)**

| | FY2011 | | FY2012 |
|---|---|---|---|
| **Segment** | **1H** | **2H** | **1H** |
| Chemicals | 3482 | 4632 | 4549 |
| Textiles | 42 | 325 | 49 |
| Renewable Energy | 55 | 46 | 79 |
| Others | 127 | 25 | 9 |
| **Total Revenue** | **3706** | **5028** | **4685** |

The chemical division showed top-line growth of 31% while EBITDA increased by 5% as compared to the first half of the last fiscal year. The speciality chemicals team has seen strong sales of ethanolamines while resorcinol sales have reduced because of subdued requirements from the automotive tyre sector. Due to the ongoing Telangana stir in the Hyderabad region and longer credit cycles, sales of Active Pharmaceutical Ingredients (APIs) to the region has been intentionally curtailed. Performance chemicals are showing an upward trend with the growth in sales of cyanoacrylate adhesives and water treatment chemicals.

Approximately 75% of the company's sales are direct to end-users. The company does not deal in bulk commodity chemicals of high price volatility.

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The general trend during periods of uncertainty in foreign markets is that customers who depend on export orders reduce inventory levels in expectation of reduced overseas sales, and customers who depend on local orders postpone procurements in expectation of lower prices. We see this trend continuing till December 2011, and accordingly the company has reduced its inventories too. We expect a strong pick up from Janaury 2012 and accordingly expect the chemical division to cross 100 crores in consolidated sales for this fiscal year, a growth of 23% over last year.

The textile division did not perform well in the first half of this year due to loss of business caused by the frequent and irrational changes in government policy during 2010 – 2011, which, as expected, affected buyer confidence in Indian textile products. The minimal loss in the first half was due to an accounting provision. However, thanks to the India Japan Comprehensive Economic Partnership Agreement implemented on August 1, 2011, where most textile products from India have been granted 100% duty exemption in Japan, we have seen a significant and positive change in recent months. The benefits from this are already being seen in the October – December 2011 quarter and we expect this continue in the coming quarters.

The Renewable Energy segment performed very well in the first half of the year, thanks to a strong wind generation in both the Rajasthan and Gujarat units. The segment EBITDA was Rs. 77 lacs for the half year. The company's windmills are under the final stages of validation by the UNFCCC, a necessary step for obtaining VERs and CERs (carbon credits).

**B.R. CHEMICALS CO., LTD., JAPAN:**

On April 1, 2011, the company incorporated a wholly owned subsidiary in Japan under the name of B.R. Chemicals Co., Ltd, to focus on chemical business development between India and Japan. Sales started from the second quarter and has registered approximately US$1.3 million (Rs.667 lacs) during this period. The subsidiary accounts will be consolidated at the end of the year.

**UPDATE ON SPECIALITY MONOMER PLANT:**

The company is setting up a plant to manufacture 10,000MT of acrylamide, and information and updates regarding this project have been advised to our shareholders and to the investor community through several press releases from September 22, 2010, till date.

The basic and detailed engineering has been completed and orders for plant equipment, PEB structures, and key instrumentation have been placed. The company is now recruiting plant staff and will depute key personnel for operational training at the foreign technology licensor's (Mitsui Chemical) production site in Japan in the coming months.

The company plans to start commercial production at the plant by April 2012. The project cost of Rs.25 crores is being funded by the company's bankers through a combination of external commercial borrowings, long term buyer's

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credit facilities, and rupee term loan. The external commercial borrowings, denominated in US dollars, will be brought in at an appropriate time keeping in mind the current volatility in currency rates.

The acrylamide plant is expected to generate annual sales of Rs.50 crores under full operation, increasing to Rs. 200 crores in the years ahead with expansion to a plant capacity of 40,000MT.

For Black Rose Industries Ltd.

Company Secretary