Rain Industries Limited
(Formerly Rain Commodities Limited)

Press Release   Aug 14, 2014

Results Update

Consolidated Net Sales of Rs. 30,898 Million in Q2 2014

Consolidated Operating Profit of Rs. 3,792 Million in Q2 2014

Consolidated Net Profit of Rs. 1,235 Million in Q2 2014

Consolidated EPS of Rs. 3.67 in Q2 2014

Rain Industries Limited ("Rain" or "the Company") reported its consolidated and standalone unaudited financial results for the Quarter ended June 30, 2014.

Consolidated Financial Highlights:

(Rupees in million)

Particulars	Quarter ended			% change	
	June 2014	**March 2014**	**June 2013**	**Q2 2014 vs. Q1 2014**	**Q2 2014 vs. Q2 2013**
Net Sales:					
(a) Carbon Products	23,021	23,143	21,706	-1%	6%
(b) Chemicals	7,522	7,732	7,350	-3%	2%
(c) Cement	2,183	1,922	2,252	14%	-3%
Total Sales	**32,726**	**32,797**	**31,308**	**-0.2%**	**5%**
Less: Inter Segment	1,828	1,954	2,242	-6%	-18%
Net Sales	**30,898**	**30,843**	**29,066**	**0.2%**	**6%**
Operating Profit (1)	3,792	3,235	4,145	17%	-9%
Net Profit	1,235	501	1,392	146%	-11%
Earnings Per Share	3.67	1.49	4.13	146%	-11%

Note:

(1) Operating Profit is Profit before Other Income, Foreign exchange (gain) loss, Depreciation & amortisation, Impairment loss, Interest and Taxation.

Sales Volume information:

(Volume in '000 Metric Tons)

Particulars	Quarter ended			% change	
	June 2014	**March 2014**	**June 2013**	**Q2 2014 vs. Q1 2014**	**Q2 2014 vs. Q2 2013**
Carbon Products	785	875	827	-10%	-5%
Chemicals	75	78	78	-4%	-4%
Cement	595	540	577	10%	3%

Corporate Highlights:

1. The Company has been indemnified in relation to certain environmental expenditure, as per the terms of a prior acquisition made by the Company. Based on completion of due process as per the terms of the agreement, pending evaluation of contingencies, the Company has recognized an amount of Rs. 533 million during the quarter ended June 30, 2014, Rs. 438 million during the quarter ended March 31, 2014 and Rs. 1,007 million during the quarter ended December 31, 2013, as Other Operating Income. Any future amount recoverable under the said indemnity will be recognized on completion of due process under the agreement, net of expenses, if any.

2. **Status of capital projects:**

   A) Russian JV:

   The Russian Joint Venture, 300,000 tons Coal Tar distillation plant, is progressing well in accordance with the plan to start operations by early 2015. However, due to the unexpected additional repair works at the existing steel columns, we suspect a marginal delay of about three months in the commencement of the commercial production.

   B) PA expansion:

   The 14,000 tons Phthalic Anhydride ("PA") expansion project in Belgium is going on stream and is expected to start up in the last quarter of this year.

Financial Performance Review and Analysis – Q2 2014 Vs Q2 2013:

To highlight some of the key performance indicators, on a consolidated basis:

- Consolidated Net Revenue is Rs. 30,898 million during the current quarter an increase of about 6% compared to Rs. 29,066 million during Q2 2013.
  - Carbon product sales volume during the current quarter is 785 thousand tons, a decrease of 5% compared to 827 thousand tons in Q2 2013. While there is 4% volume growth in the manufactured products, reduction in petcoke trading sales is the primary reason for lower sales volume.
  - Chemicals sales volume during the current quarter is 75 thousand tons, a decrease of 4% compared to 78 thousand tons in Q2 2013. Driven by lower Chemical trading volumes which were not completely offset by increased sales in Superplasticizers and Resins & Modifiers.
  - Cement sales volume during the current quarter is 595 thousand tons, an increase of 3% compared to 577 thousand tons in Q2 2013, driven by marginal improvement in Cement demand post the elections coupled with delays in Monsoon in South India.
- Consolidated Operating Profit for the current quarter is Rs. 3,792 million a decrease of 9% compared to Rs. 4,145 million achieved during Q2 2013, mainly due to sharp fall in operating performance of Cement business, higher maintenance costs in the Carbon business due to planned shutdown and lower margins in Carbon business due to continued depressed end-markets, which was partly offset by depreciation of rupee and improvement in the performance of the Chemical business.
- During Q2 2014 the Group had a foreign exchange gain of Rs. 229 million as compared to foreign exchange loss of Rs. 103 million in Q2 2013. The primary reasons for foreign exchange gain in Q2 2014 are marginal appreciation of Indian Rupee against US Dollar and Euro and strengthening of Canadian Dollar and Russian Rubles against Euro.
- Finance cost during the current quarter is Rs. 1,482 million an increase of 6% compared to Rs. 1,398 million during Q2 2013, is mainly due to translation impact of foreign currency interest cost.
- Effective tax rate during the current quarter is 28% a marginal increase of 2% compared to 26% during Q2 2013.
- Consolidated net profit during the current quarter is Rs. 1,235 million, a decrease of about 11% compared to Consolidated reported net profit of Rs. 1,392 million during Q2 2013. The Company achieved a consolidated EPS of Rs. 3.67 during the current quarter, a decrease of 11% compared to consolidated EPS of Rs. 4.13 during Q2 2013.

Debt analysis:

As at June 30, 2014, the Company has consolidated gross debt of US$ 1,340 million (including working capital debt of US$ 96 million) and Cash and Cash Equivalents of US$ 215 million. The net debt as at the same date is US$ 1,125 million.

US$ Million	*Amount*	*Type of Interest*	*Remarks*
Senior Secured Notes	1,067	Fixed Rate	Bullet repayments in 2018 and 2021
Senior Bank debt	94	Floating Rate	Installments up to 2018
Deferred Consideration to Triton	25	Interest Free	Payment based on triggering events
Sales Tax Deferment	15	Interest Free	Installments up to 2027
Junior Subordinated Notes	13	Fixed Rate	Bullet repayment in 2018, along with compounded interest
Other Debt	30	Fixed Rate	Including finance leases
Gross term debt	**1,244**		
Add: Working Capital Debt	96		
Total Debt	**1,340**		
Less: Cash and Cash Equivalents	215		
Net Debt	**1,125**		

Due to optimization of working capital and delays in capital spending, the Cash and Cash equivalents of the Group has improved to US$ 215 million as at June 30, 2014. With the further improvement in the liquidity coupled with undrawn revolver facilities of about US$ 199 million, the Company is well placed to meet debt servicing obligations and capex projects in pipe line. The major debt repayments are scheduled to start only from CY 2018.

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Historical Performance:

(Rupees in million)

	Q2 2014	Q1 2014	CY 2013	CY 2012	CY 2011	CY 2010	CY 2009
Income from Operations(1)	31,548	31,388	117,443	53,615	56,395	37,857	36,494
Operating Profit (2)	3,792	3,235	14,978	11,090	13,873	7,559	9,063
Net Profit	1,235	501	3,845	4,577	6,641	2,407	4,438
Adjusted Net Profit (3)	1,235	501	4,512	5,796	6,641	3,305	4,020

Notes:

(1) Income from Operations is sum of Net Sales and Other Operating Income.

(2) Operating Profit is Profit before Other Income, Foreign exchange (gain) loss, Depreciation & Amortisation, Impairment loss, Interest, Taxation and Exceptional Items.

(3) Net Profit is adjusted for exceptional expense or income for the reported period net of the applicable taxes.
  - (a) Profit After Tax for CY 2013 is adjusted for costs incurred for acquisition of RUETGERS of Rs. 142 Million, impairment loss of Rs. 1,304 Million offset by insurance claim receipts of Rs. 375 Million and tax impact on all these items of Rs. 404 Million.
  - (b) Profit After Tax for CY 2012 is adjusted for one time expenditure of Rs. 1,789 Million (net of tax Rs. 1,219 Million) incurred in-connection with the acquisition of RUETGERS.
  - (c) Profit After Tax for CY 2010 is adjusted for net exceptional expenditure of Rs. 1,249 Million (net of tax Rs. 898 Million).
  - (d) Profit After Tax for CY 2009 is adjusted for exceptional profit of Rs. 513 Million (net of tax Rs. 418 Million) on sale of Investment in Petroleum Coke Industries Company, Kuwait.

About Rain:

Rain is one of the World's leading producer of Carbon Products and Specialty Chemicals with 17 operating facilities spread across United States of America, Canada, Europe, India, Africa and China, 18th facility, a JV in Russia, is under construction. Rain is also having two integrated Cement facilities in India and markets its product under the brand "Priya Cement".

Carbon Products are comprised of Calcined Petroleum Coke ("CPC"), Green Petroleum Coke ("GPC"), Coal Tar Pitch ("CTP"), Co-generated Energy and other derivatives of Coal Tar distillation. Chemicals include the downstream operations of Coal Tar distillation and are comprised of Resins, Modifiers, Super Plasticizers and other specialty products. The manufacture and sale of Cement has been classified as Cement.

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