# Rain Industries Limited

*(Formerly Rain Commodities Limited)*

Press Release November 6, 2014

## Results Update

***Consolidated Net Sales of Rs. 29,697 Million in Q3 2014***

***Consolidated Operating Profit of Rs. 3,617 Million in Q3 2014***

***Consolidated Net Profit of Rs. 1,147 Million in Q3 2014***

***Consolidated EPS of Rs. 3.41 in Q3 2014***

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

**Consolidated Financial Highlights:** (Rupees in million)

| **Particulars** | **Quarter ended** | | | **% change** | |
|---|---|---|---|---|---|
| | **Sep 2014** | **June 2014** | **Sep 2013** | **Q3 2014 vs. Q2 2014** | **Q3 2014 vs. Q3 2013** |
| **Net Sales [1]** | | | | | |
| (a) Carbon Products | 21,076 | 22,211 | 21,203 | -5% | -1% |
| (b) Chemicals | 6,291 | 6,504 | 6,656 | -3% | -5% |
| (c) Cement | 2,330 | 2,183 | 1,901 | 7% | 23% |
| **Total** | **29,697** | **30,898** | **29,760** | **-4%** | **-0%** |
| | | | | | |
| **Operating Profit [2]** | | | | | |
| (a) Carbon Products | 2,949 | 2,898 | 2,934 | 2% | 1% |
| (b) Chemicals | 462 | 874 | 706 | -47% | -35% |
| (c) Cement | 206 | 20 | 99 | 930% | 108% |
| **Total** | **3,617** | **3,792** | **3,739** | **-5%** | **-3%** |
| | | | | | |
| Net Profit | 1,147 | 1,235 | 866 | -7% | 32% |
| Earnings Per Share | 3.41 | 3.67 | 2.58 | -7% | 32% |

***Note:***

*(1) Net Sales is adjusted for inter segmental sales.*

*(2) 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 | |
|---|---|---|---|---|---|
| | Sep 2014 | June 2014 | Sep 2013 | Q3 2014 vs. Q2 2014 | Q3 2014 vs. Q3 2013 |
| Carbon Products | 813 | 785 | 726 | 3% | 12% |
| Chemicals | 81 | 75 | 76 | 7% | 6% |
| Cement | 512 | 595 | 472 | -14% | 8% |

**Corporate Highlights:**

1. The Board of Directors had declared an Interim Dividend of Rs. 1/- per Equity Share i.e. 50% on a face value of Rs. 2/- per Equity Share fully paid up for the financial year 2014 on November 6, 2014.

2. 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, the Company has recognized a claim amount of Rs. 1,502 million during the nine months ended September 30, 2014 (including an amount of Rs. 531 million during Q3 2014) over and above Rs. 1,007 million recognised during the quarter ended December 31, 2013, as Other Operating Income. The Company has received full settlement amount.

3. **New corporate office in Covington:**
   Rain CII Carbon LLC ("RCC"), a wholly owned subsidiary of the Company officially moved its headquarters from 'Kingwood, Texas, a suburb of Houston' to its new leased space in 'Covington, Louisiana' on October 20, 2014. The State of Louisiana and RCC have entered into a Cooperative Endeavour Agreement which allows for the reimbursement of relocation costs up to US$ 3.6 Million.

4. **Hudhud cyclone impact:**
   During the month of October 2014, Hudhud cyclone had hit North coast of Andhra Pradesh state, however, due to the preemptive steps taken by the company, Hudhud did not cause any material damage to the manufacturing facilities of Rain CII Carbon (Vizag) Limited ("RCCVL") (a wholly owned subsidiary of the Company) situated at Visakhapatnam, Andhra Pradesh. The cyclone resulted in temporary stoppage of operations at this facility. Post

completion of required repair activities and technical evaluation, RCCVL had restarted first Kiln on October 26, 2014 and second Kiln is expected to be restarted soon. RCCVL is having adequate Insurance coverage subject to general deductibles.

**5. Status of capital projects:**

**A) PA expansion:**

The 14,000 tons Phthalic Anhydride ("PA") expansion project in Belgium has been successfully completed on time and within the budget. Commercial production at this facility commenced on October 6, 2014 and has been operating smoothly.

**B) Russian JV:**

The Russian Joint Venture, 300,000 tons Coal Tar distillation plant, is progressing well and expect to start operations during the second half of 2015. The detailed engineering has been finalized, key items like new columns have been ordered and have been delivered to the plant, construction permits are obtained, construction of temporary site office has been completed and General Contractor has started mobilizing resources on site.

**C) Solar Power Project:**

In order to enhance its foot print in Renewable Energy, Rain Group, through Rain Cements Limited ("RCL"), a wholly owned subsidiary, is evaluating the possibility of setting up a 22 MW of Solar Power Plant in Anantapur district of Andhra Pradesh. Considering that RCL already possess suitable land for setting-up a Solar Power Plant in Anantapur district, we participated in the bids invited by Southern Power Distribution Company Limited of Andhra Pradesh & Eastern Power Distribution Company Limited of Andhra Pradesh and have been qualified in the evaluation process. Post completion of detailed site verification and technical evaluation, RCL will execute Power Purchase Agreement. The estimated total capital expenditure for this project would be Rs. 1,400 Millions.

**Financial Performance Review and Analysis – Q3 2014 Vs Q3 2013:**

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

- Consolidated Net Revenue is Rs. 29,697 million during the current quarter, a marginal fall of 1% compared to Rs. 29,760 million during Q3 2013.
    - Carbon product sales volume during the current quarter is 813 thousand tons, an increase of 12% compared to 726 thousand tons in Q3 2013. Carbon sales volume increased during current quarter mainly due to higher Pitch sales, increase in petcoke trading volume which was partly offset by lower CPC sales in the United States. While carbon sales volume is increased by 12%, due to fall in blended realization, lower CIF based sales in Pet Coke trading and recovery in Rupee against US Dollar and Euro, the Carbon division revenue has reduced marginally by 1% in Q3 2014 compared to Q3 2013.
    - Chemicals sales volume during the current quarter is 81 thousand tons, an increase of 6% compared to 76 thousand tons in Q3 2013. While Chemical sales volume is increased by 6%, due to change in product mix and appreciation of Rupee, Revenue from Chemical business has reduced by 5% in Q3 2014 compared to Q3 2013.
    - Cement sales volume during the current quarter is 512 thousand tons, an increase of 8% compared to 472 thousand tons in Q3 2013. With the combination of increase in sales volume by 8% and increase in average realization from Rs. 201 per bag in Q3 2013 to Rs. 227 per bag in Q3 2014, Cement revenues increased by 23% in Q3 2014 compared to Q3 2013.
- Consolidated Operating Profit for the current quarter is Rs. 3,617 million a marginal decrease of 3% compared to Rs. 3,739 million achieved during Q3 2013. While, carbon division has delivered a marginal growth of 1%, Cement division has delivered strong recovery of over 100% growth in operating profit this was offset by lower operating performance in Chemical business as a result of change in product mix and lower margins in Resins business.
- During Q3 2014 the Group had a foreign exchange gain of Rs. 196 million as compared to foreign exchange loss of Rs. 194 million in Q3 2013. The primary reasons for foreign exchange gain in Q3 2014 is strengthening of Canadian Dollar against Euro partly offset by depreciation of Russian Rubles and Indian Rupee against US Dollar.
- Finance cost during the current quarter is Rs. 1,489 million a decrease of 4% compared to Rs. 1,559 million during Q3 2013, is mainly due to translation impact of foreign currency interest cost.

- Effective tax rate during the current quarter is 30% an increase of 13% compared to 17% during Q3 2013. Effective tax rate in Q3 2013 was lower due to recognition of MAT credit of Rs. 205 million.
- Consolidated net profit during the current quarter is Rs. 1,147 million, an increase of about 32% compared to consolidated net profit of Rs. 866 million during Q3 2013. The Company achieved a consolidated EPS of Rs. 3.41 during the current quarter, an increase of 32% compared to consolidated EPS of Rs. 2.58 during Q3 2013.

**Debt analysis:**

As at September 30, 2014, the Company has a consolidated gross debt of US$ 1,300 million (including working capital debt of US$ 85 million) and Cash and Cash Equivalents of US$ 200 million. The net debt as at the same date is US$ 1,100 million.

| ***US$ Million*** | ***Amount*** | ***Type of Interest*** | ***Remarks*** |
|---|---|---|---|
| Senior Secured Notes | 1,047 | Fixed Rate | Bullet repayments in 2018 and 2021 |
| Senior Bank debt | 89 | Floating Rate | Installments up to 2018 |
| Deferred Consideration | 23 | Interest Free | Payment based on triggering events |
| Sales Tax Deferment | 14 | Interest Free | Installments up to 2027 |
| Junior Subordinated Notes | 13 | Fixed Rate | Bullet repayment in 2018, along with compounded interest |
| Other Debt | 29 | Fixed Rate | Including finance leases |
| **Gross term debt** | **1,215** | | |
| Add: Working Capital Debt | 85 | | |
| **Total Debt** | **1,300** | | |
| Less: Cash and Cash Equivalents | 200 | | |
| **Net Debt** | **1,100** | | |

With the existing cash and cash equivalents of US$ 200 million coupled with undrawn revolver facilities of US$ 183 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.

The Consolidated Free Cash Flows for the nine months ended September 30, 2014 is US$ 77 million, this is net after spending about US$ 36 million for capital expenditure and about US$ 80 million for interest cost.

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## Historical Performance:

(Rupees in million)

| | Q3 2014 | Q2 2014 | Q1 2014 | CY 2013 | CY 2012 | CY 2011 | CY 2010 | CY 2009 |
|---|---|---|---|---|---|---|---|---|
| Income from Operations[1] | 30,321 | 31,548 | 31,388 | 117,443 | 53,615 | 56,395 | 37,857 | 36,494 |
| Operating Profit [2] | 3,617 | 3,792 | 3,235 | 14,978 | 11,090 | 13,873 | 7,559 | 9,063 |
| Net Profit | 1,147 | 1,235 | 501 | 3,845 | 4,577 | 6,641 | 2,407 | 4,438 |
| Adjusted Net Profit [3] | 1,147 | 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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