Rain Industries Limited

(Formerly Rain Commodities Limited)

Press Release

February 26, 2014

Results Update

Consolidated Net Sales of Rs. 115,039 Million in CY 2013

Consolidated Operating Profit of Rs. 14,978 Million in CY 2013

Consolidated Net Profit of Rs. 3,845 Million in CY 2013

Consolidated EPS of Rs. 11.41 in CY 2013

Rain Industries Limited ("Rain" or "the Company") reported it's consolidated and standalone audited financial results for the Quarter and Year ended December 31, 2013.

Consolidated Financial Highlights for CY 2013:

(Rupees in million)

Particulars	Year ended		% change(1)
	December 2013	December 2012	CY 2013 vs. CY 2012
Net Sales:			
(a) Carbon Products	86,071	45,152	91%
(b) Chemicals	29,219	-	-
(c) Cement	8,398	9,095	-8%
Total Sales	**123,688**	**54,247**	**128%**
Less: Inter Segment	8,649	803	977%
Net Sales	**115,039**	**53,444**	**115%**
Operating Profit (2)	14,978	11,090	35%
Net Profit	3,845	4,578	-16%
Earnings Per Share	11.41	13.25	-14%

Sales Volume information for CY 2013:

Particulars	Year ended		% change(1)
	December 2013	December 2012	CY 2013 vs. CY 2012
Carbon Products	3,129	2,512	25%
Chemicals	291	-	-
Cement	2,134	2,289	-7%

Note:

(1) In view of the acquisition of RUETGERS effective January 4, 2013, the figures for the current year are not comparable with that of previous year.

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

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Consolidated Financial Highlights for Q4 2013:

(Rupees in million)

Particulars	Quarter ended			% change[(1)]	
	December 2013	**September 2013**	**December 2012**	**Q4 2013 vs. Q3 2013**	**Q4 2013 vs. Q4 2012**
Net Sales:					
(d) Carbon Products	21,488	22,386	10,657	-4%	102%
(e) Chemicals	7,318	8,075	-	-9%	-
(c) Cement	1,983	1,902	2,072	4%	-4%
Total Sales	**30,789**	**32,363**	**12,729**	**-5%**	**142%**
Less: Inter Segment	1,977	2,603	105	-24%	1783%
Net Sales	**28,812**	**29,760**	**12,624**	**-3%**	**128%**
Operating Profit [(2)]	3,621	3,739	2,349	-3%	54%
Net Profit	472	866	63	-45%	649%
Earnings Per Share	1.41	2.58	0.18	-45%	683%

Sales Volume information for Q4 2013:

(Volume in '000 Tons)

Particulars	Quarter ended			% change[(1)]	
	December 2013	**September 2013**	**December 2012**	**Q4 2013 vs. Q3 2013**	**Q4 2013 vs. Q4 2012**
Carbon Products	782	726	575	8%	36%
Chemicals	67	76	-	-12%	-
Cement	470	472	540	0%	-13%

Note:

(1) In view of the acquisition of RUETGERS effective January 4, 2013, the figures for the current quarter are not comparable with that of the corresponding previous quarter.

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

Corporate Highlights:

1. Pursuant to approval of the Board of Directors, effective January 1, 2014, Rain CII Carbon LLC ("RCC") closed operations at its Calcining facility in Moundsville - West Virginia, USA. This closure is brought on by the impact of new regulations by the Environmental Protection Agency, USA, requiring considerable additional investments which the Board believes is economically unviable. However, this closure is not expected to have any significant impact on the combined output of the Company. The Company has carried out impairment analysis based on the fair valuation report of the independent valuer and recognized an impairment loss of Rs. 1,304 million during the quarter ended December 31, 2013.

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 an amount of Rs. 1,007 million, recoverable upto the end of the current year 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.

3. **Status of capital projects:**

   A) Russian JV:

   The Russian Joint Venture, 300,000 tons Coal Tar distillation plant, is progressing well and as indicated earlier the plant is expected to be operational by early CY 2015.

   B) PA expansion:

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

4. **Relocation of corporate headquarters of RCC to Louisiana:**

   In order to optimize resources and to stay close to the major operating facilities, RCC is relocating its corporate headquarters from Kingwood – Texas, USA to Covington – Louisiana, USA. Construction work for the new office building is begun and the formal operations at the new facility is expected to start during last quarter of this year. Due to this relocation initiative certain of RCC's employees including Colleen Ulrich, CFO, has announced departure from the company to pursue new opportunities in the Houston area. Colleen's resignation is effective from January 31, 2014.

Financial Performance Review and Analysis – Q4 2013 Vs Q3 2013:

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

- Consolidated Net Revenue is Rs. 28,812 million during the current quarter a decrease of about 3% compared Rs. 29,760 million during Q3 2013.
  - Carbon product sales volume during the current quarter is 782 thousand tons, an increase of 8% compared to 726 thousand tons in Q3 2013, mainly driven by 4% increase in calcined petroleum coke sales, higher pet coke trading volume partly offset by fall in other carbon products sales due to general seasonality.
  - Chemicals sales volume during the current quarter is 67 thousand tons; a decrease of 12% compared to Q3 2013, mainly driven by fall in chemical trading and resins sales due to general seasonality.
  - Cement sales volume during the current quarter has remained almost flat at 470 thousand tons compared to 472 thousand tons in Q3 2013.
- Consolidated Operating Profit for the current quarter is Rs. 3,621 million a decrease of 3% compared to Rs. 3,739 million achieved during Q3 2013.
- Consolidated Operating Profit margin remained flat at 13% in Q4 2013 compared to Q3 2013.
- During Q4 2013 the foreign exchange loss was Rs. 135 million compared to Rs. 194 million in Q3 2013. Marginal appreciation in Rupee during the current quarter was more than offset by strengthening in Euro compared to basket of currencies where Rain operates.
- Finance cost during the current quarter is almost flat at Rs. 1,551 million compared to Rs. 1,559 million during Q3 2013.
- Effective tax rate during the current quarter increased mainly due to recognition of MAT credit of Rs. 78 million, tax credit pertaining to previous years of Rs. 108 million and tax impact on other one off items discussed in the corporate highlights section. However, the effective tax rate is expected to be in mid-thirties going forward.
- Consolidated reported net profit during the current quarter is Rs. 472 million, a decrease of about 45% compared to Consolidated reported net profit of Rs. 866 million during Q3 2013. However, the adjusted profit (adjusted for Moundsville impairment loss of Rs. 835 million, net of tax) for the current quarter is increased to Rs. 1,307 million compared to Rs. 866 million during Q3 2013.
- The Company achieved a consolidated EPS of Rs. 1.41 during the current quarter, a decrease of 45% compared to consolidated EPS of Rs. 2.58 during Q3 2013.

Debt analysis:

As at December 31, 2013, the Company has a consolidated gross debt of US$ 1,339 million (including working capital debt of US$ 94 million) and cash and bank balances of US$ 136 million. The net debt as at the same date is US$ 1,203 million.

Net Debt (US$ Million)	***As at December 31, 2013***	***As at September 30, 2013***
Term Debt *(including Finance Leases and Deferred Payment Liabilities)*		
US Dollar denominated debt	883	873
EURO denominated debt	347	351
INR denominated debt	15	15
Total	**1,245**	**1,239**
Working Capital Debt		
US Dollar denominated debt	49	46
EURO denominated debt	34	32
INR denominated debt	11	6
Total	**94**	**84**
Total Gross Debt	**1,339**	**1,323**
Less: Cash and bank balances	136	138
Net Debt	**1,203**	**1,185**

With effect from January 1, 2009, the Company has designated the foreign currency loans availed as a hedging instrument to hedge its net investment in non-integral foreign operations. Accordingly, the foreign exchange gain/loss on such foreign currency loans, determined as an effective net investment hedge is recognized in Reserves and Surplus and would be transferred to the Statement of Profit and Loss upon sale or disposal of the investment in such non-integral foreign operations. During the current quarter, foreign exchange gain of Rs. 18 million has been recognized in the Reserves and Surplus.

With an existing cash balance of US$ 136 million and undrawn revolver facilities of US$ 197 million, the Company is comfortably placed to meet debt repayment obligations and capex projects in pipe line. The major debt repayment obligations are scheduled to start only from CY 2018.

Historical Performance:

(Rupees in million)

	CY 2013 [4]	CY 2012	CY 2011	CY 2010	CY 2009
Income from Operations [1]	117,443	53,615	56,395	37,857	36,494
Operating Profit [2]	14,978	11,090	13,873	7,559	9,063
Net Profit	3,845	4,577	6,641	2,407	4,438
Adjusted Net Profit [3]	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.

(4) In view of the acquisition of RUETGERS effective January 4, 2013, the current year figures are not comparable with that of previous years.

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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