

Results Update

Consolidated Net Sales of INR 117,336 Million in CY 2014

Consolidated Adjusted Operating Profit of INR 12,220 Million in CY 2014

Consolidated Adjusted Net Profit of INR 2,561 Million in CY 2014

Consolidated Adjusted EPS of INR 7.62 in CY 2014

Rain Industries Limited (“Rain” or “the Company”) reported its’ consolidated audited financial results for the Quarter and Year ended December 31, 2014.

Consolidated Financial Highlights for CY 2014:

(INR in million)

Particulars	Year Ended		% Increase / (Decrease)
	December 2014	December 2013	
Net Sales ⁽¹⁾			
(a) Carbon Products	83,972	82,707	2%
(b) Chemicals	24,629	23,936	3%
(c) Cement	8,735	8,396	4%
Total	117,336	115,039	2%
Adjusted Operating Profit ⁽²⁾			
(a) Carbon Products	9,905	11,953	(17%)
(b) Chemicals	1,881	2,434	(23%)
(c) Cement	434	591	(27%)
Total	12,220	14,978	(18%)
Reported Net Profit	885	3,845	(77%)
Adjusted Net Profit	2,561	4,512	(43%)
Earnings Per Share	2.63	11.41	(77%)
Adjusted Earnings Per Share	7.62	13.39	(43%)

Sales Volume Information:

(Volume in ‘000 Metric Tons)

Particulars	Year Ended		% Increase/ (Decrease)
	December 2014	December 2013	
Carbon Products	3,280	3,129	5%
Chemicals	317	291	9%
Cement	2,153	2,134	1%



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(Formerly Rain Commodities Limited)

Consolidated Financial Highlights for Q4 2014:

(INR in million)

Particulars	Quarter Ended			% Increase / (Decrease)	
	Dec. 2014	Sept. 2014	Dec. 2013	Q4 2014 vs. Q3 2014	Q4 2014 vs. Q4 2013
Net Sales ⁽¹⁾					
(c) Carbon Products	18,303	21,076	20,758	(13%)	(12%)
(d) Chemicals	5,296	6,291	6,071	(16%)	(13%)
(c) Cement	2,300	2,330	1,983	(1%)	16%
Total	25,899	29,697	28,812	(13%)	(10%)
Adjusted Operating Profit ⁽²⁾					
(c) Carbon Products	1,378	2,949	2,742	(53%)	(50%)
(d) Chemicals	(85)	462	700	(118%)	(112%)
(c) Cement	284	206	179	38%	59%
Total	1,577	3,617	3,621	(56%)	(56%)
Reported Net (Loss)/ Profit	(1,997)	1,147	472	(274%)	(523%)
Adjusted Net (Loss)/ Profit	(321)	1,147	1,307	(128%)	(125%)
Earnings Per Share	(5.94)	3.41	1.41	(274%)	(522%)
Adjusted Earnings Per Share	(0.96)	3.41	3.86	(128%)	(125%)

Note:

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

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

Sales Volume Information for Q4 2014:

(Volume in '000 Metric Tons)

Particulars	Quarter Ended			% Increase/ (Decrease)	
	Dec 2014	Sep 2014	Dec 2013	Q4 2014 vs. Q3 2014	Q4 2014 vs. Q4 2013
Carbon Products	808	813	782	(1%)	3%
Chemicals	83	81	67	3%	24%
Cement	506	512	470	(1%)	8%



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Corporate Highlights:

1. On January 4, 2013, the Company acquired RÜTGERS N.V., Belgium from investment funds maintained by Triton ("Prior Owners"). In this regard, the Company had recognized liability towards contingent consideration payable to Prior Owners of RÜTGERS N.V., Belgium. As the conditions stipulated for payment of such contingent consideration are not fulfilled within agreed time, outstanding contingent consideration of INR 1,580 million (as at December 31, 2013) is not payable and the same is adjusted against the value of goodwill.
2. With the objective of reducing interest cost, Rain CII Carbon LLC ("RCC"), a Wholly Owned Subsidiary of the Company prepaid Junior Subordinated Notes of US\$ 26 million (Equivalent to INR 1,628 million), including interest accrued of US\$ 13 million on December 29, 2014. Such Junior Subordinated Notes carried fixed interest rate of 10%, interest compounded annually with a bullet repayment scheduled in January 2018.
3. Considering new Environmental regulations applicable from January 2015 which would require additional investment; Zhenjiang Xin Tian Tansu Co. Ltd, a Wholly Owned Subsidiary of RCC has shut-down its 20,000 Tons capacity per annum Vertical-shaft Calcined Petroleum Coke ("CPC") Plant during January 2015. The Company provided for impairment of INR 56 million for the value of assets in China considering the net realizable value of the assets; during the quarter ended December 31, 2014. In spite of shutting-down of CPC Plant in China, the Company continues to operate its Representative Offices in China to assist its Carbon and Chemical businesses in procurement of raw-materials.

4. Hudhud cyclone impact:

During October 2014, the Hudhud cyclone hit the North-coast of the State of Andhra Pradesh. However, due to the pre-emptive 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 its first Kiln on October 26, 2014 and its second Kiln on November 5, 2014. RCCVL lodged claims against Insurance Companies for loss of property and inventories. Such claims were partially settled during December 2014 and the balance of claims will be settled by the end of March 2015. Pending full settlement of insurance claims, RCCVL recognized net loss of INR 160 million during the quarter ended December 31, 2014.



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5. Status of capital projects:

A) Solar Power Plant in Andhra Pradesh:

During the quarter ended December 31, 2014, the Company's Wholly Owned Subsidiary, Rain Cements Limited ("RCL") executed a Power Purchase Agreement with Southern Power Distribution Company of Andhra Pradesh Limited ("APSPDCL") to set-up a 22MW Solar Power Plant in Dharmavaram, Anantapur District, Andhra Pradesh and to supply power generated from such Solar Power Plant for next 25 years at a fixed tariff of INR 5.89 per kWh plus an annual escalation of 3% for first ten years. RCL is in the process of acquiring land in Dharmavaram, finalizing the equipment suppliers and initiating other construction activities. The Solar Power Plant is expected to commence operations in Second-half of CY 2015.

B) Waste-heat Recovery Power Plant in Kurnool Cement Plant:

To optimize the cost of electricity in its Cement Operations, RCL is proposing to set-up a 7 MW Waste-heat Recovery Power Plant ("WHR Power Plant") at its existing Integrated Cement Plant in Kurnool, India. The construction work for the WHR Power Plant will be commenced in March 2015 and is expected to be commissioned by March 31, 2016. The total estimated capital outlay for the WHR Power Plant is INR 700 million and the cost of generation of electricity is estimated to be below INR 2.00 per kWh.

C) Tar Distillation Plant in Russia:

A New Coal Tar Distillation Plant with a capacity of 300,000 Tons per annum is being developed in Cherepovets, Russia via Joint Venture with OAO Severstal, Russia and is progressing well. The detailed engineering has been finalized, all key equipment reached the construction site and construction is in progress. Due to 46% fall in Russian Ruble against US Dollar during the quarter ended December 31, 2014; the Company has incurred an aggregate loss of INR 521 million (including exchange loss of INR 181 million attributable to Joint Venture Partner) in restating loans and other liabilities denominated in US Dollar borrowed for incurring the Capital Expenditure for the Project. The long-term viability of the Russian Tar Distillation Plant was not impacted due to devaluation of Russian Ruble, as majority of the product will be sold in prices denominated either in US Dollars or in Euros.

D) Phthalic Anhydride Expansion in Belgium:

The Brownfield expansion of Phthalic Anhydride (“PA”) Project of RÜTGERS Belgium N.V. in Zelzate, Belgium was successfully completed on time and within budget. The PA Project has started commercial production from October 6, 2014 and the plant has achieved its rated capacity and quality.

6. Certain Exceptional Items during December 2014 Quarter:

- A) The pricing of certain raw-materials procured by RÜTGERS Group as well as certain finished products produced and sold to customers by the RÜTGERS Group are directly linked to the pricing of commodities like Fuel Oil, Benzene and Ortho-xylene. Due to the substantial fall in commodity prices, there is a fall in operating margins during the quarter ended December 31, 2014. Total estimated impact on the operating margin due to the fall in commodity prices is € 8.0 million (equivalent to INR 619 million), which includes a provision of € 3.0 million (equivalent to INR 237 million) towards fall in Net Realizable Value on Closing Inventories as of December 31, 2014. The raw material pricing is adjusted with one-month / three-months delay so that the impact on our operating margin due to weakening commodity prices is limited to few months.
- B) Due to a substantial fall in interest rates in Europe, a lower discount rate of 1.70% was assumed for determining the Pension Liability as on December 31, 2014; as compared to a discount rate of 3.10% assumed in December 2013. Due to such change in the discount rate, there is an actuarial loss / incremental pension liability of € 23.5 million (equivalent to INR 1,820 million) during the quarter ended December 31, 2014, as compared to an Actuarial Gain of € 3.5 million (equivalent to INR 293 million) realized during the December 2013 quarter. However, these actuarial losses will not have any cash outflow impact in near future.
- C) Due to weaker performance in the Chemical business in RÜTGERS Resins BV, Netherlands (a Wholly Owned Subsidiary of RÜTGERS Group), licenses and other assets were impaired during the quarter ended December 31, 2014. The Company recognized a provision of € 0.50 million (equivalent to INR 39 million) towards impairment of licenses in RÜTGERS Resins BV, Netherlands.



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Financial Performance Review and Analysis – Q4 2014 vs. Q4 2013:

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

- Consolidated Net Revenue is INR 25,899 million during the current quarter, a fall of 10% compared to INR 28,812 million during Q4 2013.
 - Carbon product sales volume during the current quarter is 808 thousand tons, which is a marginal increase of 3% compared to 782 thousand tons in Q4 2013. Carbon sales volume increased during current quarter mainly due to higher Pitch sales and an increase in Pet Coke trading volume, which was partly offset by lower CPC sales in the United States. While carbon sales volume has increased by 3%, due to a fall in blended realization, lower Pet Coke trading sales (on CIF terms) and depreciation of Euro during the quarter, the Carbon division revenue has reduced by 12% in Q4 2014; as compared to Q4 2013.
 - Chemicals sales volume during the current quarter is 83 thousand tons, an increase of 24% compared to 67 thousand tons in Q4 2013. While Chemical sale volumes have increased by 24%, due to fall in realization, change in product mix and depreciation of the Euro, Revenue from Chemical business has reduced by 13% in Q4 2014; as compared to Q4 2013.
 - Cement sales volume during the current quarter is 506 thousand tons, an increase of 8% compared to 470 thousand tons in Q4 2013. With the combination of increase in sales volume by 8% and increase in average realization from INR 211 per bag in Q4 2013 to INR 227 per bag in Q4 2014, Cement revenues increased by 16% in Q4 2014; as compared to Q4 2013.
- Consolidated Adjusted Operating Profit for the current quarter is INR 1,577 million a decrease of 56% compared to INR 3,621 million achieved during Q4 2013. While the Cement division has delivered a strong recovery of 59% growth in operating profit and this was offset by lower operating performance in the Carbon and Chemical business as a result of change in product mix and lower margins in the Resins business. In addition the operating profit of the Carbon and Chemical business in Q4 2013 was positively impacted by an environmental claim income of INR 1,007 million.
- During Q4 2014, the Company had a foreign exchange loss of INR 115 million, as compared to a foreign exchange loss of INR 135 million in Q4 2013. The loss in Q4 2014 is mainly due to loss on derivative contracts entered in Germany for hedging US dollar denominated receivables and due to depreciation of the Rupee against the US dollar.



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- Finance cost during the current quarter is INR 1,482 million, a decrease of 4% compared to INR 1,551 million during Q4 2013. The fall in finance cost is mainly due to translation impact of foreign currency interest cost and marginal decline in debt.
- Considering the expected improvement in performance during subsequent periods, the Company recognized Deferred Tax Benefit of INR 950 Million on business losses eligible for carry-forward. Further, the Company has also recognized MAT Credit INR 25 Million, and reversed deferred tax liability of INR 223 Million, which is no longer required.
- Consolidated reported net loss during the current quarter is INR 1,997 million compared to consolidated net reported profit of INR 472 million during Q4 2013. However the adjusted net loss (after exceptional items) for the current quarter is INR 321 million. The Company achieved a consolidated negative EPS of INR 5.94 and adjusted negative EPS of INR 0.96 during the current quarter, as compared to consolidated EPS of INR 1.41 and adjusted EPS of INR 3.86 during Q4 2013 respectively.

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

- Consolidated Net Revenue is INR 117,336 million during the current year, a marginal increase of 2% compared to INR 115,039 million during 2013.
 - Carbon product sales volume during the current year is 3,280 thousand tons, a marginal increase of 5% compared to 3,129 thousand tons in 2013. The increase of Carbon sales is mainly on account of an increase in higher Pitch sales and Pet Coke trading volume which was partly offset by lower CPC sales volume in the United States. While carbon sales volume has increased by 5%, due to fall in realized prices of Pitch and CPC, the Carbon division revenue has shown only a 2% increase compared to 2013.
 - Chemicals sales volume during the year is 317 thousand tons, an increase of 9% compared to 291 thousand tons in 2013. While Chemical sales volume has increased by 9%; due to fall in average realization by 9%, change in product mix and devaluation of Euro, Revenue from the Chemical business has increased by only 3%, as compared to 2013.
 - Cement sales volume during the current year is 2,153 thousand tons, a marginal increase of 1% compared to 2,134 thousand tons in 2013. With the combination of increase in sales volume by 1% and an increase in average realization to INR 211 per bag during the last quarter of the year compared to rest of the year, Cement revenues increased by 4% in 2014 compared to 2013.



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- Consolidated Adjusted Operating Profit for the year is INR 12,220 million a decrease of 18% compared to INR 14,978 million achieved during 2013. The decrease is mainly on account of lower operating performance in the Carbon, Chemical business as a result of change in product mix and lower margins in Resins business and partly offset with the improving performance in Cement business.
- A detailed reconciliation of reported operating profit and adjusted operating profit for the year 2014 is explained in the below table:

Particulars	INR in Millions	
Reported Operating profit		10,163
Add: Exceptional items		
a) Incremental pension liability resulting from actuarial losses (due to significant fall in interest rates in Europe)	1,820	
b) Inventory write-down, resulting from fall in net realizable value, due to abnormal decline in prices of inputs	237	
		2,057
Adjusted Operating Profit		12,220

- During 2014 the Company had a foreign exchange gain of INR 209 million, as compared to foreign exchange loss of INR 505 million in 2013. The primary reason for the foreign exchange gain in 2014 is appreciation of US dollar and Canadian dollar against Euro.
- Finance cost during the current year is INR 6,078 million, an increase of 2% compared to finance cost of INR 5,933 million incurred during 2013. The increase in finance cost is mainly due to translation impact of foreign currency interest cost.
- Effective tax rate was lower during the current year due to recognition of MAT credit for INR 25 million, deferred tax liability reversal of INR 223 million and recognition of indemnification income during the year, which is not taxable.
- Consolidated reported net profit for the year is INR 885 million, as compared to consolidated reported net profit of INR 3,845 million during 2013. However the adjusted net profit (after exceptional items) for the current year is INR 2,561 million, as compared to adjusted net profit of INR 4,512 million in 2014.



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- A detailed reconciliation of reported net profit and adjusted net profit is explained in the below table:

(INR in million)

Particulars	2014	2013
Reported Net profit	885	3,845
Add: Exceptional items (including exceptional foreign currency loss), net of tax	1,796	667
	2,681	4,512
Less: Share of Minority in exceptional items	(120)	-
Adjusted Net Profit	2,561	4,512

Debt Analysis:

As at December 31, 2014, the Company has a consolidated gross debt of US\$ 1,211 million (including working capital debt of US\$ 54 million) and Cash and Cash Equivalents of US\$ 145 million. The net debt as at the same date is US\$ 1,066 million.

(US\$ in Million)

Particulars	2014	2013	Type of Interest / Repayment Terms
Senior Secured Notes	1,035	1,070	Fixed Rate/ Bullet repayments in 2018 and 2021
Senior Bank debt	85	90	Floating Rate/ Instalments up to 2018
Deferred consideration (Note 1)	-	26	Interest Free/ Payment based on triggering event
Sales Tax Deferment	13	15	Interest Free/ Instalments up to 2027
Junior Subordinated Notes (Note 2)	-	13	Bullet repayment in 2018 along with compounded interest
Other Debt	24	32	
Gross term debt	1,157	1,245	
Add: Working Capital Debt	54	94	
Total Debt	1,211	1,339	
Less: Cash and Cash Equivalents	145	136	
Net Debt	1,066	1,203	



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Note:

1. As the conditions stipulated for payment of such contingent consideration are not fulfilled within agreed time, outstanding contingent consideration of INR 1,580 million (as at December 31, 2013) is not payable and the same is adjusted against the value of goodwill.
 2. To reduce the interest cost, prepayment has been made along with compounded interest on December 29, 2014.
- Net debt of the Company as at December 31, 2014 is reduced by \$137 million, as compared to net debt as at December 31, 2013 due to repayment of installments due, prepayment of debt and reversal of debt-obligations during the year.

With the existing cash and cash equivalents of US\$ 145 million coupled with undrawn revolver facilities of US\$ 220 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 Company generated consolidated Free Cash Flows of US\$ 65 million during year ended December 31, 2014; after spending capital expenditure of US\$ 61 million and incurring cash interest cost of US\$ 113 million.

The Company has used the following exchange rates for preparing the consolidated financial statements.

Currency	Average		As At	
	Q4 2014	Q4 2013	31 Dec. 2014	31 Dec. 2013
INR / US Dollar	62.00	62.03	63.33	61.90
INR / EURO	77.40	84.48	77.00	85.36
RUB / US Dollar	47.72	32.51	56.45	32.77



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Historical Performance:

(INR in million)

	CY 2014	CY 2013	CY 2012	CY 2011	CY 2010	CY 2009
Income from Operations⁽¹⁾	119,370	117,443	53,615	56,395	37,857	36,494
Operating Profit⁽²⁾	12,220	14,978	11,090	13,873	7,559	9,063
Net Profit	885	3,845	4,577	6,641	2,407	4,438
Adjusted Net Profit⁽³⁾	2,561	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 2014 is adjusted for incremental pension liability from actuarial losses of INR 1,820 Million, Inventory write down due to fall in oil prices of INR 237 Million, Russian ruble currency devaluation impact INR 338 Million, impairment loss of INR 95 Million, and tax impact on all these items of INR 814 Million.
 - (b) Profit After Tax for CY 2013 is adjusted for costs incurred for acquisition of RÜTGERS of INR 142 Million, impairment loss of INR 1,304 Million offset by insurance claim receipts of INR 375 Million and tax impact on all these items of INR 404 Million.
 - (c) Profit After Tax for CY 2012 is adjusted for one time expenditure of INR 1,789 Million (net of tax INR 1,219 Million) incurred in-connection with the acquisition of RÜTGERS.
 - (d) Profit After Tax for CY 2010 is adjusted for net exceptional expenditure of INR 1,249 Million (net of tax INR 898 Million).
 - (e) Profit After Tax for CY 2009 is adjusted for exceptional profit of INR 513 Million (net of tax INR 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 16 operating facilities spread across United States of America, Canada, Europe, India, Africa and China, 17th 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.

For further information please contact:

Investor Relations – India

Raghavendra B
Tel: +91 40 4040 1291
Email: raghavendra@raincii.com

Investor Relations – US

Ryan Tayman
Tel: +1 203 5172 822
Email: rtayman@raincii.com

Safe Harbour: Some of the statements made in this release that are not historical facts can be construed as forward-looking statements. These forward-looking statements include the Rain Industries Limited's (RIL) financial and growth projections as well as statements concerning its plans, strategies, intentions and beliefs concerning its business and the markets in which it operates. These statements are based on information currently available to RIL, and are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors could cause results to materially differ from those stated. These factors include, but are not limited to, changes in laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates of countries with which RIL does business; competitive pressures, the loss of one or more key customer or supplier relationships; customer insolvencies, successful integration of structural changes, including restructuring plans, acquisitions divestitures and alliances; cost and availability of raw materials; and other economic, business, competitive, regulatory and/or operational matters affecting the Company and its subsidiaries generally. RIL assumes no obligation to update forward-looking statements and takes no responsibility for any consequence of decisions made based on such statements.