



# 40<sup>th</sup> ANNUAL REPORT 2014





## **BOARD OF DIRECTORS**

Mr. N. Radhakrishna Reddy

Mr. N. Jagan Mohan Reddy

Mr. N. Sujith Kumar Reddy

Mr. Dipankar Basu

Mr. S. L. Rao

Mr. H. L. Zutshi

Ms. Radhika Vijay Haribhakti

Mr. V. Narayanamurthy

Mr. G. Krishna Prasad

Chairman

Managing Director

Director

Independent Director

Independent Director

Independent Director

Additional Director (Independent Director)

Nominee Director, IDBI Bank Limited

Independent Director

## **CHIEF FINANCIAL OFFICER**

Mr. T. Srinivasa Rao

## **COMPANY SECRETARY**

Mr. S. Venkat Ramana Reddy

## **STATUTORY AUDITORS**

M/s. B S R & Associates LLP,  
Chartered Accountants,  
Reliance Humsafar, IV Floor,  
Road No.11, Banjara Hills,  
Hyderabad- 500 034.  
Telangana State.

## **REGISTERED OFFICE**

"Rain Center",  
34, Srinagar Colony,  
Hyderabad-500 073,  
Telangana State, India.  
Phone No.+ 91 (40) 40401234  
Fax No. + 91 (40) 40401214  
Email: [secretarial@rain-industries.com](mailto:secretarial@rain-industries.com)  
Website: [www.rain-industries.com](http://www.rain-industries.com)  
CIN: L26942TG1974PLC001693

## **INTERNAL AUDITORS**

M/s. Ernst & Young LLP,  
The Oval Office,  
18, iLabs Center, Madhapur,  
Hyderabad - 500 081.  
Telangana State.

## **BANKS**

IDBI Bank Limited  
ICICI Bank Limited  
Citibank

## **SECRETARIAL AUDITORS**

M/s. DVM Gopal & Associates,  
Practising Company Secretaries  
6-3-154-159, Flat No. 303,  
3rd Floor, Royal Majestic,  
Prem Nagar Colony,  
Near Banjara Hills Care Hospital,  
Khairtabad, Hyderabad - 500 004  
Telangana State.



## CONTENTS

Sl. No.	Page No.
1. Profile of the Rain Group .....	4
2. Key Financial Indicators on a consolidated basis .....	7
3. Notice .....	12
4. Directors' Report .....	19
5. Management Discussion and Analysis .....	56
6. Report on Corporate Governance .....	63
7. Auditors' Report .....	88
8. Standalone Financial Statements .....	92
9. Operational Performance of Subsidiary Companies/ Joint Ventures/Associate Companies .....	119
10. Auditors' Report on Consolidated Financial Statements .....	123
11. Consolidated Financial Statements .....	124
12. ECS Form .....	161
13. Attendance Slip .....	163
14. Proxy Form .....	165



**Rain Industries Limited (formerly Rain Commodities Limited) ("Rain Group")  
is one of the world's leading producer of Carbon and Chemical Products  
and is one of the leading producers of Cement in South India.**

<b>Business Vertical</b>	<b>Description of Business</b>
<b>Carbon Products Business</b>	<ul style="list-style-type: none"> <li>Carbon Products comprise Calcined Petroleum Coke ("CPC"), Green Petroleum Coke ("GPC"), Coal Tar Pitch ("CTP"), Co-generated Energy and other derivatives of Coal Tar distillation.</li> <li>Activities across the World with operating facilities spread across Africa, Belgium, Canada, Germany, India, Poland and United States of America. The Russian JV facility is under construction and expected to commence operations from Second half of CY 2015.</li> <li>Co-generation facilities located in United States of America and India.</li> </ul>
<b>Chemicals Business</b>	<ul style="list-style-type: none"> <li>Chemicals include the downstream operations of Coal Tar distillation and comprise Resins, Modifiers, Super Plasticizers and other specialty products.</li> <li>Activities across the World with facilities in Germany, Canada and the Netherlands.</li> </ul>
<b>Cement Business</b>	<ul style="list-style-type: none"> <li>Production and Sale of Cement.</li> <li>Activities predominantly in South India.</li> <li>Entering new market regions viz. Maharashtra, Orissa and Kerala.</li> <li>Marketed under the brand name "<b>Priya Cement</b>".</li> </ul>

- Rain Group has achieved a Compounded Annual Growth Rate ("CAGR") of 33% in Consolidated Revenues during last five years.
- Rain Group has achieved a CAGR of 13% in Consolidated Operating Profits during last five years.
- Consolidated Book Value per share is increased by 125% from Rs. 39 per share to Rs. 88 per share during the last five years.

### Rain Group Operating Facilities

Business Vertical	Facility	Description
<b>Carbon Products Business</b>	Visakhapatnam - Andhra Pradesh, India	<ul style="list-style-type: none"> <li>Two rotary kilns to produce CPC</li> <li>Located in Visakhapatnam Port Area</li> <li>Proximity to new Aluminum Smelter plants</li> <li>Integrated with Co-generation facility</li> </ul>
	Lake Charles- Louisiana, USA	<ul style="list-style-type: none"> <li>Two rotary kilns to produce CPC</li> <li>Dedicated deep-water terminal</li> <li>Integrated with Co-generation facility</li> </ul>
	Robinson - Illinois, USA	<ul style="list-style-type: none"> <li>Two rotary kilns to produce CPC</li> <li>Located adjacent to Marathon oil refinery</li> </ul>
	Chalmette - Louisiana, USA	<ul style="list-style-type: none"> <li>One rotary kiln to produce CPC</li> <li>Dedicated deep-water terminal</li> <li>Integrated with Co-generation facility</li> </ul>
	Gramercy- Louisiana, USA	<ul style="list-style-type: none"> <li>One rotary kiln to produce CPC</li> <li>Dedicated deep-water terminal</li> <li>Integrated with Co-generation facility</li> </ul>
	Norco - Louisiana, USA	<ul style="list-style-type: none"> <li>One rotary kiln to produce CPC</li> <li>Located adjacent to Motiva oil refinery</li> <li>Integrated with Co-generation facility</li> </ul>
	Purvis - Mississippi, USA	<ul style="list-style-type: none"> <li>One rotary kiln to produce CPC</li> <li>Focused on specialty applications</li> <li>Direct rail or truck shipments to customers</li> </ul>
	Castrop - Rauxel, Germany	<ul style="list-style-type: none"> <li>Coal tar distillation (largest single line Coal Tar distillation plant globally) with integrated downstream production operations</li> <li>Dedicated river port and access via sea, rail and road</li> </ul>
	Zelzate, Belgium <sup>(4)</sup>	<ul style="list-style-type: none"> <li>Coal tar distillation with integrated downstream production operations</li> <li>Transport access via sea and road</li> </ul>
	Hamilton, Canada	<ul style="list-style-type: none"> <li>Serves as hub for North America and is the only coal tar distillation facility in Canada</li> <li>Transport access via sea, rail and road</li> </ul>
	Adabeya - Suez, Egypt	<ul style="list-style-type: none"> <li>Engaged in production of Slag Foaming Carbon Materials and Recarbonizers</li> </ul>
	Kedzierzyn - Kozle, Poland	<ul style="list-style-type: none"> <li>Soft pitch production</li> <li>Serves as hub for Eastern Europe</li> </ul>
	Cherepovets, Russia (under construction, expected to be operational in H2 2015)	<ul style="list-style-type: none"> <li>Joint venture with OAO Severstal in Russia</li> <li>Focused on pitch supply to the North Atlantic, Russia and the MiddleEast</li> <li>Transport access via sea, rail and road</li> </ul>

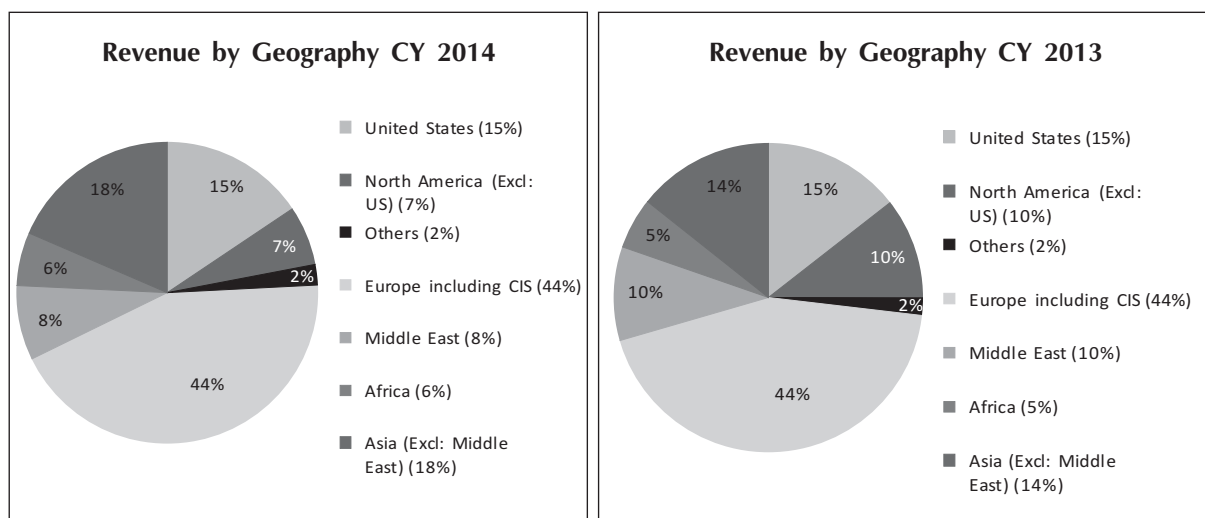
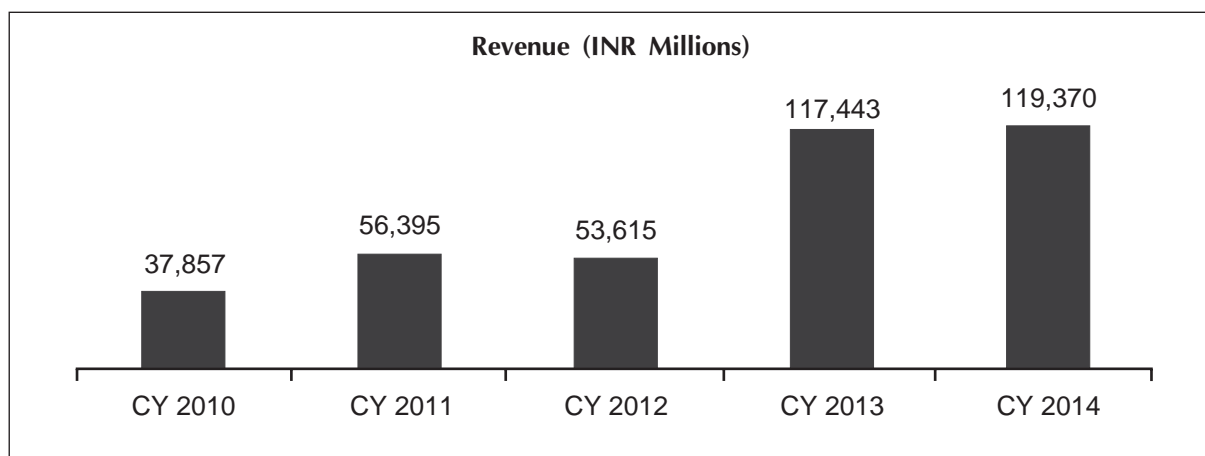
## Rain Group Operating Facilities (Contd.)

Business Vertical	Facility	Description
<b>Chemicals Business</b>	Duisburg, Germany	<ul style="list-style-type: none"> <li>Downstream resins production</li> <li>Dedicated river port</li> </ul>
	Uithoorn, The Netherlands	<ul style="list-style-type: none"> <li>Downstream resins production</li> <li>New heat polymerization technology for tailor-made products</li> </ul>
	Candiac, Canada	<ul style="list-style-type: none"> <li>Downstream Superplasticizer production</li> </ul>
	Hanau, Germany	<ul style="list-style-type: none"> <li>Downstream regional producer of impregnated wood products</li> </ul>
<b>Cement Business</b> (Markets the product under the brand "Priya Cement")	Nalgonda - Telangana State, India	<ul style="list-style-type: none"> <li>One rotary kiln</li> <li>Pit Head Lime Stone Mines</li> </ul>
	Kurnool - Andhra Pradesh, India	<ul style="list-style-type: none"> <li>Two rotary kilns</li> <li>Pit Head Lime Stone Mines</li> </ul>
	Bellary- Karnataka, India	<ul style="list-style-type: none"> <li>Fly Ash Handling and Cement Packing Facility</li> <li>Strategically located at the Karnataka Power Corporation Limited's ("KPCL") power plant</li> </ul>

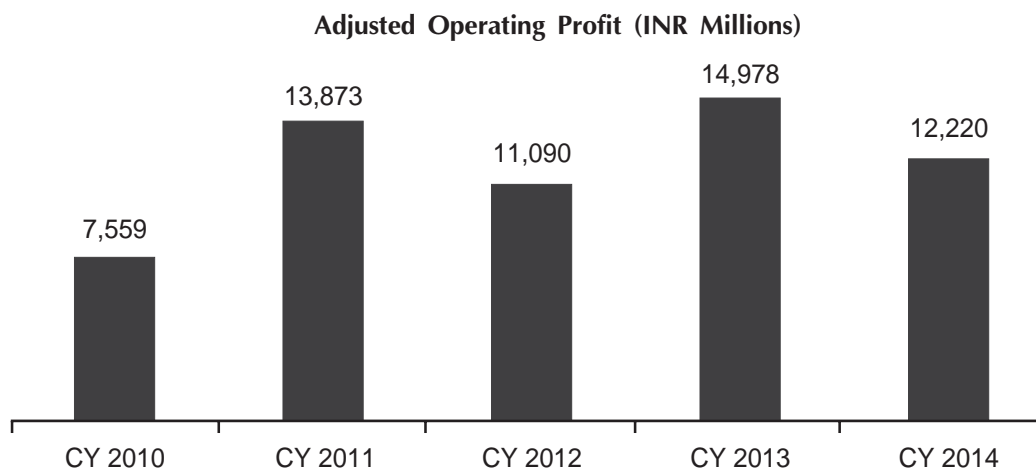
- (1) Rain Group has executed Power Purchase agreement with Southern Power Distribution Company of Andhra Pradesh ("APSPDCL") to set up 22MW Solar Power Plant in Dhramavaram, Anantapur District, Andhra Pradesh. This project is expected to commence operation in Second half of 2015.
- (2) Effective January 1, 2015, Rain Group closed the 20,000 Tons capacity Vertical Shaft Calcining Petroleum Coke ("CPC") plant in China due to new Environmental regulations applicable from January 2015 which would require additional investment. 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.
- (3) Certain of Rain Groups facilities are strategically located and have direct or indirect access to overseas distribution channels and to major logistic networks. Rain utilizes fully-leased specialty transportation assets including:
  - One icebreaker (deep sea) with 8,000 MT of capacity and secure year-round access to St. Lawrence, Canada and the Baltic Sea;
  - Two barges with 2,000 MT of capacity each for in-land transportation in Europe; and
  - Approximately 350 rail cars, with Rain's own terminals and connection of European sites with regional sourcing pools.
- (4) The Brown field expansion of Phthalic Anhydride (PA) plant capacity of 14,000 per annum was successfully completed on time. Commercial production started from October 6, 2014 and plant has achieved its rated capacity and quality.



## KEY FINANCIAL INDICATORS ON A CONSOLIDATED BASIS

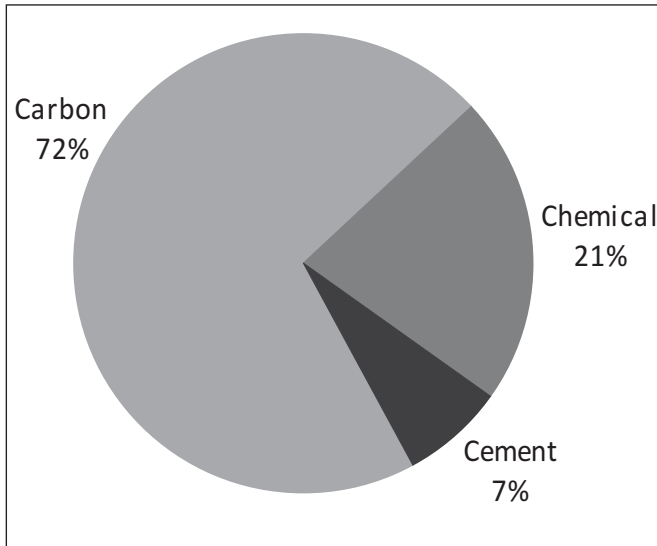


**Note:** Others include South America, Australia and Rest of the World

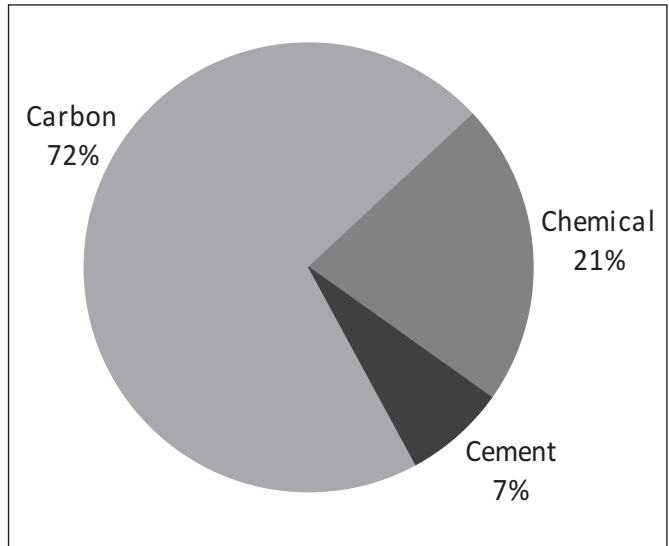


Adjusted Operating Profit is Profit before adjustment of Other Income, Foreign exchange (gain)/loss, Depreciation & amortisation, Impairment loss, Interest and Taxation and Exceptional items.

**Segment wise Revenue Mix CY 2014**

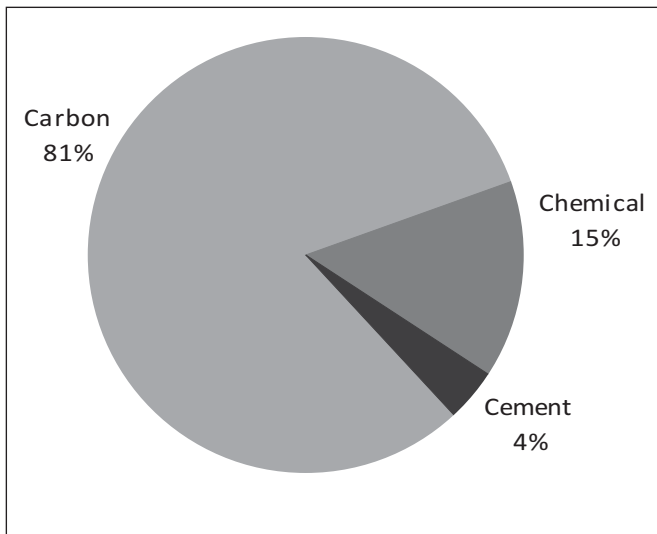


**Segment wise Revenue Mix CY 2013**

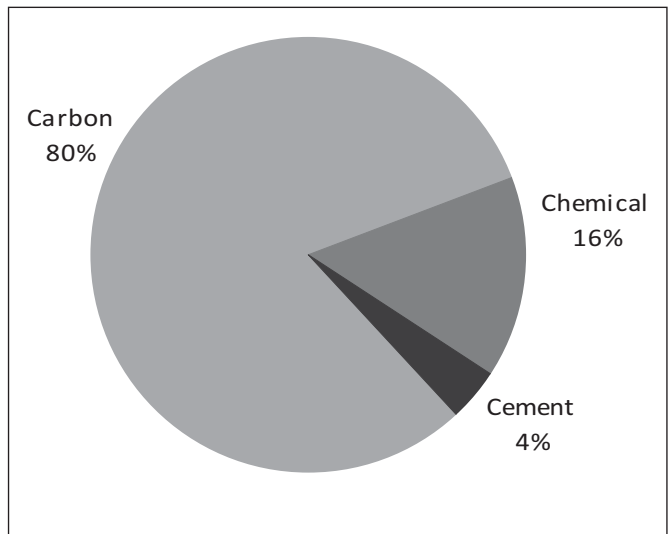


**Segment wise Adjusted Operating profit Mix**

**CY 2014**



**CY 2013**



**Notes:**

- (1) Revenue numbers for the previous years have been reclassified to correspond with the current year's classification / disclosure.
- (2) Adjusted Operating Profit is Profit before adjustment of Other Income, Foreign exchange (gain)/loss, Depreciation & amortization, Impairment loss, Interest and Taxation and Exceptional items.
- (3) In view of the acquisition of RÜTGERS effective January 4, 2013, the figures for 2013 and 2014 are not comparable with that of figures prior to 2013.