



39th Annual Report 2013



BOARD OF DIRECTORS

Mr. N. Radhakrishna Reddy	Chairman
Mr. N. Jagan Mohan Reddy	Managing Director
Mr. N. Sujith Kumar Reddy	Director
Mr. Dipankar Basu	Independent Director
Mr. S L Rao	Independent Director
Mr. H L Zutshi	Independent Director
Mr. V. Narayanamurthy	Nominee Director, IDBI Bank Limited
Mr. Yogesh Rastogi	Nominee Director, ICICI Bank Limited
Mr. G. Krishna Prasad	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, A.P.

INTERNAL AUDITORS

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

BANKS

IDBI Bank Limited
ICICI Bank Limited
Citibank

REGISTERED OFFICE

"Rain Center",
34, Srinagar Colony,
Hyderabad-500 073,
Andhra Pradesh, India.
Phone No. +91 (40) 40401234
Fax No. +91 (40) 40401214
Email: secretarial@rain-industries.com
Website: www.rain-industries.com

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

Business Vertical	Description of Business
Carbon Products Business	<p>Calcined Petroleum Coke:</p> <ul style="list-style-type: none"> 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.® Activities across the World with operating facilities spread across United States of America, Canada, Germany, Belgium, Poland, India, Africa and China. A New facility in Russia is under construction. Co-generation facilities located in United States of America and India.
Chemicals Business®	<ul style="list-style-type: none"> Chemicals include the downstream operations of Coal Tar distillation and comprise Resins, Modifiers, Super Plasticizers and other specialty products. Activities across the World with facilities in Germany, Canada and the Netherlands.
Cement Business	<ul style="list-style-type: none"> Production and Sale of Cement. Activities predominantly in South India. Entering new market regions viz. Maharashtra, Orissa and Kerala. Marketed under the brand name "Priya Cement".

@ Rain Group has diversified its end markets with entry into Coal Tar distillation and Chemical business through the acquisition of Belgium based RÜTGERS Group ("RÜTGERS") on January 4, 2013.

- Rain Group has achieved a Compounded Annual Growth Rate ("CAGR") of 34% 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 180% from Rs. 34 per share to Rs. 96 per share during the last five years

Acquisition Rationale

We envisage the acquisition to significantly expand our operations and diversify both our geographic footprint and product portfolio without diverging from our core business. Expanding into the Coal Tar distillation business is complementary to our Calcining operations, as Rain Group and RÜTGERS share the same underlying business model of converting by-products into value added products for the Aluminum industry. The likely long term benefits of the acquisition include the following:

- Our increased scale of operations and strengthened cash flows will create an improved platform from which to capitalize on growth opportunities in the global market. These opportunities include leveraging our complementary customer bases to cross-sell our CPC and CTP products.
- Broader and more diversified geographic footprint and product portfolio will help the combined company deliver more stable financial performance.
- Opportunity to leverage the technological capabilities of both Rain Group's and RÜTGERS' research and development organizations. This includes facilitating lower cost CPC and CTP combinations for the customers. The combined company will have greater flexibility to commercialize Rain Group's patented ICE technology to utilize lower cost coke inputs in CPC blends, while maintaining competitive performance characteristics for the end users. The combined company is also developing new technologies to produce new environment friendly and better performing anodes for Aluminum smelting based on proven internal technologies.

Competitive Strengths of the Combined Entity

Global leader in essential Carbon products for the Aluminum industry

We intend the combined company to become a leading carbon supplier to the Aluminum industry with significant operating scale. Rain Group is a leading producer of CPC, with Global market share of about 7%, and RÜTGERS is the second largest Coal Tar distiller with Global market share of about 7%. Additional Coal Tar distillation capacity is expected to become available during early 2015 through the Russian JV. The combined company will be able to manage the entire Carbon Anode supply chain, providing Aluminum customers the access to meet all their Carbon needs, including enhanced inventory management, via a single supplier. As a result of the expected global scale of the combined company, long-standing supplier and customer relationships, production resources, application know-how, and expertise in complying with industry regulatory requirements, we believe we will be well positioned to maintain our industry-leading position.

Longstanding relationships with global customers

Rain Group and RÜTGERS have a complementary Global Aluminum customer base which includes companies such as Alcoa, Rio Tinto Alcan, Norsk Hydro, Century Aluminum, Aluminerie Alouette, National Aluminium, Vedanta Aluminum, Hindalco, DUBAL, EMAL etc. Further, both Rain Group and RÜTGERS have maintained relationships with many of their customers for over 15 years on average. We intend to work closely with our customers to improve existing products and develop new products and processes to reduce costs for both the combined company and our customers.

Favorable industry fundamentals supported by Aluminum production growth

Approximately 76% of all CPC produced across the World and approximately 79% of all CTP produced across the World is sold to primary Aluminum producers. As such, primary Aluminum production is the most important determinant of CPC and CTP demand. While both CPC and CTP are critical inputs for Aluminum production, as no known economically viable substitutes exist, they remain as a small portion of an Aluminum smelter's costs.

Long-term contracted raw material supply-a key barrier to entry

In both CPC and CTP industries, secure access to raw materials is a key competitive advantage. Given the expectation for a continued tightening in the worldwide supply of traditional Anode Grade GPC and Coal Tar, we believe it would be difficult for a new entrant to get secure supply of these critical raw materials.

Both Rain Group and RÜTGERS enjoy long-standing relationships with many of their respective suppliers. The close proximity of our calcining facilities to suppliers minimizes freight costs and provides a significant competitive advantage. In addition, we believe that we have maintained strong relationships with our refining partners regardless of contract duration, resulting in repeated contract renewals over many years. More than 90% of RÜTGERS' Coal Tar supply is based on long-standing framework contracts and its relationships with most of its suppliers exceed 10 years. RÜTGERS expanded its Coal Tar supply base by establishing the Russian JV. The secure access to high quality GPC and Coal Tar through long-term relationships provides us with a relatively stable source of raw materials to serve our customers reliably.

Diversified geographic profile with advantaged freight and transport logistics

The combined company will have an extensive global footprint, with 18 production facilities located in Belgium, Canada, China, Germany, India, the Netherlands, Poland, Egypt, Russia (from early 2015 through the Joint Venture with Severstal) and the United States. In order to serve our customers, we maintain extensive logistics and transportation networks. Rain Group's facilities operate in locations that provide favorable and efficient sourcing of GPC, with two facilities located adjacent to crude oil refineries. Our facilities are designed to further reduce transportation and logistics costs. For example three of Rain's US facilities have dedicated vessel loading stations on the US Gulf coast waterways, while RÜTGERS European operations utilise a fleet of specialty rail cars and a fully-leased fleet of specialty vessels for deepsea and inland water transportation, which increases the ability to source Coal Tar and supply its products globally.

Increased product and market diversification

The combined company will be more diversified across end markets. While the Aluminum industry will remain the primary end market for the combined company, with CPC and CTP sales together representing a major portion of revenues, our product portfolio is diversified to other products such as energy, resins and modifiers, aromatic chemicals and superplasticizers. CPC and CTP prices are dependent on the demand dynamics of the Aluminum industry, while prices of energy, resins and modifiers, super plasticizers and other chemicals are driven primarily by broader macro-economic conditions. We expect our expanded portfolio of products and diversified end use markets mitigated our exposure to the Aluminum industry.

Industry leader in proprietary product development and R&D capabilities

Rain Group's CPC business has led the industry in development efforts to utilize a wider range of GPC raw materials for use in Aluminum anodes. Alternative raw materials such as shot coke and other non-traditional anode cokes

("NTAC") are not only typically priced at a discount to traditional anode grade coke, but such NTACs are produced by more refineries resulting in adequate supply of coke for use by Aluminum smelters. Accordingly, we anticipate increasing commercial use of NTACs, as traditional anode grade GPC availability declines. Rain Group developed the patented ICE technology, jointly along with an Aluminum smelter, which allows us exclusive use of shot coke in anode blends. Shot coke is a very specific and distinctive type of NTAC. Rain Group is currently working with few major Aluminum smelting customers to carry-out trials with this technology.

Through selective investment, RÜTGERS has developed flexible production facilities and processes that allow it to produce high quality CTP and downstream products. In addition to the flexibility of its facilities and production processes, RÜTGERS' research and development team focuses on creating innovative products to meet its customers' evolving needs and to keep pace with industry standards and preferences.

The combined company is well positioned to develop new, lower cost and more efficient combinations of coke and pitch for customers and create customized solutions.

Experienced and proven management team

The combined company will be led by an experienced management team with over 100 years of combined experience in the industry and with average industry experience of senior management of over 15 years each. While Rain Group's management will oversee the combined company, RÜTGERS' senior management team (which has an average of over 20 years of relevant experience) will remain in place to allow for a smooth integration of the two businesses.

Rain Group Operating Facilities

Business Vertical	Facility	Description
Carbon Products Business	Visakhapatnam - Andhra Pradesh, India	<ul style="list-style-type: none"> Two rotary kilns Located in Visakhapatnam Port Area Proximity to new Aluminum Smelter plants Integrated with Co-generation facility
	Lake Charles- Louisiana, USA	<ul style="list-style-type: none"> Two rotary kilns Dedicated deep-water terminal Integrated with Co-generation facility
	Robinson - Illinois, USA	<ul style="list-style-type: none"> Two rotary kilns Located adjacent to Marathon oil refinery
	Chalmette - Louisiana, USA	<ul style="list-style-type: none"> One rotary kiln Dedicated deep-water terminal Integrated with Co-generation facility
	Gramercy- Louisiana, USA	<ul style="list-style-type: none"> One rotary kiln Dedicated deep-water terminal Integrated with Co-generation facility
	Norco - Louisiana, USA	<ul style="list-style-type: none"> One rotary kiln Located adjacent to Motiva oil refinery Integrated with Co-generation facility
	Purvis - Mississippi, USA	<ul style="list-style-type: none"> One rotary kiln Focused on specialty applications Direct rail or truck shipments to customers
	Castrop - Rauxel, Germany	<ul style="list-style-type: none"> Coal tar distillation (largest single line Coal Tar distillation plant globally) with integrated downstream production operations Dedicated river port and access via sea, rail and Road
	Zelzate, Belgium ⁽³⁾	<ul style="list-style-type: none"> Coal tar distillation with integrated downstream production operations Transport access via sea and road
	Hamilton, Canada	<ul style="list-style-type: none"> Serves as hub for North America and is the only coal tar distillation facility in Canada Transport access via sea, rail and road
	Zhenjiang, China	<ul style="list-style-type: none"> One vertical shaft kiln Entire GPC requirement is sourced locally
	Adabeya - Suez, Egypt	<ul style="list-style-type: none"> Engaged in production of Slag Foaming Carbon Materials and Recarbonizers
	Kedzierzyn - Kozle, Poland	<ul style="list-style-type: none"> Soft pitch production Serves as hub for Eastern Europe
	Cherepovets, Russia (under construction, expected to be operational in early 2015)	<ul style="list-style-type: none"> Joint venture with OAO Severstal in Russia Focused on pitch supply to the North Atlantic, Russia and the MiddleEast Transport access via sea, rail and road

Rain Group Operating Facilities

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

- (1) Effective January 1, 2014, Rain Group closed the Calcining facility in Moundsville - West Virginia, USA. This site has been slated for closure brought on by the impact of new and more stringent regulations by the Environmental Protection Agency, USA. These regulatory challenges would require a level of investment exceeding US\$ 50 million on a plant that has been operating at less than 50% capacity since 2008, which is not economically feasible. The Company plans to continue to serve customers in the region using the site as a terminal facility for a one year period following the shutdown of the production assets.
- (2) 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; and
 - Approximately 350 rail cars, with Rain's own terminals and connection of European sites with regional sourcing pools.
- (3) The Company is expanding its Phthalic Anhydride ("PA") plant capacity by 14,000 tons per annum. This expansion project is expected to start operation in the last quarter of 2014.