



“Rain Commodities Q3 CY11 Conference”

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TATA SECURITIES



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Moderator: Ladies and gentlemen, good day and welcome to the Rain Commodities 3QCY11 Conference call, hosted by Tata Securities Limited. As a reminder for the duration of this conference, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. R Sreesankar. Thank you and over to you, sir.

R Sreesankar: Thank you, Myron. Good evening everyone, I welcome all the participants to the third quarter earnings call of Rain Commodities Limited. We have with us Mr. Gerard Sweeney, President and CEO of Rain CII Carbon LLC, USA, and Mr. Srinivasa Rao, Chief Financial Officer of Rain Commodities Limited. We commence the call with opening remarks from Mr. Srinivasa Rao to provide the highlights of the financial performance during the quarter ended September 2011, and certain strategic developments in the Rain Group. He will be followed by Mr. Sweeney to provide you all an update on the CPC business and developments in the Pet Coke trading business. This will be followed by a question-and-answer session where the management will answer the questions from the participants.

Before we begin the discussions, I would like to mention that some of the statements made in today's discussions maybe forward-looking in nature. I would now request Mr. Srinivasa Rao to provide you the highlights of financial performance during the third quarter of calendar year 2011. Over to you, Mr. Rao.

Srinivasa Rao: Thank you Mr. Sankar. Thanks and a warm welcome to all the participants to give you all an overview of coke financial performance during the quarter ended September 2011. I would like to highlight some of the key performance indicators on a consolidated basis. Consolidated net revenues are 1,295 crores during third quarter of 2011, an increase of about 25% compared to 1,035 crores revenue achieved during the same quarter last year. CPC sales volume in third quarter of 2011 was 451,191 tonnes, a decrease of 12% compared to 513,513 tonnes achieved in third quarter of 2010.

CPC sales volume is down by about 9% compared to second quarter of 2011. CPC sales volume during the nine months ended September 2011 was 1,424,048 tonnes, an increase of 2% compared to 1,393,664 tonnes during the same period previous year. We are confident of achieving our current year targeted sales volume of about 1.9 million tonnes. Cement sales volume in the third quarter of 2011 was 537,213 tonnes, a decrease of 14% compared to 621,897 tonnes achieved during third quarter of 2010. Cement sales volume is down by about 8% compared to second quarter of 2011 partly due to seasonal factors and partly due to ongoing political agitations in the state of Andhra Pradesh.

Consolidated operating profit or EBITDA for third quarter of 2011 was 269 crores as compared to operating profit of 243 crores achieved during the third quarter of 2010, an increase of 11%. CPC EBITDA per tonne during the third quarter of 2011 was \$111 per tonne and cement EBITDA per tonne during the third quarter is Rs.875 per tonne. Interest cost

during the third quarter of 2011 was 87 crores including exchange loss of 31 crores as compared to interest cost of 48 crores after adjusting for exchange gain of 8 crores during the third quarter of 2010.

The sharp depreciation by about 9.4% in the Indian rupee against the U.S. dollar has resulted in foreign exchange loss of 31 crores during the third quarter of 2011. This foreign exchange loss was mainly on account of translation of working capital loans borrowed and foreign currency receivable, net of foreign currency payable. Despite the mark-to-market provision of 20 crores in Pet Coke trading business, lower CPC sales volume by about 9% and foreign exchange loss of about 31 crores, the company was able to achieve consolidated net income of 118 crores during the third quarter of 2011, which is an increase of about 25% compared to consolidated net income of 94 crores during third quarter of 2010.

Consolidated net income during third quarter of 2011 was lowered by about 29% compared to second quarter of Q2 -- 2011 due to the reasons explained above. Consolidated earnings per share were 3.32 rupees during the third quarter of 2011 as compared to consolidated earnings of 2.65 rupees during the same quarter last year. Our gross debt as on 30th September 2011 in dollar terms is \$749 million, consisting of term loan of \$647 million and working capital loan of \$102 million. With the scheduled repayment, terms debt was come down by about \$5 million during the third quarter of September 2011. However working capital loan and working capital utilizations have increased by about \$14 million during the third quarter of 2011.

As on 30 September 2011, the Group has a cash balance of \$165 million across all the operating entities. Just to give you an update on the group strategic developments, during the current quarter, the Group has taken two strategic decision, first to buyback the company's shares and secondly to accelerate the debt repayments. With regard to buyback of shares, as a part of capital management strategy to effectively use the surplus cash, the Board of Directors of the company has allocated rupees 35 crores to buyback the company's shares, representing about 10% of the paid-up capital and free reserves of the company on a stand-alone basis. Considering that the same would be an effective utilization of surplus cash for enhancing the overall shareholders' value.

Further more as a process of deleveraging the balance sheet, the Group has decided to prepay the high-cost subordinated bonds of \$16 million equivalent to 78 crores carrying interest rate of 11.125% during November 2011 by exercising the first call option available to the Group on November 15th 2011. And then we would like to reiterate that our primary focus at all times will be to protect our margin, effectively manage our balance sheet, and grow our business over the long-term. I would now request Mr. Gerard Sweeney to provide you an outlook on CPC business. Over to you Sweeney.

Gerard Sweeney:

Thank you Srinivas. And welcome everyone to our third quarter 2011 conference call. It's our pleasure to address you once again this evening. From the aluminum perspective, the fear of a worsening euro zone crisis and weakening market sentiment has pulled down the aluminum

prices to lows of approximately \$2,200 per tonne. However, overall market sentiment continues to be very robust with strong demand growth from end-user industries and continued new and existing production increases from producers.

The recently announced third quarter results by Alcoa indicates the strong demand for aluminum in the long-term. Alcoa in their recent call reaffirmed their earlier forecast of 12% growth in aluminum consumption for calendar year 2011, and also a doubling of aluminum demand by 2020, while the weakening of the aluminum price recently has certainly gained our attention. I'd like to reiterate once again that the price of aluminum is not a major factor to the demand for our product CPC industry, it is aluminum production itself that drives our demand and therefore affects our pricing. As long as the aluminum price stays above the average business cost and the long-term market forecast remains bullish we should continue to see strong demand for our carbon products.

From the market perspective we have completed all negotiations for second half prices and have been very pleased with the average \$40 per metric ton CPC price increase we achieve. There is continued upward pressure on raw materials but we are doing well in protecting our margin despite these pressures. We were pleased with the realized unit margin of \$111 per metric ton during the third quarter which was comfortably above our target unit margin of \$100 per ton. Operationally, we continue to run all of our facilities with the exception of our Moundsville West Virginia facility which continues to operate at 60% of capacity as it has done foremost of the year.

I discussed in earlier calls, we've made the strategic decision to sell CPC only through the level of our raw materials availability and not further drive up raw material costs by pushing the market for more supply so that we can run Moundsville at higher rates. From a GPC supply perspective, we continue to identify new long-term sources for our GPC supplies worldwide. This is mainly pertaining to supply for India but also to develop potential alternatives for the US supply, should we have any prolonged outages at US refineries. China presents a good opportunity and logistics for India perspective and is also growing as a major source for Green Petroleum Coke from their Light Sweet Crudes.

As part of this initiative, we recently entered into a direct contract with the Chinese state owned refiner Sinopec for the off take of product from five refineries under an annual frame contract. This was the first contract of its kind in China and was met with much fanfare. The relationship has been strengthening and we are confident of continuing to develop the strategic relationship for the long-term. We've also recently seen more availability of calcinable Green Cokes in the US which is helping our raw materials and if it continuous, we will take the upward pressure of our raw material prices.

Overall, we continue to aggressively pursue protecting our margins certainly through the last quarter of 2011 and going forward into 2012. We are hopeful the raw material increases and availability we have seen recently in the second half will continue. The industry will be challenged in the short-to-medium term to keep with growing demands from the aluminum

sector. Buying any unforeseen circumstances due to global economic turbulence we foresee strong carbon demand and therefore good opportunity for the CPC business. We will remain focused on protecting our margins and retaining our position of market leadership in the CPC business.

I would now request the operator to begin the question-and-answer session.

Moderator: Thank you. We will now begin the question-and-answer session. Participants who wish to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the queue, you may press the * and 2. Participants are requested to use handsets only while asking the question. Anyone who has the question may press * and 1 at this time. We have the first question from the line of V K Karthikeyan from Suyash Advisors. Please go ahead.

V K Karthikeyan: Good evening Mr. Sweeney and Mr. Srinivas.

T. Srinivas Rao: Yeah Karthik.

V K Karthikeyan: Just a couple of clarifications Mr. Sweeney to you first. You spoke about sourcing GPG from Sinopec Refinery. So, A, you know, does the quality compare to what you get in USA? And what are the kind of terms that have been negotiated?

Gerard Sweeney: Yeah. The quality of the Sinopec material is very comparable which what we've received in the US. The major differences that we see from between China and the U.S. is that, we don't tend to get, you know, the long-term contract duration that we have in the U.S., its of a shorter duration and we don't normally get what we'd like, I mean, obviously in the U.S. we get a continuous flow of product and from China we take it in shipment sizes but that's very much what we do for India anyway. The major difference when we are sourcing, anywhere around the world versus China, is we tend to get smaller parcels in China and that's why we start to do this contract sourcing from 5 refineries at Sinopec so that we can almost create a grocery ship if you will. We won't take from all 5 refiners but we may take from 3 refiners on a ship. And what that allows us to do is, get the volume up to a sizable load that we can move it economically back to India, so it helps us from the cost perspective in shipping. The Chinese Cokes, to touch a little bit more on the quality of the Chinese Cokes is, historically China produced very low sulphur, very low metals in their refineries but that has really changed dramatically in the last 5 years, and when I say very low sulphur, very low metals, I mean actually, lower than the U.S. in most cases.

V K Karthikeyan: Okay.

Gerard Sweeney: But China like most places in the world have come to the realization of this better economics in varying crudes and considering offshore crudes. So they provide a range of products now that are substantially similar to most places in the world where we source coke.

V K Karthikeyan: Right, right. And would you be able to share with us the kind of spreads you enjoy, would it would be significantly different?

Gerard Sweeney: Well, not for India. I mean, realistically for India we've been sourcing roughly half of our raw materials needs from China getting back to, you know, getting back to the turn of the century and so it's the same margin spread. What we found is, we have been able to buy a bit more competitively because we pushed out any traders we used to have to – the traders would have the product and we pick it up years ago from traders who would have a margin in between. So, nominally we are saving \$5 or \$10 a ton in doing that. But, and certainly we get better overall performance in buying directly from Sinopec. The major interest in doing this is as well as that we are getting Sinopec to be more sophisticated in measuring the quality of the product which, if we can eliminate the variability in quality or I wouldn't say eliminate the variability, the variability in our knowledge what the quality is going to be more than anything. That will help us from the raw materials planning perspective.

V K Karthikeyan: Right, right. I'll be in line, I will come back again. Thanks very much.

Gerard Sweeney: Okay, thank you.

V K Karthikeyan: Thank you.

Moderator: The next question is from the line of Pavas Pethia from Motilal Oswal. Please go ahead.

Pavas Pethia: Good evening sir. My first question is regarding to the minority interest, as minority interest become negative, did you make any loss by coke trading business?

T. Srinivas Rao: Actually, we've not incurred loss from the current operations what we have done in the Q3 of 2011, whatever inventory we are holding on that we created a mark-to-market loss because of the current crisis in Europe, you know, the places where the prices of petcoke has slightly fallen between August, 2011 and September, 2011. And on the conservative basis the management has taken a decision to provide for those losses while closing the September, 2011 account which is around \$4.5 million.

Pavas Pethia: So, there is not going to be a reversal of – the kind of reverse aluminum costs currently?

T. Srinivasa Rao: Clearly, the market starts moving up, maybe get reversed.

Gerard Sweeney: That's not a locked in loss to answer your question. It's a mark-to-market, since the markets improve some of value of that inventory in marking it back to market again, but on that business in particular which is a very small portion of the business, we thought it was prudent to market-to-market because of the nature of the business and what is going on in the world, that it is an open position on that business.

Pavas Pethia: Okay, another thing is what about the spot pricing of monthly for the CPC, is it down from you're on a last quarter and how much if it is down on what percentage?

Gerard Sweeney: No, this is not CPC.

Pavas Pethia: No, no – actually this is a different question not in the same line.

Gerard Sweeney: Okay. Yes.

T. Srinivasa Rao: Average realization we have done in Q3 of 2011 is about \$482 as compared to \$473 what we realized in the second quarter of 2011.

Pavas Pethia: Okay. And sir, but what was the current grade which bounced from \$482 for the last month of this quarter or is it on the same line?

T. Srinivasa Rao: It is more or less at the same level what we have seen that to negotiate, as we know the CPC prices always negotiated as a half-yearly basis, the negotiations for the supply till 2012, first half of 2012 will start, maybe mid of December or something, maybe Gerry you can take that question.

Gerard Sweeney: We have no change in the CPC price from third quarter to fourth quarter, if I understand your question correctly, our CPC prices are essentially negotiated on a half-yearly basis, so from second quarter to third quarter as Srinivas explained our CPC price was up. And, you know, it remains for the second half of the year. We are looking at the markets now, I don't believe that there is any downward pressure at this point on our markets for 2012, but we don't have a lot of upward pressure either right now, you know, given the financial markets, what's going on and some what of the financial pause that's taking place, but we'll watch how the markets progress in the fourth quarter before we enter our negotiations for the first half of 2012.

Pavas Pethia: Okay. Sir, the other thing about is net cement realization – current realization on the bags?

T. Srinivasa Rao: Current prices, the gross cement realization is about Rs.275 per bag and the net realization is about Rs.155 per bag as compared to 157 what we have achieved in second quarter of 2011. There is a marginal decline by Rs.2 now, because increase in the price has slightly impacted the net cement realization. In our business we calculate the net cement realization excluding the taxes and duties and we also take out the freight outward on sales in different markets where the freight rate could be Rs.10 a bag to Rs.40 a bag, so we always calculate the net cement realization after taking out the outward freight. So the net cement realization for third quarter is Rs.155 per bag, slightly lowered by 2 rupees as compared to the second quarter of 2011.

Pavas Pethia: So, that answers my question. Thanks for taking my questions.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial, please go ahead.

Achal Lohade: Yes hi. Good evening Gerry. Hi, Mr. Srinivasa. Two, three questions, actually one, in terms of availability of GPC, you know, we incrementally looking at China, just wanted to get some more sense on the U.S. GPC availability how are the coke dynamics now, have they turned favorable or still unfavorable and to what extent does U.S. satisfy our requirement and how much do we depend on the spot buying of GPC for U.S. as well as for India?

Gerard Sweeney: Yes it's good question. We have seen a slight improvement in overall refining economics here in the U.S. We are watching it carefully to understand, since we just came out of the summer season here, we are watching it carefully to understand whether it's something that will be sustained through the winter months, but certainly, we've seen some improvement in refinery run rates and therefore more coke production than we had anticipated. And a few of the refiners are running a little better quality which helps us out as well. As far as your question relating to, you know, how we situated in the U.S. for our supply, essentially we take all of our raw material needs from the U.S. We're fed from the U.S. and the one refinery in Canada, which we sourced for the last ten years. So, we are still very well placed. About 80% to 90% of the raw material that we purchased, is done so on an annual volumes with quarterly pricing, you know, if I put it in those terms it is 90%, very little of what we buy is on any kind of spot basis. We do buy a little bit on an as available spot title basis, we did that recently just for some safety stock and then some that will actually swap out with other Calciners as they or we may need product, we will swap out some volumes, but, that is a very small percentage, it's 10% or 5% to 10% of actually what we consume in the U.S, does that answer your question?

Achal Lohade: Yes to a logical sense.

Gerard Sweeney: Okay.

Achal Lohade: For India, how much is, you know, is it entirely on spot or some portion of U.S. availability or U.S. supply is diverted for India consumption?

Gerard Sweeney: We buy for India, really, as locally as we possibly can because the freight aspect is an important element for us. We get supply from – we get some in India, some from Kuwait and Malaysia and Indonesia and China. We do occasionally bring product from the U.S. or from South America for India, but again it's not very freight logical for us. The nature of that supply is, really and that's a major reason behind what we've done in China or India, is to get us away from a much more spot type of arrangement, the products that we buy in Kuwait, in Indonesia and Malaysia are more term tonnages and now the Sinopec tonnages that we buy are more term tonnages available to us, but we are about 50-50 in India as far as spotting more term availability.

Achal Lohade: Great. Just wanted to check on the other things you know, these were metal provisions from mark-to-market loss of about \$4.5 million. Just wanted to check what the price decline is you

have seen in GPC and given that you know, we don't see a decline in the CPC prices or what's just, I mean...?

Gerard Sweeney: I think this as important element here which is, the mark-to-market loss is in fuel-grade petroleum coke, it has nothing to do with the calcining business whatsoever. So it is a few grade petroleum coke related to the Rain Global Services Business which is a fuel coke trading business, it doesn't pertain to the calcined coke business whatsoever. The fuel grade coke goes into the cement and power industries and somewhat can be used in steel, but that's a completely different business. So the mark-to-market that you are talking about you cannot take that over to the raw materials for calcining and think that those prices are going down because they are not. So that's an important distinction is, the mark-to-market in the small trading business that we have is one where we look at the inventories, all the inventories that we have and said, okay, in this business it make sense to market-to-market because we've seen a 20% drop-off in the price in this business and this business is very much a trading business which is completely different than the calcined coke business.

Achal Lohade: Great. That's a very good explanation. Just wanted to check, you know, you have said that about 20% are dropping these fuel grade coke prices, what's the -- I was thinking that we were actually having back-to-back arrangement for the trading business number one? And number two, if that's not the case what is the investment or what is the total inventories we have in the trading operations?

T. Srinivas Rao: Yes Gerry, I will take this question.

Gerard Sweeney: Sure.

T. Srinivas Rao: Achal, actually what you said is true, we generally have back-to-back arrangement though, but what happens is the supplies to the customers as well as contracts with the refineries always enter in indexed basis like, when we buy the material from the refineries we will pay them, we buy X dollars above the prices published by Jacobs though, but when we agree the prices with the customers we will tell them that we will sell them at a prices indexed to the prices quoted by Jacobs though. Between August and September 2011 the prices quoted by Jacobs have fallen substantially because of the fall in the Europe's prices. The fall is around \$15 to \$20 depending on the grade of the material and we were holding around 200,000 tons of stock across these operations worldwide and the 200,000 ton stock we provided for this \$4 million or \$4.5 million of loss though, because it delivers up standard to commit, so these were remaining unsold on 30th September, and management thought to provide for it rather than keeping the stock at higher prices.

Achal Lohade: Okay. Actually the other question is, you know, if I look at the debt levels you know, we have repaid \$5 odd million of long-term debt, but the working capital increase from \$88 million to 102, as well as the cash. So, you know, just wanted to understand what's the reason, why increase in the working capital and why there is increase in the cash, rather than that just reduction in the working capital loan to the cash loans?

T. Srinivas Rao: Actually the working capital loan is in different region and it is in the cash balancing in different legal entities, like majority of the cash is there between Rain Commodities in India and Rain CII Carbon LLC, the other operating entities like, Rain Cements and Rain CII Carbon (Vizag) Limited is doing the Cement and CPC businesses and Rain Global Services which is doing the Petcoke Trading Business, they all have the working capital loans. So that is the disconnect and the group level that you see you would see that there is a surplus cash and at the same time we also have working capital loan. But, when you look at them each operating entity wise it will not be like that actually.

Achal Lohade: Okay. How flexible we have, I mean, to what extent we have the flexibility to move around the cash for in the company actually?

T. Srinivas Rao: If you want to extend, from India the cash has to go to US as long as within the permitted limit of 400% of the Networth, we don't need any regulatory approval, it can be extended into the loan, but the money has to move from U.S. to India, it has to come not as written-off capital it should come as distribution of properties. So we don't bring them to distribute the U.S. properties that's the India and subject that to withdrawing the excess loan.

Achal Lohade: Great. Thank you so much, just one question if I may, you know, just on the plans on the inorganic front you know, couple of quarters ago actually we were actually talking about you know, growing in organic, looking at inorganic growth option as well, and that's the logic for the restructuring. So just wanted to get a sense as to what is the status, what are the thoughts on the inorganic growth front?

T. Srinivas Rao: Actually speaking nothing has been utilized as well as a little, if anything was materialized it have been already amounts to the investors at large. But current market environment is such that maybe it's difficult to do any such inorganic growth, but the group per se wanted to grow only in the related business which are complementary to the CPC business. That overall outlook has not undergone exchange.

Achal Lohade: Great. Thank you so much and I wish you all the best.

T. Srinivas Rao: Thank you very much.

Gerard Sweeney: Thank you.

Moderator: Thank you. Participants who wish to ask a question may press star and one at this time. We have the next question from the line of Luca Franza from Ausonio Funds. Please go ahead.

Luca Franza: Good afternoon everybody. I have two quick questions, quick ones, that essentially in the thoughts, you mentioned that the margin in the CPC business is \$111, I should say the DCs is stripping out to their \$4.5 million write-down in the fuel grade business, is that correct?

T. Srinivas Rao: Yeah.

Luca Franza: Okay, okay, I understood. My question is to say that, in Q3 CPC values went up and CPC prices went down, that seriously that the CPC is large and everybody is stripping out to the \$4.5 million, we end out about \$15 from \$125, you could, I mean, you could due to some inventory large volumes and if it's due to lower volume reduction, actually the first question is, are the lower volumes due to seasonality of some other major factors, that's my question? Thank you.

T. Srinivasa Rao: Yes Luca actually the issues --the reason for minor decline in the CPC margin is the volume seems on the lower side in the current quarter as compared to Q2 of 2011. I mean it's not that any of the customer understanding a cut down or the default, the actual -- the delivery schedule is that customers can't be agreed like that. If you look at the aluminum smelters, they will not be procuring the material exclusively from Rain. They will be procuring the CPC from at least two or three suppliers as minimum and we will be agreeing the deliveries schedules with different CPC suppliers at different points of time. As I mentioned in my opening remarks you know the year as a whole if you see, we are confident of doing anything between 1.9 million tonnes to 1.95 million tonne, but one thing is these are the lower side when you look at the quarter 2011; there is no other reason than actually.

Luca Franza: Okay, okay. Okay, that's due to some delivery schedule which in a way that's largely random because a lot?

Gerard Sweeney: Yes, the logistic smelters right now those aluminum smelters.

Luca Franza: Okay, thank you so much.

Gerard Sweeney: Luca as far as it's still under pressure in going up, but at particular point in time, it doesn't always translate to the actual average costs, let's say from one quarter to the next.

Luca Franza: Okay, but you also gave out CPC?

Gerard Sweeney: Yes.

Luca Franza: All right and it is due to some inventory lag?

Gerard Sweeney: Yes. But and it can just be product mix.

Luca Franza: All right, okay.

Gerard Sweeney: It can be, because we sell -- we also -- we don't sell whole to aluminum, we also sell to Titanium pigment industry and that cost of raw material could be very low. So that can influence the unit costs down at a given point in time. So that's why we look more -- we look more at our average unit margin than anything, rather than in the expressed physical costs.

Luca Franza: Well, Okay, thank you so much.

Gerard Sweeney: Okay, thanks Luca.

Moderator: Thank you. Participants if you wish to ask a question you may press “*” and “1” at this time. We have the next question from the line of Gaurav Malik from Locus Investments, please go ahead.

Gaurav Malik: Hi, hi everyone. Just a couple of basic questions, I just wanted to get an idea of your geographic sales mix, just the U.S business and who are your biggest customers?

Gerard Sweeney: You want the geographic split of the sales mix.

Gaurav Malik: Yes.

Gerard Sweeney: Of the global CPC business.

Gaurav Malik: Just for the U.S. CPC business, just point out an idea on that?

Gerard Sweeney: Yes. Well we export about 60% of the product that we produce in the U.S. Okay; I don’t have a specific offhand. I don’t have a specific breakdown by country. What you’re looking for?

Gaurav Malik: Gerard Sweeney if not by country by continent would be good if you would have that?

Gerard Sweeney: Srinivas do you have it?

T. Srinivasa Rao: You know actually in between U.S, Europe, South Africa and South America, U.S will be contributing around 40%, 45% of the space and rest will be contributing around 25% and South America is around 20% and Africa about 15%.

Gaurav Malik: Africa 15% and who would be your biggest customers in this space?

Gerard Sweeney: By continent or by...

Gaurav Malik: No, just in overall – probably is it.

Gerard Sweeney: Our largest customer is Rio Tinto Alcan

Gaurav Malik: Right.

Gerard Sweeney: Okay and we supply them -- again we supply them in the U.S, Canada, Europe and you know I guess the second largest Srinivas do you have by customer?

T. Srinivasa Rao: But we also supply to Dupont for our Titanium Dioxide business.

Gaurav Malik: Right, but approximately what percent of sales?

T. Srinivasa Rao: Around 15% and 12% range.

Gaurav Malik: 12%.

T. Srinivasa Rao: We also supply to Hydro aluminum in Europe.

Gerard Sweeney: Sorry, supply completely in the U.S

Gaurav Malik: Completely in the U.S, okay, okay. And I mean, any other bigger – any other big customer that you, I mean, but may be here that am I missing out for some?

Gerard Sweeney: I mean we supply Venalum Aluminum in Venezuela with probably 100,000 to 50,000 tonnes a year or so. And then really we've split up probably with largest customers with the largest supplier to Dubal but that's we do all of that out of India and then we have Century Aluminum and...

T. Srinivasa Rao: Noranda Aluminum is there.

Gerard Sweeney: And Noranda Aluminum in the U.S would be the next level of largest customer at about 110,000 tonnes each.

Gaurav Malik: So about in these – about in these fixed customers what would be the total kind of sales in terms of percentage?

Gerard Sweeney: Well, real percent you can take, Srinivas probably about 20% of our product.

T. Srinivasa Rao: Around 15%.

Gerard Sweeney: 15 you just said.

T. Srinivasa Rao: Yes 15.

Gerard Sweeney: In the U.S we take about 15% of our products, so they are taking 250,000 tonnes a year, Srivasa, that's so?

T. Srinivasa Rao: Yes that's correct.

Gerard Sweeney: 250,000, you have 150,000 for Venalum, 100,000 for Century and 100,000 for Noranda, or 110,000 for each of them.

Gaurav Malik: Okay. So that's – okay all right, all right, that's great. And just one more question on Srinivasa mentioned on shot coke would you please elaborate that a little, what is it really, and what kind of patent does Rain has in that?

Gerard Sweeney: Yes short coke is essentially traditionally viewed as only a fuel grade coke. Short coke is for that because it resembles small bubble like in shot form shots that's the reference and it's long been held that because of its spherical shape. It's not suitable for calcining. And we've done considerable amount of R&D over the last 10 years and have developed the use of the shot coke in the Calcined Coke process up to a level, currently we've about 20% we've grown and we've several patents for this which allows us to continue to expand the usable cokes in the overall coke blend and also you know and enjoy the advantage of using a much lower costs products. It's been catching on quite well. We had a fair amount of resistance to it early on because, again, the widely held belief that it was not acceptable. But over the last couple of years as we've seen you know tightness in the marketplace and certainly the price of CPC has driven up shortly over the last couple of years smelters are now listening. We've actually done a separate campaign where I've gone out to address CEO's in our customer base and talked to them directly about the ability to put this coke in and we've seen a very good response to that where people are moving and accepting the shot coke kind of moving your specification in an effort to control their costs overall. So we believe that will continue to pay us dividends well in for the future.

Gaurav Malik: Okay. Alright and another just one more question on – there was some news about pitch coke. The from pitch by the Japanese were specifically engine coke production with a barely small – you know kind of capacity out there, but have you heard anything about it? And do you think that is something that can you substitute it even then no large about it.

Gerard Sweeney: They do – the Japanese do calcined pitch coke, but pitch coke by its isotropic nature and the white coke that we use – is and isotropic – the shape. There is no uniformity, there is no directional uniformity and pitch coke is very directionally uniform and the real commercial application for pitch coke is into and specifically the calcined pitch is into graphite electrodes, which are really more steel-based and so that the Japanese have done this for a long time. The pitch business and – you know, that is a very separate business and my – I wouldn't say my new, but very small in comparison to the CPC business. There is not very much supply of pitch coke available and – you know, it has limited uses as far as the steel industry graphite electrodes.

Gaurav Malik: So you are saying that it doesn't have any kind of barring on the – on the aluminum industry as such or...

Gerard Sweeney: No, it actually -- it wouldn't actually not make a good anode whatsoever.

Gaurav Malik: Not make a good anode of that?

Gerard Sweeney: No. there is – years ago, that's all in South America – I'm sorry, in South Africa was – fly with that and actually trying to sell barrel their pitch through our use app, aluminum of South Africa and we are not successful in doing it even as a small blank component, it just doesn't fit in the industry. It doesn't make a good anode.

Gaurav Malik:

And lastly, I mean -- any kind of future outlook on the aluminum industry that doesn't well -- I mean, something that you would have -- you know, I mean -- anything on the overall industry would be good to know -- in terms of where is the market and what do you expect the primary aluminum production to be and what kind of joint levels are we looking at right now in terms of the global production or?

Gerard Sweeney:

Yes you know, as far as the aluminum is concerned, you know -- the good thing is everything is well pretty well documented and out there. You know, there is 4.5 million tonnes of aluminum in inventory, but it appears that the marketplace is extremely comfortable with this, in that it's mainly locked in positions that appears to the new inventory level for aluminum; the new acceptable inventory level. So that while years ago, it caused us concern of how it might affect the markets, has not affected the markets, dating always back to early 2009 and has pretty much been regarded as digested by the marketplace.

If you look at the fundamentals of the businesses, I commented on earlier in my remark. If you look at the fundamentals of the business, there are extremely strong and you know, listen to the Alcoa earnings release and you know, was very surprised that they miss their earnings target, but they were extremely upbeat. They basically growing that on Europe and what they were able to achieve in Europe with the difficult piece and currency issues that they were having, but they reiterated their expectations of 12% growth for 2011 and the doubling of aluminum demand by 2020.

Now what that means for our industry is -- I mean, quite honestly, we don't have the ability to double craven production by 2020. So the first thing that does for me since I do believe by 2020, I will still be in this industry that it makes me fearsome of our ability to meet it, it's certainly a bullish fear, but a fear in now itself. As a matter of fact, if aluminum achieves half of that and they just grow by 50%, we are really going to be hard press to meet that. I'm not saying we can't, but there is going to be a lot of pressure to meet that future demand. So as long as that remains, I remain extremely bullish about our opportunity to make money in this industry.

You know, it will certainly drive our raw material costs, but again should not be as we've seen in this driver of raw material cost should not be an issue with realizing -- you know, our margin on the backend of the product because the demand simply will be there.

And so I watch and to be perfectly frank, I watch what's happening in the world and if I'm in a good mood, I move pass quickly and if I'm in the bad mood with not enough sleep, I worry a little bit more, but I -- mostly my concern is one of that the situation in Europe actually pulled down everything, the way that we saw really the downturn in China and you know -- the mortgage mess in the US pulled down the entire world from 2008 to 2009, but I still look at that and say, if you look at our track record and our ability to go ahead and adjust our raw material cost and add our margin and protected on top, we did a very good job in very dire economy of protecting our margins. So I believe that we would do the same if we are faced

with it. I just rather not tempt faith and I'd like to stay in the very bullish market that we were in now.

Gaurav Malik: Thank you so much. Thank you so much for your time and I'll get back if I have more questions.

Gerard Sweeney: Thanks.

T. Srinivasa Rao: Okay. Thank you.

Moderator: Thank you very much sir. I would now like to hand the floor over to Mr. R Sreesankar for closing comments.

R Sreesankar: Thank you Myers. Thank you – the participants and special thanks to Management of Rain Commodities, Mr. Sweeney and Mr. Rao. Thank you very much. And thanks Gentleman and Happy Diwali to all of you.

T. Srinivasa Rao: We also wish you – wish everyone a happy Diwali.

Gerard Sweeney: Yes. Happy Diwali to everyone.

Moderator: Thank you. On behalf of Tata Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect the line.