

BUZZING

STOCK

Rain Calcining Ltd.

CMP – Rs.41

Analyst

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Key Stock Data

Sensex	14064
Nifty	4145
Sector	Aluminium Chemicals
Bloomberg	RCAL IN
Reuters	RNCL.BO
No. of shares (m)	130
Market Cap (Rs m)	5,590
Market Cap (US\$ m)	136
52-week H/L	Rs.57/26

Shareholding Pattern (%)

Promoters	47.93
Mutual Funds	13.01
FII's	10.67
Corporate Bodies	10.81
Pubic & Others	16.96

Highlight : Rain Calcining Limited (RCL) is buzzing on the news of US buy. The stock has appreciated more than 20% over last week. The company has recently entered into an agreement to buy 100% of US-based CII Carbon for a cash deal of \$595 m through its US subsidiary.

Biggest player in making : Post acquisition with combined capacity of 2.44 MMTPA RCL will be the largest manufacturer of calcined petroleum coke (CPC) in the world. RCL will also get the status of top low-cost producer of CPC. CII Carbon is the second largest manufacturer of CPC in the world with seven plants across the US and around thrice as large as RCL.

Apart from being the largest the acquisition will provide RCL a strong foothold in production and marketing front in the US.

Financing : RCL is planning to take debt-cum-equity route to finance the acquisition. Out of total acquisition cost of \$595 RCL is planning to raise \$120m through equity and the rests through debts.

The company is also planning to almost double its existing capacity in India by setting up one more plant in Visakhapatnam for an investment of around Rs2,900m.

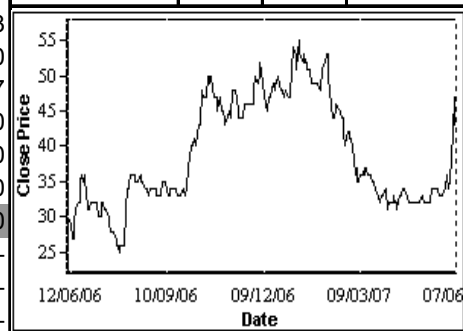
Background: RCL is Asia's largest manufacturer of CPC with installed capacity of 480,000 MTPA. The ISO 9001:2000 company meets around 8% of the world's total demand and generates around 50MW of surplus electricity supplying to various industries across the state. Its plant is strategically located in Visakhapatnam providing distinctive logistic advantage.

CPC is produced from refinery wastes called green petroleum coke (GPC), which is heated up to 1300 degree centigrade. The calcination process improves the electrical conductivity and bulk density. The CPC, thus produced is used as the main carbon source for anodes in aluminum smelting. It is also used in the production of titaniumdioxide and in arc furnaces manufacturing steel.

Financials and valuation : Q4FY07 sales grew by 14.5% yoy at Rs.1,640m. The operating profit margin improved by 216 bps over the period to 13.17%. The net profit grew by a huge 52% yoy at Rs.115.5m. For the full year the topline grew by 21.8% at Rs.6,956m. The net profit at Rs.700m grew by 69.7%. The current price of Rs 41 is around 7.6 times its FY07 EPS of Rs 5.4.

Financial Snapshot

Rain Calcining Ltd.							Rs.m				Ratios (%)		
Financial Year End: March	Q4 FY07	Q4 FY06	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg.(%)			
Net Sales	1640	1432	15	6956	5709	22	Debt -Equity	NA	1	-			
Other Income	17	15	15	31	130	-76	PBIDTM	18	16	9			
Total Income	1657	1447	15	6987	5839	20	PBDTM	14	12	18			
Total Expenditure	1441	1289	12	5762	4927	17	RoCE	NA	15	-			
PBIDT	216	158	37	1224	913	34	RoNW	NA	24	-			
Interest	30	16	84	261	269	-3							
PBDT	186	141	32	963	644	50							
Depreciation	71	66	6	278	260	7							
Tax	0	0	0	4	0	0							
Reported Profit After Tax	116	76	52	700	413	70							
Extra -ordinary Items	0	0	0	0	0	0							
Adj. Profit After Extra-ordinary item	116	76	52	700	413	70							
No. of shares (m)	130	129	-	130	129	-							
EPS (annualised.) (Rs.)	3.6	2.4	-	5.4	3.2	-							
P/E	11.5	17.4	-	7.6	12.9	-							



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