RAIN INDUSTRIES LIMITED

RIL/SEs/2018 August 14, 2018

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|---|---|
| The General Manager<br>Department of Corporate Services<br>**BSE Limited**<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, Fort<br>Mumbai-400 001 | The Manager<br>Listing Department<br>**The National Stock Exchange of India Limited**<br>Bandra Kurla Complex<br>Bandra East<br>Mumbai – 400 051 |

Dear Sir/ Madam,

Sub: Press Release on the Unaudited Financial Results for the second quarter ended on June 30, 2018 –Reg.
Ref : Scrip Code: 500339 (BSE) and Scrip code : RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith the Press Release on the Unaudited Financial Results (Standalone, Consolidated and Segment) for the second quarter ended on June 30, 2018.

This is for your kind information and record.

Thanking you,

Yours faithfully,
for Rain Industries Limited

S. Venkat Ramana Reddy
Company Secretary

RAIN INDUSTRIES LIMITED

**Press Release** **August 14, 2018**

***Results for the second quarter ended June 30, 2018***

RAIN INDUSTRIES LIMITED (“RAIN” / “the Company”) reported its unaudited financial results for the quarter ended June 30, 2018.

## Financial Highlights for Q2 CY18

- Revenue from Operations is ₹ 37.7 billion and Adjusted EBITDA is ₹ 6.9 billion.
- Adjusted Net Profit After Tax is ₹ 2.9 billion and Adjusted Earnings Per Share is ₹ 8.8.
- Strong Cash of ₹ 6.9 billion to fund CAPEX projects and meet debt obligations in the near-term.

**Financial Performance**

₹ in Millions

| Particulars | Q2 CY18 | Q1 CY18 | Q2 CY17 | CY17 |
|---|---|---|---|---|
| Net Revenue | 37,706 | 32,911 | 27,071 | 113,919 |
| Other Operating Income | 327 | 151 | 95 | 552 |
| **Revenue from Operations** | **38,033** | **33,062** | **27,166** | **114,471** |
| **Adjusted EBITDA** | **6,852** | **6,621** | **4,678** | **22,702** |
| *Adjusted EBITDA Margin* | *18.0%* | *20.0%* | *17.2%* | *19.8%* |
| **Profit before share of profit of associates, exceptional items and tax** | **4,584** | **4,060** | **2,375** | **12,633** |
| Less: Exceptional Items | - | - | - | 1,803 |
| Add: Share of Profit of Associates | - | - | - | 9 |
| **Profit Before Tax** | **4,584** | **4,060** | **2,375** | **10,839** |
| Tax Expense, including Exceptional Tax Benefit in Q4 CY17 | 1,546 | 1,403 | 819 | 2,918 |
| Non-controlling Interest | 90 | 145 | 41 | 285 |
| **Net Profit After Tax** | **2,948** | **2,512** | **1,515** | **7,636** |
| **Adjusted Net Profit After Tax** | **2,948** | **2,512** | **1,515** | **7,977** |
| Adjusted Earnings Per Share in (₹)* | 8.8 | 7.5 | 4.5 | 23.7 |

**Quarterly EPS is not annualized.*

## SEGMENT WISE - FINANCIAL PERFORMANCE

### CARBON

| Particulars | Q2 CY18 | Q1 CY18 | Q2 CY17 | CY17 | Variance Q2 CY18 vs Q1 CY18 | Variance Q2 CY18 vs Q2 CY17 |
|---|---|---|---|---|---|---|
| **(a) Sales Volumes** [1] (In '000 MTs) | | | | | | |
| - Calcined Petroleum Coke (CPC) | 474 | 389 | 425 | 1,741 | 21.9% | 11.5% |
| - Coal Tar Pitch (CTP) | 126 | 133 | 126 | 512 | -5.3% | 0.0% |
| - Other Carbon Products | 147 | 140 | 135 | 543 | 5.0% | 8.9% |
| **TOTAL** | **747** | **662** | **686** | **2,796** | **12.8%** | **8.9%** |
| **(b) Net Revenue** [1] (₹ in Millions) | | | | | | |
| - Calcined Petroleum Coke (CPC) | 13,808 | 10,420 | 8,179 | 37,225 | 32.5% | 68.8% |
| - Coal Tar Pitch (CTP) | 6,862 | 7,466 | 3,721 | 17,643 | -8.1% | 84.4% |
| - Other Carbon Products | 4,847 | 4,313 | 3,706 | 15,153 | 12.4% | 30.8% |
| - Energy | 535 | 571 | 525 | 2,184 | -6.3% | 1.9% |
| **TOTAL** | **26,052** | **22,770** | **16,131** | **72,205** | **14.4%** | **61.5%** |
| **(c) Adjusted EBITDA** [2] (₹ in Millions) | **5,519** | **5,524** | **2,924** | **16,451** | **-0.1%** | **88.7%** |
| **(d) Adjusted EBITDA Margin** | **21.2%** | **24.3%** | **18.1%** | **22.8%** | **-3.1%** | **3.1%** |

***Notes:***

(1) *Net of inter-company sales.*

(2) *Adjusted EBITDA is profit before adjustment of Exceptional Items, Other Income, Foreign Exchange (Gain) Loss, Depreciation & Amortization, Impairment Loss, Interest and Tax.*

## ADVANCED MATERIALS

| Particulars | Q2 CY18 | Q1 CY18 | Q2 CY17 | CY17 | Variance Q2 CY18 vs Q1 CY18 | Variance Q2 CY18 vs Q2 CY17 |
|---|---|---|---|---|---|---|
| **(a) Sales Volumes** [1] (In '000 MTs) | | | | | | |
| - Engineered Products | 31 | 13 | 28 | 93 | 138.5% | 10.7% |
| - Petro Chemical Intermediates | 40 | 39 | 42 | 167 | 2.6% | -4.8% |
| - Naphthalene Derivates | 31 | 31 | 31 | 123 | 0.0% | 0.0% |
| - Resins | 26 | 27 | 27 | 109 | -3.7% | -3.7% |
| **TOTAL** | **128** | **110** | **128** | **492** | **16.4%** | **0.0%** |
| **(b) Net Revenue** [1] (₹ in Millions) | | | | | | |
| - Engineered Products | 1,964 | 1,062 | 1,345 | 4,910 | 84.9% | 46.0% |
| - Petro Chemical Intermediates | 1,970 | 1,711 | 1,764 | 7,361 | 15.1% | 11.7% |
| - Naphthalene Derivates | 1,959 | 1,836 | 1,833 | 7,334 | 6.7% | 6.9% |
| - Resins | 3,404 | 3,222 | 3,177 | 12,430 | 5.6% | 7.1% |
| **TOTAL** | **9,297** | **7,831** | **8,119** | **32,035** | **18.7%** | **14.5%** |
| **(c) Adjusted EBITDA** [2] (₹ in Millions) | **1,216** | **908** | **1,543** | **5,385** | **33.9%** | **-21.2%** |
| **(d) Adjusted EBITDA Margin** | **13.1%** | **11.6%** | **19.0%** | **16.8%** | **1.5%** | **-5.9%** |

## CEMENT

| Particulars | Q2 CY18 | Q1 CY18 | Q2 CY17 | CY17 | Variance Q2 CY18 vs Q1 CY18 | Variance Q2 CY18 vs Q2 CY17 |
|---|---|---|---|---|---|---|
| (a) Sales Volumes (In '000 MTs) | 572 | 558 | 556 | 2,104 | 2.5% | 2.9% |
| (b) Net Revenue (₹ in Millions) | 2,357 | 2,310 | 2,821 | 9,679 | 2.0% | -16.4% |
| (c) Adjusted EBITDA[2] (₹ in Millions) | 117 | 189 | 211 | 866 | -38.1% | -44.5% |
| (d) Adjusted EBITDA Margin (%) | 5.0% | 8.2% | 7.5% | 8.9% | -3.2% | -2.5% |

***Notes:***

(1) *Net of inter-company sales.*

(2) *Adjusted EBITDA is profit before adjustment of Exceptional Items, Other Income, Foreign Exchange (Gain) Loss, Depreciation & Amortization, Impairment Loss, Interest and Tax.*

## Corporate Highlights

**Upgradation of cement facility at Kurnool District, Andhra Pradesh, India.**

The Company is undertaking technology upgradation of its existing cement grinding plant in Kurnool, Andhra Pradesh, India. With this technology upgradation, the existing cement grinding capacity will increase from 2.03 million tons p.a. to 2.79 million tons p.a. This technology upgradation will enhance the production efficiency through savings in power consumption. The total estimated CAPEX for this project is ₹ 419.0 million. The project is scheduled for completion by the end of Q2 CY19.

## Financial Performance Review and Analysis – Q2 CY18 vs Q2 CY17

- Net Revenue of ₹37.7 billion during Q2 CY18, an increase of ~39.3% compared to ₹27.1 billion during Q2 CY17.

  - Carbon sales volumes during Q2 CY18 were 747 thousand metric tons, an increase of ~8.9% compared to 686 thousand metric tons in Q2 CY17. The increase is mainly due to higher sales volumes of calcined petroleum coke (CPC) by ~11.5% and other carbon products by ~8.9%. During Q2 CY18, the average blended realization increased by ~48.3% after considering the favorable impact from the appreciation of the US Dollar and the Euro against Indian Rupee by ~4.0% and ~12.5% respectively. Overall, due to the aforesaid reasons, the revenue from Carbon segment increased by ~61.5% in Q2 CY18 as compared to Q2 CY17.

  - Advanced Materials sales volume was stable during Q2 CY18 at 128 thousand metric tons, as compared to Q2 CY17. During Q2 CY18, sales volumes in engineered products increased by ~10.7%, which is completely offset by a decrease in sales volumes of petro chemical intermediates and resins by ~4.8% and ~3.7% respectively as compared to Q2 CY17. Sales volumes remained constant in naphthalene derivates during Q2 CY18 as compared to Q2 CY17. During Q2 CY18, the average blended realization increased by ~14.5% along with the favorable impact from the appreciation of the Euro against the Indian Rupee by ~12.5%. Due to the aforesaid reasons, the revenue from Advanced Materials business increased by ~14.5% during Q2 CY18 as compared to Q2 CY17.

  - Cement sales realizations decreased by ~18.8% during Q2 CY18 as compared to Q2 CY17, and it is partly offset by the increase in volumes by ~2.9%. Due to these reasons, the revenue from Cement business decreased by ~16.4%. During Q2 CY18, there is ~10.7% increase in sales volume from Andhra Pradesh, Telangana and Kerala, partially offset by ~7.8% lower volumes in Tamil Nadu, Karnataka, Odisha, Maharashtra, Goa and Pondicherry as compared to Q2 CY17.

- During Q2 CY18, Adjusted EBITDA in the Carbon segment increased by ₹ 2.6 billion due to higher sales volumes from CPC and Other Carbon Products, coupled with improved realizations of all Carbon Products. Adjusted EBITDA in the Advanced Materials segment decreased by ~21.2% due to an increase in operating expenses and higher raw material quotations resulting from the appreciation of the Euro. Adjusted EBITDA from the Cement segment decreased by ~44.5%, due to increase in operating cost.

- Adjusted EBITDA in Q2 CY18 is ₹6.9 billion, an increase of ~46.5% compared to Adjusted EBITDA of ₹4.7 billion achieved during Q2 CY17. The increase is mainly due to improved realizations, higher capacity utilizations and cost optimizations.

- During Q2 CY18, the Company has a foreign exchange gain of ₹72 million, as compared to ₹392 million in Q2 CY17. The foreign exchange gain in the current quarter is primarily due to the restatement of inter-company loans on account of depreciation of the Euro against the Canadian dollar and also from the restatement of the US Dollar denominated receivables on account of depreciation of Indian Rupee against the US Dollar.

- Finance cost during Q2 CY18 decreased by ~24.6% compared to Q2 CY17 due to the savings in interest expenses resulting from refinancing of fixed coupon bearing high-yield bonds averaging ~8.25% rate of interest with a EURIBOR-linked, Euro-denominated Term Loan B in January 2018 with an effective rate of Interest of 3%.

- Consolidated effective tax rate is in line with the group tax rates at various geographies. We continue to review and refine our provisional estimates with regard to the transition tax imposed on deemed repatriation of profits from foreign subsidiaries to our US subsidiary as per the new US tax regulations. Final assessment for the net tax payable as transition tax will be done before filing income tax returns in third quarter 2018.

- The Adjusted Net Profit during Q2 CY18 is ₹2.9 billion as compared to Adjusted Net Profit of ₹1.5 billion during Q2 CY17. The increase is mainly due to improved operating performance.

- The Company achieved an Adjusted EPS of ₹8.8 during Q2 CY18 as compared to Adjusted EPS of ₹4.5 during Q2 CY17.

## Debt Analysis

As at June 30, 2018, the Company has a Gross Debt of $ 1,126 million (including Working Capital Debt of US$ 56 million), Cash and Cash Equivalents of $ 101 million, Unamortized Deferred Finance Cost of $ 18 million and Net Debt of $ 1,007 million.

(US$[1] in Million)

| Particulars | As on Jun. 30, 2018 | As on Dec. 31, 2017 | Repayment Terms |
|---|---|---|---|
| Senior Secured Notes:- | | | |
| - 8.25% USD Denominated | - | 247 | Repaid in January 2018 |
| - 8.50% Euro Denominated | - | 242 | Repaid in January 2018 |
| - 7.25% USD Denominated | 550 | 550 | Matures in April 2025 |
| Euro Term Loan B | 454 | - | Matures in January 2025 |
| Senior Bank Debt | 50 | 50 | Floating Rate - Instalments up to March 2022 |
| Sales Tax Deferment | 10 | 11 | Interest Free - Instalments up to 2025 |
| Loan from JV Partners | - | 2 | Fixed Rates - Unsecured loans |
| Other Debt | 6 | 6 | Fixed Rates - Finance leases |
| **Gross Term Debt** | **1,070** | **1,108** | |
| Add: Working Capital Debt | 56 | 50 | |
| **Gross Debt** | **1,126** | **1,158** | |
| Less: Cash & Cash Equivalents | 101 | 147 | |
| Less: Deferred Finance Cost | 18 | 12 | |
| **Net Debt** | **1,007** | **999** | |

*Notes:*
*(1) As major part of the Debt is denominated in US Dollars, the Debt of the Company is presented in the US Dollars.*

The Company during January 2018 accomplished refinancing of Senior Notes due in January 2021. In the said refinancing, the Company has repaid notes of $ 247 million and € 198.5 million through proceeds from € 390 million Euro Term Loan B borrowed at an interest rate of 3.00% plus EURIBOR (subject to a 0.00% floor). Refinancing also included a $ 150 million revolving credit facility to be made available to Rain Carbon Inc. and certain of its subsidiaries in the United States, Canada, Germany and Belgium. This will replace the existing revolving limits in these subsidiaries.

Working Capital debt has increased due to increase in Net working capital from $ 396 million as at December 31, 2017 to $ 429 million as at June 30, 2018, resulting from higher market quotations.

With the existing Cash and Cash Equivalents of $ 101 million, coupled with undrawn revolver facilities of $ 150 million, the Company is well placed to fund CAPEX projects and meet debt servicing obligations in the near-term. The major debt repayments are scheduled to start in January 2025.

## Foreign Exchange Rates

The Company has used the below mentioned average and closing exchange rates for conversion of foreign entities financial statements recorded in the Statement of Profit and Loss and Balance Sheet items respectively in preparing the financial statements.

| Average Rate of Exchange | Q2 CY18 | Q1 CY18 | Q2 CY17 | CY17 | Variance Q2 CY18 vs Q1 CY18 | Variance Q2 CY18 vs Q2 CY17 |
|---|---|---|---|---|---|---|
| Indian Rupee / US Dollar | 67.04 | 64.31 | 64.46 | 65.12 | -4.25% | -4.00% |
| Indian Rupee / Euro | 79.86 | 79.00 | 71.02 | 73.55 | -1.09% | -12.45% |
| Russian Ruble / US Dollar | 62.11 | 56.89 | 57.26 | 58.35 | -9.18% | -8.47% |
| Canadian Dollar / Euro | 1.54 | 1.55 | 1.48 | 1.46 | 0.65% | -4.05% |

| Closing Rate of Exchange | Q2 CY18 | Q1 CY18 | Q2 CY17 | CY17 | Variance Q2 CY18 vs Q1 CY18 | Variance Q2 CY18 vs Q2 CY17 |
|---|---|---|---|---|---|---|
| Indian Rupee / US Dollar | 68.58 | 65.04 | 64.74 | 63.93 | -5.44% | -5.93% |
| Indian Rupee / Euro | 79.85 | 80.62 | 74.00 | 76.39 | 0.96% | -7.91% |
| Russian Ruble / US Dollar | 62.75 | 57.54 | 59.19 | 57.86 | -9.05% | -6.01% |
| Canadian Dollar / Euro | 1.54 | 1.59 | 1.48 | 1.50 | 3.14% | -4.05% |

**About RAIN:**

RAIN is a leading vertically integrated global producer of a diversified portfolio of products that are essential raw materials for staples of everyday life. We operate in three business segments: Carbon, Cement and Advanced Materials. Our Carbon business segment converts the by-products of oil refining and steel production into high-value carbon-based products that are critical raw materials for the aluminium, graphite, carbon black, wood preservation, titanium dioxide, refractory and several other global industries. Our Cement segment consists of two integrated cement plants that operate in the South Indian market, producing two primary grades of cement: ordinary portland cement ("OPC") and portland pozzolana cement ("PPC"). Our Advanced Materials business segment extends the value chain of our carbon processing through the downstream refining of a portion of this output into high-value advanced material products that are critical raw materials for the specialty chemicals, coatings, construction, petroleum and several other global industries. We have longstanding relationships with most of our major customers, including several of the largest companies in the global aluminium, graphite and specialty chemicals industries, and with most of our major raw material suppliers, including several of the world's largest oil refiners and steel producers. Our scale and process sophistication provides us the flexibility to capitalize on market opportunities by selecting from a wide range of raw materials, adjusting the composition of our product mix and producing products that meet exacting customer specifications, including several specialty products. Our production facility locations and integrated global logistics network also strategically position us to capitalize on market opportunities by addressing raw material supply and product demand on a global basis in both established and emerging markets.

**For further information please contact:**

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**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's 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 RAIN, 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 RAIN 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. RAIN assumes no obligation to update forward-looking statements and takes no responsibility for any consequence of decisions made based on such statements.*