



## RAIN INDUSTRIES LIMITED

Press Release

November 11, 2016

### **Consolidated Unaudited Financial Results for the Third Quarter Ended September 30, 2016**

RAIN INDUSTRIES LIMITED (“RAIN” / “the Company”) reported its’ Consolidated Unaudited Financial Results for the Quarter Ended September 30, 2016.

#### **Consolidated Financial Highlights for Q3 2016**

- Income from Operations is ₹ 22,400 million and Adjusted Operating Profit is ₹ 4,077 million
- Adjusted Net Profit After Tax is ₹ 1,392 million and Adjusted Earnings Per Share is ₹ 4.14
- Strong Cash Balance of ₹ 9,673 million to meet debt obligations in the near-term

#### **Consolidated Financial Performance**

₹ in Millions

| Particulars   | Quarter Ended<br>Sep. 30, 2016 | Quarter Ended<br>Sep. 30, 2015 | Year Ended<br>Dec. 31, 2015 |
|---|--------------------------------|--------------------------------|-----------------------------|
| Net Revenue   | 22,295                         | 26,817                         | 101,718                     |
| Other Operating Income  | 105                            | 101                            | 467                         |
| <b>Adjusted Operating Profit (“EBITDA”)</b>   | <b>4,077</b>                   | <b>3,802</b>                   | <b>13,492</b>               |
| <i>Adjusted Operating Profit Margin</i>   | <i>18%</i>                     | <i>14%</i>                     | <i>13%</i>                  |
| Finance Cost  | 1,430                          | 1,464                          | 5,763                       |
| Other Income  | 159                            | 113                            | 499                         |
| Forex (Gain) / Loss   | (37)                           | 290                            | (96)                        |
| Depreciation and Amortization Expenses  | 855                            | 828                            | 3,278                       |
| <b>Profit / (Loss) Before Tax and Exceptional Items</b>                               | <b>1,988</b>                   | <b>1,333</b>                   | <b>5,046</b>                |
| Exceptional Items   | 262                            | -                              | 61                          |
| <b>Profit / (Loss) Before Tax</b>   | <b>1,726</b>                   | <b>1,333</b>                   | <b>4,985</b>                |
| Tax Expense/ (Benefit)  | 466                            | 426                            | 1,962                       |
| <b>Net Profit / (Loss) Before Share of Profit of Associates and Minority Interest</b> | <b>1,260</b>                   | <b>907</b>                     | <b>3,023</b>                |
| Share of (Profit) / Loss of Associates and Minority Interest                          | (42)                           | 107                            | 210                         |
| <b>Net Profit / (Loss)</b>  | <b>1,218</b>                   | <b>1,014</b>                   | <b>3,233</b>                |
| <b>Adjusted Net Profit / (Loss)</b>   | <b>1,392</b>                   | <b>1,014</b>                   | <b>3,233</b>                |
| Earnings / (Loss) Per Share   | 3.62                           | 3.02                           | 9.61                        |
| Adjusted Earnings / (Loss) Per Share  | 4.14                           | 3.02                           | 9.61                        |



## RAIN INDUSTRIES LIMITED

### SEGMENT WISE - FINANCIAL PERFORMANCE

#### CARBON PRODUCTS

| Particulars   | Quarter Ended<br>Sep. 30, 2016 | Quarter Ended<br>Sep. 30, 2015 | Variance in % |
|---|--------------------------------|--------------------------------|---------------|
| <b>(a) Sales Volumes</b> (In '000 MTs)                              |                                |                                |               |
| - Calcined Petroleum Coke (CPC)                                     | 360                            | 401                            | -10%          |
| - Coal Tar Pitch (CTP)  | 148                            | 135                            | 10%           |
| - Other Carbon Products <sup>(1)</sup>                              | 177                            | 162                            | 9%            |
| - Green Petroleum Coke (GPC)  | 45                             | 73                             | -38%          |
| <b>TOTAL</b>  | <b>730</b>                     | <b>771</b>                     | <b>-5%</b>    |
| <b>(b) Net Revenue</b> <sup>(2)</sup> (₹ in Millions)               |                                |                                |               |
| - Calcined Petroleum Coke (CPC)                                     | 5,558                          | 7,607                          | -27%          |
| - Coal Tar Pitch (CTP)  | 3,799                          | 3,741                          | 2%            |
| - Other Carbon Products <sup>(1)</sup>                              | 6,086                          | 6,557                          | -7%           |
| - Green Petroleum Coke (GPC)  | 132                            | 612                            | -78%          |
| - Energy  | 585                            | 671                            | -13%          |
| <b>TOTAL</b>  | <b>16,160</b>                  | <b>19,188</b>                  | <b>-16%</b>   |
| <b>(c) Adjusted Operating Profit</b> <sup>(3)</sup> (₹ in Millions) | <b>3,456</b>                   | <b>3,018</b>                   | <b>15%</b>    |
| <b>(d) Adjusted Operating Margin</b> (%)                            | <b>21%</b>                     | <b>16%</b>                     | <b>5%</b>     |

**Notes:**

- (1) Other Carbon Products include other derivatives of Coal Tar distillation including but not limited to Creosote Oil, Carbon Black Oil, Phthalic Anhydride, Naphthalene, BTX and Carbores.
- (2) Net Revenue is Total Sales adjusted for Inter-Segment Sales.
- (3) Adjusted Operating Profit is profit before adjustment of Exceptional Items, Other Income, Foreign Exchange (Gain) Loss, Depreciation & Amortization, Impairment Loss, Interest and Taxation.



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### CHEMICALS

| Particulars  | Quarter Ended<br>Sep. 30, 2016 | Quarter Ended<br>Sep. 30, 2015 | Variance in % |
|--|--------------------------------|--------------------------------|---------------|
| <b>(a) Sales Volumes (In '000 MTs)</b>                     |                                |                                |               |
| - Aromatic Chemicals                                       | 16                             | 14                             | 14%           |
| - Superplasticizers  | 15                             | 16                             | -6%           |
| - Resins & Modifiers                                       | 29                             | 31                             | -6%           |
| - Chemical Trading   | 9                              | 22                             | -59%          |
| <b>TOTAL</b>   | <b>69</b>                      | <b>83</b>                      | <b>-17%</b>   |
| <b>(b) Net Revenue <sup>(1)</sup> (₹ in Millions)</b>      |                                |                                |               |
| - Aromatic Chemicals                                       | 642                            | 713                            | -10%          |
| - Superplasticizers  | 727                            | 798                            | -9%           |
| - Resins & Modifiers                                       | 2,568                          | 2,955                          | -13%          |
| - Chemical Trading   | 98                             | 519                            | -81%          |
| <b>TOTAL</b>   | <b>4,035</b>                   | <b>4,985</b>                   | <b>-19%</b>   |
| <b>(c) Operating Profit <sup>(2)</sup> (₹ in Millions)</b> |                                |                                |               |
|  | <b>451</b>                     | <b>381</b>                     | <b>18%</b>    |
| <b>(d) Operating Margin (%)</b>                            |                                |                                |               |
|  | <b>11%</b>                     | <b>8%</b>                      | <b>3%</b>     |

### CEMENT

| Particulars   | Quarter Ended<br>Sep. 30, 2016 | Quarter Ended<br>Sep. 30, 2015 | Variance in % |
|---|--------------------------------|--------------------------------|---------------|
| (a) Sales Volumes (In '000 MTs)                     | 482                            | 561                            | -14%          |
| (b) Net Revenue <sup>(1)</sup> (₹ in Millions)      | 2,100                          | 2,644                          | -21%          |
| (c) Operating Profit <sup>(2)</sup> (₹ in Millions) | 170                            | 403                            | -58%          |
| (d) Operating Margin (%)                            | 8%                             | 15%                            | -7%           |

**Notes:**

(1) Net Revenue is Total Sales adjusted for Inter-Segment Sales.

(2) Operating Profit is profit before adjustment of Other Income, Foreign Exchange (Gain) Loss, Depreciation & Amortization, Impairment Loss, Interest and Taxation.



## RAIN INDUSTRIES LIMITED

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### Corporate Highlights:

#### 1. Coal Tar Distillation Plant in Russia:

The Company has successfully completed the construction of its fourth Coal Tar Distillation Plant (“CTP Plant”) with a capacity of 300,000 metric tons per annum in Cherepovets, Russia on February 11, 2016 via a Joint Venture with PAO Severstal, Russia. Since commissioning, the CTP Plant has been operating reasonably well and has now stabilized.

#### 2. Waste-Heat Recovery Power Plant in Cement Plant at Kurnool, India:

To optimize the cost of electricity in its Cement business, the Company has commissioned a 7 megawatt (“MW”) Waste-Heat Recovery Power Plant (“WHR Power Plant”) at its existing Cement Plant in Kurnool, India on September 22, 2016. The WHR Power Plant has stabilized and started delivering the planned savings.

#### 3. Calcined Petroleum Coke Blending Facility at Vishakhapatnam, India:

The Company is expanding the CPC Blending Facility from 200,000 metric tons per annum to 400,000 metric tons per annum at its calcining plant in Vizag, India. The CPC Blending Facility in Vizag will enable the Company to blend CPC manufactured in Indian Plant with imported CPC to meet the increased demand for CPC from smelters in India and the surrounding regions. The expansion of Blending Facility would be completed by January 2017.

#### 4. Solar Power Plant in Andhra Pradesh, India:

The Company had partnered with SunEdison to develop a 22 MW Solar Power Plant in Dharmavaram (“Dharmavaram Solar Power Plant”), Anantapur District, Andhra Pradesh, India. SunEdison has divested all its Indian Assets to a New Investor, as its US Parent has filed for Chapter XI Bankruptcy. The Indian Assets of SunEdison are in the process of getting transferred to the New Investor. The Government of Andhra Pradesh has invoked Performance Guarantee of ₹ 60 million for not commissioning the Solar Power Plant within the stipulated time. The New Investor is evaluating options for the Dharmavaram Solar Power Plant. The Company would not have any financial loss for non-completion of the Project within the stipulated time, as SunEdison is solely responsible for the execution of the Project.



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### 5. Hanau Plant Closure:

The Company has an impregnated wood product manufacturing facility in Hanau, Germany (“Hanau Plant”) that contributed revenues of € 3.10 million and negative operating profit of € 0.46 million during the year ended December 31, 2015. As wood impregnation is not a core business and considering declining sales volumes, the Board of Directors of the Company have approved the closure of Hanau Plant by March 31, 2017. Consequently, the Company has provided estimated Plant Closure expenses of ₹ 261.56 million during the quarter ended September 30, 2016.

### Financial Performance Review and Analysis – Q3 2016 Vs. Q3 2015:

Key performance indicators of the Company on a consolidated basis:

- Consolidated Net Revenue of ₹ 22,295 million during Q3 2016, a fall of ~17% compared to ₹ 26,817 million during Q3 2015.
  - Carbon Products sales volume during Q3 2016 is 730 thousand metric tons, a decrease of ~5% compared to 771 thousand metric tons in Q3 2015. The decrease is mainly due to the decrease in CPC sales and Pet Coke trading volumes that were partially offset by increased volumes in CTP & Other Carbon products from Russian CTP Plant. The fall in CPC sales volumes is mainly due to change in customer delivery schedules. During Q3 2016, the average blended realization decreased by ~14%. Further, the Euro appreciated by ~3.5% and US Dollar appreciated by ~3.2% against Indian Rupee. Overall the fall in the average blended realizations after partial offset by increase in exchange rates and decrease in volumes led to a decline in revenue from Carbon Products business by ~16% in Q3 2016; as compared to Q3 2015.
  - Chemicals sales volume during Q3 2016 is 69 thousand metric tons, a decrease of ~17% compared to 83 thousand metric tons in Q3 2015. The fall in Chemical sales volumes is mainly due to a ~ 59% decline in trading volumes. During Q3 2016, the average blended realization decreased by ~5%. Overall the fall in the average blended realizations after partial offset by increase in exchange rate and decrease in volumes led to a decline in revenues from Chemicals business by ~19% during Q3 2016.
  - Cement revenue during Q3 2016 decreased by ~21% as compared to Q3 2015, due to the decrease in volumes by ~14% and a ~ 7% decline in realizations. The decline in volumes is



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mainly due to heavy rains in our key markets and political disturbances impacting the logistics during Q3 2016.

- Operating Profit in Carbon Business increased by 15% in spite of fall in volumes due to various cost optimization initiatives. Similarly, Operating Profit in Chemical Business increased by 18% in spite of fall in volumes. However, Operating Profit in Cement Business decreased by 58%, due to increase in costs and lower volumes.
- Consolidated Adjusted Operating Profit for Q3 2016 is ₹ 4,077 million an increase of ~7% compared to ₹ 3,802 million achieved during Q3 2015; the increase is primarily due to cost optimization initiatives implemented by the Company.
- Due to the aforesaid reasons, Adjusted Operating Margin has increased to 18% during Q3 2016, compared to Operating Margin of 14% achieved during Q3 2015.
- During Q3 2016, the Company had a Foreign Exchange Gain of ₹ 37 million, as compared to Foreign Exchange Loss of ₹ 290 million in Q3 2015.
- Finance cost during Q3 2016 is ₹ 1,430 million, a decrease of ~2% compared to ₹ 1,464 million during Q3 2015 mainly due to decrease in debt through buy-back of Senior Secured Notes and making of scheduled repayment of debt partly offset by the depreciation of the Rupee against US Dollar and Euro.
- Effective tax rate during the quarter is in-line with the group tax rates at various geographies which include India, Belgium, Canada, Germany and the United States.
- Consolidated Adjusted Net Profit during Q3 2016 is ₹ 1,392 million as compared to Net Profit of ₹ 1,014 million during Q3 2015.
- The Company achieved a Consolidated Adjusted EPS of ₹ 4.14 during Q3 2016 as compared to Consolidated EPS of ₹ 3.02 during Q3 2015.



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### Debt Analysis:

As at September 30, 2016, the Company has a Consolidated Gross Debt of US\$ 1,120 million (including Working Capital Debt of US\$ 34 million), Cash & Cash Equivalents of US\$ 145 million and Net Debt is US\$ 975 million.

(US\$ in Million)<sup>(1)</sup>

| Particulars                   | Sep. 30, 2016      | Dec. 31, 2015 | Repayment Terms                        |
|-------------------------------|--------------------|---------------|--|
| Senior Secured Notes:-        |                    |               |  |
| - 8.00% USD Denominated       | 373                | 373           | Bullet repayment in Dec. 2018          |
| - 8.25% USD Denominated       | 336                | 356           | Bullet repayment in Jan. 2021          |
| - 8.50% Euro Denominated      | 222 <sup>(2)</sup> | 229           | Bullet repayment in Jan. 2021          |
| Senior Bank Debt              | 121                | 117           | Floating Rate - Instalments up to 2021 |
| Sales Tax Deferment           | 12                 | 12            | Interest Free - Instalments up to 2027 |
| Loan from JV partners         | 10                 | 6             | Fixed Rates - Unsecured loans          |
| Other Debt                    | 12                 | 13            | Fixed Rates - Includes Finance leases  |
| <b>Gross Term Debt</b>        | <b>1,086</b>       | <b>1,106</b>  |  |
| Add: Working Capital Debt     | 34                 | 39            |  |
| <b>Gross Debt</b>             | <b>1,120</b>       | <b>1,145</b>  |  |
| Less: Cash & Cash Equivalents | 145                | 132           |  |
| <b>Net Debt</b>               | <b>975</b>         | <b>1,013</b>  |  |

Notes:

- (1) As substantial part of the Consolidated Debt is denominated in US Dollars, the Consolidated Debt of the Company is presented in US Dollars.
- (2) Due to buy back of € 11.55 million bonds partly offset by the change in exchange rate.

With the existing Cash and Cash Equivalents of US\$ 145 million coupled with undrawn revolver facilities of US\$ 126 million, the Company is well placed to meet debt servicing obligations in the near-term. The major debt repayments are scheduled to start from December 2018.



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### Foreign Exchange Rates:

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

| Currency                  | Average Rate for |         | Variance in % |
|---------------------------|------------------|---------|---------------|
|                           | Q3 2016          | Q3 2015 |               |
| Indian Rupees / US Dollar | 66.96            | 64.91   | -3.16%        |
| Indian Rupees / EURO      | 74.73            | 72.20   | -3.50%        |
| RUB / US Dollar           | 64.61            | 63.39   | -1.92%        |
| Canadian Dollar / EURO    | 1.46             | 1.45    | -0.07%        |

| Currency                  | As at<br>Sep. 30, 2016 | As at<br>Dec. 31, 2015 | Variance in % |
|---------------------------|------------------------|------------------------|---------------|
| Indian Rupees / US Dollar | 66.66                  | 66.33                  | -0.50%        |
| Indian Rupees / EURO      | 74.75                  | 72.50                  | -3.10%        |
| RUB / US Dollar           | 63.18                  | 74.10                  | 14.74%        |
| Canadian Dollar / EURO    | 1.47                   | 1.51                   | 2.82%         |

### Historical Performance

₹ in Million

| Particulars                               | Q3 2016 | Q2 2016 | Q1 2016 | CY 2015 | CY 2014 | CY 2013 | CY 2012 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Income from Operations <sup>(1)</sup>     | 22,400  | 25,315  | 21,617  | 102,185 | 119,370 | 117,443 | 53,615  |
| Adjusted Operating Profit <sup>(2)</sup>  | 4,077   | 4,441   | 1,997   | 13,492  | 12,220  | 14,978  | 11,090  |
| Net Profit (Loss)                         | 1,218   | 1,565   | (762)   | 3,233   | 885     | 3,845   | 4,577   |
| Adjusted Net Profit (Loss) <sup>(3)</sup> | 1,392   | 1,565   | (250)   | 3,233   | 2,561   | 4,512   | 5,796   |

#### Notes:

- (1) Income from Operations is the sum of Net Revenue and Other Operating Income.
- (2) Adjusted Operating Profit / EBITDA is Profit before Other Income, Foreign Exchange (Gain) / Loss, Depreciation & Amortisation, Impairment Loss, Interest, Taxation and Exceptional Items.
- (3) Net Profit is adjusted for exceptional expense or income for the reported period net of the applicable taxes.
  - (a) Profit After Tax for Q3 2016 is adjusted for ₹ 262 Million provision made for closure cost of impregnated wood product manufacturing facility in Hanau, Germany. Net tax expense on this transaction is ₹ 88 Million.
  - (b) Profit After Tax for Q1 2016 is adjusted for provision for inventories ₹ 547 Million, incremental Major Maintenance ₹ 439 Million, Severance impact ₹ 74 Million, Gain on buy back of bonds ₹ 166 Million, net tax expense of ₹ 382 Million on all these items.
  - (c) Profit After Tax for CY 2015 is adjusted for actuarial gain of ₹ 697 million on pension liability, liquidated damages of ₹ 429 million to EPC contractor, provision for bad debts of ₹ 134 million, Russian Ruble & Canadian Dollar currency devaluation impact of ₹ 127 million (net of minority interest) and tax impact on all these items of ₹ 7 million (net of minority interest).





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- (d) Profit After Tax for CY 2014 is adjusted for actuarial losses of ₹ 1,820 million on pension liability, Inventory write down of ₹ 237 million due to fall in commodity prices, Russian Ruble currency devaluation impact of ₹ 338 million, impairment loss of ₹ 95 million, and tax impact on all these items of ₹ 814 million.
- (e) Profit After Tax for CY 2013 is adjusted for acquisition related costs of ₹ 142 million, impairment loss of ₹ 1,304 million offset by insurance claim receipts of ₹ 375 million and tax impact on all these items of ₹ 404 million.
- (f) Profit After Tax for CY 2012 is adjusted for one time expenditure of ₹ 1,789 million (net of tax ₹ 1,219 million) incurred in connection with the acquisition of RÜTGERS.

### About RAIN:

RAIN is one of the world's leading producers of Carbon Products and Specialty Chemicals with 17 operating facilities spread across India, Belgium, Canada, Egypt, Germany, the Netherlands, USA, Poland and Russia. RAIN also has two integrated Cement facilities in India and markets its product under the brand name "Priya Cement".

Carbon Products include Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke, Energy produced through Waste-heat recovery and other derivatives of Coal Tar distillation including Creosote Oil, Naphthalene, Phthalic Anhydride, Carbores and others. Chemicals Products include Resins, Modifiers, Superplasticizers, Aromatic Chemicals, and others. The manufacture and sale of Cement has been classified as Cement.

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