Rain Industries Limited

Press Release **February 19, 2016**

Consolidated Results for the Fourth Quarter and Year Ended December 31, 2015

Consolidated Earnings per Share of Indian Rupees ("₹") 9.61 for CY 2015

Rain Industries Limited ("Rain" / "the Company") reported its' Consolidated Audited Financial Results for the Quarter and Year Ended December 31, 2015.

Consolidated Financial Highlights for CY 2015

- Income from Operations of ₹ 102.2 billion and Operating Profit of ₹ 13.5 billion
- Profit After Tax of ₹ 3.2 billion and Earnings Per Share of ₹ 9.61
- Strong Cash Balance of ₹ 8.7 billion to meet debt obligations in the near-term

Consolidated Financial Performance ₹ in Millions

Particulars	Quarter Ended Dec. 31, 2015	Quarter Ended Dec. 31, 2014	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Income from Operations	23,641	26,113	102,185	119,370
Adjusted Operating Profit ("EBITDA")	**2,183**	**1,577**	**13,492**	**12,220**
Adjusted Operating Profit Margin	*9%*	*6%*	*13%*	*10%*
Finance Cost	1,446	1,482	5,763	6,079
Other Income	182	187	499	369
Forex (Gain)/ Loss	(75)	115	(96)	(209)
Profit Before Depreciation, Taxes and Exceptional Items	**994**	**167**	**8,324**	**6,719**
Depreciation and Amortization Expenses	841	878	3,278	3,470
Impairment	-	95	-	95
Profit/(Loss) Before Tax and Exceptional Items	**153**	**(806)**	**5,046**	**3,154**
Exceptional Items	61	2,577	61	2,577
Profit/(Loss) Before Tax	**92**	**(3,383)**	**4,985**	**577**
Tax Expense/ (Benefit)	276	(1,225)	1,962	(120)
Net Profit / (Loss) Before Share of Profit of Associates and Minority Interest	**(184)**	**(2,158)**	**3,023**	**697**
Share of (Profit) / Loss of Associates and Minority Interest	108	161	210	188
Net Profit / (Loss)	**(76)**	**(1,997)**	**3,233**	**885**
Earnings Per Share	(0.23)	(5.94)	9.61	2.63

Segment Revenue and Adjusted Operating Profit

₹ in Millions

Particulars	Q4 2015	Q4 2014	CY 2015	CY 2014	Variance in % Q4 2015 Vs Q4 2014	Variance in % CY 2015 Vs CY 2014
Net Revenue [1]						
(a) Carbon Products	16,893	18,303	71,814	83,972	-8%	-14%
(b) Chemicals	4,271	5,296	19,616	24,629	-19%	-20%
(c) Cement	2,347	2,300	10,288	8,735	2%	18%
Net Revenue	**23,511**	**25,899**	**101,718**	**117,336**	**-9%**	**-13%**
Adjusted Operating Profit [2]						
(a) Carbon Products	1,437	1378	9,981	9,905	4%	1%
(b) Chemicals	179	(85)	1,710	1,881	311%	-9%
(c) Cement	567	284	1,801	434	100%	315%
Total	**2,183**	**1,577**	**13,492**	**12,220**	**38%**	**10%**

Note:

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

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

Sales Volumes Information

In Thousand Metric Tons

Particulars	Q4 2015	Q4 2014	CY 2015	CY 2014	Variance in % Q4 2015 Vs Q4 2014	Variance in % CY 2015 Vs CY 2014
Carbon Products	881	808	3,214	3,280	9%	-2%
Chemicals	71	83	316	317	-14%	-0.3%
Cement	506	506	2,164	2,153	-	1%

Operational Highlights

Status of Capital Projects

A) 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. The CTP Plant is expected to operate at about 70% of its capacity in the first year of its operation. The advanced technologies installed in this CTP Plant will enable production of vacuum-distilled CTP, which is a higher quality and higher margin product. The Joint Venture Partner, "PAO Severstal", has brought a long-term supply contract for the raw material - Coal Tar into this Joint Venture.

B) Flue-Gas-Desulphurization Plant in Chalmette, Louisiana, US:

During CY 2015, the Company has commissioned a new Flue Gas Desulfurization (FGD) Plant at its calcining plant in Chalmette, Louisiana, U.S. This FGD Plant enables the Company to use low grade GPC to produce CPC and restore its CPC capacity in Chalmette to 230,000 metric tons per annum.

C) New CPC Blending Facility in Vizag, India:

During CY 2015, the Company has commissioned a new CPC Blending Facility with a capacity of 200,000 metric tons per annum at its calcining plant in Vizag, India. The new CPC Blending Facility will enable the Company to optimize capacity utilization of its US CPC Plants to meet the increased demand for CPC from smelters in India and the surrounding regions.

D) Waste-Heat Recovery Power Plant in Cement Plant at Kurnool, India:

To optimize the cost of electricity in its Cement business, the Company is commissioning a 7 megawatt ("MW") Waste-Heat Recovery Power Plant ("WHR Power Plant") at its existing Cement Plant in Kurnool, India. The WHR Power Plant is nearing the completion stage and will be able to commence operations as per the initial timeline of March 2016.

E) Solar Power Plant in Andhra Pradesh, India:

The Company partnered with SunE Solar B.V. ("SunEdision") (www.sunedison.com) to develop a 22 MW Solar Power Plant in Dharmavaram, Anantapur District, Andhra Pradesh, India ("the Solar SPV"). The Company owns 51% of the shares of the Solar SPV and the remaining 49% of the shares are owned by SunEdison. Due to delays in procurement of land, the Government of Andhra Pradesh has extended the Scheduled Commercial Operations Date for all such Solar Projects until March 2016.

Financial Performance Review and Analysis – Q4 2015 Vs. Q4 2014:

Key performance indicators of the Company on a consolidated basis:

- Consolidated Net Revenue of ₹ 23,511 million during Q4 2015, a fall of ~9% compared to ₹ 25,899 million during Q4 2014.
  - Carbon Products sales volume during Q4 2015 is 881 thousand metric tons, an increase of ~9% compared to 808 thousand metric tons in Q4 2014. The increase is mainly due to increases in Pet coke trading and CPC sales volumes which were offset by decreased CTP sales volumes. Carbon revenues in Indian Rupees decreased during Q4 2015 due to decline in average blended realization by ~20%. During Q4 2015, Euro depreciated by ~7% and US Dollar appreciated by ~6% against Indian Rupee. Overall the fall in average blended realizations partially offset by increased sales volumes led to a decline in revenue from Carbon Products business by ~8% in Q4 2015; as compared to Q4 2014.
  - Chemicals sales volume during Q4 2015 is 71 thousand metric tons, a decrease of ~14% compared to 83 thousand metric tons in Q4 2014. Overall Chemical revenues in Indian Rupees decreased during Q4 2015 by 19% as compared to Q4 2014, related to the Euro depreciation of ~7% and reduced sales volumes.
  - Cement revenue during Q4 2015 increased by 2% as compared to Q4 2014. With volumes remaining constant, the increase in revenue is due to marginal increase in realizations.
- During Q4 2015, among exceptional items, the Company recognized an Actuarial Gain of ₹ 697 million on Pension Liabilities, due to an increase in interest rates in Europe. Further, the Company has created Provision for Doubtful Debts of ₹ 134 million related to a customer filing

for Chapter 11 Bankruptcy on February 8, 2016. The Company has also provided for liquidated damages of ₹ 429 million payable to EPC Contractors on disputed invoices settled.

- Consolidated Adjusted Operating Profit for Q4 2015 is ₹ 2,183 million an increase of ~38% compared to ₹ 1,577 million achieved during Q4 2014. Operating Profit increased during Q4 2015 mainly due to a change in the product mix and savings in Operating Expenses.
- Operating Margins have increased to 9% during Q4 2015, compared to Operating Margin of 6% achieved during Q4 2014.
- During Q4 2015, the Company had Foreign Exchange Gain of ₹ 75 million, as compared to Foreign Exchange Loss of ₹ 115 million in Q4 2014. The Company has designated certain long term inter-company loans as Investment in non-integral foreign operations, as per Indian Accounting Standard 11 with effect from July 1, 2015 and transferred foreign exchange losses of ₹ 85 million on reinstatement of such inter-company loans to Foreign Currency Translation Reserve.
- Finance cost during Q4 2015 is ₹ 1,446 million, a decrease of ~2% compared to ₹ 1,482 million during Q4 2014 due to decrease in debt through buy-back of Senior Secured Notes of US$ 51.4 million during CY 2015 and making of scheduled repayment of debt.
- The effective tax rate is higher in Q4 2015 due to certain taxes pertaining to prior years.
- Consolidated Adjusted Net Loss during Q4 2015 is ₹ 76 million as compared to ₹ 321 million during Q4 2014.
- The Company achieved a Consolidated Adjusted Negative EPS of ₹ 0.23 during Q4 2015 as compared to ₹ 0.96 during Q4 2014.

Financial Performance Review and Analysis – CY 2015 Vs. CY 2014:

Key performance indicators, on a consolidated basis:

- Consolidated Net Revenue for CY 2015 is ₹ 102 billion, a fall of ~13% compared to ₹ 117 billion during CY 2014.
  - Revenue from the Carbon business declined by ~14% in CY 2015 as compared to CY 2014 mainly due to decline in the realizations by 17% in CY 2015 compared to CY 2014. Additionally, revenue declines were also caused by a decrease in Carbon Products sales volume during the CY 2015 by ~2% and depreciation of Euro against Indian Rupee by 12%. This was offset by appreciation of US Dollar against Indian Rupee by 5%.
  - Revenue from the Chemical business declined by ~20% mainly due to decline in realizations by ~8% coupled with depreciation of Euro against Indian Rupee by ~12% during CY 2015 as compared to CY 2014.
  - Revenue from the Cement business increased by 18%, mainly due to increase in realizations by 17% compared to CY 2014.
- Consolidated Adjusted Operating Profit for the CY 2015 is ₹ 13.5 billion an increase of ~11% compared to ₹ 12.2 billion in CY 2014. Operating Profit increased during CY 2015 as a result of change in product mix and savings in Operating Expenses.
- Adjusted Operating Margin has increased to 13% for the CY 2015, compared to 10% achieved during CY 2014.
- During CY 2015, the Company had a Foreign Exchange Gain of ₹ 96 million, as compared to ₹ 209 million in CY 2014. The Company has designated certain long term inter-company loans as Investment in non-integral foreign operations, as per Indian Accounting Standard 11 with effect from July 1, 2015 and accordingly Foreign Exchange Losses of ₹ 443 million due to reinstatement of such inter-company transferred to Foreign Currency Translation Reserve.
- Finance cost during the CY 2015 is ₹ 5,763 million, a decrease of ~5% compared to ₹ 6,079 million during CY 2014. Despite 5% appreciation of US Dollar against Indian Rupee, finance cost has reduced due to (a) Pre-payment of Junior Subordinated Notes of US$ 26.3 million during December 2014; (b) Buy-back of Senior Secured Notes of US$ 51.4 million during CY 2015; (c) Scheduled repayment of term debt and (d) Translation impact of Euro currency interest cost.

- Effective Tax Rate for the year is in-line with the group tax rates in various geographies which include India, Belgium, Canada, Germany and the United States.
- Consolidated Adjusted Net Profit during the CY 2015 is ₹ 3,233 million, an increase by 26% compared to ₹ 2,561 million during CY 2014.
- The Company achieved a Consolidated Adjusted EPS of ₹ 9.61 during the CY 2015 as compared to ₹ 7.62 during CY 2014.

Profit Reconciliation:

Following table shows a detailed reconciliation of Reported Net Profit and Adjusted Net Profit for the Year 2015:

Particulars	**₹ in Millions**	
Reported Net Profit		**3,233**
Add / (Less) Exceptional Items:		
a) Decrease in Pension Liability	(697)	
b) Liquidated Damages to EPC Contractor	429	
c) Provision for Bad Debts	134	
d) Exchange Loss due to currency devaluation	195	
Gross Exceptional Items	61	
Less: Tax on the above	(16)	45
		3,278
Less: Minority Interest		(45)
Adjusted Net Profit		**3,233**

Debt Analysis:

As at December 31, 2015, the Company has a Consolidated Gross Debt of US$ 1,145 million (including Working Capital Debt of US$ 39 million) and Cash and Cash Equivalents of US$ 132 million. The Net Debt as at the same date is US$ 1,013 million.

(US$ in Million)

Particulars	Dec. 31, 2015	Dec. 31, 2014	Type of Interest & Repayment Terms
Senior Secured Notes	958	1,035	Fixed Rate - Bullet repayments in December 2018 and January 2021
Senior Bank Debt	117	85	Floating Rate - Instalments up to 2020
Sales Tax Deferment	12	13	Interest Free - Instalments up to 2027
Loan from JV partners	6	7	Fixed Rates - Unsecured loans
Other Debt	13	17	Fixed Rates - Includes Finance leases
Gross Term Debt	**1,106**	**1,157**	
Add: Working Capital Debt	39	54	
Gross Debt	**1,145**	**1,211**	
Less: Cash & Cash Equivalents	132	145	
Net Debt	**1,013**	**1,066**	

Notes: As substantial part of the Consolidated Debt is denominated in US Dollars, the Consolidated Debt of the Company is presented in US Dollars.

With the existing Cash and Cash Equivalents of US$ 132 million coupled with undrawn revolver facilities of US$ 213 million, the Company is well placed to meet debt servicing obligations. The major debt repayments are scheduled to start from December 2018.

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 %
	Q4 2015	Q4 2014	
Indian Rupees / US Dollar	65.93	62.00	-6.34%
Indian Rupees / EURO	72.25	77.40	6.66%
RUB / US Dollar	66.05	38.79	-70.26%
Canadian Dollar / EURO	1.46	1.46	0.25%

Currency	As at Dec. 31, 2015	As at Dec. 31, 2014	Variance in %
Indian Rupees / US Dollar	66.33	63.33	-4.74%
Indian Rupees / EURO	72.50	77.00	5.84%
RUB / US Dollar	74.10	59.58	-24.37%
Canadian Dollar / EURO	1.51	1.41	-7.49%

Historical Performance **₹ in Million**

Particulars	CY 2015	CY 2014	CY 2013	CY 2012	CY 2011	CY 2010
Income from Operations(1)	102,185	119,370	117,443	53,615	56,395	37,857
Adjusted Operating Profit (2)	13,492	12,220	14,978	11,090	13,873	7,559
Net Profit	3,233	885	3,845	4,577	6,641	2,407
Adjusted Net Profit (3)	3,233	2,561	4,512	5,796	6,641	3,305

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 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).

(b) 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.

(c) 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.

(d) 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.

(e) Profit After Tax for CY 2010 is adjusted for expenses of ₹ 1,249 million (net of tax ₹ 898 million) with regard to refinancing of debt.

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, North America, Poland and Russia. Rain also has two integrated Cement facilities in India and markets its product under the brand name "Priya Cement".

Carbon Products are comprised of Calcined Petroleum Coke ("CPC"), Green Petroleum Coke ("GPC"), Coal Tar Pitch ("CTP"), Co-generated Energy and other derivatives of Coal Tar distillation. Chemicals include the downstream operations of Coal Tar distillation and are comprised of Resins, Modifiers, Super Plasticizers and other specialty products. The manufacture and sale of Cement has been classified as Cement.

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