

RAIN CARBON INC.

**CONSOLIDATED
AUDITED
FINANCIAL STATEMENTS
FOR THE
FINANCIAL YEAR
ENDED
DECEMBER 31, 2017**

Rain Carbon Inc. And Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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December 31, 2017 and 2016

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KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

Independent Auditors' Report

The Board of Directors
Rain Carbon Inc.:

We have audited the accompanying consolidated financial statements of Rain Carbon Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years then ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rain Carbon Inc. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

New Orleans, Louisiana
February 22, 2018

Rain Carbon Inc. And Subsidiaries
Consolidated Balance Sheets
At December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 115,238	\$ 127,575
Restricted cash	6,140	2,172
Trade and other receivables (less allowance for doubtful accounts of \$750 in 2017 and \$671 in 2016)	278,059	156,506
Due from affiliated companies	17,391	18,072
Inventories	298,695	169,345
Prepaid expenses and other current assets	40,095	31,085
Current tax receivables	2,923	4,545
Total current assets	<u>758,541</u>	<u>509,300</u>
Investments	12,636	11,024
Property, plant and equipment, net	455,670	419,424
Goodwill	641,249	596,936
Intangible assets, net	194,049	207,152
Deferred income tax assets	20,301	19,907
Other non-current assets	5,991	1,729
Total assets	<u>\$ 2,088,437</u>	<u>\$ 1,765,472</u>
Liabilities and Equity		
Current liabilities		
Trade and other payables	\$ 179,006	\$ 92,197
Due to affiliated companies	299	1,529
Accrued liabilities	89,596	69,989
Current tax liabilities	11,564	7,793
Short term and current portion of long-term debt	50,369	35,954
Total current liabilities	<u>330,834</u>	<u>207,462</u>
Long-term debt, less current portion	1,015,300	972,062
Accrued postretirement benefit obligation	134,937	109,493
Other non-current liabilities	20,672	22,294
Deferred income tax liabilities	65,673	81,243
Commitments and contingencies (Note 15)		
Stockholder's equity		
Additional paid-in capital	305,087	305,087
Accumulated other comprehensive loss	(149,397)	(181,019)
Retained earnings	324,885	220,686
RCI stockholder's equity	<u>480,575</u>	<u>344,754</u>
Non-controlling interests	40,446	28,164
Total stockholder's equity	<u>521,021</u>	<u>372,918</u>
Total liabilities and equity	<u>\$ 2,088,437</u>	<u>\$ 1,765,472</u>

See accompanying notes to consolidated financial statements.

Rain Carbon Inc. And Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	2017	2016
Revenue	\$ 1,592,983	\$ 1,221,944
Cost of goods sold	1,179,052	952,778
Selling, general, and administrative expenses	74,661	57,569
Depreciation and amortization	103,735	98,701
Other operating income	971	1,220
Operating income	236,506	114,116
Interest expense, net	91,689	88,693
Gain on foreign currency transactions, net	(12,220)	(6,033)
Other (income) expense, net	9,595	(3,888)
Income before income taxes	147,442	35,344
Income tax expense (benefit), net	29,020	(13,241)
Net income	118,422	48,585
Less: Net income attributable to non-controlling interests	11,337	6,240
Net income attributable to RCI stockholders	\$ 107,085	\$ 42,345

See accompanying notes to consolidated financial statements.

Rain Carbon Inc. And Subsidiaries
Consolidated Statements of Comprehensive Income (loss)
For the Years Ended December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	2017	2016
Net income	\$ 118,422	\$ 48,585
Changes in other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	36,699	(15,256)
Pension and other postretirement benefit plans		
Net actuarial loss (net of tax)	(2,549)	(10,083)
Less: Amortization of prior service cost		
included in net periodic pension cost	76	81
Pension and other postretirement benefit plans	(2,473)	(10,002)
Other	(1,845)	-
Total comprehensive income	150,803	23,327
Less: Comprehensive income attributable to non-controlling interests	12,281	6,504
Comprehensive income attributable to RCI stockholder's	\$ 138,522	\$ 16,823

Accumulated other Comprehensive loss

Accumulated other comprehensive loss is disclosed as a separate component of Stockholder's equity in the accompanying consolidated balance sheets. Accumulated other comprehensive loss at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	Foreign Currency Translation Adjustments	Defined Benefit Pension Items	Other	Total
Ending balance December 31, 2015	\$ (145,662)	\$ (9,036)	\$ (443)	\$ (155,141)
Net current period change	(15,876)	(10,002)	-	(25,878)
Ending balance December 31, 2016	\$ (161,538)	\$ (19,038)	\$ (443)	\$ (181,019)
Net current period change	35,940	(2,473)	(1,845)	31,622
Ending balance December 31, 2017	\$ (125,598)	\$ (21,511)	\$ (2,288)	\$ (149,397)

See accompanying notes to consolidated financial statements.

Rain Carbon Inc. And Subsidiaries
Consolidated Statements of Equity
For the Years Ended December 31, 2017 and 2016

		Accumulated Other			
	Additional	Comprehensive	Retained	Noncontrolling	Total
(in thousands of dollars)	Paid-in capital	Income (Loss)	Earnings	Interests	
Balances at December 31, 2015	\$ 275,087	\$ (155,141)	\$ 219,540	\$ 12,817	\$ 352,303
Dividends declared	-	-	(32,627)	-	(32,627)
Transfer to Non-controlling interest	-	-	(8,928)	8,928	-
Capital contribution	30,000	-	-	-	30,000
Net income	-	-	42,345	6,240	48,585
Other comprehensive income, net of tax:					
Foreign currency translation adjustments	-	(15,876)	356	179	(15,341)
Net change in pension and other postretirement benefits	-	(10,002)	-	-	(10,002)
Balances at December 31, 2016	\$ 305,087	\$ (181,019)	\$ 220,686	\$ 28,164	\$ 372,918
Dividends declared	-	-	(2,700)	-	(2,700)
Net income	-	-	107,085	11,337	118,422
Other comprehensive income, net of tax:					
Foreign currency translation adjustments	-	35,940	(186)	945	36,699
Net change in pension and other postretirement benefits	-	(2,473)	-	-	(2,473)
Other	-	(1,845)	-	-	(1,845)
Balances at December 31, 2017	\$ 305,087	\$ (149,397)	\$ 324,885	\$ 40,446	\$ 521,021

See accompanying notes to consolidated financial statements.

Rain Carbon Inc. And Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Net income	\$ 118,422	\$ 48,585
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	103,735	98,701
Amortization of debt issuance cost	9,477	5,204
Premium on redemption of bonds	5,405	-
Deferred income tax benefit	(32,503)	(51,676)
Gain on re-purchase of debt notes	-	(2,624)
Exchange gain on monetary items	(18,052)	(4,666)
Allowance for doubtful accounts	79	(717)
Gain in Equity affiliated companies	(137)	(616)
Other non cash items	13,824	(261)
Changes in other liabilities	614	(4,840)
Changes in operating assets and liabilities		
Trade, current tax and other receivables	(102,730)	21,350
Due from affiliated companies	787	2,727
Inventories	(112,201)	53,599
Prepaid expenses and other current assets	(36,710)	(34,342)
Trade and other payables	46,303	12,935
Due to affiliated companies	(1,569)	(183)
Current tax and accrued liabilities	14,365	(48,167)
Net cash provided by operating activities	<u>9,109</u>	<u>95,009</u>
Cash flows from investing activities		
Proceeds from Sale of property plant and equipment	2,451	589
Capital expenditures	(39,134)	(41,096)
Change in restricted cash	(3,695)	(41)
Net cash used in investing activities	<u>(40,378)</u>	<u>(40,548)</u>
Cash flows from financing activities		
Proceeds from long-term debt	545,897	1,338
Proceeds from short-term debt	116,396	85,249
Principal payments on long-term debt including revolver	(547,639)	(20,595)
Principal payments on short-term debt	(92,018)	(84,115)
Proceeds from capital contribution	-	30,000
Payments of financing cost	(9,833)	-
Dividends paid (including tax on dividend)	(2,700)	(32,627)
Net cash provided by (used in) financing activities	<u>10,103</u>	<u>(20,750)</u>
Effect of exchange rate changes on cash and cash equivalents	8,829	(3,461)
Net (decrease) increase in cash and cash equivalents	(12,337)	30,250
Cash and cash equivalents		
Beginning of the year	127,575	97,325
End of the year	<u>\$ 115,238</u>	<u>\$ 127,575</u>
Supplemental cash flow information		
Cash paid during the year for interest	\$ 81,757	\$ 101,212
Cash paid during the year for income taxes	57,356	42,384

See accompanying notes to consolidated financial statements.

Rain Carbon Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

1. Organization and Background

Rain Carbon Inc. (the "Company" or "RCI") has been incorporated to carry on the businesses of producing calcined petroleum coke (CPC), trading metallic and/or nonmetallic substances, and investing in entities engaged in such businesses.

RCI is a wholly owned subsidiary of Rain Commodities (USA) Inc ("RCUSA"), which in turn is a wholly owned subsidiary of Rain Industries Limited ("RIL" or "the ultimate holding Company"), a company incorporated in India and listed on the National Stock Exchange of India Limited and Bombay Stock Exchange of India Limited. The Company was originally incorporated as a Limited Liability Company in the state of Delaware, United States of America on September 15, 2010. During the year ended December 31, 2013, the Company has been converted into a Delaware Corporation. Upon completion of the conversion process, the authorized share capital of the Company consists of 5,000 shares (see note 11 for additional information).

The Company along with its subsidiaries ("the Group" or "Rain Group") operates in two business segments Carbon and Chemicals. The Carbon business is engaged in the business of manufacturing and sales of Carbon Products. Carbon Products comprise Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke ("GPC"), Co-generated Energy, and other derivatives of Coal Tar distillation. The Chemicals segment includes the downstream operations of Coal Tar distillation which comprise of Resins, Modifiers, Super Plasticizers, and other specialty products.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of RCI and its majority-owned subsidiaries that are required to be consolidated. All inter-company transactions and balances have been eliminated in consolidation.

The equity method is used to account for investments in affiliates in which the Group has the ability to exercise significant influence over the affiliates' operating and financial policies. When the Group does not have the ability to exercise significant influence, the investment is classified as available-for-sale under fair value method, if fair value is readily determinable or under cost method, if fair value is not readily determinable.

The Group has performed an evaluation of subsequent events through February 22, 2018, which is the date the consolidated financial statements were made available for issuance. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the consolidated financial statements.

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure. These reclassifications have not changed the results of operations of prior periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from such estimates and assumptions; include allowance for doubtful accounts, estimated obsolescence or excess inventory, valuation of long lived assets and goodwill, valuation of deferred tax assets and liabilities, environmental liabilities, post retirement and pension obligations, commitments and contingencies and valuation of derivatives.

Rain Carbon Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Foreign Currency Translation and Transactions

The accompanying consolidated financial statements are reported in US dollars. The translation from the respective functional currencies to the US dollar is performed using the exchange rates prevailing at the balance sheet dates for assets and liabilities and average exchange rates prevailing during the reporting periods for revenue, costs, and expenses.

Adjustments resulting from such translation are accumulated and reported as other comprehensive income (loss), a separate component of equity.

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year-end rates. The resulting gain/loss along with the realized gain/loss on account of foreign currency transactions are accounted for in the consolidated statements of operations.

Cash Equivalents

All highly liquid, short-term investments with original maturities of less than three months when purchased are considered to be cash equivalents. Cash and cash equivalents include \$11,628 and \$4,004 thousands of certificates of deposit with an initial term of less than three months at December 31, 2017 and 2016, respectively.

Revenue Recognition

The Group recognizes revenue, net of trade discounts, sales taxes, and allowances, based on the shipping terms, when title and risk of ownership pass to the customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Shipping and other transportation costs charged to buyers are recorded in both sales and cost of sales.

Trade Receivable

The Group grants credit to its customers based on periodic credit evaluations of customers' financial condition and generally does not require collateral, but may require letters of credit for certain international sales. The Group believes its credit risk related to trade receivable is minimal. The Group estimates its bad debt exposure based upon a customer-by-customer analysis of its trade receivable balances each period and records a bad debt provision for trade receivable it believes it may not collect in full.

Trade receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade receivable are included in net cash provided by operating activities in the consolidated statements of cash flows.

Inventories

Inventories are stated at the lower of cost or net realizable value and consist principally of raw material, finished goods, work in progress, and materials and supplies. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The Group reviews its inventories balances and writes down its inventories for estimated obsolescence or excess inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions. The cost of Inventory includes production costs and depreciation expense.

Rain Carbon Inc. And Subsidiaries

Notes to Consolidated Financial Statements

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Property, Plant, and Equipment

Property, plant, and equipment is carried at cost and includes improvements, which significantly increase capacities or extend useful lives of existing plant and equipment and consists primarily of buildings and improvements, machinery and equipment, furnishings and land, which is being depreciated on a straight-line basis over a period ranging from 1–59 years (except for land). When fixed assets are sold or retired, cost and accumulated depreciation are eliminated from the accounts, and gains or losses are recorded in consolidated statements of operations.

Plant and equipment held under capital leases are stated at the present value of minimum lease payments and are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

The Group evaluates impairment of its property, plant, and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. If circumstances require an asset be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. The Group carried out the impairment analysis during 2017 and 2016 and no impairment has been identified in 2017 and 2016.

Intangible Assets

Identifiable intangible assets, other than goodwill and in process research and development ("IPR&D"), are recorded at cost. Intangible assets that do not have indefinite lives are amortized on a systematic basis over their estimated useful lives.

The estimated useful lives of intangible assets are:

Customer contracts	9–15 years
Supply contracts	10 years
Favorable contracts	13 years
Technology rights	8–12 years
Trade names	15 years
IPR&D	15 years
Others	3–20 years

Non-product specific trade names have an indefinite useful life.

The Group evaluates impairment of its intangible assets on an individual basis whenever circumstances indicate that the carrying value may not be recovered. Intangible assets deemed to be impaired are written down to their fair value using discounted cash flows and, if available, comparable market values. The Group carried out the impairment analysis during 2017 and 2016 and no impairment has been identified in 2017 and 2016.

Goodwill

Goodwill represents cost in excess of fair value of net identifiable assets acquired in business combinations. Goodwill is reviewed for potential impairment at least annually or more frequently if circumstances indicate that a potential impairment has occurred.

Our annual testing of goodwill is based on carrying value and our estimate of fair value as of November 30.

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Notes to Consolidated Financial Statements

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In testing goodwill for impairment an entity has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required.

If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying amount, step two does not need to be performed.

The group has performed an assessment of goodwill during 2017 and 2016 and determined that it is not more likely than not that the fair value of its reporting units are less than the carrying amounts, and no impairment was recorded as of December 31, 2017 and 2016.

Plant Turnaround Costs

Certain major maintenance items require plant shutdown for a period of time to perform periodic overhauls and refurbishment activities necessary to sustain long-term production. The Group capitalizes periodic planned major maintenance activities (plant turnaround costs) and amortizes such costs over periods leading up to the next planned turnaround (generally 14 months).

Included in prepaid expenses and other current assets is approximately \$9,146 thousands and \$12,286 thousands of deferred plant turnaround costs as of December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, approximately \$25,743 thousands and \$25,783 thousands, respectively, of plant turnaround cost were amortized within depreciation and amortization in the accompanying consolidated statements of operations.

Deferred Finance Costs

Deferred costs consist of loan financing fees, which are being amortized over the life of the instrument.

As per ASU 2015-03, *Simplifying the Presentation of Debt Issuance Cost*, the debt issuance cost related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The debt issuance cost of \$19,330 and \$15,543 for the years ended December 31, 2017 and 2016, respectively are reduced from the long term debt less current portion.

Amortization of deferred cost is included in interest expense in the accompanying consolidated statements of operations and totaled approximately \$9,477 thousands and \$5,205 thousands for the years ended December 31, 2017 and 2016, respectively.

Derivatives and Hedging Activities

The Group records its derivative instruments on the balance sheet at their respective fair values and any changes in fair value are recognized immediately in earnings, unless the derivatives

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Notes to Consolidated Financial Statements

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qualify as hedges of future cash flows or net investments. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value are recorded in accumulated other comprehensive income until the related hedge items impact earnings. Any ineffective portion of a hedge is reported in earnings immediately. Fair values for derivative financial instruments are based upon quoted market prices, where available, or pricing models.

As of December 31, 2017, the outstanding derivative instruments are six Euro-US\$ forward contract to sell Euro for a value of \$215.08 million, two US\$-CAD forward contract to buy US\$ for a value of \$9.96 million, two US\$-CAD forward contract to sell US\$ for a value of \$9.96 million, one US\$-Euro forward contract to buy US\$ for a value of \$4.93 million, one US\$-Euro forward contract to sell US\$ for a value of \$4.95 million and one JPY-Euro forward contract to buy JPY for a value of US\$0.32 million.

As of December 31, 2016, the outstanding derivative instruments are one US\$-CAD forward contract to sell US\$ for a value of \$5.00 million, one US\$-Euro forward contract to buy US\$ for a value of US\$0.04 million, one US\$-Euro forward contract to sell US\$ for a value of \$4.82 million and one JPY-Euro forward contract to buy JPY for a value of US\$0.30 million.

Fair Value of Financial Instruments

The Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

The Group classifies assets and liabilities into one of three fair value levels depending on the observability of the input employed in the measurement as described below:

- (i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- (ii) Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs.
- (iii) Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

The Group classifies assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group's methodology for categorizing assets and liabilities that are measured at fair value pursuant to this hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest level to unobservable inputs.

The carrying amounts of cash, accounts receivable, accounts payable and short-term debt approximate fair value because of the short maturity of these instruments. Additionally, the carrying amount of long-term debt approximates fair value at December 31, 2017, since a substantial portion of long-term debt is at a rate consistent with market rates currently available to the Group.

The following summarizes the assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016. Assets consist of the Group's retirement plans and postretirement benefits and derivative instruments, which are valued using quoted prices in active markets for identical assets or liabilities or directly or indirectly through market-corroborated input, and therefore, are classified as Level 1 or Level 2.

Rain Carbon Inc. And Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Fair Value as of December 31, 2017</u>
Assets			
Pension Plan Assets:			
Mutual funds	\$ 7,692	\$ -	\$ 7,692
Insurer managed fund	-	35,898	35,898
Other assets			
Derivative instruments	-	532	532
Total	<u>\$ 7,692</u>	<u>\$ 36,430</u>	<u>\$ 44,122</u>
Liabilities			
Derivative instruments	-	417	417
Total	<u>\$ -</u>	<u>\$ 417</u>	<u>\$ 417</u>

<i>(in thousands of dollars)</i>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Fair Value as of December 31, 2016</u>
Assets			
Pension Plan Assets:			
Mutual funds	\$ 6,732	\$ -	\$ 6,732
Insurer managed fund	-	30,306	30,306
Other assets			
Derivative instruments	-	38	38
Total	<u>\$ 6,732</u>	<u>\$ 30,344</u>	<u>\$ 37,076</u>
Liabilities			
Derivative instruments	-	258	258
Total	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 258</u>

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences arise. The Group recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Group records interest related to income tax in interest expense and penalties in selling, general, and administrative expenses.

The Company and its domestic subsidiaries executed tax sharing agreements with RCUSA and file its tax return on a consolidated basis and accounts for income tax expense using the separate return method. For the years ended December 31, 2017 and 2016, there were no net income tax payments made by the Group to RCUSA.

Rain Carbon Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Certain group companies in Germany have entered into a profit and loss transfer agreement and have created a fiscal unity for the purpose of paying corporate income taxes in Germany. The German fiscal unity contains Rain Carbon GmbH ("RCGmbH") as controlling entity and other German group companies as controlled entities within the fiscal unity. The fiscal income as per local GAAP of these controlled entities are fully allocated to RCGmbH and income tax expense or benefit is recognized at that level.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses include the compensation costs, legal and professional consultants, travel costs, and other general expenses.

Borrowing costs and capitalized interest

Interest expense, net is the combination of interest expense associated with the outstanding debt of the Group and interest income.

Interest on external borrowings is capitalized on major projects with an expected construction period of one year or longer. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets.

The following summarizes capitalized interest and interest expense, net charged to consolidated statements of operations:

(in thousands of dollars)

	2017	2016
Interest expense, net	\$ 91,689	\$ 88,900
Less: interest expense capitalized	-	207
Net interest expense charged to consolidated statements of operations	<u>\$ 91,689</u>	<u>\$ 88,693</u>

Environmental liabilities

The Group accrues for remediation costs and penalties when the responsibility to remediate is probable and the amount of related cost is reasonably estimated. Remediation liabilities are discounted if the amount and timing of the cash disbursements are readily determinable.

Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

Commitments and Contingencies

Amounts associated with litigation and contingencies are accrued when management, after taking into consideration the facts and circumstances of each matter including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue when the entity transfers control of promised goods or services to customers. Revenue is recognized in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. An entity is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows

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arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretations and application of the principals outlined in the standard. The new standard is effective for annual reporting periods beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, *Deferral of the Effective Date*). The Group will implement the provisions of ASU 2014-09 as of January 1, 2019. The Group has not yet determined the impact of the new standard on its current policies for revenue recognition.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via a right of use asset and lease liability, and additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the Group for annual periods in fiscal years beginning after December 15, 2019, permits early adoption, and mandates a modified retrospective transition method. The Group is required to adopt ASU 2016-02 on January 1, 2020, but is evaluating whether to early adopt the new standard. While the Group expects ASU 2016-02 to add right-of-use assets and lease liabilities to the consolidated balance sheets, it has not evaluated other effects that the new standard will have on the consolidated financial statements.

3. Property, Plant, and Equipment, net

Property, plant, and equipment at December 31, 2017 and 2016 consisted of the following:

<i>(in thousands of dollars)</i>	2017	2016
Land	\$ 46,760	\$ 42,075
Buildings and improvements	90,614	84,720
Machinery and equipment	548,860	507,302
Construction in progress	58,811	24,343
	<u>745,045</u>	<u>658,440</u>
Less: Accumulated depreciation	<u>(289,375)</u>	<u>(239,016)</u>
	<u>\$ 455,670</u>	<u>\$ 419,424</u>

Depreciation expense for the years ended December 31, 2017 and 2016 were \$45,423 thousands and \$41,001 thousands, respectively.

The estimated useful lives for depreciation purposes are:

Buildings and improvements	1–59 years
Machinery and equipment	1–50 years

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4. Intangible Assets

Intangible assets comprising the following as of December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	Estimated Lives	2017	2016
Intangible assets with definite life			
Customer contracts	9–15 years	\$ 229,078	\$ 214,140
Supply contracts	10 years	-	70,000
Favorable contracts	13 years	1,028	906
Technology rights	8–12 years	21,616	20,109
Trade names	15 years	42,033	40,614
IPR&D	15 years	11,949	-
Others	3–20 years	16,178	14,740
		<u>321,882</u>	<u>360,509</u>
Intangible assets with indefinite life			
Trade names		53,193	47,586
IPR&D		-	10,540
		<u>53,193</u>	<u>58,126</u>
Total intangible assets		<u>375,075</u>	<u>418,635</u>
Accumulated amortization			
Customer contracts		(129,606)	(104,412)
Supply contracts		-	(62,619)
Favorable contracts		(396)	(279)
Technology		(14,532)	(11,515)
Trade names		(23,108)	(19,922)
IPR&D		(797)	-
Others		(12,587)	(12,736)
Total accumulated amortization		<u>(181,026)</u>	<u>(211,483)</u>
Intangible assets, net		<u>\$ 194,049</u>	<u>\$ 207,152</u>

Amortization expense for the years ended December 31, 2017 and 2016 was \$32,569 thousands and \$31,893 thousands, respectively.

The estimated intangible asset amortization expenses for each of the next five years and thereafter are as follows:

(in thousands of dollars)

2018	\$ 25,555
2019	25,198
2020	24,677
2021	22,129
2022	22,640
Thereafter	20,657

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5. Goodwill

(in thousands of dollars)

	Carbon Products	Chemicals	Total
Balance as of December 31, 2015	\$ 456,466	\$ 147,746	\$ 604,212
Currency translation	(2,315)	(4,961)	(7,276)
Balance as of December 31, 2016	\$ 454,151	\$ 142,785	\$ 596,936
Acquisitions	537	-	537
Currency translation	16,063	17,758	33,821
Adjustments	9,955	-	9,955
Balance as of December 31, 2017	\$ 480,706	\$ 160,543	\$ 641,249

6. Investments

(in thousands of dollars)

	2017	2016
Investments		
Equity investments	\$ 1,116	\$ 862
Other investments	11,520	10,162
\$	12,636	\$ 11,024

Other investments represent the long-term investment in Arsol Aromatics GmbH & Co. KG ("Arsol") located in Germany, which is accounted using the cost method. Arsol is engaged in the business of refining benzene, toluene, and xylene. The cost method is applied as the group does not exercise significant influence over Arsol.

Equity investments:

The Group holds two investments in unconsolidated companies, acquired as part of acquisition of RÜTGERS Group. InfraTec Duisburg GmbH ("InfraTec") is a 30 percent owned and Tarlog GmbH ("Tarlog") is a 50 percent owned infrastructure and logistic services companies located in Germany. During 2017, Group acquired the balance 50% of the ownership in Tarlog and merged with RÜTGERS Germany GmbH (RGmbH). No dividends were received from these entities for the years ended December 31, 2017 and 2016.

The group recognized income of \$137 thousands for the year ended December 31, 2017 (income of \$632 thousands for the year ended December 31, 2016) from the above companies in which equity method of accounting is followed and such income is included in other (income) expense, net in the consolidated statements of operations. The equity method of accounting is applied for these investments as the group has the ability to exercise significant influence, but not control, over the investees.

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Transactions with the equity method investment companies during the years ended December 31, 2017 and 2016 and the closing balances as of December 31, 2017 and 2016 are as follows:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Transactions		
Cost of goods sold		
Tarlog GmbH	\$ 1,611	\$ 2,931
InfraTec Duisburg GmbH	7,730	6,697
Other operating income		
Tarlog GmbH	69	85
InfraTec Duisburg GmbH	981	471
Closing balances		
Trade receivables		
Tarlog GmbH	\$ -	\$ 15
InfraTec Duisburg GmbH	1,919	787
Trade payables		
Tarlog GmbH	-	144
InfraTec Duisburg GmbH	43	1,032

7. Leases

The Group has entered into capital leases covering buildings, certain machinery, and equipment.

As of December 31, 2017, and 2016, the gross amount of assets under capital leases and related accumulated amortization reflected in property, plant and equipment, net recorded were as follows:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Buildings	\$ 304	\$ 295
Machinery and equipment	5,296	4,674
	5,600	4,969
Less: Accumulated amortization	(3,615)	(2,616)
	<u>\$ 1,985</u>	<u>\$ 2,353</u>

Amortization of assets held under capital leases is included in depreciation expense.

The Group leases real property and certain equipment under operating leases that have initial non-cancellable terms in excess of one year. Total rental expense under these leases totaled \$15,918 thousands and \$13,785 thousands for the years ended December 31, 2017 and 2016, respectively. Certain real property leases have renewal options.

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Future minimum lease payments under non-cancelable operating leases with initial remaining lease terms in excess of one year and future minimum capital lease payments as of December 31, 2017 are as follows:

<i>(in thousands of dollars)</i>	Capital Leases	Operating Leases
2018	\$ 2,203	\$ 12,585
2019	2,201	11,819
2020	3,245	9,350
2021	-	7,043
2022	-	6,352
Thereafter	-	6,881
Total minimum lease payments	\$ 7,649	\$ 54,030
Less: Amount representing interest (at rates ranging from 4.35% to 6.16%)	695	
Present value of net minimum capital lease payments	\$ 6,954	
Less: Current installments of obligations under capital leases	1,880	
Obligations under capital leases, excluding current installments	\$ 5,074	

8. Composition of certain Balance Sheet items:

a. Accrued liabilities

Accrued liabilities at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	2017	2016
Accrued goods and services received	\$ 19,420	\$ 9,554
Accrued interest	28,658	24,493
Environmental liabilities	10,376	11,296
Capital leases - current portion	1,880	1,592
Advance from customers	281	70
Accrued Bonus	12,145	5,948
Other accrued liabilities	16,836	17,036
	<u>\$ 89,596</u>	<u>\$ 69,989</u>

b. Other non-current liabilities:

Other non-current liabilities at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	2017	2016
Environmental liabilities	\$ 10,061	\$ 7,823
Capital leases – non-current portion	5,074	6,133
Advance from customers	2,033	2,361
Provision for straight lining of lease rental	849	753
Other non-current liabilities	2,655	5,224
	<u>\$ 20,672</u>	<u>\$ 22,294</u>

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c. Inventories:

Inventories at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	2017	2016
Raw materials	\$ 141,393	\$ 70,346
Finished goods	108,916	68,753
Work in progress	15,618	11,383
Materials and supplies	39,042	23,330
	<u>304,969</u>	<u>173,812</u>
Less: Reserve for lower of cost or net realizable value	<u>(6,274)</u>	<u>(4,467)</u>
	<u>\$ 298,695</u>	<u>\$ 169,345</u>

9. Income Taxes

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates expected to be in effect in future years.

Income tax expense (benefit) consists of the following:

<i>(in thousands of dollars)</i>	2017	2016
Current:		
Federal	\$ 252	\$ 464
State	(535)	146
Foreign	61,806	37,825
	<u>61,523</u>	<u>38,435</u>
Deferred:		
Federal	\$ (16,847)	\$ (47,730)
State	154	(821)
Foreign	(15,810)	(3,125)
	<u>(32,503)</u>	<u>(51,676)</u>
Total income tax expense (benefit)	<u>\$ 29,020</u>	<u>\$ (13,241)</u>

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The income tax expense differs from the amounts that would be determined through the application of the federal statutory rate to pre-tax income (loss) as reflected below:

<i>(in thousands of dollars)</i>	2017	2016
Federal income tax expense based on 35% of pre-tax income \$	51,604	\$ 12,370
State income tax benefit, net of federal effect	556	(556)
Permanent differences	(6,004)	5,639
Impact of tax rate changes	(20,146)	(756)
Effects of tax-exempt income and other deductions	(1,081)	(1,603)
Change in valuation allowance	633	(262)
Effects of additional taxes for prior years	185	861
Impact of differences between tax rates	(5,265)	(4,211)
Tax effects of tax base transfers	(429)	(19)
Taxes on un-distributed foreign earnings	-	1,995
Non-deductible expenses	6,172	1,280
Reversal of Deferred Tax Expense on unremitted foreign earnings under APB 23	-	(27,870)
Other	2,795	(109)
Total income tax expense (benefit)	<u>\$ 29,020</u>	<u>\$ (13,241)</u>

As of December 31, 2017, the Group has net operating loss carryforwards for Federal income tax purposes of \$69,056 thousands, which are available to offset future Federal taxable income, if any, through 2036. The Group has net operating loss carryforwards for state income tax purposes of \$27,686 thousands, which are available to offset future state taxable income, if any, through 2036. In addition, the Group has foreign net operating losses of \$29,527 thousands, of which an amount of \$23,266 thousands are available to offset future taxable income, if any, through 2023, \$6,239 thousands are available to offset future taxable income, if any, through 2025 and the balance amount of \$22 thousands is available for indefinite period. Considering the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment the Group has recognized valuation allowance of \$7,399 thousands as of December 31, 2017 on the losses available for indefinite period.

As of December 31, 2016, the Group has net operating loss carryforwards for Federal income tax purposes of \$88,955 thousands, which are available to offset future Federal taxable income, if any, through 2036. The Group has net operating loss carryforwards for state income tax purposes of \$31,646 thousands, which are available to offset future state taxable income, if any, through 2036. In addition, the Group has foreign net operating losses of \$63,125 thousands, of which an amount of \$21,075 thousands are available to offset future taxable income, if any, through 2023, \$17,977 thousands are available to offset future taxable income, if any, through 2025 and the balance amount of \$24,073 thousands is available for indefinite period, considering the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment the Group has recognized valuation allowance of \$12,460 thousands as of December 31, 2016 on the losses available for indefinite period.

As of December 31, 2017, there are enactment of income taxes in United States and Belgium. The effects of these enactments have been considered by the Group in December 2017 financials. There is an income tax benefit of \$20,146 thousands for the year ended December 31, 2017.

As of December 31, 2017, the company has accumulated undistributed earnings generated by their foreign subsidiaries of approximately \$239,394 thousands which was subject to the one-time transition tax on foreign earnings required by the 2017 Tax Act or has otherwise been previously taxed. Based on currently available information, the company's transition tax was offset by utilization of foreign tax credits. The company intends to indefinitely reinvest these earnings, as well as future earnings from our foreign subsidiaries, to fund their international

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operations. In addition, they expect future U.S. cash generation will be sufficient to meet future U.S. cash needs.

The Group is subject to several income tax examinations by taxing authorities in various jurisdictions within which it operates. As of December 31, 2017, management does not anticipate the outcome of these examinations to result in a material change to its financial position.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate from 35% to 21% and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. Based on currently available information, the company had a deferred tax liability that was offset by utilization of foreign tax credit. Accordingly, the company estimated no transition tax is due on deemed repatriated earnings of foreign subsidiaries. The Company estimated that the value of the net deferred tax liability will be reduced by \$ 14,812 thousand due to change in federal income tax rate to 21%.

The impact of the Tax Legislation may differ from the estimates above, due to, among other things, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the Tax Legislation. The Company will continue to analyze the Tax Legislation to determine the full effects of the new law, including the new lower corporate tax rate, on the Corporation's financial statements and operations.

Any adjustments to provisional amounts as additional information is obtained will be reported in the reporting period in which any such adjustments are determined, which will be no later than December 31, 2018.

Significant components of the deferred income tax assets and liabilities were the following:

(in thousands of dollars)

	2017	2016
Deferred tax assets		
Basis difference of property, plant, and equipment	\$ 1,274	\$ 1,810
Pension	28,734	23,635
Other assets	4,862	3,145
Other liabilities	5,683	7,784
Net operating loss carryforward	28,669	49,410
Other	4,206	7,434
Total	73,428	93,218
Less: Valuation allowance	(7,399)	(12,460)
Total deferred tax assets	66,029	80,758
Deferred tax liabilities		
Basis difference of property, plant, and equipment	(42,387)	(50,852)
Intangible assets	(57,105)	(74,953)
Financial assets	(6,085)	(2,640)
Inventory	(893)	(734)
Other assets	(357)	(3,461)
Pension	(571)	(361)
Other liabilities	(1,584)	(1,057)
Other	(2,419)	(8,036)
Total deferred tax liabilities	(111,401)	(142,094)
Net deferred tax liability	\$ (45,372)	\$ (61,336)

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In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not that the Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2017.

10. Debt and Credit Facilities

Debt consists of the following borrowings as of December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	<i>Reference</i>	<u>2017</u>	<u>2016</u>
Senior secured notes, interest payable at 8%, principal due December 2018	(i)	\$ -	\$ 377,835
Senior secured notes, interest payable at 8.25%, principal due January 2021	(ii)	245,780	360,780
Senior secured notes, interest payable at 8.50%, principal due January 2021	(ii)	237,128	209,168
Senior secured notes, interest payable at 7.25%, principal due April 2025	(iii)	550,000	-
Term loan from bank, interest payable at 4.88% principal due in 16 quarterly instalments from July 2014	(iv)	-	4,754
Loan from JV partner, interest payable at 8.00%, principal due December 2019	(v)	1,722	7,930
Loan from third party, interest payable at 4.00%, principal due October 2016	(vi)	-	3,320
Term loan from Bank, interest payable at 2.5050% principal due in 84 monthly instalments from January 2016	(vii)	-	34,286
Other credit facilities	(viii)	49,911	25,027
Others		458	459
		<u>1,084,999</u>	<u>1,023,559</u>
Less: Deferred Financing cost, net of amortization		19,330	15,543
Less: Short-term and current portion of long-term debt		<u>50,369</u>	<u>35,954</u>
		<u>\$ 1,015,300</u>	<u>\$ 972,062</u>

The scheduled principal payments on the short-term and long-term debt for each of the next five years are as follows:

<i>(in thousands of dollars)</i>	<u>2017</u>
2018	\$ 50,369
2019	1,722
2020	-
2021	482,908
2022	-
Thereafter	<u>550,000</u>
	<u>\$ 1,084,999</u>

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- (i) On November 23, 2010, one of the Group companies in United States issued \$400,000 thousands of 8% senior secured notes due December 2018 (the "2018 Notes"). The 2018 Notes contain covenants and conditions that limit the Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Company may redeem some or all of the 2018 Notes at any time on or after December 2014 at specified redemption prices. The 2018 Notes are secured by substantially all of the assets of the Company and are guaranteed by the Company's domestic subsidiary on a joint and several basis.

On March 31, 2017, the Group repurchased entire outstanding 2018 Notes by issuing a tender notice to the bond holders at a premium of 0.375%. The company has received acceptance for only \$253,055 thousands for which premium has been paid and redeemed the balance \$124,780 thousands at face value.

- (ii) On December 31, 2012, one of the Group companies in United States issued \$400,000 thousands of 8.25% and €210,000 thousands of 8.50% senior secured notes due January 2021 (the "2021 Notes"). The 2021 Notes contain covenants and conditions that limit the Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Company may redeem some or all of the 2021 Notes at any time on or after January 2016 at specified redemption prices. The 2021 Notes are secured by substantially all of the assets of the Company and are guaranteed by the Company's domestic subsidiaries on a joint and several basis. During the year 2015, the Company repurchased bonds worth \$38,220 thousands. During the year 2016, the Company repurchased bonds worth €11,550 thousands.

On April 4, 2017, the Group repurchased bonds worth \$115,000 thousands of its 2021 Notes at 103.875%.

- (iii) On March 31, 2017, One of the Group companies in United States issued \$550,000 thousands of 7.25% senior secured notes due April 2025 (the "2025 Notes"). The net proceeds are used to either tender or redeem all of the outstanding 2018 Notes and tendered for \$115,000 thousands of 2021 Notes. However, the 2025 Notes issued have a provision that once the 2012 Notes are terminated, Parent company Rain Carbon Inc (RCI) will automatically become the issuer of the 2025 Notes. The 2025 Notes contain covenants and conditions that limit the Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Company may redeem some or all of the 2025 Notes at any time on or after April 1, 2020 at specified redemption prices. The 2025 Notes are secured by substantially all of the assets of the Company and are guaranteed by the Company's domestic subsidiaries on a joint and several basis.
- (iv) On July 25, 2012, one of the RÜTGERS group companies entered into a loan agreement with a bank for \$12,750 thousands at an interest rate of LIBOR plus a margin of 400 bps. This debt was secured by all assets of the said company and guarantee from certain RÜTGERS group companies until completion of the project. This loan was repayable in sixteen quarterly instalments starting from July 2014. On January 25, 2017 the said company had repaid the entire outstanding balance along with any accrued interests.
- (v) On July 18, 2012, one of the RÜTGERS group companies entered into a loan agreement with JV partner, to borrow RUB 428,750 thousands at fixed interest rate of 8% per annum. This debt is due for bullet repayment in December 2018 and is subordinated to debt borrowed from banks. Loan was fully repaid in December 2017 ahead of repayment schedule. RUB 100,000 thousands loan provided by JSC Karelsky Okatysh (daughter company of JV partner).
- (vi) On October 18, 2013, one of the RÜTGERS group companies entered into a €3,250 thousands credit agreement at fixed interest rate of 4% per annum. This unsecured loan is extended till October 30, 2018 with an extraordinary termination right as soon as the RÜTGERS shareholder rating falls below B+. Interest rate would be renegotiated when three

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months EURIBOR exceeds 3% per annum. The outstanding borrowed amount under this facility as of December 31, 2016 is €3,150 thousands. On March 3, 2017 the entire loan was repaid along with accrued interest.

- (vii) On November 28, 2012, one of the Group companies in United States entered into an ABL credit agreement. The agreement provides for a \$100,000 thousands ABL loan commitment ("ABL Loan"), which matures on November 28, 2017. The available limit under the facility is dependent on the eligible inventories and trade receivable balances. The ABL commitment may be utilized by drawing on revolving loans from the lender and by the issuance of letters of credit. The letter of credit availability is limited to \$40,000 thousands. This facility was terminated on March 31, 2017

On March 31, 2017, Company entered into a new revolver facility of \$60,000 thousands. The Revolver Facility may be utilized by drawing on revolving loans from the lenders and by the issuance of letters of credit. The letter of credit availability is limited to \$20,000 thousands. At December 31, 2017, letters of credit outstanding aggregated \$15,168 thousands. No cash drawings as per December 31, 2017.

- (viii) Other Credit facilities:

- a. During 2013, one of the Group companies in India, entered into agreements with two separate banks for an aggregated facility amount of \$63,105 thousands which can be utilized for issuance of letter of credits and cash drawings. Outstanding letters of credit issued under these facilities are subject to a fee of 0.75% per annum. The company is not obliged to pay commitment fee on unused portion of the working capital line of credit under this facility. Cash drawings under these facilities are subject to interest rate ranging from 8.1% to 9.65% per annum.

These facilities are secured by pari-passu first charge over current assets comprising of all inventories and book debts both present and future of the said company. As of December 31, 2017 cash drawings outstanding was \$50,246 thousands with \$12,860 thousands of available limits.

- b. During 2013, one of the group company incorporated in India, entered into an agreement with bank to renew the working capital loan commitment of INR 840,000 thousands (equivalent to \$13,139 thousands on December 31, 2017). The facility can be utilized by drawing on working capital loans from the lender up to INR 140,000 thousands and by issuance of letters of credit up to maximum facility.

Outstanding letters of credit issued under these facilities are subject to a fee of 0.75% per annum. The company is not obliged to pay commitment fee on unused portion of the working capital line of credit under this facility. Cash drawings under the above said facility are subjected to interest rate of 10.55% per annum. As of December 31, 2017 letters of credit outstanding was \$2,728 thousands, cash drawings outstanding was \$8,917 thousands with \$1,494 thousands of available limits.

11. Capital Structure

The capital structure of the Company as of December 31, 2017 and 2016 is as follows:

	Par value	Shares	
		Authorized	Issued and Outstanding
Common stock - voting	\$ 0.00001	5,000	1

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The outstanding common shares of the Company are wholly owned by RCUSA, a direct wholly owned subsidiary of RIL.

12. Postretirement Benefits

The Group complies with the US GAAP around Compensation—Retirement Benefits, which requires an employer that sponsors a single-employer defined benefit plan to (a) recognize the overfunded or underfunded status of a benefit plan in its statement of financial position, (b) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to ASC 715 – “*Compensation – Retirement Benefits*”, (c) measure defined benefit plan assets and obligations as of the date of the employer’s fiscal year-end, and (d) disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

Pension and other postretirement benefits are accounted for in accordance with the provisions of ASC 715 and are funded to at least meet the minimum funding requirements as required by law. Prior service costs are amortized to net periodic costs on the straight-line basis over the average remaining service period of employees expected to receive pension benefits. The estimated cost of postretirement benefits other than pensions is accrued during the employee’s active service period.

The Group records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare cost trend rates. The Group reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost on the straight-line basis over the average remaining service period of employees expected to receive pension benefits. The Group believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The Group follows the disclosure provisions of ASC 715, which standardizes the disclosures for pensions and other postretirement benefit plans.

Pension and Gratuity

The Group sponsors the following defined benefit plans:

- a. The Group has a noncontributory defined benefit pension plan covering hourly employees in the United States. Benefits under the hourly employees’ plan are based on years of service and age. The Group’s funding policy is to contribute amounts to meet minimum funding requirements, plus additional amounts as the Group may determine to be appropriate.
- b. In respect of subsidiary companies in Germany, Belgium, and Canada, the Group has defined benefit retirement plans covering its employees. Pension provisions are recognized for obligations due to benefit plans for old age, invalidity, and surviving dependents’ benefits. Benefits vary according to the legal, tax, and economic circumstances prevailing in each relevant country. Benefits are usually based on the length of service and final salary of employees.
- c. In respect of subsidiary companies in India, the Group has defined benefit gratuity plan covering all its employees. Gratuity provisions are recognized based on the years of service

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and age. The Group's funding policy is to contribute amounts to meet minimum funding requirements, plus additional amounts as the Group may determine to be appropriate.

The projected benefit obligation is the present value of benefits earned to date by plan participants. Plan assets are measured at fair value. Changes in projected benefit obligations and plan assets, and the funded status of the pension and gratuity plans were as follows for the years ended December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	2017	2016
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 142,070	\$ 121,762
Service cost	7,121	5,181
Interest cost	2,779	3,221
Plan participant contributions	1,204	1,016
Actuarial loss	3,579	17,406
Premiums paid	(441)	(283)
Transfer in/(out)	3,737	(90)
Benefits paid	(3,085)	(2,349)
Foreign currency exchange rate changes	16,971	(3,794)
Benefit obligation at end of year	<u>173,935</u>	<u>142,070</u>
Changes in plan assets		
Fair value of plan assets at beginning of year	37,287	34,963
Actual return on plan assets	3,870	2,175
Employer contributions	1,250	852
Plan participant contributions	1,204	1,016
Benefits paid	(2,144)	(1,761)
Premiums paid	(349)	(200)
Foreign currency exchange rate changes	2,737	242
Fair value of plan assets at end of year	<u>43,855</u>	<u>37,287</u>
Funded status at end of year	<u>\$ (130,080)</u>	<u>\$ (104,783)</u>

Amounts recognized in the consolidated balance sheets consist of:

<i>(in thousands of dollars)</i>	2017	2016
Accrued postretirement benefits	\$ (130,080)	\$ (104,783)
Accumulated other comprehensive income, net of tax	<u>21,194</u>	<u>18,776</u>
Net amount recognized	<u>\$ (108,886)</u>	<u>\$ (86,007)</u>

The net periodic cost for the defined benefit pension and gratuity plans was \$8,802 thousands and \$7,156 thousands for the years ended December 31, 2017 and 2016, respectively.

The following represents projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the years ended December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	2017	2016
Projected benefit obligation	\$ 173,935	\$ 142,070
Accumulated benefit obligation	152,412	134,490
Fair value of plan assets	43,855	37,287

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The weighted average assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	2017	2016
Benefit obligations		
Discount rate	1.30% - 8.25%	1.31% - 7.65%
Net periodic benefit cost		
Discount rate	1.31% - 8.25%	2.10% - 7.65%
Expected return on assets	2.20% - 7.50%	2.40% - 7.50%
Rate of compensation increase	0.00% - 7.00%	0.00% - 7.50%

The basis of the long-term rate of return assumption reflects the defined benefit pension and gratuity plans current asset mix of approximately 58% debt securities, 41% equity securities, and 1% of others with assumed average annual returns of approximately 4.00% to 8.40% for debt securities and 0.20% to 12.00% for equity securities and 6.00% to 8.00% for others.

The defined benefit pension and gratuity plans investment portfolio is adjusted periodically to maintain the current ratios of debt securities and equity securities. Additional consideration is given to the plan's historical returns as well as future long-range projections of investment returns for each asset category.

The total net loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$1,561 thousands.

The Group's pension and gratuity plans weighted-average asset allocations by asset category were as follows:

	2017	2016
Asset category		
Equity securities	41%	42 %
Debt securities	58%	57 %
Others	1%	1 %
	<u>100%</u>	<u>100 %</u>

The Group expects to contribute approximately \$2,346 thousands to the defined benefit pension and gratuity plans during the year ending December 31, 2018.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands of dollars)

Fiscal Years Ending	Expected Benefit Payments
2018	2,703
2019	3,846
2020	3,125
2021	3,829
2022	4,819
2023-2027	28,165

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Other postretirement benefits

The Group sponsors the following defined benefit postretirement plans:

- a. The Group sponsors two defined benefit postretirement plans that cover certain employees only. One plan provides postretirement medical and dental benefits; the other plan provides life insurance benefits. Both plans are noncontributory and neither is funded.
- b. Subsidiary companies in Canada provide non-funded postretirement medical and dental benefits for employees in Canada.

Changes in projected benefit obligations and plan assets, and the funded status of the Group's postretirement plan were as follows for the years ended December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	2017	2016
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 4,710	\$ 4,216
Service cost	206	183
Interest cost	188	178
Actuarial gain	(384)	113
Benefits paid	(184)	(89)
Foreign currency exchange rate changes	321	109
Benefit obligation at end of year	<u>4,857</u>	<u>4,710</u>
Changes in plan assets		
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (4,857)</u>	<u>\$ (4,710)</u>

Amounts recognized in the consolidated balance sheet consist of:

<i>(in thousands of dollars)</i>	2017	2016
Accrued benefit liability	\$ (4,857)	\$ (4,710)
Accumulated other comprehensive income, net of tax	(55)	185
Net amount recognized	<u>\$ (4,912)</u>	<u>\$ (4,525)</u>

The net periodic benefit cost for the defined benefit postretirement plan was \$393 thousands and \$361 thousands for the years ended December 31, 2017 and 2016, respectively.

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs were as follows:

	2017	2016
Discount rate – Benefit obligations	3.50%	4.10%
Discount rate – Net periodic benefit cost	3.90%	4.00%

The assumed health care costs trend rates were as follows:

	2017	2016
Initial trend rate	6.56%	6.56%
Ultimate trend rate	4.50%	4.50%
Year ultimate trend rate is reached	2031	2031

Rain Carbon Inc. And Subsidiaries

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The total net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is nil.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands of dollars)

Fiscal Years Ending	Expected Benefit Payments
2018	\$ 172
2019	183
2020	188
2021	197
2022	219
2023–2027	1,258

Defined Contribution Plan

The Group has below contribution plans:

- a. One of the subsidiary companies in the United States has established separate group savings plans for all hourly and salaried employees in the United States. Employer contributions are made at the discretion of the employer. Prior to January 1, 2013, employer contribution was 4% plus a 50% match to employee contribution up to 2%, equaling a total of 6%. In 2013, the Group changed the plan contribution to a dollar-for-dollar match up to 6%. The Group has made a contribution of \$1,037 thousands and \$1,063 thousands for the years ended December 31, 2017 and 2016, respectively, under this plan.
- b. In respect of subsidiary companies in Belgium, Canada, India and the Netherlands, the Group has Superannuation and contribution plans covering its employees. The Group makes monthly contributions and has no further obligations under the plan beyond its contributions. The Group has made a contribution of \$1,074 thousands and \$1,266 thousands for the years ended December 31, 2017 and 2016, respectively, under this plan.

13. Segment Information

The Carbon Products and Chemicals best define the operating segments of the business that are reported separately. The factors used to identify these reportable segments are based on the nature of the products that are manufactured, traded, and distributed by each segment.

Carbon Products comprise Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke ("GPC"), Co-generated Energy, and other derivatives of Coal Tar distillation.

Chemicals include the downstream operations of Coal Tar distillation comprise Resins, Modifiers, Super Plasticizers, and other specialty products.

These have been defined as the operating segments of the Group because they are the segments (1) that engage in business activities from which revenue is earned and expenses are incurred; (2) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available.

The Group evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating income. Operating income does not include equity in earnings of affiliates, other expense, interest expense, (gain) loss on foreign currency

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transactions, or income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. All inter segment transactions are accounted for at agreed upon rates based on transfer pricing agreements.

Results of segment operations are as follows:

<i>(in thousands of dollars)</i>	CY 2017	CY 2016
Revenue from external customers:		
Carbon Products	\$ 1,318,310	\$ 969,673
Chemicals	274,673	252,271
	1,592,983	1,221,944
Intersegment revenue:		
Carbon Products	69,188	76,039
Chemicals	38,381	47,908
	107,569	123,947
Depreciation and amortization:		
Carbon Products	87,855	81,617
Chemicals	15,880	17,084
	103,735	98,701
Operating income:		
Carbon Products	232,146	100,146
Chemicals	4,360	13,970
	236,506	114,116
Capital expenditures:		
Carbon Products	31,314	33,032
Chemicals	7,820	8,064
	\$ 39,134	\$ 41,096

Assets by segment as of December 31, 2017 and 2016 were as follows:

<i>(in thousands of dollars)</i>	2017	2016
Assets:		
Carbon Products	\$ 1,713,888	\$ 1,401,832
Chemicals	351,561	341,553
Corporate	22,988	22,087
	\$ 2,088,437	\$ 1,765,472
Investment in equity method investees:		
Carbon Products	\$ 692	\$ 534
Chemicals	424	328
	\$ 1,116	\$ 862

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Revenue by geographic area is as follows:

<i>(in thousands of dollars)</i>	<u>CY 2017</u>	<u>CY 2016</u>
United States	\$ 256,146	\$ 247,354
International	<u>1,336,837</u>	<u>974,590</u>
Total	<u>\$ 1,592,983</u>	<u>\$ 1,221,944</u>
International by region		
North America excluding United States	\$ 187,299	\$ 130,066
South America	35,468	33,340
Europe including CIS	664,555	504,843
Middle East	107,111	86,115
Africa	60,288	57,312
Australia	5,940	6,023
Asia excluding Middle East	<u>276,176</u>	<u>156,891</u>
	<u>\$ 1,336,837</u>	<u>\$ 974,590</u>

Revenues by geographic area in the above table are attributed by the destination country of the sale.

Property, plant, and equipment by geographic area are as follows:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
United States	\$ 143,393	\$ 151,071
International	<u>312,277</u>	<u>268,353</u>
Total	<u>\$ 455,670</u>	<u>\$ 419,424</u>
International by region		
North America excluding United States	\$ 39,716	\$ 32,377
Europe including CIS	253,755	219,239
Asia excluding Middle East	<u>18,806</u>	<u>16,737</u>
	<u>\$ 312,277</u>	<u>\$ 268,353</u>

14. Related Party Transactions

The Group has entered into transactions with the following related enterprises:

- Rain Industries Limited ("RIL") – ultimate holding company incorporated in India
- Rain Commodities (USA) Inc. ("RCUSA") – holding company incorporated in The United States of America
- Rain Cements Limited ("RCL") – wholly owned subsidiary of RIL incorporated in India
- Rain Global Services, LLC ("RGS") – wholly owned subsidiary of RCUSA incorporated in The United States of America

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Material related party transactions and balances are as follows:

<i>(in thousands of dollars)</i>	2017	2016
Revenue	\$ 1,988	\$ 2,234
Cost of goods sold	14,209	15,244
Dividend paid to RCUSA	2,700	31,022
Interest Expense, net	818	1,822
Other (income) expense, net	3,735	-
Selling, general & administration expenses	2,721	294
Due from affiliates		
- RGS	6,224	7,854
- RCUSA	9,198	9,308
Advance to RIL	-	957
Due to affiliates		
RIL	237	194

15. Commitments and Contingencies

Legal proceedings

The Group has been named defendant in various lawsuits; however, in the opinion of management, the amount of potential loss, if any, will not materially impact the Group's financial position or operating results.

Environmental matters

The Group is subject to federal, state, local, and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage, and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air, and various health and safety matters. The Group may also face governmental or third-party claims or otherwise incurs costs, relating to cleanup of or for injuries resulting from, contamination at sites associated with past and present operations. The Group accrues for environmental liabilities when a determination can be made that a liability is probable and reasonably estimable.

Changes in environmental liabilities for the years ended December 31, 2017 and 2016 were as follows:

<i>(in thousands of dollars)</i>	2017	2016
Balance at beginning of year	\$ 19,119	\$ 27,045
Additional obligations incurred	4,701	4,658
Obligations settled in current period	(5,439)	(4,055)
Changes in estimates, including timing	(404)	(95)
Accretion expense	12	93
Unused amounts reversed during the period	-	(7,941)
Foreign currency exchange rate changes	2,448	(586)
Balance at end of year	<u>\$ 20,437</u>	<u>\$ 19,119</u>

Of the above, environment liability of \$10,376 thousands and \$11,296 thousands were classified as current liabilities as of December 31, 2017 and 2016, respectively.

Rain Carbon Inc. And Subsidiaries

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The equivalent un-discounted value of environment liability as of December 31, 2017 and 2016 is \$20,008 thousands and \$19,170 thousands, respectively, depending on the duration of the environmental liability management uses interest rates between 0.00% to about 0.74% and 0.00% to about 1.38% at December 31, 2017 and 2016, respectively, to measure the present value of the environment liability.

Other matters

- a. Estimated committed amounts of contracts remaining to be executed on capital accounts, net of capital advances is \$8,223 thousands and \$3,063 thousands as of December 31, 2017 and 2016, respectively.
- b. One of the Group Companies in the United States has an outstanding lawsuit (2013) against a Contractor for delay, re-working, and cost overruns of a project. The Group Company's case against the Contractor was stayed pending resolution of a related litigation and is now proceeding in court. The parties have agreed to mediate the dispute, and they are exchanging documents and information, after which they will select a mediator and proceed with mediation. The Group Company's claims against the Contractor range from \$2,000-3,000 thousands. Additionally, the Contractor is making claim for approximately \$1,000 thousands against the Group Company on unpaid invoices for their work, which the Group Company withheld. Legal costs affiliated with the case are on a contingent basis.
- c. One of the Group Companies in the United States has an outstanding lawsuit (2013) against a design and engineering Contractor's commercial general liability insurers for the Contractor's delay, re-working, and cost overruns. The Group Company's case against the Contractor was stayed pending resolution of a related litigation and is now proceeding. On October 26, 2017, the Group Company obtained an arbitration award against the Contractor in the amount of \$4,400 thousands, plus costs and expenses. The Group Company is moving to confirm the arbitration award in court. After the court confirms the arbitration award, the Group Company will institute garnishment proceedings to recover the insurance policy proceeds of the Contractor's commercial general liability insurers to satisfy the confirmed arbitration award. The garnishment proceeding is not a guarantee of recovery of the full amount (or any amount) as the insurers believe they are not obligated to pay under the law. The law is not clear in this regard and it is possible that the Group Company recovers nothing further for Contractor's commercial general liability insurers. Legal costs affiliated with the case are on a contingent basis.
- d. In April 2016, a Group Company in the United States presented a revised claim to its insurers related to Hurricane Isaac. The revised claim totals \$5,000 thousands Contingent Business Interruption losses, expenses to reduce loss, and professional fees. The insurers' counsel rejected the revised claim, and requested a settlement conference. A settlement conference occurred in May 2017, resulting in a settlement offer from the insurers – and later, a reduced settlement offer – that remains open. Group Company did not accept the offer. A trial is currently set for April 2019.
- e. In February 2016, an employee of a Contractor responsible for securing barges at a facility of a Group Company in the United States allegedly suffered a leg injury while attempting to secure a barge. The employee is claiming damages of approximately \$2,000 thousands. The employee has filed suit against the barge owner. The barge owner subsequently filed a third-party demand against Group Company and its insurer seeking defense and indemnification pursuant to the agreement for provision of the barge. Group Company has also made demand on Contractor for defense and indemnification of the third-party demand filed by the barge owner and for defense by Contractor's insurer pursuant to the agreement between the Group Company and Contractor. Contractor's insurer has agreed to defend Group Company in this action subject to a reservation of rights. Group Company intends to defend against the defense and indemnity claims against it and pursue all claims against Contractor and its

Rain Carbon Inc. And Subsidiaries

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insurer for defense and indemnification. Mediation is currently scheduled for February 22, 2018.

- f. On May 26, 2016, an employee of a trucking Contractor of a Group Company in the United States flipped a truck when he drove it off a ramp at the Group Company facility. Both Group Company's records and Contractor's records reflect that the incident occurred due to "driver-error." Group Company filed a third-party demand for defense and indemnity against Contractor based on the defense and indemnity language contained in its service contract with Contractor. Case is ongoing.
- g. A Group Company in the United States received enforcement actions from the state environmental agency amounting to \$140 thousands. Group Company has appealed. Group Company will schedule a hearing to present its case.
- h. In August 2016, Group Company in the United States settled with several bad faith insurers as it related to expenses incurred by Group Company pursuant to a litigation which is now inactive. A Group Company is currently continuing its claims against the last bad-faith insurer. Collection efforts continue against bad-faith insurer and discovery has recently begun. Group Company's claims against bad faith insurer are approximately \$2,000-\$3,000 thousands.

16. Concentrations

The Group maintains cash at banks, which at times may exceed federally insured limits. The group has not experienced any losses in such accounts and does not believe it is exposed to any significant risk from such accounts.

As of December 31, 2017, and 2016, two customers aggregated to approximately 24% and 15%, respectively, of the Group's trade and other receivables. Revenue from two customers aggregated to approximately 17% and 10% of total revenue for the years ended December 31, 2017 and 2016, respectively.

Raw material purchases from three suppliers aggregated approximately 17% and 21% of total raw materials purchases for the years ended December 31, 2017 and 2016, respectively.\

17. Subsequent events

On December 11, 2017, one of the Group Companies in United States conditionally called for a full redemption of its outstanding 2021 USD and EURO Notes contingent on the closing of a new Term Loan B facility scheduled for January 16, 2018. The Company successfully closed on the Term Loan B for €390,000 thousands and immediately drew funds for repayment of the called Notes. The new funds, in addition to cash on hand, were utilized to redeem \$246,800 thousands and €198,500 thousands in notes at an early redemption price of 102.063% and 102.125%, respectively. On January 16, 2018, the company settled the outstanding six Euro-US\$ forward contracts of \$215,080 thousands in connection to the above mentioned notes repayment.

RAIN COMMODITIES (USA) INC

CONSOLIDATED

AUDITED

FINANCIAL STATEMENTS

FOR THE

FINANCIAL YEAR

ENDED

DECEMBER 31, 2017



Rain Commodities (USA) Inc. And Subsidiaries
Consolidated Financial Statements
December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

Rain Commodities (USA) Inc. And Subsidiaries
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KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

Independent Auditors' Report

The Board of Directors
Rain Commodities (USA) Inc.:

We have audited the accompanying consolidated financial statements of Rain Commodities (USA) Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rain Commodities (USA) Inc. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

New Orleans, Louisiana
March 2, 2018

Rain Commodities (USA) Inc. And Subsidiaries
Consolidated Balance Sheets
At December 31, 2017 and 2016

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 115,544	\$ 131,864
Restricted cash	6,753	3,121
Trade and other receivables (less allowance for doubtful accounts of \$750 in 2017 and \$671 in 2016)	278,059	158,721
Due from affiliated companies	2,111	4,714
Inventories	298,695	172,196
Prepaid expenses and other current assets	40,095	31,025
Current tax receivables	2,923	4,545
Total current assets	744,180	506,186
Investments	12,636	11,024
Property, plant, and equipment, net	456,569	421,758
Goodwill	641,249	596,992
Intangible assets, net	194,049	207,152
Deferred income tax assets	20,301	19,907
Other non-current assets	6,241	1,729
Total assets	<u>\$ 2,075,225</u>	<u>\$ 1,764,748</u>
Liabilities and Equity		
Current liabilities		
Trade and other payables	\$ 179,051	\$ 95,153
Due to affiliated companies	856	1,531
Accrued liabilities	89,462	70,355
Current tax liabilities	13,893	8,733
Short-term debt and current portion of long-term debt	64,869	62,509
Total current liabilities	348,131	238,281
Long-term debt, less current portion	1,041,079	991,944
Accrued postretirement benefit obligation	134,937	109,493
Other non-current liabilities	20,672	22,294
Deferred income tax liabilities	66,269	81,662
Commitments and contingencies (note 15)		
Stockholder's equity		
Preferred stock	97,800	97,800
Common stock	20,000	20,000
Additional paid-in capital	18,808	18,808
Accumulated other comprehensive loss	(149,397)	(181,019)
Retained earnings	436,480	336,757
RCUSA stockholder's equity	423,691	292,346
Non-controlling interests	40,446	28,728
Total stockholder's equity	464,137	321,074
Total liabilities and equity	<u>\$ 2,075,225</u>	<u>\$ 1,764,748</u>

See accompanying notes to consolidated financial statements.

Rain Commodities (USA) Inc. And Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31, 2017 and 2016

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Revenue	\$ 1,592,983	\$ 1,234,428
Cost of goods sold	1,178,974	967,132
Selling, general, and administrative expenses	75,853	59,716
Depreciation and amortization	103,937	99,098
Other operating income	971	991
Operating income	235,190	109,473
Interest expense, net	93,604	90,569
Gain on foreign currency transactions, net	(12,220)	(5,157)
Other expense (income), net	6,356	(8,264)
Income before income taxes	147,450	32,325
Income tax (benefit) expense, net	30,641	(10,670)
Net income	116,809	42,995
Less: Net income attributable to non-controlling interests	11,337	3,981
Net income attributable to RCUSA stockholder's	<u>\$ 105,472</u>	<u>\$ 39,014</u>

See accompanying notes to consolidated financial statements.

Rain Commodities (USA) Inc. And Subsidiaries
Consolidated Statements of Comprehensive Income (loss)
For the Years Ended December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Net income	\$ 116,809	\$ 42,995
Changes in other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	36,693	(15,255)
Pension and other postretirement benefit plans		
Net actuarial loss (net of tax)	(2,549)	(10,083)
Less: Amortization of prior service cost		
included in net periodic pension cost	76	81
Pension and other postretirement benefit plans	(2,473)	(10,002)
Other	(1,845)	-
Total comprehensive income	149,184	17,738
Less: Comprehensive income attributable to non-controlling interests	12,281	4,245
Comprehensive income attributable to RCUSA stockholder's	<u>\$ 136,903</u>	<u>\$ 13,493</u>

Accumulated other Comprehensive loss

Accumulated other comprehensive loss is disclosed as a separate component of Stockholder's equity in the accompanying consolidated balance sheets. Accumulated other comprehensive loss at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	<u>Foreign Currency Translation Adjustments</u>	<u>Defined Benefit Pension Items</u>	<u>Other</u>	<u>Total</u>
Ending balance December 31, 2015	\$ (145,662)	\$ (9,036)	\$ (443)	\$ (155,141)
Net current period change	(15,876)	(10,002)	-	(25,878)
Ending balance December 31, 2016	<u>\$ (161,538)</u>	<u>\$ (19,038)</u>	<u>\$ (443)</u>	<u>\$ (181,019)</u>
Net current period change	35,940	(2,473)	(1,845)	31,622
Ending balance December 31, 2017	<u>\$ (125,598)</u>	<u>\$ (21,511)</u>	<u>\$ (2,288)</u>	<u>\$ (149,397)</u>

See accompanying notes to consolidated financial statements.

Rain Commodities (USA) Inc. And Subsidiaries
Consolidated Statements of Equity
For the Years Ended December 31, 2017 and 2016

	Common	Preferred	Additional	Accumulated Other	Retained	Noncontrolling	
<i>(in thousands of dollars)</i>	Shares	Stock	Paid-in capital	Comprehensive Loss	Earnings	Interests	Total
Balances at December 31, 2015	\$ 20,000	\$ 97,820	\$ 18,808	\$ (155,141)	\$ 310,151	\$ 15,639	\$ 307,277
Dividends declared	-	-	-	-	(3,837)	-	(3,837)
Transfer to Non Controlling Interest	-	-	-	-	(8,928)	8,928	-
Repayment of Preference Equity	-	(20)	-	-	-	-	(20)
Net income	-	-	-	-	39,014	3,981	42,995
Other comprehensive income, net of tax:							
Foreign currency translation adjustments	-	-	-	(15,876)	357	180	(15,339)
Net change in pension and other postretirement benefits	-	-	-	(10,002)	-	-	(10,002)
Balances at December 31, 2016	\$ 20,000	\$ 97,800	\$ 18,808	\$ (181,019)	\$ 336,757	\$ 28,728	\$ 321,074
Dividends declared	-	-	-	-	(6,000)	-	(6,000)
Transfer to Non Controlling Interest	-	-	-	-	442	(563)	(121)
Net income	-	-	-	-	105,472	11,337	116,809
Other comprehensive income, net of tax:							
Foreign currency translation adjustments	-	-	-	35,940	(191)	944	36,693
Net change in pension and other postretirement benefits	-	-	-	(2,473)	-	-	(2,473)
Other	-	-	-	(1,845)	-	-	(1,845)
Balances at December 31, 2017	\$ 20,000	\$ 97,800	\$ 18,808	\$ (149,397)	\$ 436,480	\$ 40,446	\$ 464,137

See accompanying notes to consolidated financial statements.

Rain Commodities (USA) Inc. And Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	2017	2016
Cash flows from operating activities		
Net income	\$ 116,809	\$ 42,995
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	103,937	99,098
Amortization of debt issuance cost	9,477	5,204
Provision for inventories	-	1,042
Premium on redemption of bonds	4,970	-
Deferred income tax benefit	(32,326)	(49,790)
Gain on re-purchase of debt notes	(362)	(7,003)
Exchange gain on monetary items	(18,052)	(4,117)
Allowance for doubtful accounts	79	(717)
Gain in Equity affiliated companies	(137)	(616)
Other non cash items	14,739	675
Changes in other liabilities	614	(4,840)
Changes in operating assets and liabilities		
Trade, current tax and other receivables	(102,567)	27,689
Due from affiliated companies	2,424	11,021
Inventories	(112,201)	59,097
Prepaid expenses and other current assets	(36,552)	(35,075)
Trade and other payables	46,186	13,434
Due to affiliated companies	(1,015)	223
Current tax and accrued liabilities	15,608	(47,064)
Net cash provided by operating activities	<u>11,631</u>	<u>111,256</u>
Cash flows from investing activities		
Proceeds from Sale of property plant and equipment	2,451	589
Loan repaid by affiliates	2,108	-
Capital expenditures	(39,134)	(41,173)
Changes in restricted cash	(3,701)	(224)
Net cash used in investing activities	<u>(38,276)</u>	<u>(40,808)</u>
Cash flows from financing activities		
Proceeds from long-term debt	556,633	31,338
Proceeds from short-term debt	116,396	84,278
Principal payments on long-term debt including revolver	(562,182)	(56,134)
Principal payments on short-term debt	(93,518)	(96,267)
Repayment of equity	-	(20)
Payments of financing cost	(9,833)	-
Dividends paid (including taxes)	(6,000)	(3,837)
Net cash used in financing activities	<u>1,496</u>	<u>(40,642)</u>
Effect of exchange rate changes on cash and cash equivalents	8,829	(3,589)
Net (decrease) increase in cash and cash equivalents	(16,320)	26,217
Cash and cash equivalents		
Beginning of year	131,864	105,647
End of year	<u>\$ 115,544</u>	<u>\$ 131,864</u>
Supplemental cash flow information		
Cash paid during the year for interest	\$ 84,361	\$ 104,265
Cash paid during the year for income taxes	57,356	42,384

See accompanying notes to consolidated financial statements.

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

1. Organization and Background

Rain Commodities (USA) Inc. (the "Company" or "RCUSA") has been incorporated to carry on the businesses of producing calcined petroleum coke (CPC), trading metallic and/or nonmetallic substances, and investing in entities engaged in such businesses.

The Company is a wholly owned subsidiary of Rain Industries Limited ("RIL" or "the Holding Company"), a company incorporated in India and listed on the National Stock Exchange of India Limited and Bombay Stock Exchange of India Limited. The Company was incorporated in the state of Delaware, United States of America on November 2, 2005.

The Company along with its subsidiaries ("the Group" or "Rain Group") operates in two business segments Carbon and Chemicals. The Carbon business is engaged in the business of manufacturing and sales of Carbon Products. Carbon Products comprise Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke ("GPC"), Co-generated Energy, and other derivatives of Coal Tar distillation. The Chemicals segment includes the downstream operations of Coal Tar distillation which comprise of Resins, Modifiers, Super Plasticizers, and other specialty products.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of RCUSA and its majority-owned subsidiaries that are required to be consolidated. All inter-company transactions and balances have been eliminated in consolidation.

The equity method is used to account for investments in affiliates in which the Group has the ability to exercise significant influence over the affiliates' operating and financial policies. When the Group does not have the ability to exercise significant influence, the investment is classified as available-for-sale under fair value method, if fair value is readily determinable or under cost method, if fair value is not readily determinable.

The Group has performed an evaluation of subsequent events through March 2, 2018, which is the date the consolidated financial statements were made available for issuance. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the consolidated financial statements.

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/disclosure. These reclassifications have not changed the results of operations of prior periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from such estimates and assumptions; include allowance for doubtful accounts, estimated obsolescence or excess inventory, valuation of long lived assets and goodwill, valuation of deferred tax assets and liabilities, environmental liabilities, post retirement and pension obligations, commitments and contingencies and valuation of derivatives.

Foreign Currency Translation and Transactions

The accompanying consolidated financial statements are reported in US dollars. The translation from the respective functional currencies to the US dollar is performed using the exchange rates

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

prevailing at the balance sheet dates for assets and liabilities and average exchange rates prevailing during the reporting periods for revenue, costs, and expenses.

Adjustments resulting from such translation are accumulated and reported as other comprehensive income (loss), a separate component of equity.

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year-end rates. The resulting gain/loss along with the realized gain/loss on account of foreign currency transactions are accounted for in the consolidated statements of operations.

Cash Equivalents

All highly liquid, short-term investments with original maturities of less than three months when purchased are considered to be cash equivalents. Cash and cash equivalents include \$11,628 and \$4,004 thousands of certificates of deposit with an initial term of less than three months at December 31, 2017 and 2016, respectively.

Revenue Recognition

The Group recognizes revenue, net of trade discounts, sales taxes, and allowances, based on the shipping terms, when title and risk of ownership pass to the customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Shipping and other transportation costs charged to buyers are recorded in both sales and cost of sales.

Trade Receivable

The Group grants credit to its customers based on periodic credit evaluations of customers' financial condition and generally does not require collateral, but may require letters of credit for certain international sales. The Group believes its credit risk related to trade receivable is minimal. The Group estimates its bad debt exposure based upon a customer-by-customer analysis of its trade receivable balances each period and records a bad debt provision for trade receivable it believes it may not collect in full.

Trade receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade receivable are included in net cash provided by operating activities in the consolidated statements of cash flows.

Inventories

Inventories are stated at the lower of cost or net realizable value and consist principally of raw material, finished goods, work in progress, and materials and supplies. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The Group reviews its inventories balances and writes down its inventories for estimated obsolescence or excess inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions. The cost of Inventory includes production costs and depreciation expense.

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Property, Plant, and Equipment

Property, plant, and equipment is carried at cost and includes improvements, which significantly increase capacities or extend useful lives of existing plant and equipment and consists primarily of buildings and improvements, machinery and equipment, furnishings and land, which is being depreciated on a straight-line basis over a period ranging from 1–59 years (except for land). When fixed assets are sold or retired, cost and accumulated depreciation are eliminated from the accounts, and gains or losses are recorded in consolidated statements of operations.

Plant and equipment held under capital leases are stated at the present value of minimum lease payments and are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

The Group evaluates impairment of its property, plant, and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. If circumstances require an asset be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. The Group carried out the impairment analysis during 2017 and 2016 and no impairment has been identified in 2017 and 2016.

Intangible Assets

Identifiable intangible assets, other than goodwill and in process research and development (“IPR&D”), are recorded at cost. Intangible assets that do not have indefinite lives are amortized on a systematic basis over their estimated useful lives.

The estimated useful lives of intangible assets are:

Customer contracts	9–15 years
Supply contracts	10 years
Favorable contracts	13 years
Technology rights	8–12 years
Trade names	15 years
IPR&D	15 years
Others	3–20 years

Non-product specific trade names have an indefinite useful life.

The Group evaluates impairment of its intangible assets on an individual basis whenever circumstances indicate that the carrying value may not be recovered. Intangible assets deemed to be impaired are written down to their fair value using discounted cash flows and, if available, comparable market values. The Group carried out the impairment analysis during 2017 and 2016 and no impairment has been identified in 2017 and 2016.

Goodwill

Goodwill represents cost in excess of fair value of net identifiable assets acquired in business combinations. Goodwill is reviewed for potential impairment at least annually or more frequently if circumstances indicate that a potential impairment has occurred.

Our annual testing of goodwill is based on carrying value and our estimate of fair value as of November 30.

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

In testing goodwill for impairment an entity has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required.

If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying amount, step two does not need to be performed.

The group has performed an assessment of goodwill during 2017 and 2016 and determined that it is not more likely than not that the fair value of its reporting units are less than the carrying amounts, and no impairment was recorded as of December 31, 2017 and 2016.

Plant Turnaround Costs

Certain major maintenance items require plant shutdown for a period of time to perform periodic overhauls and refurbishment activities necessary to sustain long-term production. The Group capitalizes periodic planned major maintenance activities (plant turnaround costs) and amortizes such costs over periods leading up to the next planned turnaround (generally 14 months). Included in prepaid expenses and other current assets is approximately \$9,146 thousands and \$12,286 thousands of deferred plant turnaround costs as of December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, approximately \$25,743 thousands, and \$25,783 thousands respectively, of plant turnaround cost were amortized within depreciation and amortization in the accompanying consolidated statements of operations.

Deferred Finance Costs

Deferred finance costs consist of loan financing fees, which are being amortized over the life of the instrument.

As per ASU 2015-03, *Simplifying the Presentation of Debt Issuance Cost*, the debt issuance cost related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The debt issuance cost of \$19,330 and \$15,543 for the years ended December 31, 2017 and 2016, respectively are reduced from the long term debt less current portion.

Amortization of deferred finance cost is included in interest expense in the accompanying consolidated statements of operations and totaled approximately \$9,477 thousands and \$5,205 thousands for the years ended December 31, 2017 and 2016, respectively.

Derivatives and Hedging Activities

The Group records its derivative instruments on the balance sheet at their respective fair values and any changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows or net investments. For derivatives qualifying as hedges

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

of future cash flows, the effective portion of changes in fair value are recorded in accumulated other comprehensive income until the related hedge items impact earnings. Any ineffective portion of a hedge is reported in earnings immediately. Fair values for derivative financial instruments are based upon quoted market prices, where available, or pricing models.

As of December 31, 2017, the outstanding derivative instruments are six Euro-US\$ forward contract to sell Euro for a value of \$215.08 million, two US\$-CAD forward contract to buy US\$ for a value of \$9.96 million, two US\$-CAD forward contract to sell US\$ for a value of \$9.96 million, one US\$-Euro forward contract to buy US\$ for a value of \$4.93 million, one US\$-Euro forward contract to sell US\$ for a value of \$4.95 million and one JPY-Euro forward contract to buy JPY for a value of US\$0.32 million.

As of December 31, 2016, the outstanding derivative instruments are one US\$-CAD forward contract to sell US\$ for a value of \$5.00 million, one US\$-Euro forward contract to buy US\$ for a value of US\$0.04 million, one US\$-Euro forward contract to sell US\$ for a value of \$4.82 million and one JPY-Euro forward contract to buy JPY for a value of US\$0.30 million.

Fair Value of Financial Instruments

The Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

The Group classifies assets and liabilities into one of three fair value levels depending on the observability of the input employed in the measurement as described below:

- (i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- (ii) Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs.
- (iii) Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

The Group classifies assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group's methodology for categorizing assets and liabilities that are measured at fair value pursuant to this hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest level to unobservable inputs.

The carrying amounts of cash, accounts receivable, accounts payable and short-term debt approximate fair value because of the short maturity of these instruments. Additionally, the carrying amount of long-term debt approximates fair value at December 31, 2017, since a substantial portion of long-term debt is at a rate consistent with market rates currently available to the Group.

The following summarizes the assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016. Assets consist of the Group's retirement plans and postretirement benefits and derivative instruments, which are valued using quoted prices in active markets for identical assets or liabilities or directly or indirectly through market-corroborated input, and therefore, are classified as Level 1 or Level 2.

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

<i>(in thousands of dollars)</i>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Fair Value as of December 31, 2017</u>
Assets			
Pension Plan Assets:			
Mutual funds	\$ 7,692	\$ -	\$ 7,692
Insurer managed fund	-	35,898	35,898
Other assets			
Derivative instruments	-	532	532
Total	<u>\$ 7,692</u>	<u>\$ 36,430</u>	<u>\$ 44,122</u>
Liabilities			
Derivative instruments	-	417	417
Total	<u>\$ -</u>	<u>\$ 417</u>	<u>\$ 417</u>

<i>(in thousands of dollars)</i>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Fair Value as of December 31, 2016</u>
Assets			
Pension Plan Assets:			
Mutual funds	\$ 6,732	\$ -	\$ 6,732
Insurer managed fund	-	30,306	30,306
Other assets			
Derivative instruments	-	38	38
Total	<u>\$ 6,732</u>	<u>\$ 30,344</u>	<u>\$ 37,076</u>
Liabilities			
Derivative instruments	-	258	258
Total	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 258</u>

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences arise. The Group recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Group records interest related to income tax in interest expense and penalties in selling, general, and administrative expenses.

The Company and its domestic subsidiaries executed tax sharing agreements and file its tax return on a consolidated basis and accounts for income tax expense using the separate return method.

Rain Global Services LLC (RGS) being a Limited Liability Corporation ("LLC") has opted to pay income taxes at the share owners' level. One of the subsidiaries in Egypt is subject to Investment Guarantees and Incentives Law No. 8 of 1997 and is operating under public free zone and is not subject to the provisions of the Egyptian Tax Laws and regulations for corporate tax.

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Certain group companies in Germany have entered into a profit and loss transfer agreement and have created a fiscal unity for the purpose of paying corporate income taxes in Germany. The German fiscal unity contains Rain Carbon GmbH ("RCGmbH") as controlling entity and other German group companies as controlled entities within the fiscal unity. The fiscal income as per local GAAP of these controlled entities are fully allocated to RCGmbH and income tax expense or benefit is recognized at that level.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses include the compensation costs, legal and professional consultants, travel costs, and other general expenses.

Borrowing costs and capitalized interest

Interest expense, net is the combination of interest expense associated with the outstanding debt of the Group and interest income.

Interest on external borrowings is capitalized on major projects with an expected construction period of one year or longer. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets.

The following summarizes capitalized interest and interest expense, net charged to consolidated statements of operations:

(in thousands of dollars)

	2017	2016
Interest expense, net	\$ 93,604	\$ 90,776
Less: Interest expense capitalized	-	207
Net interest expense charged to consolidated statements of operations	<u>\$ 93,604</u>	<u>\$ 90,569</u>

Environmental liabilities

The Group accrues for remediation costs and penalties when the responsibility to remediate is probable and the amount of related cost is reasonably estimated. Remediation liabilities are discounted if the amount and timing of the cash disbursements are readily determinable.

Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

Commitments and Contingencies

Amounts associated with litigation and contingencies are accrued when management, after taking into consideration the facts and circumstances of each matter including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue when the entity transfers control of promised goods or services to customers. Revenue is recognized in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. An entity is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows

Rain Commodities (USA) Inc. And Subsidiaries

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arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretations and application of the principals outlined in the standard. The new standard is effective for annual reporting periods beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, *Deferral of the Effective Date*). The Group will implement the provisions of ASU 2014-09 as of January 1, 2019. The Group has not yet determined the impact of the new standard on its current policies for revenue recognition.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via a right of use asset and lease liability, and additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the Group for annual periods in fiscal years beginning after December 15, 2019, permits early adoption, and mandates a modified retrospective transition method. The Group is required to adopt ASU 2016-02 on January 1, 2020, but is evaluating whether to early adopt the new standard. While the Group expects ASU 2016-02 to add right-of-use assets and lease liabilities to the consolidated balance sheets, it has not evaluated other effects that the new standard will have on the consolidated financial statements.

3. Property, Plant, and Equipment, net

Property, plant, and equipment at December 31, 2017 and 2016 consisted of the following:

<i>(in thousands of dollars)</i>	2017	2016
Land	\$ 46,760	\$ 42,075
Buildings and improvements	93,720	89,058
Machinery and equipment	548,860	509,484
Construction in progress	58,811	24,343
	<u>748,151</u>	<u>664,960</u>
Less: Accumulated depreciation	<u>(291,582)</u>	<u>(243,202)</u>
	<u>\$ 456,569</u>	<u>\$ 421,758</u>

Depreciation expense for the years ended December 31, 2017 and 2016 were \$45,625 thousands and \$41,398 thousands, respectively.

The estimated useful lives for depreciation purposes are:

Buildings and improvements	1–59 years
Machinery and equipment	1–50 years

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
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4. Intangible Assets

Intangible assets comprising the following as of December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	Estimated Lives	2017	2016
Intangible assets with definite life			
Customer contracts	9–15 years	\$ 229,078	\$ 214,140
Supply contracts	10 years	-	70,000
Favorable contracts	13 years	1,028	906
Technology rights	8–12 years	21,616	20,109
Trade names	15 years	42,033	40,614
IPR&D	15 years	11,949	-
Others	3–20 years	16,178	14,740
		<u>321,882</u>	<u>360,509</u>
Intangible assets with indefinite life			
Trade names		53,193	47,586
IPR&D		-	10,540
		<u>53,193</u>	<u>58,126</u>
Total intangible assets		<u>375,075</u>	<u>418,635</u>
Accumulated amortization			
Customer contracts		(129,606)	(104,412)
Supply contracts		-	(62,619)
Favorable contracts		(396)	(279)
Technology		(14,532)	(11,515)
Trade names		(23,108)	(19,922)
IPR&D		(797)	-
Others		(12,587)	(12,736)
Total accumulated amortization		<u>(181,026)</u>	<u>(211,483)</u>
Intangible assets, net		<u>\$ 194,049</u>	<u>\$ 207,152</u>

Amortization expense for the years ended December 31, 2017 and 2016 was \$32,569 thousands and \$31,893 thousands, respectively.

The estimated intangible asset amortization expenses for each of the next five years and thereafter are as follows:

(in thousands of dollars)

2018	\$ 25,555
2019	25,198
2020	24,677
2021	22,129
2022	22,640
Thereafter	20,657

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

5. Goodwill

(in thousands of dollars)

	Carbon Products	Chemicals	Total
Balance as of December 31, 2015	\$ 456,522	\$ 147,746	\$ 604,268
Currency translation	(2,315)	(4,961)	(7,276)
Balance as of December 31, 2016	\$ 454,207	\$ 142,785	\$ 596,992
Acquisitions	481	-	481
Currency translation	16,063	17,758	33,821
Adjustments	9,955	-	9,955
Balance as of December 31, 2017	\$ 480,706	\$ 160,543	\$ 641,249

6. Investments

(in thousands of dollars)

	2017	2016
Investments		
Equity investments	\$ 1,116	\$ 862
Other investments	11,520	10,162
	\$ 12,636	\$ 11,024

Other investments represent the long-term investment in Arsol Aromatics GmbH & Co. KG ("Arsol") located in Germany, which is accounted using the cost method. Arsol is engaged in the business of refining benzene, toluene, and xylene. The cost method is applied as the group does not exercise significant influence over Arsol.

Equity investments:

The Group holds two investments in unconsolidated companies, acquired as part of acquisition of RÜTGERS Group. InfraTec Duisburg GmbH ("InfraTec") is a 30 percent owned and Tarlog GmbH ("Tarlog") is a 50 percent owned infrastructure and logistic services companies located in Germany. During 2017, Group acquired the balance 50% of the ownership in Tarlog and merged with RÜTGERS Germany GmbH (RGGmbH). No dividends were received from these entities for the years ended December 31, 2017 and 2016.

The group recognized income of \$137 thousands for the year ended December 31, 2017 (income of \$632 thousands for the year ended December 31, 2016) from the above companies in which equity method of accounting is followed and such income is included in other (income) expense, net in the consolidated statements of operations. The equity method of accounting is applied for these investments as the group has the ability to exercise significant influence, but not control, over the investees.

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Transactions with the equity method investment companies during the years ended December 31, 2017 and 2016 and the closing balances as of December 31, 2017 and 2016 are as follows:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Transactions		
Cost of goods sold		
Tarlog GmbH	\$ 1,611	\$ 2,931
InfraTec Duisburg GmbH	7,730	6,697
Other operating income		
Tarlog GmbH	69	85
InfraTec Duisburg GmbH	981	471
Closing balances		
Trade receivables		
Tarlog GmbH	-	15
InfraTec Duisburg GmbH	1,919	787
Trade payables		
Tarlog GmbH	-	144
InfraTec Duisburg GmbH	43	1,032

7. Leases

The Group has entered into capital leases covering buildings, certain machinery, and equipment.

As of December 31, 2017 and 2016, the gross amount of assets under capital leases and related accumulated amortization reflected in property, plant and equipment, net recorded were as follows:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Buildings	\$ 304	\$ 295
Machinery and equipment	5,296	4,674
	<u>5,600</u>	<u>4,969</u>
Less: Accumulated amortization	(3,615)	(2,616)
	<u>\$ 1,985</u>	<u>\$ 2,353</u>

Amortization of assets held under capital leases is included in depreciation expense.

The Group leases real property and certain equipment under operating leases that have initial non-cancellable terms in excess of one year. Total rental expense under these leases totaled \$15,918 thousands and \$13,785 thousands for the years ended December 31, 2017 and 2016, respectively. Certain real property leases have renewal options.

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Future minimum lease payments under non-cancelable operating leases with initial remaining lease terms in excess of one year and future minimum capital lease payments as of December 31, 2017 are as follows:

<i>(in thousands of dollars)</i>	Capital Leases	Operating Leases
2018	\$ 2,203	\$ 12,585
2019	2,201	11,819
2020	3,245	9,350
2021	-	7,043
2022	-	6,352
Thereafter	-	6,881
Total minimum lease payments	\$ 7,649	\$ 54,030
Less: Amount representing interest (at rates ranging from 4.35% to 6.16%)	695	
Present value of net minimum capital lease payments	\$ 6,954	
Less: Current installments of obligations under capital leases	1,880	
Obligations under capital leases, excluding current installments	\$ 5,074	

8. Composition of certain Balance Sheet items:

a. Accrued liabilities

Accrued liabilities at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	2017	2016
Accrued goods and services received	\$ 19,420	\$ 9,554
Accrued interest	28,519	24,397
Environmental liabilities	10,376	11,296
Capital leases - current portion	1,880	1,592
Accrued Bonus	12,145	5,948
Other accrued liabilities	17,122	17,568
	<u>\$ 89,462</u>	<u>\$ 70,355</u>

b. Other non-current liabilities:

Other non-current liabilities at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	2017	2016
Environmental liabilities	\$ 10,061	\$ 7,823
Capital leases – non-current portion	5,074	6,133
Advance from customers	2,033	2,361
Provision for straight lining of lease rental	849	753
Other non-current liabilities	2,655	5,224
	<u>\$ 20,672</u>	<u>\$ 22,294</u>

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c. Inventories:

Inventories at December 31, 2017 and 2016 consist of the following:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Raw materials	\$ 141,393	\$ 70,346
Finished goods	108,916	72,617
Work in progress	15,618	11,383
Materials and supplies	<u>39,042</u>	<u>23,389</u>
	304,969	177,735
Less: Reserve for lower of cost or net realizable value	<u>(6,274)</u>	<u>(5,539)</u>
	<u>\$ 298,695</u>	<u>\$ 172,196</u>

9. Income Taxes

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates expected to be in effect in future years.

Income tax expense (benefit) consists of the following:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Current:		
Federal	\$ 1,543	\$ 789
State	(383)	506
Foreign	<u>61,806</u>	<u>37,825</u>
	62,966	39,120
Deferred:		
Federal	\$ (16,607)	\$ (45,686)
State	92	(978)
Foreign	<u>(15,810)</u>	<u>(3,126)</u>
	<u>(32,325)</u>	<u>(49,790)</u>
Total income tax expense (benefit)	<u>\$ 30,641</u>	<u>\$ (10,670)</u>

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The income tax expense differs from the amounts that would be determined through the application of the federal statutory rate to pre-tax income as reflected below:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Federal income tax expense based on 35% of pre-tax income \$	51,608	\$ 11,314
State income tax (benefit) expense, net of federal effect	556	(556)
Permanent differences	(6,004)	5,639
Impact of tax rate changes	(20,146)	(756)
Effects of tax-exempt income and other deductions	(1,081)	10
Change in valuation allowance	633	(262)
Effects of additional taxes for prior years	185	861
Impact of differences between tax rates	(5,265)	(4,211)
Tax effects of tax base transfers	(429)	(19)
Taxes on un-distributed foreign earnings	-	1,995
Non-deductible expenses	6,172	1,280
Reversal of Deferred Tax Expense on unremitted foreign earnings under APB 23	-	(27,870)
Other	4,412	1,905
Total income tax expense (benefit)	<u>\$ 30,641</u>	<u>\$ (10,670)</u>

As of December 31, 2017, the Group has net operating loss carryforwards for Federal income tax purposes of \$69,056 thousands, which are available to offset future Federal taxable income, if any, through 2036. The Group has net operating loss carryforwards for state income tax purposes of \$27,686 thousands, which are available to offset future state taxable income, if any, through 2036. In addition, the Group has foreign net operating losses of \$29,527 thousands, of which an amount of \$23,266 thousands are available to offset future taxable income, if any, through 2023, \$6,239 thousands are available to offset future taxable income, if any, through 2025 and the balance amount of \$22 thousands is available for indefinite period. Considering the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment the Group has recognized valuation allowance of \$7,399 thousands as of December 31, 2017 on the losses available for indefinite period.

As of December 31, 2016, the Group has net operating loss carryforwards for Federal income tax purposes of \$88,955 thousands, which are available to offset future Federal taxable income, if any, through 2036. The Group has net operating loss carryforwards for state income tax purposes of \$31,646 thousands, which are available to offset future state taxable income, if any, through 2036. In addition, the Group has foreign net operating losses of \$63,125 thousands, of which an amount of \$21,075 thousands are available to offset future taxable income, if any, through 2023, \$17,977 thousands are available to offset future taxable income, if any, through 2025 and the balance amount of \$24,073 thousands is available for indefinite period, considering the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment the Group has recognized valuation allowance of \$12,460 thousands as of December 31, 2016 on the losses available for indefinite period.

As of December 31, 2017, there are enactment of income taxes in United States and Belgium. The effects of these enactments have been considered by the Group in December 2017 financials. There is an income tax benefit of \$20,146 thousands for the year ended December 31, 2017.

As of December 31, 2017, the company has accumulated undistributed earnings generated by their foreign subsidiaries of approximately \$239,394 thousands which was subject to the one-time transition tax on foreign earnings required by the 2017 Tax Act or has otherwise been previously taxed. Based on currently available information, the company's transition tax was offset by utilization of foreign tax credits. The company intends to indefinitely reinvest these earnings, as well as future earnings from our foreign subsidiaries, to fund their international

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operations. In addition, they expect future U.S. cash generation will be sufficient to meet future U.S. cash needs.

The Group is subject to several income tax examinations by taxing authorities in various jurisdictions within which it operates. As of December 31, 2017, management does not anticipate the outcome of these examinations to result in a material change to its financial position.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate from 35% to 21% and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. Based on currently available information, the company had a deferred tax liability that was offset by utilization of foreign tax credit. Accordingly, the company estimated no transition tax is due on deemed repatriated earnings of foreign subsidiaries. The Company estimated that the value of the net deferred tax liability will be reduced by \$14,812 thousand due to change in federal income tax rate to 21%.

The impact of the Tax Legislation may differ from the estimates above, due to, among other things, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the Tax Legislation. The Company will continue to analyze the Tax Legislation to determine the full effects of the new law, including the new lower corporate tax rate, on the Corporation's financial statements and operations.

Any adjustments to provisional amounts as additional information is obtained will be reported in the reporting period in which any such adjustments are determined, which will be no later than December 31, 2018.

Significant components of the deferred income tax assets and liabilities were the following:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Deferred tax assets		
Basis difference of property, plant, and equipment	\$ 1,274	\$ 1,810
Pension	28,734	23,635
Other assets	4,862	3,145
Other liabilities	5,683	7,784
Net operating loss carryforward	28,669	49,410
Other	4,206	7,434
Total	<u>73,428</u>	<u>93,218</u>
Less: Valuation allowance	<u>(7,399)</u>	<u>(12,460)</u>
Total deferred tax assets	66,029	80,758
Deferred tax liabilities		
Basis difference of property, plant, and equipment	(42,387)	(50,852)
Intangible assets	(57,105)	(74,953)
Financial assets	(6,085)	(2,640)
Inventory	(893)	(734)
Other assets	(357)	(3,461)
Pension	(571)	(361)
Other liabilities	(1,584)	(1,057)
Other	<u>(3,015)</u>	<u>(8,455)</u>
Total deferred tax liabilities	<u>(111,997)</u>	<u>(142,513)</u>
Net deferred tax liability	<u>\$ (45,968)</u>	<u>\$ (61,755)</u>

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In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not that the Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2017.

10. Debt and Credit Facilities

Debt consists of the following borrowings as of December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	<i>Reference</i>	2017	2016
Senior secured notes, interest payable at 8%, principal due December 2018	(i)	\$ -	\$ 372,835
Senior secured notes, interest payable at 8.25%, principal due January 2021	(ii)	241,559	335,662
Senior secured notes, interest payable at 8.50%, principal due January 2021	(ii)	237,128	209,168
Senior secured notes, interest payable at 7.25%, principal due April 2025	(iii)	550,000	-
Term loan from Bank, interest payable at 4.88% principal due in 16 quarterly instalments from July 2014	(iv)	-	4,754
Loan from JV partner, interest payable at 8.00%, principal due December 2019	(v)	1,722	7,930
Loan from third party, interest payable at 4.00%, principal due October 2018	(vi)	-	3,320
Term loan from Bank, interest payable at 2.5050% principal due in 84 monthly instalments from January 2016	(vii)	-	34,286
\$40,000 loan from ICICI bank interest payable at floating rate (Term A- 5.86% and Term B- 6.86% as at December 31, 2016, Term A- 5.32% and Term B- 6.32% as at December 31, 2015) principal due in four annual installments from January 01, 2014.	(viii)	-	10,000
Unsecured debt from RIL, interest payable at floating rate (4.90% at December 31, 2016 and 4.44% at December 31, 2015) principal due 2017		-	15,000
Unsecured debt from RIL, interest payable at floating rate (3.8378% at December 31, 2017 and 3.10% at December 31, 2016) principal due 2018		14,500	20,000
Unsecured debt from RIL, interest payable at floating rate (5.58278% at December 31, 2016), 64% of principal due in 8 equal quarterly installments from December 1, 2019, 12% of principal due on December 1, 2021 and 24% of principal due on March 1, 2022.		30,000	30,000
Other credit facilities	(ix)	49,911	26,527
Others		458	514
		<u>1,125,278</u>	<u>1,069,996</u>
Less: Deferred Financing cost, net of amortization		19,330	15,543
Less: Short-term and current portion of long-term debt		<u>64,869</u>	<u>62,509</u>
		<u>\$ 1,041,079</u>	<u>\$ 991,944</u>

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The scheduled principal payments on the short-term and long-term debt for each of the next five years are as follows:

<i>(in thousands of dollars)</i>	2017
2018	\$ 64,869
2019	4,122
2020	9,600
2021	489,487
2022	7,200
Thereafter	550,000
	<u>\$ 1,125,278</u>

- (i) On November 23, 2010, one of the Group companies in United States issued \$400,000 thousands of 8% senior secured notes due December 2018 (the "2018 Notes"). The 2018 Notes contain covenants and conditions that limit the Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Company may redeem some or all of the 2018 Notes at any time on or after December 2014 at specified redemption prices. The 2018 Notes are secured by substantially all of the assets of the Company and are guaranteed by the Company's domestic subsidiary on a joint and several basis.

On March 31, 2017, the Group repurchased entire outstanding 2018 Notes by issuing a tender notice to the bond holders at a premium of 0.375%. The company has received acceptance for only \$253,055 thousands for which premium has been paid and redeemed the balance \$124,780 thousands at face value.

- (ii) On December 31, 2012, one of the Group companies in United States issued \$400,000 thousands of 8.25% and €210,000 thousands of 8.50% senior secured notes due January 2021 (the "2021 Notes"). The 2021 Notes contain covenants and conditions that limit the Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Company may redeem some or all of the 2021 Notes at any time on or after January 2016 at specified redemption prices. The 2021 Notes are secured by substantially all of the assets of the Company and are guaranteed by the Company's domestic subsidiaries on a joint and several basis. During the year 2015, the Company repurchased bonds worth \$38,220 thousands. During the year 2016, the Company repurchased bonds worth €11,550 thousands.

On April 4, 2017, the Group repurchased bonds worth \$115,000 thousands of its 2021 Notes at 103.875%.

- (iii) On March 31, 2017, one of the Group companies in United States issued \$550,000 thousands of 7.25% senior secured notes due April 2025 (the "2025 Notes"). The net proceeds are used to either tender or redeem all of the outstanding 2018 Notes and tendered for \$115,000 thousands of 2021 Notes. However, the 2025 Notes issued have a provision that once the 2021 Notes are terminated, Parent company Rain Carbon Inc (RCI) will automatically become the issuer of the 2025 Notes. The 2025 Notes contain covenants and conditions that limit the company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Company may redeem some or all of the 2025 Notes at any time on or after April 1, 2020 at specified redemption prices. The 2025 Notes are secured by substantially all of the assets of the Company and are guaranteed by the Company's domestic subsidiaries on a joint and several basis.
- (iv) On July 25, 2012, one of the RÜTGERS group companies entered into a loan agreement with a bank for \$12,750 thousands at an interest rate of LIBOR plus a margin of 400 bps. This debt was secured by all assets of the said company and guarantee from certain

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RÜTGERS group companies until completion of the project. This loan was repayable in sixteen quarterly instalments starting from July 2014. On January 25, 2017 the said company had repaid the entire outstanding balance along with any accrued interests.

- (v) On July 18, 2012, one of the RÜTGERS group companies entered into a loan agreement with a JV partner, to borrow RUB 428,750 thousands at fixed interest rate of 8% per annum. This debt is due for bullet repayment in December 2018 and is subordinated to debt borrowed from banks. Loan was fully repaid in December 2017 ahead of repayment schedule. RUB 100,000 thousands loan provided by JSC Karelsky Okatysh (daughter company of JV partner).
- (vi) On October 18, 2013, one of the RÜTGERS group companies entered into a €3,250 thousands credit agreement at fixed interest rate of 4% per annum. This unsecured loan is extended till October 30, 2018 with an extraordinary termination right as soon as the RÜTGERS shareholder rating falls below B+. Interest rate would be renegotiated when three months EURIBOR exceeds 3% per annum. The outstanding borrowed amount under this facility as of December 31, 2016 is €3,150 thousands. On March 3, 2017 the entire loan was repaid along with accrued interest.
- (vii) On November 28, 2012, one of the Group companies in United States entered into an ABL credit agreement. The agreement provides for a \$100,000 thousands ABL loan commitment ("ABL Loan"), which matures on November 28, 2017. The available limit under the facility is dependent on the eligible inventories and trade receivable balances. The ABL commitment may be utilized by drawing on revolving loans from the lender and by the issuance of letters of credit. The letter of credit availability is limited to \$40,000 thousands. This facility was terminated on March 31, 2017.

On March 31, 2017, Company entered into a new revolver facility of \$60,000 thousands. The Revolver Facility may be utilized by drawing on revolving loans from the lenders and by the issuance of letters of credit. The letter of credit availability is limited to \$20,000 thousands. At December 31, 2017, letters of credit outstanding aggregated \$15,168 thousands. No cash drawings as per December 31, 2017.

- (viii) On March 21, 2013, the Company entered in to a credit agreement with a bank for \$40,000 thousands consisting of two tranches. The term loan A of \$20,000 thousands, is secured by pari-passu first charge on all movable fixed assets of the Company, first charge on the Debt Service Reserve Account ("DSRA") balance of the Company and guarantee from Rain Cements Limited ("RCL"), a wholly owned subsidiary of RIL. The term loan B of \$20,000 thousands, is secured by pari-passu first charge on all movable fixed assets of the Company, first charge on the DSRA balance of the Company, guarantee from one of the domestic subsidiaries and pledge of certain percentage of membership interest in one of the domestic subsidiaries. On March 24 2017, the company has repaid the last annual installment of both term loan A and term loan B.

(ix) Other credit facilities:

- a. During 2013, one of the Group companies incorporated in India, entered into agreements with two separate banks for an aggregated facility amount of \$63,105 thousands which can be utilized for issuance of letter of credits and cash drawings. Outstanding letters of credit issued under these facilities are subject to a fee of 0.75% per annum. The company is not obliged to pay commitment fee on unused portion of the working capital line of credit under this facility. Cash drawings under these facilities are subject to interest rate ranging from 8.10% to 9.65% per annum.

These facilities are secured by pari-passu first charge over current assets comprising of all inventories and book debts both present and future of the said company. As of December 31, 2017 cash drawings outstanding was \$50,246 thousands with \$12,860 thousands of available limits.

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- b. During 2013, one of the Group companies incorporated in India, entered into an agreement with bank to renew the working capital loan commitment of INR 840,000 thousands (equivalent to \$13,139 thousands on December 31, 2017). The facility can be utilized by drawing on working capital loans from the lender up to INR 140,000 thousands and by the issuance of letters of credit up to maximum facility.

Outstanding letters of credit issued under these facilities are subject to a fee of 0.75% per annum. The company is not obliged to pay commitment fee on unused portion of the working capital line of credit under this facility. Cash drawings under the above said facility are subject to interest rate of 10.55% per annum. As of December 31, 2017 letters of credit outstanding was \$2,728 thousands, cash drawings outstanding was \$8,917 thousands with \$1,494 thousands of available limits.

11. Capital Structure

The capital structure of the Company included the following as of December 31, 2017 and 2016:

	2017			2016		
	Shares			Shares		
	Par value	Authorized	Issued and Outstanding	Par value	Authorized	Issued and Outstanding
Common stock - Class A	\$ 0.01	1,250,000	20	\$ 0.01	1,250,000	20
Common stock - Class B	\$ 100.00	200,000	200,000	\$ 100.00	200,000	200,000
Convertible Redeemable Preferred Series - B	\$ 1,000.00	100,000	97,800	\$ 1,000.00	100,000	97,800

The outstanding common stock of the Company is wholly owned by RIL.

Series B preferred stock is redeemable, at par, any time with the mutual agreement between the Company and the stockholder(s). Series B preferred stock also provides stockholders with an option to convert all or in portion of Series B preferred stock into Class A common stock at par value.

12. Postretirement Benefits

The Group complies with the US GAAP around Compensation-Retirement Benefits, which requires an employer that sponsors a single-employer defined benefit plan to (a) recognize the overfunded or underfunded status of a benefit plan in its statement of financial position, (b) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to ASC 715- "Compensation - Retirement Benefits", (c) measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end, and (d) disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

Pension and other postretirement benefits are accounted for in accordance with the provisions of ASC 715 and are funded to at least meet the minimum funding requirements as required by law. Prior service costs are amortized to net periodic costs on the straight-line basis over the average remaining service period of employees expected to receive pension benefits. The estimated cost of postretirement benefits other than pensions is accrued during the employee's active service period.

The Group records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare cost

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trend rates. The Group reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost on the straight-line basis over the average remaining service period of employees expected to receive pension benefits. The Group believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The Group follows the disclosure provisions of ASC 715, which standardizes the disclosures for pensions and other postretirement benefit plans.

Pension and Gratuity

The Group sponsors the following defined benefit plans:

- a. The Group has a noncontributory defined benefit pension plan covering hourly employees in the United States. Benefits under the hourly employees' plan are based on years of service and age. The Group's funding policy is to contribute amounts to meet minimum funding requirements, plus additional amounts as the Group may determine to be appropriate.
- b. In respect of subsidiary companies in Germany, Belgium, and Canada, the Group has defined benefit retirement plans covering its employees. Pension provisions are recognized for obligations due to benefit plans for old age, invalidity, and surviving dependents' benefits. Benefits vary according to the legal, tax, and economic circumstances prevailing in each relevant country. Benefits are usually based on the length of service and final salary of employees.
- c. In respect of subsidiary companies in India, the Group has defined benefit gratuity plan covering all its employees. Gratuity provisions are recognized based on the years of service and age. The Group's funding policy is to contribute amounts to meet minimum funding requirements, plus additional amounts as the Group may determine to be appropriate.

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The projected benefit obligation is the present value of benefits earned to date by plan participants. Plan assets are measured at fair value. Changes in projected benefit obligations and plan assets, and the funded status of the pension and gratuity plans were as follows for the years ended December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	2017	2016
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 142,070	\$ 121,762
Service cost	7,121	5,181
Interest cost	2,779	3,221
Plan participant contributions	1,204	1,016
Actuarial loss	3,579	17,406
Premiums paid	(441)	(283)
Transfer in/(out)	3,737	(90)
Benefits paid	(3,085)	(2,349)
Foreign currency exchange rate changes	16,971	(3,794)
Benefit obligation at end of year	<u>173,935</u>	<u>142,070</u>
Changes in plan assets		
Fair value of plan assets at beginning of year	37,287	34,963
Actual return on plan assets	3,870	2,175
Employer contributions	1,250	852
Plan participant contributions	1,204	1,016
Benefits paid	(2,144)	(1,761)
Premiums paid	(349)	(200)
Foreign currency exchange rate changes	2,737	242
Fair value of plan assets at end of year	<u>43,855</u>	<u>37,287</u>
Funded status at end of year	<u>\$ (130,080)</u>	<u>\$ (104,783)</u>

Amounts recognized in the consolidated balance sheets consist of:

<i>(in thousands of dollars)</i>	2017	2016
Accrued postretirement benefits	\$ (130,080)	\$ (104,783)
Accumulated other comprehensive loss, net of tax	21,194	18,776
Net amount recognized	<u>\$ (108,886)</u>	<u>\$ (86,007)</u>

The net periodic cost for the defined benefit pension and gratuity plans was \$8,802 thousands and \$7,156 thousands for the years ended December 31, 2017 and 2016, respectively.

The following represents projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the years ended December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	2017	2016
Projected benefit obligation	\$ 173,935	\$ 142,070
Accumulated benefit obligation	152,412	134,490
Fair value of plan assets	43,855	37,287

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The weighted average assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	<u>2017</u>	<u>2016</u>
Benefit obligations		
Discount rate	1.30% - 8.25%	1.31% - 7.65%
Net periodic benefit cost		
Discount rate	1.31% - 8.25%	2.10% - 7.65%
Expected return on assets	2.20% - 7.50%	2.40% - 7.50%
Rate of compensation increase	0.00% - 7.00%	0.00% - 7.50%

The basis of the long-term rate of return assumption reflects the defined benefit pension and gratuity plans current asset mix of approximately 58% debt securities, 41% equity securities, and 1% of others with assumed average annual returns of approximately 4.00% to 8.40% for debt securities and 0.20% to 12.00% for equity securities and 6.00% to 8.00% for others.

The defined benefit pension and gratuity plans investment portfolio is adjusted periodically to maintain the current ratios of debt securities and equity securities. Additional consideration is given to the plan's historical returns as well as future long-range projections of investment returns for each asset category.

The total net loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$1,561 thousands.

The Group's pension and gratuity plans weighted-average asset allocations by asset category were as follows:

	<u>2017</u>	<u>2016</u>
Asset category		
Equity securities	41%	42%
Debt securities	58%	57%
Others	1%	1%
	<u>100%</u>	<u>100%</u>

The Group expects to contribute approximately \$2,346 thousands to the defined benefit pension and gratuity plans during the year ending December 31, 2018.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<i>(in thousands of dollars)</i>	
Fiscal Years Ending	<u>Expected Benefit Payments</u>
2018	\$ 2,703
2019	3,846
2020	3,125
2021	3,829
2022	4,819
2023–2027	28,165

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Other postretirement benefits

The Group sponsors the following defined benefit postretirement plans:

- a. The Group sponsors two defined benefit postretirement plans that cover certain employees only. One plan provides postretirement medical and dental benefits; the other plan provides life insurance benefits. Both plans are noncontributory and neither is funded.
- b. Subsidiary companies in Canada provide non-funded postretirement medical and dental benefits for employees in Canada.

Changes in projected benefit obligations and plan assets, and the funded status of the Group's postretirement plan were as follows for the years ended December 31, 2017 and 2016:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 4,710	\$ 4,216
Service cost	206	183
Interest cost	188	178
Actuarial gain	(384)	113
Benefits paid	(184)	(89)
Foreign currency exchange rate changes	321	109
Benefit obligation at end of year	<u>4,857</u>	<u>4,710</u>
Changes in plan assets		
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (4,857)</u>	<u>\$ (4,710)</u>

Amounts recognized in the consolidated balance sheet consist of:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Accrued benefit liability	\$ (4,857)	\$ (4,710)
Accumulated other comprehensive income, net of tax	(55)	185
Net amount recognized	<u>\$ (4,912)</u>	<u>\$ (4,525)</u>

The net periodic benefit cost for the defined benefit postretirement plan was \$393 thousands and \$361 thousands for the years ended December 31, 2017 and 2016.

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate – Benefit obligations	3.50%	4.10%
Discount rate – Net periodic benefit cost	3.90%	4.00%

The assumed health care costs trend rates were as follows:

	<u>2017</u>	<u>2016</u>
Initial trend rate	6.56%	6.56%
Ultimate trend rate	4.50%	4.50%
Year ultimate trend rate is reached	2031	2031

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

The total net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is nil.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<i>(in thousands of dollars)</i>	
Fiscal Years Ending	Expected Benefit Payments
2018	\$ 172
2019	183
2020	188
2021	197
2022	219
2023–2027	1,258

Defined Contribution Plan

The Group has below contribution plans:

- One of the subsidiary companies in the United States has established separate group savings plans for all hourly and salaried employees in the United States. Employer contributions are made at the discretion of the employer. Prior to January 1, 2013, employer contribution was 4% plus a 50% match to employee contribution up to 2%, equaling a total of 6%. In 2013, the Group changed the plan contribution to a dollar-for-dollar match up to 6%. The Group has made a contribution of \$1,037 thousands and \$1,063 thousands for the years ended December 31, 2017 and 2016, respectively, under this plan.
- In respect of subsidiary companies in Belgium, Canada, India, and the Netherlands, the Group has Superannuation and contribution plans covering its employees. The Group makes monthly contributions and has no further obligations under the plan beyond its contributions. The Group has made a contribution of \$1,074 thousands and \$1,330 thousands for the years ended December 31, 2017 and 2016, respectively, under this plan.

13. Segment Information

The Carbon Products and Chemicals best define the operating segments of the business that are reported separately. The factors used to identify these reportable segments are based on the nature of the products that are manufactured, traded, and distributed by each segment.

Carbon Products comprise Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke ("GPC"), Co-generated Energy, and other derivatives of Coal Tar distillation.

Chemicals include the downstream operations of Coal Tar distillation comprise Resins, Modifiers, Super Plasticizers, and other specialty products.

These have been defined as the operating segments of the Group because they are the segments (1) that engage in business activities from which revenue is earned and expenses are incurred; (2) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available.

The Group evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating income. Operating income does not include equity in earnings of affiliates, other expense, interest expense, (gain) loss on foreign currency

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

transactions, or income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. All inter segment transactions are accounted for at agreed upon rates based on transfer pricing agreements.

Results of segment operations are as follows:

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Revenue from external customers:		
Carbon Products	\$ 1,318,310	\$ 982,157
Chemicals	274,673	252,271
	<u>1,592,983</u>	<u>1,234,428</u>
Intersegment revenue:		
Carbon Products	69,188	76,039
Chemicals	38,381	47,908
	<u>107,569</u>	<u>123,947</u>
Depreciation and amortization:		
Carbon Products	88,057	82,014
Chemicals	15,880	17,084
	<u>103,937</u>	<u>99,098</u>
Operating income:		
Carbon Products	230,830	95,503
Chemicals	4,360	13,970
	<u>235,190</u>	<u>109,473</u>
Capital expenditures:		
Carbon Products	31,314	33,109
Chemicals	7,820	8,064
	<u>\$ 39,134</u>	<u>\$ 41,173</u>

Assets by segment as of December 31, 2017 and 2016 were as follows:

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Assets:		
Carbon Products	\$ 1,700,676	\$ 1,401,108
Chemicals	351,561	341,553
Corporate	22,988	22,087
	<u>\$ 2,075,225</u>	<u>\$ 1,764,748</u>
Investment in equity method investees:		
Carbon Products	\$ 692	\$ 534
Chemicals	424	328
	<u>\$ 1,116</u>	<u>\$ 862</u>

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Revenue by geographic area are as follows:

<i>(in thousands of dollars)</i>	2017	2016
United States	\$ 256,145	\$ 247,354
International	1,336,837	987,074
Total	\$ 1,592,982	\$ 1,234,428
International by region		
North America excluding United States	\$ 187,299	\$ 130,446
South America	35,468	33,340
Europe including CIS	664,555	505,296
Middle East	107,111	93,265
Africa	60,288	61,830
Australia	5,940	6,023
Asia excluding Middle East	276,176	156,874
	\$ 1,336,837	\$ 987,074

Revenues by geographic area in the above table are attributed by the destination country of the sale.

Property, plant, and equipment by geographic area are as follows:

<i>(in thousands of dollars)</i>	2017	2016
United States	\$ 144,292	\$ 152,173
International	312,277	269,585
Total	\$ 456,569	\$ 421,758
International by region		
North America excluding United States	\$ 39,716	\$ 32,377
Europe including CIS	253,755	219,239
Africa	-	1,232
Asia excluding Middle East	18,806	16,737
	\$ 312,277	\$ 269,585

14. Related Party Transactions

The Group has entered into transactions with the following related enterprises:

- Rain Industries Limited ("RIL") – ultimate holding company incorporated in India
- Rain Cements Limited ("RCL") – wholly owned subsidiary of RIL incorporated in India
- Rain Entertainments Private Limited ("REPL") - affiliate incorporated in India
- Rain Enterprises Private Limited ("REnPL") - affiliate incorporated in India

Rain Commodities (USA) Inc. And Subsidiaries
Notes to Consolidated Financial Statements
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Material related party transactions and balances are as follows:

<i>(in thousands of dollars)</i>	2017	2016
Revenue	\$ 1,988	\$ 2,234
Cost of goods sold	5,618	5,144
Interest Expense, net	2,515	2,730
Dividend paid to RIL	6,000	2,232
Selling, general & administration expenses	2,618	294
Due from affiliated companies		
-RENPL	-	3,931
-REPL	142	-
Advance to RIL	-	957
Accounts Payable & Accrued Liabilities to RIL	-	1,062
Due to affiliated companies		
RIL	797	-
Long-term debt from RIL	30,000	65,000
Short-term debt from RIL	14,500	-

15. Commitments and Contingencies

Legal proceedings

The Group has been named defendant in various lawsuits; however, in the opinion of management, the amount of potential loss, if any, will not materially impact the Group's financial position or operating results.

Environmental matters

The Group is subject to federal, state, local, and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage, and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air, and various health and safety matters. The Group may also face governmental or third-party claims or otherwise incurs costs, relating to cleanup of or for injuries resulting from, contamination at sites associated with past and present operations. The Group accrues for environmental liabilities when a determination can be made that a liability is probable and reasonably estimable.

Changes in environmental liabilities for the years ended December 31, 2017 and 2016 were as follows:

<i>(in thousands of dollars)</i>	2017	2016
Balance at beginning of year	\$ 19,119	\$ 27,045
Additional obligations incurred	4,701	4,658
Obligations settled in current period	(5,439)	(4,055)
Changes in estimates, including timing	(404)	(95)
Accretion expense	12	93
Unused amounts reversed during the period	-	(7,941)
Foreign currency exchange rate changes	2,448	(586)
Balance at end of year	<u>\$ 20,437</u>	<u>\$ 19,119</u>

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Of the above, environment liability of \$10,376 thousands and \$11,296 thousands were classified as current liabilities as of December 31, 2017 and 2016, respectively.

The equivalent un-discounted value of environment liability as of December 2017 and 2016 is \$20,008 thousands and \$19,170 thousands, respectively, depending on the duration of the environmental liability management uses interest rates between 0.00% to about 0.74% and 0.00% to about 1.38% at December 2017 and 2016, respectively, to measure the present value of the environment liability.

Other matters

- a. Estimated committed amounts of contracts remaining to be executed on capital accounts, net of capital advances is \$8,223 thousands and \$3,063 thousands as of December 31, 2017 and 2016, respectively.
- b. One of the Group Companies in the United States has an outstanding lawsuit (2013) against a Contractor for delay, re-working, and cost overruns of a project. The Group Company's case against the Contractor was stayed pending resolution of a related litigation and is now proceeding in court. The parties have agreed to mediate the dispute, and they are exchanging documents and information, after which they will select a mediator and proceed with mediation. The Group Company's claims against the Contractor range from \$2,000-\$3,000 thousands. Additionally, the Contractor is making claim for approximately \$1,000 thousands against the Group Company on unpaid invoices for their work, which the Group Company withheld. Legal costs affiliated with the case are on a contingent basis.
- c. One of the Group Companies in the United States has an outstanding lawsuit (2013) against a design and engineering Contractor's commercial general liability insurers for the Contractor's delay, re-working, and cost overruns. The Group Company's case against the Contractor was stayed pending resolution of a related litigation and is now proceeding. On October 26, 2017, the Group Company obtained an arbitration award against the Contractor in the amount of \$4,400 thousands, plus costs and expenses. The Group Company is moving to confirm the arbitration award in court. After the court confirms the arbitration award, the Group Company will institute garnishment proceedings to recover the insurance policy proceeds of the Contractor's commercial general liability insurers to satisfy the confirmed arbitration award. The garnishment proceeding is not a guarantee of recovery of the full amount (or any amount) as the insurers believe they are not obligated to pay under the law. The law is not clear in this regard and it is possible that the Group Company recovers nothing further for Contractor's commercial general liability insurers. Legal costs affiliated with the case are on a contingent basis.
- d. In April 2016, a Group Company in the United States presented a revised claim to its insurers related to Hurricane Isaac. The revised claim totals \$5,000 thousands Contingent Business Interruption losses, expenses to reduce loss, and professional fees. The insurers' counsel rejected the revised claim, and requested a settlement conference. A settlement conference occurred in May 2017, resulting in a settlement offer from the insurers – and later, a reduced settlement offer – that remains open. Group Company did not accept the offer. A trial is currently set for April 2019.
- e. In February 2016, an employee of a Contractor responsible for securing barges at a facility of a Group Company in the United States allegedly suffered a leg injury while attempting to secure a barge. The employee is claiming damages of approximately \$2,000 thousands. The employee has filed suit against the barge owner. The barge owner subsequently filed a third-party demand against Group Company and its insurer seeking defense and indemnification pursuant to the agreement for provision of the barge. Group Company has also made demand on Contractor for defense and indemnification of the third-party demand filed by the barge owner and for defense by Contractor's insurer pursuant to the agreement between the

Rain Commodities (USA) Inc. And Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Group Company and Contractor. Contractor's insurer has agreed to defend Group Company in this action subject to a reservation of rights. Group Company intends to defend against the defense and indemnity claims against it and pursue all claims against Contractor and its insurer for defense and indemnification. Mediation is currently scheduled for February 22, 2018.

- f. On May 26, 2016, an employee of a trucking Contractor of a Group Company in the United States flipped a truck when he drove it off a ramp at the Group Company facility. Both Group Company's records and Contractor's records reflect that the incident occurred due to "driver-error." Group Company filed a third-party demand for defense and indemnity against Contractor based on the defense and indemnity language contained in its service contract with Contractor. Case is ongoing.
- g. A Group Company in the United States received enforcement actions from the state environmental agency amounting to \$140 thousands. Group Company has appealed. Group Company will schedule a hearing to present its case.
- h. In August 2016, Group Company in the United States settled with several bad faith insurers as it related to expenses incurred by Group Company pursuant to a litigation which is now inactive. Group Company is currently continuing its claims against the last bad-faith insurer. Collection efforts continue against bad-faith insurer and discovery has recently begun. Group Company's claims against bad faith insurer are approximately \$2,000-\$3,000 thousands.

16. Concentrations

The Group maintains cash at banks, which at times may exceed federally insured limits. The group has not experienced any losses in such accounts and does not believe it is exposed to any significant risk from such accounts.

As of December 31, 2017 and 2016, two customers aggregated to approximately 24% and 15%, respectively, of the Group's trade and other receivables. Revenue from two customers aggregated to approximately 17% and 10% of total revenue for the years ended December 31, 2017 and 2016, respectively.

Raw material purchases from three suppliers aggregated approximately 17% and 21% of total raw materials purchases for the years ended December 31, 2017 and 2016, respectively.

17. Subsequent events

On December 11, 2017, one of the Group Companies in United States conditionally called for a full redemption of its outstanding 2021 USD and EURO Notes contingent on the closing of a new Term Loan B facility scheduled for January 16, 2018. The Company successfully closed on the Term Loan B for €390,000 thousands and immediately drew funds for repayment of the called Notes. The new funds, in addition to cash on hand, were utilized to redeem \$246,800 thousands and €198,500 thousands in notes at an early redemption price of 102.063% and 102.125%, respectively. On January 16, 2018, the company settled the outstanding six Euro-US\$ forward contracts of \$215,080 thousands in connection to the above mentioned notes repayment.

RAIN CEMENTS LIMITED

**AUDITED
FINANCIAL STATEMENTS
FOR THE
FINANCIAL YEAR
ENDED
DECEMBER 31, 2017**

Rain Cements Limited

Balance Sheet as at December 31, 2017

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Particulars	Note	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
ASSETS				
1. Non-current assets				
(a) Property, plant and equipment	3	3,886.42	4,100.65	3,747.95
(b) Capital work-in-progress	3	45.20	35.97	423.19
(c) Other intangible assets	4	1.74	1.68	1.37
(d) Financial assets				
(i) Investments	5	259.61	250.59	93.77
(ii) Loans	6	238.45	229.97	258.24
(iii) Other financial assets	7	-	4.60	158.63
(e) Other tax assets (net)	8	305.10	150.48	150.50
(f) Other non-current assets	9	33.50	54.37	143.75
		<u>4,770.02</u>	<u>4,828.31</u>	<u>4,977.40</u>
2. Current assets				
(a) Inventories	10	1,015.66	1,067.55	838.63
(b) Financial assets				
(i) Investments	11	10.00	-	136.69
(ii) Trade receivables	12	112.63	44.30	2.06
(iii) Cash and cash equivalents	13	144.00	137.19	321.21
(iv) Bank balances other than cash and cash equivalents	13	1,379.11	1,010.32	772.99
(v) Loans	14	0.40	10.07	11.43
(vi) Other financial assets	15	39.14	23.82	23.92
(c) Other current assets	16	291.97	170.40	243.45
		<u>2,992.91</u>	<u>2,463.65</u>	<u>2,350.38</u>
TOTAL		<u>7,762.93</u>	<u>7,291.96</u>	<u>7,327.78</u>
EQUITY AND LIABILITIES				
1. Equity				
(a) Equity share capital	17	298.05	298.05	298.05
(b) Other equity	18	3,562.43	3,196.01	3,047.33
		<u>3,860.48</u>	<u>3,494.06</u>	<u>3,345.38</u>
2. Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	19	662.46	729.06	759.46
(ii) Other financial liabilities	20	283.40	264.40	264.40
(b) Provisions	21	177.68	171.74	149.18
(c) Deferred tax liability (net)	27	660.31	689.29	616.71
(d) Other tax liabilities (net)	22	484.92	380.98	430.03
		<u>2,268.77</u>	<u>2,235.47</u>	<u>2,219.78</u>
Current liabilities				
(a) Financial liabilities				
(i) Trade payables	23	741.54	755.18	958.81
(ii) Other financial liabilities	24	503.79	331.16	374.55
(b) Provisions	25	7.90	3.11	8.44
(c) Other current liabilities	26	380.45	472.98	420.82
		<u>1,633.68</u>	<u>1,562.43</u>	<u>1,762.62</u>
TOTAL		<u>7,762.93</u>	<u>7,291.96</u>	<u>7,327.78</u>
Corporate information	1			
Significant accounting policies	2			

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number: 116231W/ W-100024



Sriram Mahalingam

Partner

Membership number: 049642

For and on behalf of the Board of Directors

Rain Cements Limited

CIN: U23209TG1999PLC031631



Sujith Kumar Reddy Nellore

Managing Director

DIN: 00022383



G.N.V.S.R.R.Kumar

Chief Financial Officer

M.No.204139



Jagan Mohan Reddy Nellore

Director

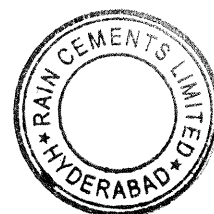
DIN: 00017633



K. Saipavan

Company Secretary

M. No.A31986



Place: Hyderabad

Date: February 26, 2018

Place: Hyderabad

Date: February 26, 2018

Rain Cements Limited

Statement of Profit and Loss for the year ended December 31, 2017

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Particulars	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
1 Income			
Revenue from operations	28	9,707.17	10,612.24
Other income	29	123.01	109.86
Total income		9,830.18	10,722.10
2 Expenses			
Cost of materials consumed	30	1,137.18	1,179.18
Purchases of stock-in-trade		1.65	3.27
Changes in inventories of finished goods and work-in-progress	31	(67.58)	(189.23)
Excise duty		820.81	1,566.82
Employee benefits expense	32	445.94	451.01
Finance costs	33	2.49	2.34
Depreciation and amortisation expense	3&4	461.66	425.02
Other expenses	34	6,519.62	6,521.89
Total expenses		9,321.77	9,960.30
3 Profit before tax (1-2)		508.41	761.80
4 Tax expense / (benefit)	35		
1. Current tax		165.80	190.00
2. Deferred tax		(32.28)	76.68
		133.52	266.68
5 Profit for the year (3-4)		374.89	495.12
6 Other Comprehensive Income/(loss)			
(i) Items that will not be reclassified to profit or loss			
(a) Remeasurement of defined benefit plans		9.54	(11.85)
(b) Income tax relating to Remeasurement as defined benefit plans		(3.30)	4.10
		6.24	(7.75)
(ii) Items that will be reclassified to profit or loss			
		-	-
Income tax relating to items that will be reclassified to profit or loss		-	-
Total Other Comprehensive Income/(loss) for the year		6.24	(7.75)
7 Total Comprehensive Income for the year (5+6)		381.13	487.37
8 Earnings per share (Face value of Rs. 10/- each)			
Basic and Diluted	38	12.58	16.61
Corporate information	1		
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
Firm registration number: 116231W/ W-100024




Sriram Mahalingam
Partner
Membership number: 049642

For and on behalf of the Board of Directors
Rain Cements Limited
CIN: U23209TG1999PLC031631



Sujith Kumar Reddy Nellore
Managing Director
DIN: 00022383



Jagann Mohan Reddy Nellore
Director
DIN: 00017633



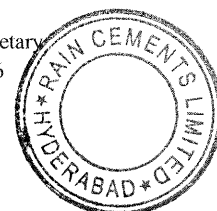
G.N.V.S.R.R.Kumar
Chief Financial Officer
M.No.204139



K. Saipavan
Company Secretary
M. No.A31986

Place: Hyderabad
Date: February 26, 2018

Place: Hyderabad
Date: February 26, 2018



Rain Cements Limited

Statement of cash flow for the year ended December 31, 2017

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	For the year ended December 31, 2017	For the year ended December 31, 2016
A. Cash flow from operating activities		
Profit before tax	508.41	761.80
Adjustments for :		
Depreciation and amortisation expense	461.66	425.02
Loss on sale of property, plant and equipment	16.74	9.13
Interest and other borrowing costs	2.49	2.34
Interest income	(95.92)	(97.19)
Dividend income from current investments	(1.89)	(9.17)
Liabilities / provisions no longer required written back	(15.36)	(0.61)
Provision for doubtful debts and advances	2.46	0.82
	<u>370.18</u>	<u>330.34</u>
Operating profit before working capital changes	878.59	1,092.14
Adjustments for changes in working capital:		
Inventories	51.89	(228.92)
Trade receivables	(70.79)	(43.06)
Loans and other financial assets	1.19	29.63
Other assets	(120.88)	72.97
Trade payables	1.72	(203.02)
Other current liabilities	(92.53)	52.16
Other financial liabilities	169.52	(21.89)
Provisions	20.27	5.38
	<u>(39.61)</u>	<u>(336.75)</u>
Cash generated from operations	838.98	755.39
Income taxes paid, net	<u>(216.48)</u>	<u>(239.03)</u>
Net cash from operating activities	622.50	516.36
B. Cash flow from investing activities		
Purchase of property, plant and equipment (Net of capital advances and capital creditors)	(270.28)	(333.66)
Proceeds from sale of property, plant and equipment	8.47	4.08
Net proceeds from current investments	(10.00)	136.69
Investment in subsidiary	(9.02)	(0.05)
Placement of bank deposits	(1,379.09)	(1,112.15)
Redemption / maturity of bank deposits	1,014.36	872.62
Interest received	81.14	96.75
Dividends received on current investments	1.89	9.17
	<u>(562.55)</u>	<u>(326.55)</u>
Net cash used in investing activities	(562.55)	(326.55)
C. Cash flow from financing activities		
Repayment of borrowings	(35.94)	(48.64)
Interest and other borrowing costs paid	(2.49)	(2.34)
Dividend paid (including tax on dividend)	(14.71)	(322.85)
	<u>(53.14)</u>	<u>(373.83)</u>
Net cash used in financing activities	(53.14)	(373.83)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	6.81	(184.02)
Cash and cash equivalents at the beginning of the year	<u>137.19</u>	<u>321.21</u>
Cash and cash equivalents at the end of the year (refer note 13)	144.00	137.19

Notes:

1) The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard - 7 'Statement of Cash Flows'.

2) Reconciliation of Cash and Cash equivalents with the Balance Sheet:

Cash and cash equivalents - closing balance	144.00	137.19
Add: Other bank balances	<u>1,379.11</u>	<u>1,010.32</u>
Cash and bank balances - closing balance	1,523.11	1,147.51

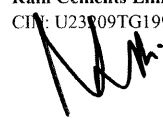
3) Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
Firm registration number: 116231 W/ W-100024



Sriram Mahalingam
Partner
Membership number: 049642

For and on behalf of the Board of Directors
Rain Cements Limited
CIN: U23109TG1999PLC031631



Sujith Kumar Reddy Nellore
Managing Director
DIN: 00022383



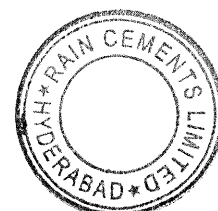
Jagan Mohan Reddy Nellore
Director
DIN: 00017633



G.N.V.S.R.R.Kumar
Chief Financial Officer
M.No.204139



K. Saipavan
Company Secretary
M. No.A31986



Place: Hyderabad
Date: February 26, 2018

Place: Hyderabad
Date: February 26, 2018

Rain Cements Limited

Statement of changes in equity

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Particulars	Equity share capital	Other equity				Total equity
		Reserves and Surplus		Other comprehensive income		
		Securities premium	General reserve	Retained earnings	Actuarial gain/(losses)	
Balance as at January 01, 2016 (Note 46)	298.05	424.33	480.97	2,142.03	-	3,345.38
Adjustments:						
Adjustment on account of component accounting (Note 3(ii))	-	-	-	(15.84)	-	(15.84)
Dividends (including dividend distribution tax thereon)	-	-	-	(322.85)	-	(322.85)
Transfer from retained earnings/ (to general reserve)	-	-	45.67	(45.67)	-	-
Profit for the year	-	-	45.67	(384.36)	-	(338.69)
	-	-	-	495.12	-	495.12
Component of Other comprehensive income						
(a) Remeasurement of defined benefit plans	-	-	-	-	(11.85)	(11.85)
(b) Income tax relating to Remeasurement of defined benefit plans	-	-	-	-	4.10	4.10
	-	-	-	-	(7.75)	(7.75)
Balance as at December 31, 2016	298.05	424.33	526.64	2,252.79	(7.75)	3,494.06
Adjustments:						
Dividends (including dividend distribution tax thereon)	-	-	-	(14.71)	-	(14.71)
	-	-	-	(14.71)	-	(14.71)
Profit for the year	-	-	-	374.89	-	374.89
Component of Other comprehensive income						
(a) Remeasurement of defined benefit plans	-	-	-	-	9.54	9.54
(b) Income tax relating to Remeasurement as defined benefit plans	-	-	-	-	(3.30)	(3.30)
	-	-	-	-	6.24	6.24
Balance as at December 31, 2017	298.05	424.33	526.64	2,612.97	(1.51)	3,860.48

Corporate information

Significant accounting policies


The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for B S R & Associates LLP

Chartered Accountants

Firm registration number: 116231W/ W-100024


Sriram Mahalingam
Partner
Membership number: 049642

For and on behalf of the Board of Directors

Rain Cements Limited

CIN: U23209TG1999PLC031631



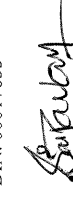
Sujith Kumar Reddy Nellore
Managing Director
DIN: 00022383



Jagan Mohan Reddy Nellore
Director
DIN: 00017633



G.N.V.S.R.R.Kumar
Chief Financial Officer
M.No.204139



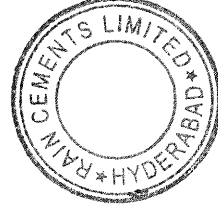
K. Saipavan
Company Secretary
M. No.A31986

Place: Hyderabad

Date: February 26, 2018

Place: Hyderabad

Date: February 26, 2018



Rain Cements Limited
Notes forming part of the Financial Statements

Note 1: Corporate Information

Rain Cements Limited ('the Company') was originally incorporated on 4 May, 1999 and is domiciled in India. The Company is engaged in the business of manufacture and sale of cement. Company's production facilities are located at Nalgonda district in the State of Telangana, Kurnool district in the State of Andhra Pradesh and Packing facility at Bellary district of Karnataka State.

Rain Cements Limited., is a wholly owned Subsidiary of Rain Industries Limited.

Note 2: Significant Accounting Policies

a) Basis of preparation of Financial Statements

(i) Statement of Compliance

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

For all periods upto and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (hereinafter referred to as 'Previous GAAP').

As these are the Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. Reconciliations and explanations of the effect of the transition from Previous GAAP to Ind AS on the Company's Balance Sheet, Statement of Profit and Loss and Statement of Cash Flows are provided in note 46

The financial statements have been prepared on a going concern basis. Relevant Ind AS effective as on the Company's annual reporting date 31 December 2017 have been applied. The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of the opening Ind AS Balance Sheet as at January 1, 2016 being the 'date of transition to Ind AS.

The standalone financial statements were authorized for issue by the Company's Board of Directors on February 26, 2018.

(ii) Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest millions, unless otherwise indicated.

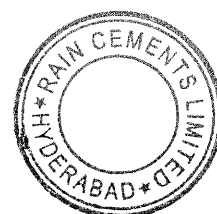
(iii) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments,
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments) and
- Non-cash distribution liability.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

a) Basis of preparation of Financial Statements (continued)

(iv) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting estimates could change from period to period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and appropriate changes are made as management becomes aware of changes in circumstances surrounding the estimates. Revisions to accounting estimates are reflected in the period in which such changes are made and if material, their effects are disclosed in the financial statements.

Assumptions and estimation uncertainties

Information about critical judgments in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

- measurement of defined benefit obligations: key actuarial assumptions
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- useful life of property, plant and equipment and intangible assets
- impairment of financial assets and non-financial assets
- decommissioning liability
- expected Credit loss - provision for doubtful debts

Current and Non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle.

Assets

An asset is classified as current when it satisfies any of the following criteria:

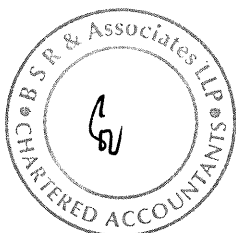
- i. It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- ii. It is held primarily for the purpose of being traded
- iii. It is expected to be realised within 12 months after the reporting date; or
- iv. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

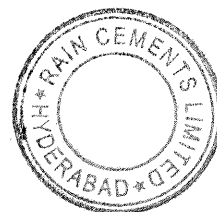
Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- i. It is expected to be settled in the Company's normal operating cycle;
- ii. It is held primarily for the purpose of being traded;
- iii. It is due to be settled within 12 months after the reporting date; or
- iv. The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.



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Rain Cements Limited**Notes forming part of the Financial Statements (continued)****a) Basis of preparation of Financial Statements (continued)**

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company's operating cycle is within a period of 12 months.

(v) Measurement of fair value

Accounting policies and disclosures require measurement of fair value for both financial and non-financial assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For changes that have occurred between levels of hierarchy during the year, the Company re-assesses categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

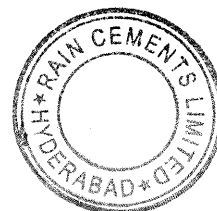
For changes that have occurred between levels in the hierarchy during the period the Company re-assesses categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

b) Business combinations

In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to apply Ind AS accounting for business combinations prospectively from January 1, 2016. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. The same first time adoption exemption is also used for associates and joint ventures.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

b) Business combinations (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

- Assets (or disposal Companies) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

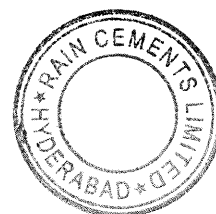
Financial Assets

Recognition and initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



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Rain Cements Limited

Notes forming part of the Financial Statements (continued)

c) Financial instruments (continued)

All financial assets not classified as measured at amortised cost or Fair Value through Other Comprehensive Income (FVOCI) as described above are measured at Fair Value through Profit and Loss (FVTPL). This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at an individual asset level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

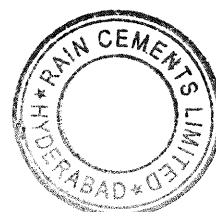
In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

c) Financial instruments (continued)

Subsequent measurement and gains and losses

(i) Financial assets at FVTPL:

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss.

(ii) Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Debt investments at FVOCI:

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(iv) Equity investments at FVOCI:

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's balance sheet) when:

- (i) The rights to receive cash flows from the asset have expired, or
- (ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

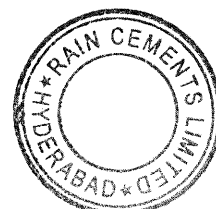
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

c) Financial instruments (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realise the asset and settle the liability simultaneously.

d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, there is no continuing involvement, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Sales tax/ Value added tax (VAT), Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

Revenue from services rendered is recognised when the related services are performed in accordance with contract terms.

The Company has assumed that recovery of excise duty flows to the Company on its own account. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

Note on GST: Consequent to the introduction of Goods and Services Tax (GST) with effect from July 1, 2017, Central Excise, Value Added Tax (VAT) etc. have been subsumed into GST.

Particulars	For the year 2017	For the year 2016
Revenue from Operations	9,707.17	10,612.24
Less : Excise Duty	(820.81)	(1,566.82)
Sale of products excluding Excise duty	8,886.36	9,045.42

e) Other income

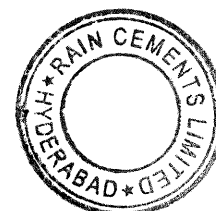
Interest income or expense is recognised using the effective interest method on time proportion method.

Dividend income is recognised when the Company's right to receive dividend is established, which is generally when shareholders approve the dividend.

Income from sale of Certified Emission Reduction (CERS) are recognised on conclusion of CER sale to ultimate buyers.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

f) Property, plant and equipment

Property, plant and equipment are stated at cost/deemed cost less accumulated depreciation. Cost includes directly attributable to the acquisition of the items including its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 January 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances as capital advances.

Depreciation on all the tangible fixed assets is provided using the straight-line method based on the useful life of the assets as prescribed by Schedule II to the Companies Act, 2013. For plant and machinery based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Gains and losses on disposal of tangible property, plant and equipment are determined as the difference between net sales proceeds and the carrying amount, and are presented in the Statement of Profit and Loss.

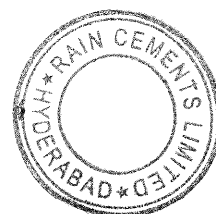
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Asset Description	Useful Life
Leasehold land	125 years
Buildings	3 to 77 years
Plant & Machinery	3 to 20 years
Furniture & Fixtures	10 years
Vehicles	5 to 10 years
Office Equipments	3 to 5 years



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

f) Property, plant and equipment

Provision for site restoration

The Company provides for the estimated expenditure required to restore quarries and mines. The total estimate of restoration expenses is apportioned over the estimate of mineral reserves and a provision is made based on minerals extracted during the year.

Site restoration expenses is incurred on an ongoing basis and until the closure of the quarries and mines. The actual expenses may vary based on the nature of restoration and the estimate of restoration expenditure.

The total estimate of restoration expenses is reviewed periodically, on the basis of technical estimates.

g) Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at 1 January 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

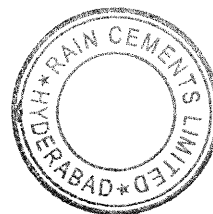
Asset Description	Useful Life
Software	3 years

h) Inventories

Inventories are valued at lower of cost (including prime cost, excise duty and other overheads incurred in bringing the inventories to their present location and condition) and net realisable value. The comparison of cost and net realisable value is made on an item-by-item basis. Raw materials, packing materials and stores and spares are valued at cost computed on moving weighted average basis, after providing for obsolescence, if any. The cost includes purchase price, inward freight and other incidental expenses net of refundable duties, levies and taxes, where applicable. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

h) Inventories (continued)

Finished goods and work in progress are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises material, labour and applicable overhead expenses. The net realisable value of materials in process is determined with reference to the selling prices of related finished goods. Stores and spares are valued at cost determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Traded goods are valued at lower of weighted average cost and net realisable value. Goods in transit are valued at cost or below. Power banking units are valued at lower of cost or net realizable value. Cost comprises the raw material cost allocated to power generation.

i) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised in the Statement of Standalone Profit and Loss in the respective financial years, if the carrying amount of the assets or CGU exceeds its recoverable amount.

If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost as per requirement of Ind AS 36 "Impairment of Assets".

j) Foreign Currency Transactions and Balances

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year end rates. The resultant gain/loss upon such restatement along with the gain/loss on account of foreign currency transactions are accounted in the Statement of Profit and Loss. In respect of items covered by forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward contract is recognised in the Statement of Profit and Loss.

k) Investments

Non-current investments are carried at cost less provision for diminution, other than temporary, if any, in the value of such investments.

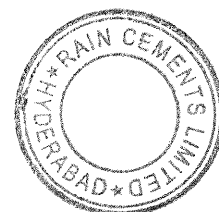
l) Retirement and other employee benefits

Defined contribution plans

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service. The Company has no further obligations beyond its monthly contributions.



g.b.



Rain Cements Limited
Notes forming part of the Financial Statements (continued)

1) Retirement and other employee benefits (continued)

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

When the benefits of a plan are changed or curtailed, the resulting change in the benefit that relates to the past service ('past service cost') or the gain or loss on curtailment is recognised immediately in the Statement of profit or loss. The Company recognises the gains and losses on the settlement of a defined benefit plan when settlement occurs.

Compensated Absence Policy:

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods or encash the leaves during the period of employment or retirement or at termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognises accumulated compensated absences based on actuarial valuation using the projected unit credit method. Non-accumulating compensated absences are recognised in the period in which the absences occur.

Other long-term employee benefits

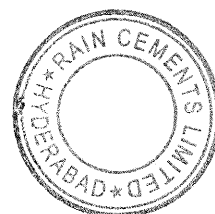
The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary as at December 31st every year using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.



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Rain Cements Limited**Notes forming part of the Financial Statements (continued)****m) Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to January 1, 2016, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

n) Earnings Per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit after tax (and includes the post-effect of any extra ordinary items). The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

Dilutive potential equity shares are deemed to be converted as of the beginning of the year, unless they have been issued at a later date. The number of shares used for computing the diluted EPS is the weighted average number of shares outstanding during the year after considering the dilutive potential equity shares.

o) Tax expense

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

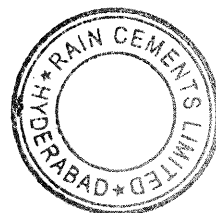
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after

considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

In case of tax payable as Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961, the credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.



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Rain Cements Limited

Notes forming part of the Financial Statements (continued)

o) Tax Expenses (continued)

Deferred tax

Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods subject to consideration of prudence. Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognised unless there is a virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets and liabilities have been measured using the tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

p) Statement of Cash Flows and Cash & cash equivalents

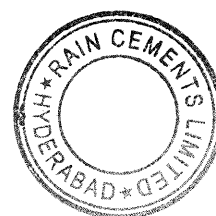
Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.



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Rain Cements Limited
Notes forming part of the Financial Statements (continued)

q) Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed in the notes to the financial statements. A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

r) Dividend declared

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Board of directors of the Company.

s) Recent accounting pronouncements

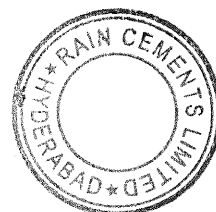
In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7. The amendments are applicable to the Company from 1 January 2018.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 3: Property, plant and equipment and Capital work-in-progress:

Description	Gross Block			Accumulated Depreciation				Net Block	
	As at January 1, 2017	Additions / Adjustments	Deletions / Adjustments	As at December 31, 2017	For the year	Deletions / Adjustments	On transfer to retained earnings	As at December 31, 2017	As at December 31, 2016
Property, plant and equipment (A)									
Land									
- Freehold	80.69	-	-	80.69	-	-	-	80.69	80.69
- Leasehold	39.15	2.76	-	41.91	0.33	-	-	41.24	38.82
Buildings (Refer note (i) below)	791.89	24.26	8.15	808.00	42.54	1.69	-	727.93	749.35
Plant and equipment	3,440.61	216.30	77.36	3,579.55	323.65	59.02	-	2,918.18	3,116.96
Furniture and fixtures	69.34	16.64	0.19	85.79	3.03	0.16	-	77.64	66.31
Vehicles	47.66	0.22	1.34	46.54	8.07	1.20	-	29.53	39.59
Office equipment	11.01	11.32	6.02	16.31	2.08	5.78	-	11.21	8.93
Total (A)	4,480.35	271.50	93.06	4,658.79	379.70	67.85	-	772.37	4,100.65
Capital work-in-progress (B)	35.97	279.16	269.93	45.20	-	-	-	45.20	35.97
Total (A+B)	4,516.32	550.66	362.99	4,703.99	379.70	67.85	-	772.37	4,136.62

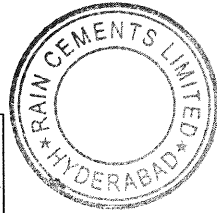
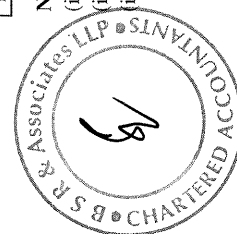
Description	Gross Block			Accumulated Depreciation				Net Block	
	As at January 1, 2016	Additions / Adjustments	Deletions / Adjustments	As at December 31, 2016	For the year	Deletions / Adjustments	On Transfer to retained earnings (Refer Note (ii) below)	As at December 31, 2016	As at January 01, 2016
Property, Plant and Equipment (A)									
Land									
- Freehold	78.70	1.99	-	80.69	-	-	-	80.69	78.70
- Leasehold	35.57	3.58	-	39.15	0.33	-	-	38.82	35.57
Buildings (Refer note (i) below)	714.48	80.02	2.61	791.89	43.33	0.79	-	749.35	714.48
Plant and equipment	2,811.47	686.93	57.79	3,440.61	357.95	50.14	15.84	3,116.96	2,811.47
Furniture and fixtures	62.14	7.56	0.36	69.34	3.36	0.33	-	66.31	62.14
Vehicles	43.16	10.91	6.41	47.66	10.96	2.89	-	39.59	43.16
Office equipment	2.43	14.97	6.39	11.01	8.28	6.20	-	8.93	2.43
Total (A)	3,747.95	805.96	73.56	4,480.35	424.21	60.35	15.84	379.70	4,100.65
Capital work-in-progress (B)	423.19	414.31	801.53	35.97	-	-	-	35.97	423.19
Total (A+B)	4,171.14	1,220.27	875.09	4,516.32	424.21	60.35	15.84	379.70	4,171.14

Notes:

(i) Include buildings constructed on leasehold land and depreciated over the lease period.

(ii) The Company has followed the component accounting during the previous year. Impact of the same has been adjusted against retained earnings.

(iii) Refer Note 36 for details of property, plant and equipment amounting pledged against external commercial borrowings obtained by Rain Industries Limited, the holding company.



Rain Cements Limited

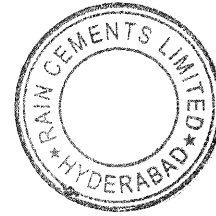
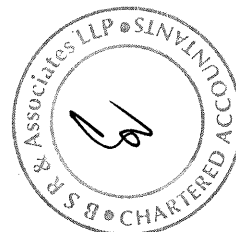
Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 4: Other intangible assets:

Description	Gross Block			Accumulated amortisation				Net Block	
	As at January 1, 2017	Additions / Adjustments	Deletions / Adjustments	As at December 31, 2017	For the year 2017	Deletions / Adjustments	As at December 31, 2017	As at December 31, 2017	As at December 31, 2016
Software	2.49	1.20	-	3.69	1.14	-	1.95	1.74	1.68
Total	2.49	1.20	-	3.69	1.14	-	1.95	1.74	1.68

Description	Gross Block			Accumulated amortisation				Net Block	
	As at January 1, 2016	Additions / Adjustments	Deletions / Adjustments	As at December 31, 2016	For the year 2016	Deletions / Adjustments	As at December 31, 2016	As at December 31, 2016	As at January 01, 2016
Software	1.37	1.12	-	2.49	0.81	-	0.81	1.68	1.37
Total	1.37	1.12	-	2.49	0.81	-	0.81	1.68	1.37



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Rain Cements Limited

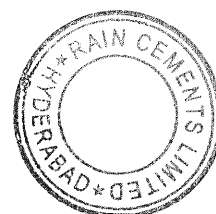
Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Note 5: Non-current investments			
A. Investments in subsidiaries and Associates			
(Unquoted instruments valued as cost unless stated otherwise)			
Investments equity instruments:			
<i>Subsidiaries</i>			
Renuka Cement Limited	139.03	130.01	130.01
1,201,680 (December 31, 2016: 1,001,400; January 01, 2016: 1,001,400)			
equity shares of Rs. 10 each fully paid up			
Less: Provision for Impairment in value of Investments	(120.00)	(120.00)	(120.00)
<i>Associate</i>			
Rain Coke Limited (Refer note below)	67.62	67.62	67.62
6,762,600 (December 31, 2016: 6,762,000; January 01, 2016: 6,762,000)			
equity shares of Rs. 10 each fully paid up			
Investment in 12.5% Compulsory Convertible Debentures (CCDs):			
<i>Subsidiary</i>			
Rain Coke Limited (Refer note below)	-	156.77	-
Nil (December 31, 2016: 15,677,000; January 1, 2016: Nil) CCDs of Rs. 10			
each fully paid up			
<i>Associate</i>			
Rain Coke Limited (Refer note below)	156.77	-	-
15,677,000 CCDs (December 31 2016: Nil; January 01, 2016: Nil) of Rs. 10			
each fully paid up			
B. Investments in others:			
(Unquoted instruments valued as fair value through profit and loss unless stated otherwise)			
<i>Equity instruments</i>			
Andhra Pradesh Gas Power Corporation Limited	16.00	16.00	16.00
134,000 (December 31, 2016: 134,000; January 01, 2016 : 134,000) equity			
shares of Rs. 10 each fully paid up			
<i>Government securities</i>			
National Savings Certificates	0.19	0.19	0.14
Total	259.61	250.59	93.77
Aggregate amount of unquoted investments	259.61	250.59	93.77
Aggregate amount of impairment in value of investments	120.00	120.00	120.00
Information about companies exposure to credit risk and fair value measurement is included in Note 44.			
Note 6: Non-current loans			
(Unsecured, considered good unless otherwise stated)			
Security deposits	42.67	34.19	100.96
Electricity deposit	195.78	195.78	157.28
Total	238.45	229.97	258.24



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Note 7: Other non-current financial assets			
Non-current portion of bank balances (Refer Note 13)	-	4.06	1.86
Interest accrued on deposits	-	0.54	-
Advance paid for Debentures in Subsidiary Company	-	-	156.77
Total	-	4.60	158.63

Note 8: Other tax assets

Advance tax	305.10	150.48	150.50
(net of provision for tax of Rs. 633.45) (December 31, 2016 : Rs. 341.14, January 1, 2016 Rs. 153.04)			
Total	305.10	150.48	150.50

Note 9: Other non-current assets

Capital advances	5.94	26.12	115.58
Balances with Government authorities	27.56	28.25	28.17
Total	33.50	54.37	143.75

Note 10: Inventories

(At lower of cost and net realisable value)

Raw materials	70.30	80.47	97.61
Work-in-progress	531.07	423.93	222.41
Finished goods	80.90	120.46	132.75
Stores and spares	156.14	147.50	135.77
Packing materials	25.46	29.95	25.42
Fuel	151.79	265.24	224.67
Total	1,015.66	1,067.55	838.63

Goods-in-transit, included above

Raw materials	2.09	1.03	2.46
Stores and spares	2.27	4.19	5.14
Packing materials	-	5.50	5.36
Fuel	3.17	27.16	26.66
Total	7.53	37.88	39.62

Note 11: Current investments

(unquoted at Fair Value through profit or loss)

Investment in mutual funds of:

Franklin templeton investments	-	-	25.22
ICICI prudential flexible income-direct plan-growth	-	-	101.43
Birla sun life mutual fund	-	-	10.04
Reliance liquid fund-treasury plan-direct growth plan - growth option	10.00	-	-
Total	10.00	-	136.69

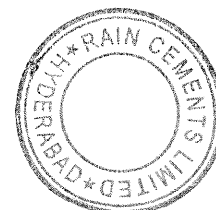
Aggregate amount of unquoted investments

10.00 - 136.69

Information about Companies exposure to credit risk is included in Note 45



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	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Note 12: Trade receivables			
Secured	96.44	88.07	92.72
Unsecured, considered good	71.09	81.11	80.10
Unsecured, considered doubtful	21.64	19.18	18.41
	189.17	188.36	191.23
Less : Credit notes for discounts	(54.90)	(124.88)	(170.76)
	134.27	63.48	20.47
Less: Provision for loss allowance	(21.64)	(19.18)	(18.41)
Total	112.63	44.30	2.06

(i) No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

(ii) For trade receivables from related parties refer Note 42

(iii) For terms and conditions relating to related party receivables, refer Note 42

(iv) The company's exposure to credit and currency risk and loss allowances related to trade receivables are disclosed in Note 45

The movement in the allowances for impairment is respect of trade receivable during the year was as follows

	As at December 31, 2017	As at December 31, 2016
Opening balance	(19.18)	(18.41)
Loss allowance recognised during the period	(2.46)	(0.77)
Reversal during the period	-	-
Closing balance	(21.64)	(19.18)

Note 13: Cash and bank balances

A. Cash and cash equivalents

Cash on hand	0.24	0.23	0.21
Cheques/ drafts on hand	0.71	1.70	12.78
Balances with banks:			
- in current accounts	44.05	15.26	56.22
- in deposit accounts (with original maturity of 3 month or less)	99.00	120.00	252.00
	144.00	137.19	321.21

B. Other bank balances

Balances held as margin money against guarantees and other commitments	21.08	18.38	14.73
Long term deposits	1,358.03	996.00	760.12
Less: Non-current portion of bank balances (Refer Note 7)	-	(4.06)	(1.86)
	1,379.11	1,010.32	772.99

Total [A+B]

	1,523.11	1,147.51	1,094.20
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Details of bank balances/deposits

Balances with banks available in term deposits with original maturity of less than 3 months or less included under 'Cash and cash equivalents'	143.05	135.26	308.22
Bank deposits due to maturity within 12 months of the reporting date included under 'Other Bank balances'	1,379.11	1,010.32	772.99
Bank deposits due to maturity after 12 months of the reporting date included under 'Other non-current assets' (Refer Note 7)	-	(4.06)	(1.86)
	1,522.16	1,141.52	1,079.35

Note 14: Current loans

(Unsecured, considered good unless otherwise stated)

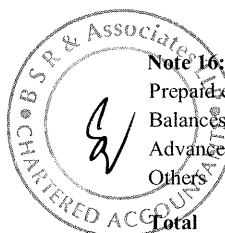
Advance to employees	0.40	0.32	0.63
Security deposits	-	9.75	10.80
Total	0.40	10.07	11.43

Note 15: Other current financial assets

Interest accrued on deposits	39.14	23.82	23.92
	39.14	23.82	23.92

Note 16: Other current assets

Prepaid expenses	5.85	7.94	6.13
Balances with Government authorities	68.60	18.02	126.52
Advance to supplier and service providers	214.99	139.05	103.50
Others	2.53	5.39	7.30
Total	291.97	170.40	243.45



Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 17: Equity Share capital

	As at December 31, 2017		As at December 31, 2016		As at January 1, 2016	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorised:						
Equity Shares of Rs. 10 each	50,000,000	500.00	50,000,000	500.00	50,000,000	500.00
Total	50,000,000	500.00	50,000,000	500.00	50,000,000	500.00
Issued, subscribed and paid up						
Equity Shares of Rs.10 each	29,805,000	298.05	29,805,000	298.05	29,805,000	298.05
Total	29,805,000	298.05	29,805,000	298.05	29,805,000	298.05

Notes:

(i) Reconciliation of the number of equity shares and amount outstanding at the beginning and at the end of the period:

Particulars	As at December 31, 2017		As at December 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
As at beginning of the year	29,805,000	298.05	29,805,000	298.05
Equity shares issued /(bought back) during the year	-	-	-	-
As at end of the year	29,805,000	298.05	29,805,000	298.05

(ii) Rights, preferences and restrictions attached to the equity shares

The Company has only one class of equity shares having a par value of Rs. 10 each per share. Each holder of equity shares is entitled to one vote per share. In case of interim dividend the profits are distributed based on approval of Board of Directors. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to number of equity shares held by the shareholders.

The Board of Directors of the Company at their meeting held on August 9, 2017, have declared an interim dividend of Rs. 0.41/- per equity share i.e. 4.10% on face value of Rs. 10/- per Equity Share fully paid up for the financial year ending December 31, 2017 (year ended December 31, 2016: Dividend of Rs. 9.00 per equity share).

(iii) Shares held by holding company

Particulars	As at December 31, 2017		As at December 31, 2016		As at January 1, 2016	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Equity shares of Rs. 10 each fully paid up held by						
Holding Company - Rain Industries Limited along with its nominees	29,805,000	298.05	29,805,000	298.05	29,805,000	298.05
	29,805,000	298.05	29,805,000	298.05	29,805,000	298.05

(iv) Details of equity shares held by each shareholder holding more than 5% shares:

Name of the shareholder	As at December 31, 2017		As at December 31, 2016		As at January 1, 2016	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Rain Industries Limited along with its nominees	29,805,000	100%	29,805,000	100%	29,805,000	100%

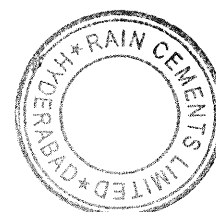
(v) There are no shares issued pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date.

(vi) No equity shares bought back during the last five years immediately preceding the reporting date.

(vii) No Shares have been allotted as fully paid up by way of bonus shares during the period of 5 years immediately preceding the reporting date.



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	As at December 31, 2017	As at December 31, 2016
Note 18: Other equity		
(i) Reserves and surplus		
(a) Securities premium account		
Opening balance	424.33	424.33
Closing balance	424.33	424.33
(b) General reserve		
Opening balance	526.64	480.97
Add: Transferred from retained earnings	-	45.67
Closing balance	526.64	526.64
(c) Retained earnings		
Opening balance	2,252.79	2,142.03
Add: Profit for the year	374.89	495.12
	2,627.68	2,637.15
Less : Interim dividend	12.22	268.25
Dividend distribution tax	2.49	54.60
Transferred to general reserve	-	45.67
Adjustment on account of component accounting	-	15.84
Closing balance	2,612.97	2,252.79
(a) Remeasurements of defined benefit plan		
Opening balance	(7.75)	-
Add: Remeasurements of defined benefit liability/asset	9.54	(11.85)
Tax effect of above	(3.30)	4.10
Closing balance	(1.51)	(7.75)
Total	3,562.43	3,196.01

a) Security premium :

The amount received in excess of face value of the equity shares is recognised in Securities premium. It is utilised in accordance with the provisions of the Act, to issue bonus shares, to provide for premium on redemption of shares or debentures, write-off equity related expenses like underwriting costs etc.

b) General reserve :

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to retained earnings.

(c) Retained earnings :

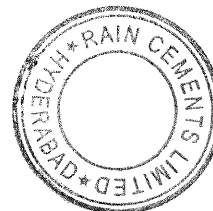
Retained earnings mainly represent all current and prior year profits as disclosed in the statement of profit or loss and other comprehensive income less dividend distribution and transfers to general reserve.

(d). Remeasurement of defined benefit liability

Comprises of actuarial gains/losses and return on plan assets excluding net interest income/ (expense).



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Rain Cements Limited**Notes forming part of the financial statements (continued)**

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Note 19: Non-current borrowings			
Deferred payment liabilities			
Unsecured	721.98	757.92	806.56
Less: Current portion of non-current borrowings disclosed under Note 24 - Other current financial liabilities	59.52	28.86	47.10
	662.46	729.06	759.46

Deferred payment liabilities

Sales tax deferment represents interest free liability. Balance outstanding is repayable in 89 structured monthly instalments as per deferment schedule (December 31, 2016 : 101 instalments; January 1, 2016 : 113 instalments).

Note 20: Other non-current financial liabilities

Advance from others	283.40	264.40	264.40
Total	283.40	264.40	264.40

The company's exposure to liquidity risk is included in Note 45

Note 21: Non-current provisions**Provision for employee benefits:**

- Compensated absences (refer note 41)	26.60	20.43	17.94
- Gratuity (refer note 41)	62.04	66.48	50.81

Provision - others

- Site restoration	89.04	84.83	80.43
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Total	177.68	171.74	149.18
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The movement in the site restoration provision during the year was as follows:

	As at December 31, 2017	As at December 31, 2016
Balance as at the beginning of the year	84.83	80.43
Charge for the year	4.19	4.40
Utilised during the year	-	-
Balance as at the end of the year	89.02	84.83

Provision has been recognised for cost associated with restoration of mines post extraction of limestone.

Note 22: Other tax liabilities

Provision for tax	484.92	380.98	430.03
(net of advance tax Rs 1,113.92 (December 31, 2016: Rs 1,278.08, January 01, 2016 : Rs 1,039.03)			
	484.92	380.98	430.03

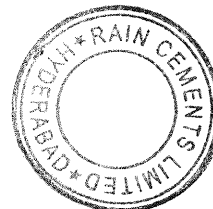
Note 23: Trade payables

Total outstanding dues of micro and small enterprises	5.33	3.44	5.95
Total outstanding dues of creditors other than micro and small enterprises	736.21	751.74	952.86
Total	741.54	755.18	958.81

The Company's exposure to liquidity risk relating to trade payables is disclosed in Note no. 45



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Note 23: Trade payables (continued)			
Disclosures under the Micro, Small and Medium Enterprises Act, 2006			
(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year.	5.33	3.44	5.95
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-	-
(c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-	-
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-	-
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-	-

This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 and has been determined to the extent such parties have been identified on the basis of information available with the Company. Auditors have placed reliance on such information provided by the management.

Note 24: Other current financial liabilities

Current maturities of non-current borrowings (refer note 19)	59.52	28.86	47.10
Trade and security deposits	10.40	10.62	10.98
Payables to employees	66.14	67.92	38.69
Deposits from contractors/customers	345.69	206.41	257.50
Others:			
- Payables on purchase of property, plant and equipment	8.16	16.70	19.96
- Retention money	13.88	0.65	0.32
Total	503.79	331.16	374.55

The Company's exposure to liquidity risk relating to other financial liabilities in note no. 45

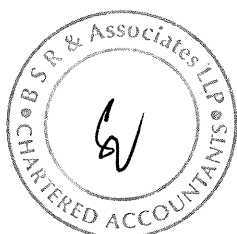
Note 25: Current provisions

Provision for employee benefits:

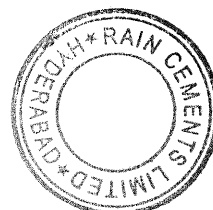
- Compensated absences (refer note 41)	7.90	3.11	8.44
Total	7.90	3.11	8.44

Note 26: Other current liabilities

Statutory remittances	194.88	251.76	264.14
Advance from customers	131.86	94.51	77.04
Provision for discounts	53.71	126.71	79.64
Total	380.45	472.98	420.82



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	As at December 31, 2017	As at December 31, 2016	As at January 01, 2016
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Note 27: Deferred taxes

Deferred tax liability

- on account of excess book depreciation and tax depreciation	783.02	810.74	730.31
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Deferred tax assets

- on account of employee benefits	(30.10)	(31.15)	(26.71)
- on account of deferred payment liabilities	(31.22)	(31.22)	(31.22)
- others	(61.39)	(59.08)	(55.67)

Net deferred tax liability / (asset)	660.31	689.29	616.71
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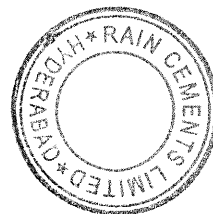
Movement in temporary differences:

Particulars	Balance as at January 1, 2016	Recognised in profit or loss during the year	Recognised in OCI during the year	Balance as at December 31, 2016
Property, plant and equipment	730.31	80.43	-	810.74
Employee benefits	(26.71)	(0.34)	(4.10)	(31.15)
Deferred payment liabilities	(31.22)	-	-	(31.22)
Land indexation	(21.48)	(1.62)	-	(23.10)
Site restoration liability	(27.83)	(1.52)	-	(29.35)
Trade Receivables	(6.37)	(0.27)	-	(6.64)
	616.71	76.68	(4.10)	689.29

Particulars	Balance as at January 1, 2017	Recognised in profit or loss during the year	Recognised in OCI during the year	Balance as at December 31, 2017
Property, plant and equipment	810.74	(27.72)	-	783.02
Employee benefits	(31.15)	(2.25)	3.30	(30.10)
Deferred payment liabilities	(31.22)	-	-	(31.22)
Land indexation	(23.10)	-	-	(23.10)
Site restoration liability	(29.35)	(1.46)	-	(30.80)
Trade Receivables	(6.64)	(0.85)	-	(7.49)
	689.29	(32.28)	3.30	660.31



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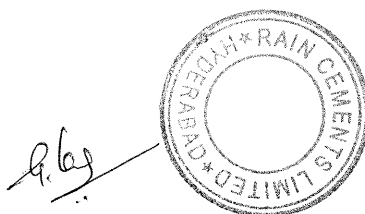


Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	For the year ended December 31, 2017	For the year ended December 31, 2016
Note 28: Revenue from operations		
Sale of products (inclusive of excise duty)	9,684.63	10,603.72
Other operating revenues [Refer Note (ii) below]	22.54	8.52
Revenue from operations (gross)	9,707.17	10,612.24
Notes:		
(i) Sale of products comprises:		
Sale of cement	9,682.94	10,600.15
Sale of fly ash	1.69	3.57
Total	9,684.63	10,603.72
(ii) Other operating revenues comprises:		
Scrap sales	21.10	8.52
Rental income	1.44	-
Total	22.54	8.52
Note 29: Other income		
Interest from banks on deposits	95.92	97.19
Dividend income from current investments at FVTPL	1.89	9.17
Other non-operating income:		
Liabilities / provisions no longer required written back	15.36	0.61
Miscellaneous income	9.84	2.89
Total	123.01	109.86
Note 30 : Cost of material consumed		
Material consumed :		
Lime stone	285.48	258.41
Laterite	226.74	233.09
Gypsum	114.45	117.23
Iron ore	25.09	43.40
Dolomite/Bauxite	5.16	2.92
Fly ash	489.43	526.15
Others	(7.45)	2.13
Captive consumption of cement	(1.72)	(4.15)
Total	1,137.18	1,179.18
Note 31: Changes in inventories of finished goods and work-in-progress		
Inventories at the beginning of the year		
Finished goods	120.46	132.75
Work-in-progress	423.93	222.41
	544.39	355.16
Inventories at the end of the year		
Finished goods	80.90	120.46
Work-in-progress	531.07	423.93
	611.97	544.39
(Increase)/decrease in stock	(67.58)	(189.23)



Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	For the year ended December 31, 2017	For the year ended December 31, 2016
Note 32: Employee benefits expense		
Salaries, wages and bonus	385.92	376.85
Contribution to provident and other funds	35.77	32.78
Staff welfare expense	24.25	41.38
Total	445.94	451.01

Note 33: Finance costs

Interest expense	1.10	1.34
Other borrowing costs	0.32	0.36
Bank and finance charges	1.07	0.64
Total	2.49	2.34

Note 34: Other expenses

Consumption of stores and spares	263.84	306.80
Consumption of packing materials	410.26	362.46
Change in excise duty on finished goods	(6.35)	(0.22)
Power and fuel	2,274.28	2,206.87
Repairs and maintenance	193.18	175.92
Insurance	12.04	11.24
Rent	52.95	50.03
Rates and taxes	23.81	4.66
Communication expenses	5.99	6.60
Travelling and conveyance	31.19	33.34
Printing and stationery	3.59	3.32
Freight outward	2,797.32	2,832.52
Other selling and distribution expenses	283.59	327.22
Consultancy charges	84.31	75.52
Payment to auditors [Refer Note below]	1.82	1.89
Directors' sitting fees	0.74	0.83
Commission to directors	5.00	12.50
Loss allowance for doubtful trade receivables	2.46	0.82
Loss on sale of property, plant and equipment (net)	16.74	9.13
Miscellaneous expenses	62.86	100.44
	6,519.62	6,521.89

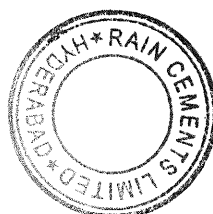
Note:

Payments to the auditors comprise (excluding service tax and GST):

Audit fees	1.35	1.35
Limited review fees	0.45	0.45
Reimbursement of expenses	0.02	0.09
Total	1.82	1.89



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Rain Cements Limited

Notes forming part of the financial statements (continued)

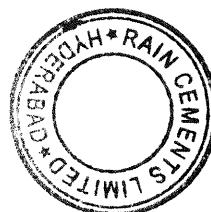
All amounts are in Indian Rupees Millions, except share data and where otherwise stated

	For the year ended December 31, 2017	For the year ended December 31, 2016
Note 35: Income tax		
Amount recognised in Statement of profit or loss		
Current tax		
(i) Tax for current year	232.09	190.00
(ii) Minimum alternate tax credit utilisation*	(66.29)	-
Net current tax	165.80	190.00
Deferred tax	(32.28)	76.68
Total	133.52	266.68
Reconciliation of effective tax rate		
Profit before tax	508.41	761.8
Enacted tax rate	34.61%	34.61%
Tax expense as per enacted tax rate	175.95	263.64
Effect of:		
Tax impact on non-deductible expenses	9.19	3.04
Minimum alternate tax credit utilisation*	(66.29)	-
Others	14.67	-
	133.52	266.68

* Unutilised portion pertaining to earlier years has utilised against tax payable under normal provisions of the Income Tax Act during the year.



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 36.: Contingent liabilities and commitments (to the extent not provided for)

Particulars	As at December 31, 2017	As at December 31, 2016
(I) Contingent liabilities		
Matters under dispute		
- Income tax	174.50	174.50
- Sales Tax, Service Tax and Excise Duty related matters under dispute	76.74	76.51
- Fuel Surcharge Adjustment levied by Electricity Distributing Companies	34.57	34.57
Claims against the company not acknowledged as debt	628.47	605.04
	914.28	890.62
Guarantees given by the Company		
- Corporate guarantees issued (refer below for details)	1,917.90	4,073.40
(II) Commitments		
Estimated amounts of contracts remaining to be executed on capital account [net of capital advance Rs. 5.94 (December 31, 2016: Rs. 26.12)]	41.72	92.07

Summary of Guarantees given:

Corporate Guarantees issued for loans availed by:	As at December 31, 2017		As at December 31, 2016	
	Guarantee	Contingent Liability	Guarantee	Contingent Liability
Rain Commodities USA Inc., fellow subsidiary – (Refer note (a) below for security given by the company)	-	-	1,494.90	675.90
Rain Industries Limited Holding company (Refer note (b) below for security given by the company)	1,917.90	1,917.90	3,397.50	3,397.50
Total	1,917.90	1,917.90	4,892.40	4,073.40

Note: Contingent liability represents loan amount outstanding.

a) Subservient charge was created on the Company's moveable assets against loan availed by Rain Commodities USA Inc., fellow subsidiary. The Loan was availed by Rain Commodities (USA) Inc., for the purpose of repayment loan to Rain Industries Limited and infusion of funds into Rain CII Carbon LLC directly or through subsidiaries as debt/equity.

b) The immovable assets and movable assets of the Company, all current assets of the Company are charged against loan availed by Rain Industries Limited for purpose of investment in Rain Commodities USA Inc.

Note 37: Operating leases

The company has entered into various cancellable operating lease agreements for storage facilities. The lease rentals amounting to Rs. 52.95 (December 31, 2016 - Rs. 50.03) paid under such agreements have been charged off in the statement of profit and loss.

Note 38: Earnings per Share (EPS)

Particulars	For the year ended December 31, 2017	For the year ended December 31, 2016
a. Profit for the year	374.89	495.12
b. Weighted average number of equity shares of Rs. 10/- each outstanding during the year	29,805,000	29,805,000
Earnings per Share		
c. Basic and Diluted - [a]/[b] - (Rs.)	12.58	16.61

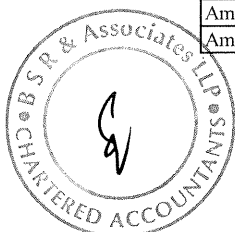
Note 39: During the year, the Company has given the following donations to the political parties

Name of party	For the year ended December 31, 2017	For the year ended December 31, 2016
Communist Party of India	0.30	0.35
Total	0.30	0.35

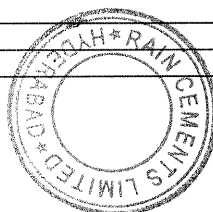
Note .40:

As per section 135 of the Companies Act, 2013, a Corporate Social responsibility (CSR) Committee has been formed by the company. The proposed areas for CSR activities, as per the CSR policy of the company are promotion of education, rural development activities, medical facilities, employment and ensuring environmental sustainability which are specified in Schedule VII of the Companies Act, 2013. The Company is required to spend a minimum amount of Rs 15.60 (December 31, 2016: Rs 11.50)

Particulars	For the year ended December 31, 2017	For the year ended December 31, 2016
Amount to be spent	15.60	11.50
Amount paid in cash	15.60	26.82
Amount yet to be paid in cash	-	-



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Note 41: Employee Benefits**a) Defined contribution plans:**

The company deposits an amount determined at a fixed percentage of basic pay every month to the state administered Provident fund, Employee State Insurance (ESI) for the benefit of employees. The contributions payable to these plans by the company are at the rates specified in the rules of the schemes.

Amount recognised in the statement of profit and loss is as follows:

Particulars	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Provident fund paid to the authorities	22.21	22.45
Employee state insurance paid to the authorities	1.89	0.71
Contribution to other funds (Employee welfare etc.)	1.16	0.69
Total	25.26	23.85

b) Defined benefit plans -Gratuity

The Company has a defined benefit gratuity plan in India, government by the Payment of Gratuity Act, 1972. Entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at balance sheet date. The following table sets forth the status of the various defined benefit plans of the company and the amounts recognised in the Balance Sheet and Statement of Profit and Loss.

Amounts recognized in the Balance Sheet are as follows:

Particulars	As at December 31, 2017	As at December 31, 2016
Present value of funded obligation	84.15	88.51
Less: Fair value of plan assets	(22.11)	(22.03)
Net liability	62.04	66.48

Amount recognised in Statement of Profit and Loss (recognised in employee benefits expense):

Particulars	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Current service cost	6.36	5.26
Interest cost	4.15	3.67
Total	10.51	8.93

Amount recognised in other comprehensive income:

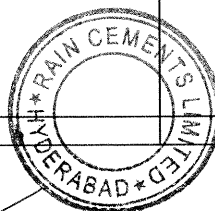
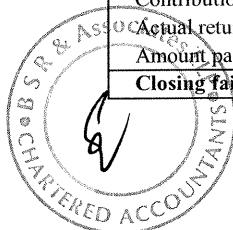
Particulars	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Actuarial loss/(gain) on remeasurement of defined benefit obligation:		
Actuarial (gain)/ loss arising from change in financial assumptions	(5.04)	6.90
Actuarial (gain)/ loss arising on account of experience changes	(5.25)	4.95
Actuarial gain/(loss) on remeasurement of planned asset:		
Actual return on plan assets less interest on plan assets	0.75	-
Total gain/(loss)	(9.54)	11.85

Reconciliation of opening and closing balances of the present value of the obligations:

Particulars	As at December 31, 2017	As at December 31, 2016
Opening defined benefit obligation	88.51	71.43
Current service cost	6.36	5.26
Interest Cost	5.49	5.19
Actuarial loss/(gain)	(10.29)	11.85
Amount paid to employees	(5.91)	(5.22)
Closing defined benefit obligation	84.15	88.51

Reconciliation of opening and closing balances of the fair value of plan assets:

Particulars	As at December 31, 2017	As at December 31, 2016
Opening fair value of plan assets	22.03	20.62
Expected return on plan assets	1.33	1.52
Contribution by employer	5.41	4.50
Actual return on plan assets	(0.75)	0.60
Amount paid to employees	(5.91)	(5.22)
Closing fair value of plan assets	22.11	22.03



41 Employee Benefit (Continued)

The details of investments in plan assets are as follows:

Particulars	As at December 31, 2017	As at December 31, 2016
Life Insurance Corporation of India	100%	100%

Principal Actuarial assumptions used:

Particulars	As at December 31, 2017	As at December 31, 2016
Discount rates on benefit obligations	7.55%	6.65%
Expected salary increase rates	6.00%	6.00%

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts for the year ended December 31, 2017 shown below:

Particulars	Increase	Decrease
Discount rate (50 bps on DBO)	(2.58)	2.74
Future salary growth (50 bps on DBO)	2.58	(2.46)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts for the year ended December 31, 2016 shown below:

Particulars	Increase	Decrease
Discount rate (50 bps on DBO)	(2.71)	2.88
Future salary growth (50 bps on DBO)	2.71	(2.58)

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investments of the Funds during the estimated term of the obligations. The principal actuarial assumptions used for the computation of defined plan are also used for the computation of compensated absences of long term benefit.

The expected contribution payable to the plan next year is Rs 8.00

As at December 31, 2017 the weighted average duration of the defined benefit obligation is 6.30 years.

c) Compensated absences

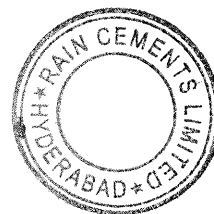
The company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per company policy. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.

The following table sets forth the status of the compensated absences:

Particulars	As at December 31, 2017	As at December 31, 2016
Net Liability :		
- Current	7.90	3.11
- Non Current	26.60	20.43
	34.50	23.54



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Rain Cements Limited

Notes forming part of the consolidated financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 42: Related Party Disclosures

a) Names of related parties and description of relationship

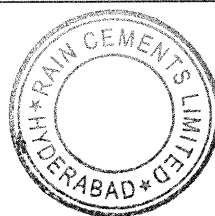
(i)	Holding Company	Rain Industries Limited (RIL)
(ii)	Subsidiaries	Renuka Cement Limited (RenCL) Moonglow Company Business Inc, (Moonglow) (Merged with RIL with effect from 19 November 2016)
(iii)	Associate	Rain Coke Limited (Rcoke)
(iv)	Entities Under Common Control	Rain CII Carbon (Vizag) Limited (RCCVL) Rain Commodities USA Inc. (RCUSA) Pragna Priya Foundations (PPF)
(v)	Enterprise where key managerial personnel along with their relatives exercise significant influence	Rain Enterprises Private Limited (REPL) Nivee Property Developers Pvt Ltd (NPDPL) Arunachala Logistics Pvt Limited (ALPL)
(vi)	Key Managerial Personnel	Mr. N. Radhakrishna Reddy - Chairman Mr. N. Sujith Kumar Reddy - Managing Director Mr. N. Jagan Mohan Reddy - Director Mr. K. Saipavan - Company Secretary Mr. G.N.V.S.R.R.Kumar - Chief Financial Officer
(vii)	Non-executive directors	Ms. Nirmala Reddy- Independent Director Mr. G. Krishna Prasad - Independent Director

b) Transactions with related parties:

Particulars	Year ended December 31, 2017	Year ended December 31, 2016
Purchases and services (net of reimbursements) from:		
1. Rain CII Carbon Vizag Ltd- Purchase of power	110.27	163.27
2. Rain CII Carbon Vizag Ltd-Purchase of Petcoke	26.63	17.75
3. Rain Industries Limited - Shared Services Expenses	75.75	59.95
4. Rain Industries Limited- Lease Rent	4.31	-
5. Rain Industries Limited- Reimbursement of Expenditure	-	0.47
6. Arunachala Logistics Pvt Ltd - Freight and Services	3,172.55	3,051.04
Sale of cement:		
1. Rain CII Carbon Vizag Ltd	5.60	5.28
2. Rain Entertainments Pvt Ltd	0.70	2.13
3. Pragna Priya Foundation	3.94	-
4. Nivee Property Developers Pvt Ltd	28.21	3.63
5. Arunachala Logistics Pvt Ltd	1.44	1.75
Other operating income:		
1. Arunachala Logistics Pvt Ltd - Rental Income	0.30	0.18
Managerial remuneration:		
(i) Short-term employee benefits		
a) Mr. N. Sujith Kumar Reddy	26.22	48.45
b) Mr. G.N.V.S.R.R.Kumar	5.80	5.61
c) Mr. K. Saipavan	0.61	0.60
(ii) Post-employment benefits		
*Refer note below		
Dividend paid:		
Rain industries Limited	12.22	268.25
Corporate guarantee (released)/ given on behalf of		
1. Rain Industries Limited	(1,284.34)	2,044.70
2. Rain Commodities USA Inc.	(1,494.90)	-
Subscription of Investments:		
1. Renuka Cements Limited	9.01	-
2. Rain Coke Limited	-	156.77
Donations given:		
Pragya Priya Foundation	7.38	10.21
Remuneration to Independent Directors (Sitting fees):		
1. Ms. Nirmala Reddy	0.31	0.34
2. Mr. G. Krishna Prasad	0.31	0.34



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Note 42: Related Party Disclosures (continued)

* The managerial personnel are covered by the Company's gratuity policy, personal accident insurance policy, mediclaim insurance policy taken and are eligible for leave encashment along with other employees of the Company. The proportionate premium paid towards these policies and provision made for leave encashment pertaining to the managerial personnel has not been included in the aforementioned disclosures as these are not determined on an individual basis.

Also refer to Note 46(3)(2) for details of scheme of arrangement between Moonglow Company Business Inc., Rain Industries Limited, Rain Cements Limited and their respective Shareholders and Creditors in terms of the relevant provisions of Companies Act, 1956/ Companies Act, 2013, for amalgamation of Moonglow Company Business Inc., with Rain Industries Limited during the previous year.

The Group has the following dues from / to related parties:

Particulars	As at December 31, 2017	As at December 31, 2016
Amounts receivable from:		
a) Rain Entertainments Pvt Ltd	0.11	0.19
b) Pragnya Priya Foundation	0.29	-
c) Nivee Property Developers Pvt Ltd	7.90	-
Amounts payable to:		
a) Arunachala Logistics Pvt. Limited	9.68	51.84
b) Mr. N. Sujith Kumar Reddy	5.00	12.50
Corporate guarantee given on behalf of:		
a) Rain Industries Limited	1,917.90	3,397.50
b) Rain Commodities USA Inc.	-	1,494.90

Terms and conditions of transactions with related parties:

All transactions with these related parties are priced on an arm's length basis and resulting outstanding balances are to be settled in case within 60 days of the reporting date. None of the balance is secured.

Note 43: Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

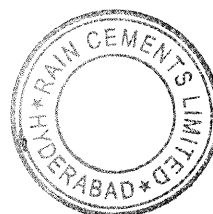
The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Company monitors capital using a ratio of 'Net debt' to 'equity'. For this purpose, adjusted net debt is defined as total interest-bearing loans and borrowings less cash and cash equivalents. The Company's Net debt to equity ratio is as follows.

Particulars	As at		
	December 31, 2017	December 31, 2016	January 01, 2016
Total borrowings, net of cash and cash equivalents	577.98	620.73	485.35
Total equity attributable to the equity shareholders of the company	3,860.48	3,494.06	3,345.38
Net debt to equity ratio	0.15	0.18	0.15

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 44: Financial value measurements:

The following table shows the financial instruments by category carrying and fair value hierarchy:

As at December 31, 2017:

Particulars	Financial instruments by category			Fair value hierarchy		
	Amortised cost	FVTPL	Total	Level 1	Level 2	Level 3
Financial assets:						
Investments	243.42	26.19	269.61	10.19	-	16.00
Loans	238.85	-	238.85	-	-	-
Trade receivables	112.63	-	112.63	-	-	-
Cash and cash equivalents	144.00	-	144.00	-	-	-
Bank balances other than above	1,379.11	-	1,379.11	-	-	-
Other financial assets	39.14	-	39.14	-	-	-
	2,157.15	26.19	2,183.34	10.19	-	16.00
Financial liabilities						
Borrowings (including current maturities)	721.98	-	721.98	-	-	-
Trade payables	741.54	-	741.54	-	-	-
Other financial liabilities (excluding current maturities of long-term borrowings)	727.66	-	727.66	-	-	-
	2,191.18	-	2,191.18	-	-	-

As at December 31, 2016:

Particulars	Financial instruments by category			Fair value hierarchy		
	Amortised cost	FVTPL	Total	Level 1	Level 2	Level 3
Financial assets:						
Investments	234.40	16.19	250.59	0.19	-	16.00
Loans	240.04	-	240.04	-	-	-
Trade receivables	44.30	-	44.30	-	-	-
Cash and cash equivalents	137.19	-	137.19	-	-	-
Bank balances other than above	1,010.32	-	1,010.32	-	-	-
Other financial assets	28.42	-	28.42	-	-	-
	1,694.67	16.19	1,710.86	0.19	-	16.00
Financial liabilities						
Borrowings (including current maturities)	757.92	-	757.92	-	-	-
Trade payables	755.18	-	755.18	-	-	-
Other financial liabilities (excluding current maturities of long-term borrowings)	566.70	-	566.70	-	-	-
	2,079.80	-	2,079.80	-	-	-

As at January 1, 2016:

Particulars	Financial instruments by category			Fair value hierarchy		
	Amortised cost	FVTPL	Total	Level 1	Level 2	Level 3
Financial assets:						
Investments	77.63	152.83	230.46	136.83	-	16.00
Loans	269.67	-	269.67	-	-	-
Trade receivables	2.06	-	2.06	-	-	-
Cash and cash equivalents	321.21	-	321.21	-	-	-
Bank balances other than above	772.99	-	772.99	-	-	-
Other financial assets	182.55	-	182.55	-	-	-
	1,626.11	152.83	1,778.94	136.83	-	16.00
Financial liabilities						
Borrowings (including current maturities)	806.56	-	806.56	-	-	-
Trade payables	958.81	-	958.81	-	-	-
Other financial liabilities (excluding current maturities of long-term borrowings)	591.85	-	591.85	-	-	-
	2,357.22	-	2,357.22	-	-	-

Note:

The carrying amounts of Non-current investments, trade receivables, loan receivable, cash and cash equivalents, bank balances, trade payables and other financial assets and liabilities are considered to be the same as their face values.

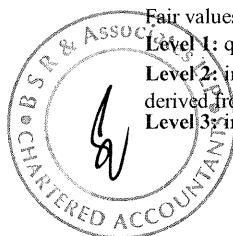
Measurement of fair values:

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

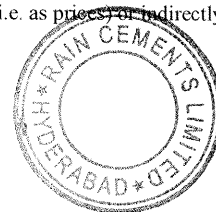
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. The mutual funds are valued using the closing NAV.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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Rain Cements Limited**Notes forming part of the financial statements (continued)**

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 45: Financial Risk Management

The Company has put in place risk management systems as applicable to the respective operations. The following explains the objective and processes of the of the Company. The Company has a system based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk:

Credit risk is the risk of financial loss arising from counter-party failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks and arises primarily from trade receivables, investments, and balances with banks. The maximum exposure to credit risk is equal to the carrying value of these financial assets.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The Company has a policy of dealing only with credit worthy counter parties and obtaining sufficient collateral, where appropriate as a means of mitigating the risk of financial loss from defaults.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company limits its exposure to credit risk arising from trade receivable by establishing a maximum credit period of 21 days. Moreover, the receivables balance is backed by an appropriate amount of deposit collected from each customers and the Company transfers some portion of the discount to the security deposit of the customer which will be paid at the time of termination of the contract or discontinuance of business. The default in collection as a percentage of total receivable is very low.

The age wise break up of trade receivables, net of allowances is given below:

Particulars	31-Dec-17	31-Dec-16	01-Jan-16
Receivables that are neither past due nor impaired	70.94	110.00	109.70
Receivables that are past due but not impaired:			
Past due 0-30 days	15.39	10.75	8.09
Past due 31-60 days	25.49	17.21	9.67
Past due 61-90 days	8.41	5.93	4.38
Past due over 90 days	68.94	44.47	59.39
	118.23	78.36	81.53
Gross receivables	189.17	188.36	191.23
Credit impaired			
Loss allowance	(21.64)	(19.18)	(18.41)
Net receivables before credit notes	167.53	169.18	172.82

No single customer accounted for more than 10% of the trade receivable as of December 31, 2017, 31 December 2016 and January 01, 2016. There is no significant concentration of credit risk.

Investments

The Company limits its exposure to credit risk by generally investing in subsidiaries and liquid securities. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

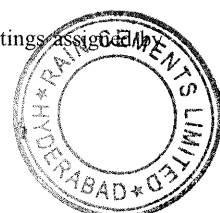
Balances with banks

Cash and cash equivalents (including bank balances, fixed deposits and margin money with banks):

Credit risk on cash and cash equivalent is limited as the Company generally transacts with banks with high credit ratings assigned by international and domestic credit rating agencies.



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Rain Cements Limited**Notes forming part of the financial statements (continued)**

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 45: Financial Risk Management (continued)**Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation. The Company's treasury department is responsible for liquidity and funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables). The Company also monitors the level of expected cash inflows on trade receivables and loans together with expected cash outflows on trade payables and other financial liabilities.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payment and excludes impact of netting arrangements (if any):

As at December 31, 2017

Particulars	Carrying value	Contractual cash flows				
		Less than 1 year	1-2 years	3-5 years	6-10 years	Total
Financial liabilities						
Borrowings (including current maturities)	721.98	59.52	54.10	320.37	287.99	721.98
Trade payables	741.54	741.54	-	-	-	741.54
Other financial liabilities (excluding current maturities of long-term borrowings)	727.66	444.26	283.40	-	-	727.66
Total	2,191.18	1,245.32	337.50	320.37	287.99	2,191.18

As at December 31, 2016

Particulars	Carrying value	Contractual cash flows				
		Less than 1 year	1-2 years	3-5 years	6-10 years	Total
Financial liabilities						
Borrowings (including current maturities)	757.92	28.86	59.52	235.58	433.96	757.92
Trade payables	755.18	755.18	-	-	-	755.18
Other financial liabilities (excluding current maturities of long-term borrowings)	566.70	302.30	-	264.40	-	566.70
Total	2,079.80	1,086.34	59.52	499.98	433.96	2,079.80

Market risk:

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

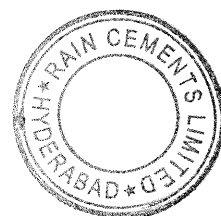
Currency risk is the risk arising on account of mismatch between the currencies in which the financial instruments are denominated and the functional currency of the Company. The Company's exposure to currency risk is negligible as the Company does not have any transactions which is denominated in currency other than its functional currency except certain coal imports during the year. There are no hedged or unhedged foreign currency receivable/ payables as at balance sheet dates and all the assets of the Company are located in India.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is nil as the Company does not have any financial asset or liability which is at variable rate on interest.



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 46: Explanation to transition to Ind AS

As stated in Note 2, these are the Companies first financial statements prepared in accordance with Ind AS. For the year ended 31 December 2016, the Company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous Indian GAAP').

The accounting policies set out in Note 2 have been applied in preparing these financial statements for the year ended December 31, 2017 including the comparative information for the year ended December 31, 2016 and the opening Ind AS balance sheet on the date of transition i.e. January 1, 2016.

In preparing its Ind AS balance sheet as at 1 January 2016 and in presenting the comparative information for the year ended 31 December 2016, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Indian GAAP. This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with previous Indian GAAP, and how the transition from previous Indian GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

A. Optional exemptions availed

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

1) Deemed cost for property plant and equipment and intangible assets:

Ind AS 101 permits a first-time adopter to continue with the carrying value for all its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making the necessary adjustments for the de-commissioning liabilities. This exemption can also be used for intangible assets covered by the Ind AS 38 intangible assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

2) Business combinations:

Ind AS 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a specific date prior to the transition date. This provides relief from retrospective application that would require restatement of all business combination prior to the transition date. The Company elected to apply Ind AS 103 exemption for the business combination occurring prior to the transition date. Accordingly, business combinations occurring prior to the transition date have not been restated.

3) Investment in subsidiaries and associates

Ind AS 101 has option to measure the investments in subsidiaries, joint ventures and associates at cost in accordance with Ind AS 27 at either:

- (a) Fair value on date of transition; or
- (b) Previous gap carrying values

The Company has opted for fair value of investments in subsidiaries and associates as on the date of transition.

B. Mandatory exemptions

1) Estimates

On assessment of the estimates made under the previous Indian GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under Ind AS, as there is no objective evidence that those estimates were in error. However, estimates that were required under Ind AS but not required under previous Indian GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

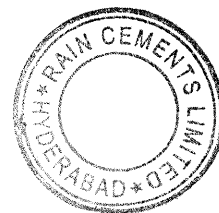
- Impairment of financial assets based on the expected credit loss model.
- Discounted value of liability for decommissioning cost.

2) Sales tax deferment

Under previous GAAP, interest free sales tax deferment loan was carried at cost. Under Ind AS, such interest free loans have been carried at previous GAAP amount at the date of transition.



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 46: Explanation to transition to Ind AS (continued)

3) Classification and measurement of financial assets

Ind AS 101 requires a first time adopter to apply the de-recognition provisions for Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows first time adopter to apply the derecognition requirements provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past Ind AS 101 retrospectively from the date of entity's choosing, transactions was obtained at the time of initially accounting for the transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS. Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exists at the date of transition to Ind AS.

Reconciliation of equity as reported under previous Indian GAAP and that computed under Ind AS:

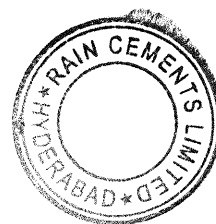
Particulars	As at January 01, 2016	As at December 31, 2016
Equity as per previous Indian GAAP	7,698.99	3,801.66
Adjustments:		
Site restoration liability (note 1)	(80.43)	(84.83)
Merger of Moonglow with holding company (note 2)	(4,015.29)	-
Fair value of investments (note 4)	(120.00)	(120.00)
Tax adjustments (note 6)	(138.97)	(102.77)
Others (note 4)	1.08	-
Equity as per Ind AS	3,345.38	3,494.06

Reconciliation between total comprehensive as reported under previous Indian GAAP and Ind AS for the year ended December 31, 2016:

Particulars	For the year ended December 31, 2016
Net profit under previous Indian GAAP	456.66
Adjustments:	
Reclassifications of net actuarial loss on defined obligation to other comprehensive income (note 3)	11.85
Provision for site restoration (note 1)	(4.40)
Tax adjustments (note 7)	32.09
Others	(1.08)
Profit for the year as per Ind AS	495.12
Other comprehensive income/(loss) (net of tax) as per Ind AS	(7.75)
Total comprehensive income as per Ind AS	487.37



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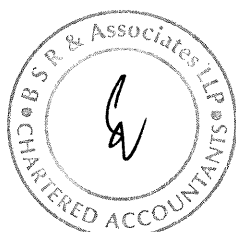
Note 46: Explanation to transition to Ind AS (continued)

Reconciliation between previous GAAP and Ind AS

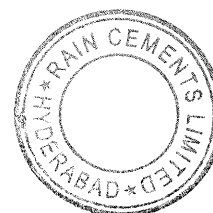
Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows from prior periods. The following tables represents the reconciliation from previous GAAP to Ind AS

Reconciliation of equity as at date of transition (January 01, 2016)

Particulars	Notes	Previous GAAP	Effect of transition to Ind AS	Ind AS
ASSETS				
1. Non-current assets				
(a) Property, plant and equipment		3747.95	-	3,747.95
(b) Capital work-in-progress		423.19	-	423.19
(c) Other intangible assets		1.37	-	1.37
(d) Financial assets				
(i) Investments	2,4	4229.06	(4,135.29)	93.77
(ii) Loans		258.24	-	258.24
(iii) Other financial assets		158.63	-	158.63
(e) Other tax assets (net)		150.50	-	150.50
(f) Other non-current assets		143.75	-	143.75
		9,112.69	(4,135.29)	4,977.40
2. Current assets				
(a) Inventories		838.63		838.63
(b) Financial assets				
(i) Investments	4	135.61	1.08	136.69
(ii) Trade receivables		2.06	-	2.06
(iii) Cash and cash equivalents		321.21	-	321.21
(iv) Bank balances other than cash and cash equivalents		772.99	-	772.99
(v) Loans		11.43	-	11.43
(vi) Other financial assets		23.92	-	23.92
(c) Other current assets		243.45	-	243.45
		2,349.30	1.08	2,350.38
Total		11,461.99	(4,134.21)	7,327.78
EQUITY AND LIABILITIES				
1. Equity				
(a) Equity share capital		298.05	-	298.05
(b) Other equity		7400.94	(4,353.61)	3,047.33
		7,698.99	(4,353.61)	3,345.38
2. Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings		759.46	-	759.46
(ii) Other financial liabilities		264.40		264.40
(b) Provisions	1	68.75	80.43	149.18
(c) Deferred tax liability (net)	7	477.74	138.97	616.71
(d) Other tax liabilities (net)		430.03	-	430.03
		2,000.38	219.40	2,219.78
Current liabilities				
(a) Financial liabilities				
(i) Trade payables		958.81	-	958.81
(ii) Other financial liabilities		374.55	-	374.55
(b) Provisions		8.44	-	8.44
(c) Other current liabilities		420.82	-	420.82
		1,762.62	-	1,762.62
TOTAL		11,461.99	(4,134.21)	7,327.78



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 46: Explanation to transition to Ind AS (continued)

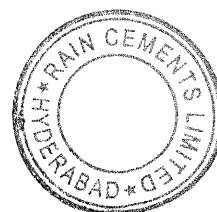
Reconciliation between previous GAAP and Ind AS (continued)

Reconciliation of equity as at December 31, 2016

Particulars	Notes	Previous GAAP	Effect of transition to Ind AS	Ind AS
ASSETS				
1. Non-current assets				
(a) Property, plant and equipment		4,100.65	-	4,100.65
(b) Capital work-in-progress		35.97	-	35.97
(c) Other intangible assets		1.68	-	1.68
(d) Financial assets				
(i) Investments	4	370.59	(120.00)	250.59
(ii) Loans		229.97	-	229.97
(iii) Other financial assets		4.60	-	4.60
(e) Other tax assets (net)		150.48	-	150.48
(f) Other non-current assets		54.37	-	54.37
		4,948.31	(120.00)	4,828.31
2. Current assets				
(a) Inventories		1067.55	-	1,067.55
(b) Financial assets				
(i) Investments		-	-	-
(ii) Trade receivables		44.30	-	44.30
(iii) Cash and cash equivalents		137.19	-	137.19
(iv) Bank balances other than cash and cash equivalents		1010.32	-	1,010.32
(v) Loans		10.07	-	10.07
(vi) Other financial assets		23.82	-	23.82
(c) Other current assets		170.40	-	170.40
		2,463.65	-	2,463.65
Total		7,411.96	(120.00)	7,291.96
EQUITY AND LIABILITIES				
1. Equity				
(a) Equity share capital		298.05	-	298.05
(b) Other equity		3,503.61	(307.60)	3,196.01
		3,801.66	(307.60)	3,494.06
2. Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings		729.06	-	729.06
(ii) Other financial liabilities		264.40	-	264.40
(b) Provisions	1	86.91	84.83	171.74
(c) Deferred tax liability (net)	6	586.52	102.77	689.29
(d) Other tax liabilities (net)		380.98	-	380.98
		2,047.87	187.60	2,235.47
Current liabilities				
(a) Financial liabilities				
(i) Trade payables		755.18	-	755.18
(ii) Other financial liabilities		331.16	-	331.16
(b) Provisions		3.11	-	3.11
(c) Other current liabilities		472.98	-	472.98
		1,562.43	-	1,562.43
TOTAL		7,411.96	(120.00)	7,291.96



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

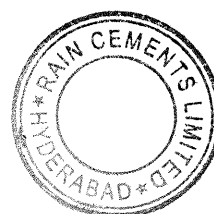
Note 46: Explanation to transition to Ind AS (continued)

Reconciliation of total comprehensive income for the year ended December 31, 2016

	Notes	Previous GAAP	Effect of transition to Ind AS	Ind AS
Income				
Revenue from operations	5	9,550.84	1,061.40	10,612.24
Other income		109.86	-	109.86
Total income		9,660.70	1,061.40	10,722.10
Expenses				
Cost of materials consumed	1	1,174.78	4.40	1,179.18
Purchases of stock-in-trade		3.27	-	3.27
Changes in inventories of finished goods and work-in-progress		(189.23)	-	(189.23)
Excise duty	5	-	1,566.82	1,566.82
Employee benefits expense	3	462.86	(11.85)	451.01
Finance costs		2.34	-	2.34
Depreciation and amortisation expense		425.02	-	425.02
Other expenses	5	7,026.23	(504.34)	6,521.89
Total expenses		8,905.27	1,055.03	9,960.30
Profit before tax		755.43	6.37	761.80
Tax expense / (benefit)				
1. Current tax		190.00	-	190.00
2. Deferred tax	6	108.77	(32.09)	76.68
		298.77	(32.09)	266.68
Profit for the year		456.66	38.46	495.12
Other Comprehensive Income/(loss)				
(i) Items that will not be reclassified to profit or loss				
(a) Remeasurement of defined benefit plans	3	-	(11.85)	(11.85)
(b) Income tax relating to Remeasurement as defined benefit plans	6	-	4.10	4.10
		-	(7.75)	(7.75)
(ii) Items that will be reclassified to profit or loss				
Income tax relating to items that will be reclassified to profit or loss		-	-	-
		-	-	-
Total Other Comprehensive Income/(loss) for the year		-	(7.75)	(7.75)
Total Comprehensive Income for the year		456.66	30.71	487.37



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Notes to Transition to Ind AS**1) Site restoration liability**

In line with the requirement of Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets, for creating a provision towards the costs of dismantling and removing the item of property, plant and equipment and restoring the site on which it is located at the time the item is acquired or constructed, Ind AS 16 requires that the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located should be included in the cost of the respective item of property, plant and equipment.

2) Merger of Moonglow with holding company

Moonglow Company Business Inc, a step down wholly owned subsidiary of Rain Industries Limited ("Ultimate Holding Company") and subsidiary of the Company, amalgamated with the Rain Industries Limited, with effect from April 1, 2015 ("the appointed date"). The Hon'ble High Court of Judicature at Hyderabad for the states of Telangana and Andhra Pradesh vide its order dated July 29, 2016 granted its approval for Scheme of Arrangement between Moonglow Company Business Inc. (Step down wholly owned subsidiary), Rain Industries Limited (Ultimate Holding Company), Rain Cements Limited (wholly owned subsidiary) and their respective Shareholders and Creditors in terms of the provisions of Section(s) 391 – 394 read with Section 78, 100 to 103 of the Companies Act, 1956/ Companies Act, 2013 for amalgamation of Moonglow Company Business Inc., with Rain Industries Limited. Since the Company, was wholly owned by Rain Industries Limited, no shares were exchanged to effect the amalgamation and the consideration is nil. The amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the Scheme.

Particulars	Amount
Assets	
Investments in Moonglow Company Business Inc.,	4,015.29
Less: Consideration received	-
	4,015.29
Adjusted to (as per scheme):	
Capital reserve	2,609.57
Securities premium	1,405.72

Since, the merger of Moonglow with holding Company fall under Ind AS 103 (Appendix C) deals with accounting for combination of entities or businesses under common control. As per Appendix C, Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative period presented. Accordingly, merger of Moonglow with holding company has accounted as the transfer of interest of the Company in Moonglow has happened on 1 January 2016.

3) Actuarial gain and loss

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes remeasurements of defined benefit plans. The concept of other comprehensive income did not exist under previous GAAP.

4) Fair value of investments

Under the previous GAAP, non-current investments in subsidiaries and associates were carried at cost less provision for other than temporary decline in the value of such investments. The Company has opted for fair value of investments as the cost of investments on the date of transition. The Company has performed the fair valuation exercise and accounted for the difference between fair value and carrying value as on transition date. Accordingly non-current investments has decreased by Rs. 120 as at 1 January 2016 and Rs. 120.00 as at 31 December 2017.

The Company has fair valued its current investment in accordance with Ind AS.

5) Adjustments to Revenue and other expenses**Revenue**

Particulars	For the year ended December 31, 2016
Revenue from operations as per Previous GAAP	9,550.84
Add excise duty	1,566.82
(Less) Discounts	(505.42)
Revenue from operations as per IND AS	10,612.24

Other expenses

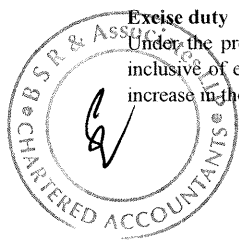
Particulars	For the year ended December 31, 2016
Other expenses as per Previous GAAP	7,026.23
Less discounts	(505.42)
Less: Reversal fair valuation gain on disposal of current investments	1.08
Other Expenses as per IND AS	6,521.89

Discounts

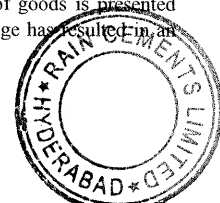
Under the previous GAAP scheme based discounts amounting to Rs.505.42 million were grouped under other expenses, however, under Ind AS, these expenses are netted off against sale of goods. There is no impact on the total equity and profit.

Excise duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in the revenue from operation and expenses for the year ended 31 December 2016. There is no impact on the total equity and profit.



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Rain Cements Limited

Notes forming part of the financial statements (continued)

All amounts are in Indian Rupees Millions, except share data and where otherwise stated

Note 46: Explanation to transition to Ind AS (continued)

6) **Tax:** Tax adjustments include deferred tax impact on account of differences between previous Indian GAAP and Ind AS and deferred tax on land indexation.

7) **Cash flow statement:** The transaction from previous Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

Note 47: Segment reporting

The Company's operations predominantly consist of manufacture and sale of cement. Hence there are no reportable segments under Ind AS 108. During the year under report, substantial part of the Company's business has been carried out in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

Note 48: Guarantees given to related parties

Disclosure of Corporate guarantees given as per provisions of Section 186(4) of the Companies Act 2013

a) Guarantees on behalf of Rain Industries Limited

Particulars	As at December 31,	
	2017	2016
(a) As at the beginning of the financial year	3,397.50	3,979.80
(b) Given during the financial year	-	2,044.70
(c) Repaid during the financial year	(1,284.34)	(2,653.20)
(d) Foreign exchange (gain)/ loss	(195.26)	26.20
(e) As at the end of the financial year (restated at closing rate)	1,917.90	3,397.50

a) Guarantees on behalf of Rain Commodities (USA) Inc.

Particulars	As at December 31,	
	2017	2016
(a) As at the beginning of the financial year	1,494.90	1,459.26
(b) Given during the financial year	-	-
(c) Repaid during the financial year	(1,494.90)	-
(d) Foreign exchange (gain)/ loss	-	35.64
(e) As at the end of the financial year (restated at closing rate)	-	1,494.90

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

Firm registration number: 116231W/ W-100024



Sriram Mahalingam

Partner

Membership number: 049642

For and on behalf of the Board of Directors

Rain Cements Limited

CIN: U23209TG1999PLC031631



Sujith Kumar Reddy, Nellore

Managing Director

DIN: 00022383



Jagan Mohan Reddy, Nellore

Director

DIN: 00017633



G.N.V.S.R.R. Kumar

Chief Financial Officer

M.No.204139



K. Saipavan

Company Secretary

M. No. A31986

Place: Hyderabad

Date: February 26, 2018

Place: Hyderabad

Date: February 26, 2018

