



RAIN INDUSTRIES LIMITED

RIL/SEs/2018

May 11, 2018

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

Sub: Press Release on the Unaudited Financial Results for the first quarter ended on March 31, 2018 –Reg.

Ref : Scrip Code: 500339 (BSE) and Scrip code : RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith the Press Release on the Unaudited Financial Results (Standalone, Consolidated and Segment) for the first quarter ended on March 31, 2018.

This is for your kind information and record.

Thanking you,

Yours faithfully,
for Rain Industries Limited

S. Venkat Ramana Reddy
Company Secretary



RAIN INDUSTRIES LIMITED

Press Release

May 11, 2018

Results for the first quarter ended March 31, 2018

RAIN INDUSTRIES LIMITED ("RAIN" / "the Company") reported its Unaudited financial results for the quarter ended March 31, 2018.

Financial Highlights for Q1 CY18

- Revenue from Operations is ₹ 33.1 billion and Adjusted EBITDA is ₹ 6.6 billion.
- Adjusted Net Profit After Tax is ₹ 2.5 billion and Adjusted Earnings Per Share is ₹ 7.5.
- Strong Cash of ₹ 6.6 billion to fund Capex projects and meet debt obligations in the near-term.

Financial Performance

₹ in Millions

Particulars	Q1 CY18	Q4 CY17	Q1 CY17	CY17
Net Revenue	32,911	31,245	25,226	113,919
Other Operating Income	151	203	123	552
Revenue from Operations	33,062	31,448	25,349	114,471
Adjusted EBITDA	6,621	6,872	4,414	22,702
<i>Adjusted EBITDA Margin</i>	<i>20.0%</i>	<i>21.9%</i>	<i>17.4%</i>	<i>19.8%</i>
Profit before share of profit of associates, exceptional items and tax	4,060	4,345	1,717	12,633
Exceptional Items	-	1,133	670	1,803
Share of Profit of Associates	-	9	-	9
Profit Before Tax	4,060	3,221	1,047	10,839
Tax Expense, including Exceptional Tax Benefit in Q4 CY17	1,403	37	400	2,918
Non-controlling Interest	145	112	55	285
Net Profit After Tax	2,512	3,072	592	7,636
Adjusted Net Profit After Tax	2,512	2,977	1,028	7,977
Adjusted Earnings Per Share in (₹)*	7.5	8.9	3.1	23.7

*Quarterly EPS is not annualized.



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SEGMENT WISE - FINANCIAL PERFORMANCE

CARBON PRODUCTS

Particulars	Q1 CY18	Q4 CY17	Q1 CY17	CY17	Variance Q1 CY18 vs Q4 CY17	Variance Q1 CY18 vs Q1 CY17
(a) Sales Volumes ⁽¹⁾ (In '000 MTs)						
- Calcined Petroleum Coke (CPC)	389	430	411	1,741	-9.5%	-5.4%
- Coal Tar Pitch (CTP)	133	122	127	512	9.0%	4.7%
- Other Carbon Products	140	127	142	543	10.2%	-1.4%
TOTAL	662	679	680	2,796	-2.5%	-2.6%
(b) Net Revenue ⁽¹⁾ (₹ in Millions)						
- Calcined Petroleum Coke (CPC)	10,420	11,528	7,138	37,225	-9.6%	46.0%
- Coal Tar Pitch (CTP)	7,466	5,286	3,409	17,643	41.2%	119.0%
- Other Carbon Products	4,313	3,896	3,871	15,153	10.7%	11.4%
- Energy	571	589	506	2,184	-3.1%	12.8%
TOTAL	22,770	21,299	14,924	72,205	6.9%	52.6%
(c) Adjusted EBITDA ⁽²⁾ (₹)	5,524	5,726	2,759	16,451	-3.5%	100.2%
(d) Adjusted EBITDA Margin	24.3%	26.9%	18.5%	22.8%	-2.6%	5.8%

Notes:

(1) Net of inter-company sales.

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



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ADVANCED MATERIALS

Particulars	Q1 CY18	Q4 CY17	Q1 CY17	CY17	Variance Q1 CY18 vs Q4 CY17	Variance Q1 CY18 vs Q1 CY17
(a) Sales Volumes ⁽¹⁾ (In '000 MTs)						
- Engineered Products	13	16	15	93	-18.8%	-13.3%
- Petro Chemical Intermediates	39	43	42	167	-9.3%	-7.1%
- Naphthalene Derivates	31	28	31	123	10.7%	0.0%
- Resins	27	31	27	109	-12.9%	0.0%
TOTAL	110	118	115	492	-6.8%	-4.3%
(b) Net Revenue ⁽¹⁾ (₹ in Millions)						
- Engineered Products	1,062	1,052	811	4,910	1.0%	30.9%
- Petro Chemical Intermediates	1,711	1,906	2,065	7,361	-10.2%	-17.1%
- Naphthalene Derivates	1,836	1,683	1,843	7,334	9.1%	-0.4%
- Resins	3,222	3,181	3,036	12,430	1.3%	6.1%
TOTAL	7,831	7,822	7,755	32,035	0.1%	1.0%
(c) Adjusted EBITDA ⁽²⁾ (₹ in Millions)	908	884	1,531	5,385	2.7%	-40.7%
(d) Adjusted EBITDA Margin	11.6%	11.3%	19.7%	16.8%	0.3%	-8.1%

CEMENT

Particulars	Q1 CY18	Q4 CY17	Q1 CY17	CY17	Variance Q1 CY18 vs Q4 CY17	Variance Q1 CY18 vs Q1 CY17
(a) Sales Volumes (In '000 MTs)	558	509	535	2,104	9.6%	4.3%
(b) Net Revenue (₹ in Millions)	2,310	2,124	2,547	9,679	8.8%	-9.3%
(c) EBITDA ⁽²⁾ (₹ in Millions)	189	262	124	866	-27.9%	52.4%
(d) EBITDA Margin (%)	8.2%	12.3%	4.9%	8.9%	-4.1%	3.3%

Notes:

(1) Net of inter-company sales.

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



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Corporate Highlights

Revision of Business Segments

- Consequent to the functional integration of RAIN businesses over past years, the Company has redesigned the way its product portfolio and resources are managed and how they are aligned for internal reporting to the Chief Executive Officer of RAIN. Marketing of the products has been switched from a site- and product-based model to a market-specific approach, which allows the team to optimize the marketing efforts and segregate its products produced from value-added processes.
- This structural change reflects the business rationale of the Company to align products along their major value chains (raw material to end-product) while increasing focus on value-added processes that are meaningful contributors to the Company's earnings. The resulting segments are Carbon, Cement and Advanced Materials.
- This change is effective January 1, 2018, and as expected from an Advanced Materials producer, the transition should stimulate new strategic initiatives to further improve the overall performance of the Company. Accordingly, Management has presented segment reporting under the new structure for the quarter ended March 31, 2018 and for the comparative prior periods.

Hydrogenated HydroCarbon Resin (HHCR), Castrop-Rauxel, Germany

- In order to participate in the anticipated rapid growth of water-white resins for adhesive applications and to further expand and diversify its Advanced Materials business segment, RAIN plans to invest in a 30,000 tons p.a. plant for Dicyclopentadiene ("DCPD")/C9 resin polymerization and hydrogenation plant at its integrated coal and petrochemical site in Castrop-Rauxel, Germany. This plant will produce various HHCR products with full flexibility of operations using special proprietary and patented technology of RAIN.
- The Company believes that hydrogenation is the next step for hydrocarbon resin producers, to satisfy evolving regulatory requirements and demand by consumer- and industrial-goods manufacturers for cleaner and safer raw materials. The Company is seeing particularly high demand for white-water resins from the producers of food packaging and sanitary products.
- The Castrop-Rauxel site should result in a more competitive and economical plant than the previously considered site in Uithoorn, Netherlands, due to its full integration into RAIN's largest advanced-materials plant. Additionally, there is a scope to upgrade the capacity by further debottlenecking from 30,000 tons p.a. to 50,000 tons p.a. enabling further growth opportunities in the future.
- Project execution commenced in CY17, and HHCR production is estimated to begin in CY19. The total estimated CAPEX for this project is US\$ 66 million.

Vertical Shaft Technology-Based Calcination Plant, Vishakhapatnam, Andhra Pradesh, India

- During CY17, RAIN announced plans to invest in a 370,000 tons p.a. calcination plant that would enable it to meet growing CPC demand in Asia and the Middle East regions. Unlike its existing plants, the new plant will be based on vertical shaft technology that will enable



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production of high-density CPC with savings in energy consumption. The total estimated CAPEX for this project is US\$ 65 million. The project execution commenced in CY17 and all the requisite permissions are obtained. Further, detailed engineering, land acquisition, site clearance work and finalization of contractors is done. The new calcining facility is estimated to commence operations in Q3 CY19.

Debottlenecking of Petro Tar Distillation Facilities at Belgium, Germany and Russia

- In order to maximize petro chemical production, RAIN initiated debottlenecking of its Petro chemical distillation facilities at Belgium, Germany and Russia in CY17 with a total estimated CAPEX of US\$ 8 million. The project execution is in line with the scheduled execution planned is estimated to commence operations in Q4 CY18.

Financial Performance Review and Analysis – Q1 CY18 vs Q1 CY17

- Net Revenue of ₹32.9 billion during Q1 CY18, an increase of ~30.5% compared to ₹25.2 billion during Q1 CY17.
 - Carbon Products sales volumes during Q1 CY18 were 662 thousand metric tons, a decrease of ~2.6% compared to 680 thousand metric tons in Q1 CY17. The decrease is mainly due to lower sales volumes in CPC by ~5.4%. Prolonged negotiations with customers due to higher import duties enacted from January 5, 2018 in India resulted in lower volumes of CPC during Q1 CY18. In addition, there is a marginal decrease in Other Carbon products sales volumes by ~1.4%. On a positive note, there is an increase in CTP sales volume by 4.7% due to increase in demand and capacity utilization. During Q1 CY18, the average blended realization increased by ~56.7% after considering the unfavorable impact from the depreciation of the US Dollar by ~4.0%, which is offset by a favorable impact from the appreciation of the Euro by ~10.7% against the Indian Rupee. Overall, due to the aforesaid reasons, the revenue from Carbon Products segment increased by ~52.6% in Q1 CY18 as compared to Q1 CY17.
 - Advanced Materials sales volume during Q1 CY18 were 110 thousand metric tons, a decrease of ~4.3% compared to 115 thousand metric tons in Q1 CY17. There is a decrease in sales volumes by ~13.3% & ~7.1% in Engineered Products and Petro Chemical Intermediates respectively in Q1 CY18 compared to Q1 CY17. Sales volumes remained constant in Naphthalene Derivates and Resins during Q1 CY18 compared to Q1 CY17. During Q1 CY18, the average blended realization increased by ~5.6% along with the favorable impact from the appreciation of the Euro against the Indian Rupee by ~10.7%. Due to the aforesaid reasons, the revenue from Advanced Materials business increased by ~1.0% during Q1 CY18 as compared to Q1 CY17.
 - Cement sales realizations decreased by ~13.0% during Q1 CY18 as compared to Q1 CY17, and it is partly offset by the increase in volumes by ~4.3%. Due to these reasons, the revenue from Cement business decreased by ~9.3%. During Q1 CY18, there is ~10.5% increase in sales volume from Andhra Pradesh, Telangana, Kerala and Odisha, partially offset by ~6.2% lower volumes in Tamil Nadu, Karnataka, Maharashtra, Goa and Pondicherry when compared to Q1 CY17.
- During Q1 CY18, Adjusted EBITDA in the Carbon Products segment increased by ₹ 2.8 billion due to higher sales volumes from CTP, coupled with improved realizations of all Carbon Products. Adjusted EBITDA in the Advanced Materials segment decreased by ~40.7% due to an increase in



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operating expenses and higher raw material quotations resulting from the appreciation of the Euro. Adjusted EBITDA from the Cement segment increased by ~52.4%, due to increased volumes and savings in operating cost.

- Adjusted EBITDA for RAIN in Q1 CY18 is ₹6.6 billion, an increase of ~50.0% compared to Adjusted EBITDA of ₹4.4 billion achieved during Q1 CY17. The increase is mainly due to change in product mix, improved realizations, higher capacity utilizations and cost optimizations.
- During Q1 CY18, the Company has a Foreign Exchange Loss of ₹212 million, as compared to a gain of ₹142 million in Q1 CY17. The loss is mainly due to repayment of Euro-denominated bonds during January 2018 and realization / restatement of trade receivables due to appreciation of the Euro against US dollar.
- Finance cost during Q1 CY18 decreased by ~23,2% compared to Q1 CY17 due to the savings in interest expenses resulting from refinancing of fixed coupon bearing High Yield Bonds averaging ~8.25% rate of interest with a LIBOR-linked, Euro-denominated Term Loan B in January 2018 with an effective rate of Interest of 3%.
- Consolidated effective tax rate is lower due to the reduction in corporate tax rates in the USA and Belgium from January 1, 2018.
- Stable performance in the Indian Rupee terms continued, in spite of the depreciation of the US Dollar against the Indian Rupee by ~4.0% with a partial offset from the appreciation of the Euro against the Indian Rupee by ~10.7%. The Adjusted Net Profit during Q1 CY18 is ₹2.5 billion as compared to Adjusted Net Profit of ₹1.0 billion during Q1 CY17.
- The Company achieved an Adjusted EPS of ₹7.5 during Q1 CY18 as compared to Adjusted EPS of ₹3.1 during Q1 CY17.



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Debt Analysis

As at March 31, 2018, the Company has a Gross Debt of US\$ 1,155 million (including Working Capital Debt of US\$ 53 million), Cash & Cash Equivalents of US\$ 101 million, Unamortized Deferred Finance Cost of US\$ 20 million and Net Debt of US\$ 1,034 million.

(US\$⁽¹⁾ in Million)

Particulars	As on Mar. 31, 2018	As on Dec. 31, 2017	Repayment Terms
Senior Secured Notes:-			
- 8.25% USD Denominated	-	247	Repaid in January 2018
- 8.50% Euro Denominated ²	-	242	Repaid in January 2018
- 7.25% USD Denominated	550	550	Matures in April 2025
Euro Term Loan B	483	-	Matures in January 2025
Senior Bank Debt	50	50	Floating Rate - Instalments up to March 2022
Sales Tax Deferment	11	11	Interest Free - Instalments up to 2025
Loan from JV Partners	1	2	Fixed Rates - Unsecured loans
Other Debt	7	6	Fixed Rates - Finance leases
Gross Term Debt	1,102	1,108	
Add: Working Capital Debt	53	50	
Gross Debt	1,155	1,158	
Less: Cash & Cash Equivalents	101	147	
Less: Deferred Finance Cost	20	12	
Net Debt	1,034	999	

Notes:

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

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

Working Capital debt has increased due to increase in Net working capital from US\$ 396 million as at December 31, 2017 to US\$ 419 million as at March 31, 2018, resulting from higher market quotations.

With the existing Cash and Cash Equivalents of US\$ 101 million, coupled with undrawn revolver facilities of US\$ 139 million, the Company is well placed to fund capex projects and meet debt servicing obligations in the near-term. The major debt repayments are scheduled to start in January 2025.



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Foreign Exchange Rates

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

Average Rate of Exchange	Q1 CY18	Q4 CY17	Q1 CY17	CY17	Variance Q1 CY18 Vs Q4 CY17	Variance Q1 CY18 Vs Q1 CY17
Indian Rupee / US Dollar	64.31	64.74	67.01	65.12	0.66%	4.03%
Indian Rupee / Euro	79.00	76.20	71.37	73.55	-3.67%	-10.69%
Russian Ruble / US Dollar	56.89	58.43	58.72	58.35	2.64%	3.12%
Canadian Dollar / Euro	1.55	1.50	1.41	1.46	-3.33%	-9.93%

Closing Rate of Exchange	Q1 CY18	Q4 CY17	Q1 CY17	CY17	Variance Q1 CY18 Vs Q4 CY17	Variance Q1 CY18 Vs Q1 CY17
Indian Rupee / US Dollar	65.04	63.93	64.84	63.93	-1.74%	-0.31%
Indian Rupee / Euro	80.62	76.39	69.25	76.39	-5.54%	-16.42%
Russian Ruble / US Dollar	57.54	57.86	56.41	57.86	0.55%	-2.00%
Canadian Dollar / Euro	1.59	1.50	1.43	1.50	-6.00%	-11.19%



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About RAIN:

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

For further information please contact:

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Safe Harbour: *Some of the statements made in this release that are not historical facts can be construed as forward-looking statements. These forward-looking statements include the RAIN's financial and growth projections as well as statements concerning its plans, strategies, intentions and beliefs concerning its business and the markets in which it operates. These statements are based on information currently available to RAIN, and are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors could cause results to materially differ from those stated. These factors include, but are not limited to, changes in laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates of countries with which RAIN does business; competitive pressures, the loss of one or more key customer or supplier relationships; customer insolvencies, successful integration of structural changes, including restructuring plans, acquisitions divestitures and alliances; cost and availability of raw materials; and other economic, business, competitive, regulatory and/or operational matters affecting the Company and its subsidiaries generally. RAIN assumes no obligation to update forward-looking statements and takes no responsibility for any consequence of decisions made based on such statements.*