RAIN INDUSTRIES LIMITED

Press Release **February 23, 2017**

Consolidated Results for the Fourth Quarter and Year Ended December 31, 2016

RAIN INDUSTRIES LIMITED (“RAIN” / “the Company”) reported its’ Consolidated Audited Financial Results for the Quarter and Year Ended December 31, 2016.

Consolidated Financial Highlights for CY 2016

- Income from Operations is ₹ 93.2 billion and Adjusted Operating Profit is ₹ 14.6 billion.
- Adjusted Net Profit After Tax is ₹ 3.4 billion and Adjusted Earnings Per Share is ₹ 9.96.
- Strong Cash Balance of ₹ 10.5 billion to meet debt obligations in the near-term.

Consolidated Financial Performance ₹ in Millions

Particulars	Q4 2016	Q4 2015	CY 2016	CY 2015
Net Revenue	23,610	23,511	92,597	101,718
Other Operating Income	221	130	567	467
Income from Operations	**23,831**	**23,641**	**93,164**	**102,185**
Adjusted Operating Profit (“Adj. EBITDA")	**4,082**	**2,183**	**14,597**	**13,492**
Adjusted Operating Profit Margin	*17.1%*	*9.2%*	*15.7%*	*13.2%*
Finance Cost	1,440	1,446	5,867	5,763
Other Income	53	182	736	499
Forex Gain	(175)	(75)	(342)	(96)
Depreciation and Amortization Expenses	927	841	3,461	3,278
Profit Before Tax and Exceptional Items	**1,943**	**153**	**5,287**	**5,046**
Exceptional Items	1,109	61	1,370	61
Profit Before Tax	**834**	**92**	**3,917**	**4,985**
Tax Expense	626	276	1,648	1,962
Net Profit / (Loss) Before Share of Profit of Associates and Minority Interest	**208**	**(184)**	**2,269**	**3,023**
Share of Profit / (Loss) of Associates and Minority Interest	19	108	(22)	210
Net Profit / (Loss)	**227**	**(76)**	**2,247**	**3,233**
Adjusted Net Profit / (Loss)	**947**	**(76)**	**3,351**	**3,233**
Earnings / (Loss) Per Share	0.67*	(0.23)*	6.68	9.61
Adjusted Earnings / (Loss) Per Share	2.82*	(0.23)*	9.96	9.61

** Not Annualized*

SEGMENT WISE - FINANCIAL PERFORMANCE

CARBON PRODUCTS

Particulars	Q4 2016	Q4 2015	CY 2016	CY 2015	Variance Q4 2016 Vs Q4 2015	Variance CY 2016 Vs CY 2015
(a) Sales Volumes [1] (In '000 MTs)						
- Calcined Petroleum Coke (CPC)	502	386	1,644	1,555	30.1%	5.7%
- Coal Tar Pitch (CTP)	130	106	528	472	22.6%	11.9%
- Other Carbon Products [2]	176	155	704	636	13.5%	10.7%
- Green Petroleum Coke (GPC)	25	234	116	551	-89.3%	-78.9%
TOTAL	**833**	**881**	**2,992**	**3,214**	**-5.4%**	**-6.9%**
(b) Net Revenue [3] (₹ in Millions)						
- Calcined Petroleum Coke (CPC)	7,727	6,914	26,066	28,981	11.8%	-10.1%
- Coal Tar Pitch (CTP)	3,262	3,240	13,596	13,445	0.7%	1.1%
- Other Carbon Products [2]	5,513	4,915	22,904	23,485	12.2%	-2.5%
- Green Petroleum Coke (GPC)	269	1,225	1,017	3,485	-78.0%	-70.8%
- Energy	548	599	2,428	2,418	-8.5%	0.4%
TOTAL	**17,319**	**16,893**	**66,011**	**71,814**	**2.5%**	**-8.1%**
(c) Adj. EBITDA [4] (₹ in Millions)	**3,310**	**1,437**	**11,452**	**9,981**	**130.3%**	**14.7%**
(d) Adj. EBITDA Margin	**19.1%**	**8.5%**	**17.3%**	**13.9%**	**10.6%**	**3.4%**

Notes:

(1) *Includes inter-company sales*

(2) *Other Carbon Products include other derivatives of Coal Tar distillation including but not limited to Creosote Oil, Carbon Black Oil, Phthalic Anhydride, Naphthalene, BTX and Carbores.*

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

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

CHEMICALS

Particulars	Q4 2016	Q4 2015	CY 2016	CY 2015	Variance Q4 2016 Vs Q4 2015	Variance CY 2016 Vs CY 2015
(a) Sales Volumes [1] (In '000 MTs)						
- Aromatic Chemicals	16	15	63	61	6.7%	3.3%
- Superplasticizers	15	15	60	61	-	-1.6%
- Resins & Modifiers	28	28	120	125	-	-4.0%
- Chemical Trading	9	13	40	69	-30.8%	-42.0%
TOTAL	**68**	**71**	**283**	**316**	**-4.2%**	**-10.4%**
(b) Net Revenue [2] (₹ in Millions)						
- Aromatic Chemicals	551	548	2,537	2,856	0.5%	-11.2%
- Superplasticizers	743	739	2,964	3,033	0.5%	-2.3%
- Resins & Modifiers	2,603	2,586	10,923	11,846	0.7%	-7.8%
- Chemical Trading	216	398	620	1,881	-45.7%	-67.0%
TOTAL	**4,113**	**4,271**	**17,044**	**19,616**	**-3.7%**	**-13.1%**
(c) Adj. EBITDA [3] (₹ in Millions)	**476**	**179**	**2,072**	**1,710**	**165.9%**	**21.2%**
(d) Adj. EBITDA Margin	**11.6%**	**4.2%**	**12.2%**	**8.7%**	**7.4%**	**3.5%**

CEMENT

Particulars	Q4 2016	Q4 2015	CY 2016	CY 2015	Variance Q4 2016 Vs Q4 2015	Variance CY 2016 Vs CY 2015
(a) Sales Volumes (In '000 MTs)	472	506	2,137	2,164	-6.7%	-1.2%
(b) Net Revenue (₹ in Millions)	2,178	2,347	9,542	10,288	-7.2%	-7.3%
(c) Adj. EBITDA (₹ in Millions)	296	567	1,073	1,801	-47.8%	-40.4%
(d) Adj. EBITDA Margin (%)	13.6%	24.2%	11.2%	17.5%	-10.6%	-6.3%

Notes:

(1) *Includes inter-company sales*

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

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

Corporate Highlights:

1. Coal Tar Distillation Plant at Cherepovets, Russia:

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

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

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

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

During CY16, the Company has increased the CPC Blending Facility to 1,000,000 metric tons per annum at its calcining plant in Vizag, India. The CPC Blending Facility in Vizag will enable the Company to blend CPC manufactured in Indian Plant with imported CPC to meet the increased demand for CPC from smelters in India and the surrounding regions.

4. Carbores III Reactor at Castrop-Rauxel, Germany:

During CY16, the Company has successfully completed the installation & commissioning of a third Carbores Reactor of 17000 tons per annum capacity in Germany which increases the existing Carbores capacity to 53,000 tons per annum. Carbores is an environmentally friendly pitch produced through a sophisticated manufacturing process and is currently used by steel manufacturers. This product further diversifies the Company to markets outside of the Aluminum Industry. The continuously increasing demand for this pitch is encouraging the capacity expansion seen over the last several years.

5. Plant Closure at Hanau, Germany:

The Company has an impregnated wood product manufacturing facility in Hanau, Germany ("Hanau Plant") that contributed revenues of € 3.10 million and negative operating profit of € 0.46 million during the year ended December 31, 2015. As wood impregnation is not a core business and sales volumes are declining, the Board of Directors of the Company approved the closure of Hanau Plant by March 31, 2017. Consequently, the Company made a provision of ₹ 262 Million for the Plant Closure expenses during the year ended December 31, 2016.

Financial Performance Review and Analysis – Q4 2016 Vs. Q4 2015:

Key performance indicators of the Company on a consolidated basis:

- Consolidated Net Revenue of ₹ 23.6 billion during Q4 2016, a marginal increase of ~0.4% compared to ₹ 23.5 billion during Q4 2015.

  - Carbon Products sales volume during Q4 2016 are 833 thousand metric tons, a decrease of ~5.4% compared to 881 thousand metric tons in Q4 2015. The decrease is due to decline in Pet Coke trading volumes and is offset by increased volumes in CPC, CTP & Other Carbon products. The increase in CPC sales volumes is due to increased capacity utilization of the U.S.A. facilities, due to the commencement of FGD plant in Chalmette, in conjunction with the Blending facility in India. The increase in CTP & Other Carbon products sales volumes is mainly from the Russian CTP Plant. During Q4 2016, the average blended realization increased by ~5.9% driven by the increased sales volumes of manufactured products partially offset by reduced prices. Further, the Euro appreciated by ~0.7% and US Dollar appreciated by ~2.3% against Indian Rupee. Overall, due to the aforesaid reasons, the revenue from Carbon Products business increased by ~2.5% in Q4 2016; as compared to Q4 2015.

  - Chemicals sales volume during Q4 2016 are 68 thousand metric tons, a decrease of ~4.2% compared to 71 thousand metric tons in Q4 2015. The fall in Chemical sales volumes is mainly due to the decline in trading volumes. During Q4 2016, the average blended realization decreased by ~1.5% with decrease in volumes and offset with Euro appreciation led to an overall decline of revenues by ~3.7% during Q4 2016.

  - Cement revenue declined during Q4 2016 by ~7.2% as compared to Q4 2015, due to the decreased volumes by ~6.7% and a ~ 0.6% decline in realizations. The decline in volumes is mainly due to the impact of demonetization on the construction & infrastructure sectors during Q4 2016.

- Adjusted Operating Profit margin in the Carbon Business increased by 10.6% due to change in product mix and various cost optimization initiatives. Similarly, Adjusted Operating Profit margin in Chemical Business increased by 7.4% related to cost optimization initiatives despite a fall in volumes. However, Operating Profit margin in Cement Business decreased by 10.6%, due to increased costs and lower volumes.

- Consolidated Adjusted Operating Profit for Q4 2016 is ₹ 4.1 billion an increase of ~86.4% compared to ₹ 2.2 billion achieved during Q4 2015; the increase is primarily due to increase in manufactured carbon products sales volumes and cost optimization initiatives implemented by the Company.

- Due to the aforesaid reasons, Adjusted Operating Profit Margin has increased to 17.1% during Q4 2016, as compared to 9.2% achieved during Q4 2015.

- During Q4 2016, the Company had a Foreign Exchange Gain of ₹ 175 million, as compared to ₹ 75 million in Q4 2015. The gain is mainly due to appreciation of the Russian Ruble against the US Dollar.

- Finance cost during Q4 2016 marginally decreased by ~0.4% compared to Q4 2015 mainly due to the reduced debt efforts achieved through the buy-back of outstanding Senior Secured Notes and the making of scheduled principal repayments of debt partly offset by the depreciation of the Rupee against the US Dollar and Euro.

- Effective tax rate during the quarter is higher when compared to normal tax rate mainly due to US Federal tax on dividends repatriated to the U.S.A.

- Consolidated Adjusted Net Profit during Q4 2016 is ₹ 947 million as compared to Net Loss of ₹ 76 million during Q4 2015.

- The Company achieved a Consolidated Adjusted EPS of ₹ 2.82 during Q4 2016 as compared to Consolidated Adjusted Negative EPS of ₹ 0.23 during Q4 2015.

- A detailed reconciliation of reported operating profit / net profit and adjusted operating profit / net profit for the quarter ended December 31, 2016 is explained in the below table:

(₹ in Millions)

Particulars	EBITDA	PAT
A. Reported EBITDA / PAT	**4,082**	**227**
B. Add/(Less): Exceptional items		
Actuarial loss on Pension Liability(*)	-	720
C. Adjusted EBITDA / PAT (A + B)	**4,082**	**947**

** Considered as Exceptional Items in Financial Statements*

Financial Performance Review and Analysis – CY 2016 Vs. CY 2015:

Key performance indicators of the Company on a consolidated basis:

- Consolidated Net Revenue of ₹ 92.6 billion during CY 2016, a decrease of ~8.9% compared to ₹ 101.7 billion during CY 2015.
  - Carbon Products sales volume during CY 2016 are 3.0 million metric tons, a decrease of ~6.3% compared to 3.2 million metric tons in CY 2015. The decrease is mainly due to the decrease in Pet Coke trading volumes that were partially offset by increased volumes in CPC, CTP & Other Carbon products. The increase in CPC sales volumes is mainly due to increased capacity utilization of US facilities due to the commencement of FGD plant in Chalmette in conjunction with the Blending facility in India. The increase in CTP & Other Carbon products sales volumes is mainly from the Russian CTP Plant. During CY 2016, the average blended realization decreased by ~5.7%. Further, on an average during CY2016 the Euro appreciated by ~4.4% and US Dollar appreciated by ~4.8% against Indian Rupee. Overall, due to the increase in sales of manufactured carbon products volumes, appreciation of the Euro and the US Dollar, and the decrease in blended realizations, the revenue from Carbon Products business decreased by ~8.1% in CY 2016; as compared to CY 2015.
  - Chemicals sales volume during CY 2016 are 283 thousand metric tons, a decrease of ~10.4% compared to 316 thousand metric tons in CY 2015. The fall in Chemical sales volumes is mainly due to the decline in trading volumes. During CY 2016, the average blended realization decreased by ~7.4%. Overall the fall in the average blended realizations after partial offset by an increase in exchange rate and decrease in volumes led to a decline in revenues from Chemicals business by ~13.1% during CY 2016.
  - Cement revenue during CY 2016 decreased by ~7.3% as compared to CY 2015, due to the decrease in volumes by ~1.2% and a ~ 6.1% decline in realizations. The decline in volumes and realization is mainly due to the seasonal impact of heavy rains and political disturbances in our key markets coupled with the demonetization on the construction & infrastructure sectors during CY 2016.
- Adjusted Operating Profit margin in the Carbon Business increased by 3.4% due to various cost optimization initiatives. Similarly, the Adjusted Operating Profit margin in the Chemical Business increased by 3.5% despite a fall in volumes. However, the Operating Profit margin in Cement Business decreased by 6.3%, due to increased costs.
- Consolidated Adjusted Operating Profit for CY 2016 is ₹ 14.6 billion an increase of ~8.1% compared to ₹ 13.5 billion achieved during CY 2015; the increase is primarily due to the increase in manufactured carbon products sales volumes and cost optimization initiatives implemented by the Company.
- Due to the aforesaid reasons, Adjusted Operating Profit Margin has increased to 15.7% during CY 2016, compared to 13.2% achieved during CY 2015.

- During CY 2016, the Company had a Foreign Exchange Gain of ₹ 342 million, as compared to ₹ 96 million in CY 2015. The gain is mainly due to the appreciation of the Russian Ruble against US Dollar.

- Finance cost during CY 2016 marginal increased by ~1.8% compared to CY 2015 despite a decrease in debt through buy-back of Senior Secured Notes and making of scheduled repayment of debt mainly due to the depreciation of the Rupee against US Dollar and Euro.

- Effective tax rate during the quarter is in-line with the group tax rates at various geographies which include India, Belgium, Canada, Germany and the U.S.A.

- Consolidated Adjusted Net Profit during CY 2016 is ₹ 3.4 billion, a 6.2% increase as compared to ₹ 3.2 billion during CY 2015.

- The Company achieved a Consolidated Adjusted EPS of ₹ 9.96 during CY 2016 as compared to ₹ 9.61 during CY 2015.

- A detailed reconciliation of reported operating profit / net profit and adjusted operating profit / net profit for the year ended December 31, 2016 is explained in the below table:

(₹ in Millions)

Particulars	EBITDA	PAT
A. Reported EBITDA / PAT	**13,537**	**2,247**
B. Add/(Less): Exceptional items		
Actuarial loss on Pension Liability (1)	-	721
Provision for fall in Net Realizable Values of inventories	547	350
Exceptional Major Maintenance expenditure	439	281
Provision for closure of Hanau Site in Germany (1)	-	174
Severance payments	74	48
Gain on buy back of Senior Secured Notes (2)	-	(470)
C. Adjusted EBITDA / PAT (A + B)	**14,597**	**3,351**

Notes:

(1) Considered as Exceptional Items in Financial Statements

(2) Resulting from Consolidation

Debt Analysis:

As at December 31, 2016, the Company has a Consolidated Gross Debt of US$ 1,096 million (including Working Capital Debt of US$ 26 million), Cash & Cash Equivalents of US$ 154 million and Net Debt is US$ 942 million.

(US$ in Million)

Particulars	Dec 31, 2016	Dec. 31, 2015	Repayment Terms
Senior Secured Notes:-			
- 8.00% USD Denominated	373	373	Bullet repayment in Dec. 2018
- 8.25% USD Denominated	336	356	Bullet repayment in Jan. 2021
- 8.50% Euro Denominated	209[2]	229	Bullet repayment in Jan. 2021
Senior Bank Debt	119	117	Floating Rate - Instalments up to 2021
Sales Tax Deferment	11	12	Interest Free - Instalments up to 2027
Loan from JV partners	11	6	Fixed Rates - Unsecured loans
Other Debt	11	13	Fixed Rates - Includes Finance leases
Gross Term Debt	**1,070**	**1,106**	
Add: Working Capital Debt	26	39	
Gross Debt	**1,096**	**1,145**	
Less: Cash & Cash Equivalents	154	132	
Net Debt	**942**	**1,013**	

Notes:

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

(2) Due to buy back of € 11.55 million bonds and the favorable change in exchange rate.

With the existing Cash and Cash Equivalents of US$ 154 million coupled with undrawn revolver facilities of US$ 130 million, the Company is well placed to meet debt servicing obligations in the near-term. The major debt repayments are scheduled to start from December 2018.

Foreign Exchange Rates:

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

Currency	Average Rate for		Variance in %	Average Rate for		Variance in %
	Q4 2016	Q4 2015		CY 2016	CY 2015	
Indian Rupees / US Dollar	67.46	65.93	-2.3%	67.21	64.15	-4.8%
Indian Rupees / EURO	72.73	72.25	-0.7%	74.37	71.26	-4.4%
RUB / US Dollar	63.02	66.05	4.6%	67.07	61.26	-9.5%
Canadian Dollar / EURO	1.44	1.46	1.4%	1.47	1.42	-3.5%

Currency	As at Dec. 31, 2016	As at Dec. 31, 2015	Variance in %
Indian Rupees / US Dollar	67.95	66.33	-2.44%
Indian Rupees / EURO	71.62	72.50	1.21%
RUB / US Dollar	61.00	74.10	17.68%
Canadian Dollar / EURO	1.42	1.51	5.96%

Historical Performance ₹ in Million

Particulars	CY 2016	CY 2015	CY 2014	CY 2013	CY 2012
Income from Operations(1)	93,164	102,185	119,370	117,443	53,615
Adjusted Operating Profit (2)	14,597	13,492	12,220	14,978	11,090
Net Profit (Loss)	2,247	3,233	885	3,845	4,577
Adjusted Net Profit (Loss) (3)	3,351	3,233	2,561	4,512	5,796

Notes:

(1) Income from Operations is the sum of Net Revenue and Other Operating Income.

(2) Adjusted Operating Profit is Profit before Other Income, Foreign Exchange (Gain) / Loss, Depreciation & Amortisation, Impairment Loss, Interest, Taxation and Exceptional Items.

(3) Net Profit is adjusted for exceptional expense or income for the reported period net of the applicable taxes.

(a) Profit After Tax for CY 2016 is adjusted for ₹ 262 Million provision made for closure cost of impregnated wood product manufacturing facility in Hanau, Germany; incremental pension liability from actuarial losses of ₹ 1,109 Million, provision for inventories ₹ 547 Million, incremental Major Maintenance INR 439 Million, Severance impact ₹ 74 Million and Gain on buy back of bonds ₹ 470 Million; net tax expense of ₹ 857 Million on all these items.

(b) Profit After Tax for CY 2015 is adjusted for actuarial gain of ₹ 697 million on pension liability, liquidated damages of ₹ 429 million to EPC contractor, provision for bad debts of ₹ 134 million, Russian Ruble & Canadian Dollar currency devaluation impact of ₹ 127 million (net of minority interest) and tax impact on all these items of ₹ 7 million (net of minority interest).

(c) Profit After Tax for CY 2014 is adjusted for actuarial losses of ₹ 1,820 million on pension liability, Inventory write down of ₹ 237 million due to fall in commodity prices, Russian Ruble currency devaluation impact of ₹ 338 million, impairment loss of ₹ 95 million, and tax impact on all these items of ₹ 814 million.

(d) Profit After Tax for CY 2013 is adjusted for acquisition related costs of ₹ 142 million, impairment loss of ₹ 1,304 million offset by insurance claim receipts of ₹ 375 million and tax impact on all these items of ₹ 404 million.

(e) Profit After Tax for CY 2012 is adjusted for one time expenditure of ₹ 1,789 million (net of tax ₹ 1,219 million) incurred in-connection with the acquisition of RÜTGERS.

About RAIN:

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

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

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