RAIN INDUSTRIES LIMITED

Press Release **August 13, 2019**

Results for the second quarter ended June 30, 2019

RAIN INDUSTRIES LIMITED ("RAIN" / "the Company") reported its unaudited financial results for the second quarter ended June 30, 2019.

Financial Highlights for Q2 CY19

- Revenue from Operations is ₹33.4 billion and Adjusted EBITDA is ₹4.5 billion.
- Adjusted Net Profit After Tax is ₹1.4 billion and Adjusted Earnings Per Share is ₹4.2.
- Adequate liquidity to fund operations, CAPEX projects and meet debt obligations in the near-term.

Financial Performance

₹ in Millions

Particulars	Q2 2019	Q1 2019	Q2 2018	CY 2018
Net Revenue	33,231	31,776	37,706	139,608
Other Operating Income	185	189	349	882
Revenue from Operations	**33,416**	**31,965**	**38,055**	**140,490**
Adjusted EBITDA	**4,518**	**3,551**	**6,875**	**21,471**
Adjusted EBITDA Margin	*13.5%*	*11.1%*	*18.1%*	*15.3%*
Profit (Loss) before share of profit of associates, exceptional items and tax	**2,027**	**1,304**	**4,584**	**9,948**
Add: Share of Profit of Associates, net of income tax	-	-	-	9
Profit (Loss) Before Tax	**2,027**	**1,304**	**4,584**	**9,957**
Tax Expense (Benefit)	559	372	1,546	3,643
Non-controlling Interest	211	244	90	497
Net Profit (Loss) After Tax	**1,257**	**688**	**2,948**	**5,817**
Adjusted Net Profit (Loss) After Tax	**1,413**	**724**	**2,948**	**7,305**
Adjusted Earnings (Loss) Per Share in (₹)*	4.2	2.2	8.8	21.7

**Quarterly Earnings (Loss) Per Share is not annualised.*

SEGMENT-WISE FINANCIAL PERFORMANCE

CARBON

Particulars	Q2 CY19	Q1 CY19	Q2 CY18	CY 2018	Variance Q2 CY19 vs Q1 CY19	Variance Q2 CY19 vs Q2 CY18
(a) Sales Volumes [1] (In '000 MTs)						
- Calcined Petroleum Coke (CPC)	416	356	474	1,657	16.9%	-12.2%
- Coal Tar Pitch (CTP)	144	132	126	508	9.1%	14.3%
- Other Carbon Products	140	135	147	550	3.7%	-4.8%
TOTAL	**700**	**623**	**747**	**2,715**	**12.4%**	**-6.3%**
(b) Net Revenue [1] (₹ in Millions)						
- Calcined Petroleum Coke (CPC)	8,736	8,727	13,808	45,746	0.1%	-36.7%
- Coal Tar Pitch (CTP)	7,495	7,565	6,862	28,328	-0.9%	9.2%
- Other Carbon Products	4,860	4,457	4,847	19,286	9.0%	0.3%
- Energy	513	577	535	2,321	-11.1%	-4.1%
TOTAL	**21,604**	**21,326**	**26,052**	**95,681**	**1.3%**	**-17.1%**
(c) Adjusted EBITDA [2] (₹ in Millions)	**2,734**	**2,506**	**5,542**	**16,804**	**9.1%**	**-50.7%**
(d) Adjusted EBITDA Margin	**12.7%**	**11.8%**	**21.3%**	**17.6%**	**0.9%**	**-8.6%**

Notes:

(1) *Net of inter-company sales.*

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

ADVANCED MATERIALS

Particulars	Q2 CY19	Q1 CY19	Q2 CY18	CY 2018	Variance Q2 CY19 vs Q1 CY19	Variance Q2 CY19 vs Q2 CY18
(a) Sales Volumes [(1)] (In '000 MTs)						
- Engineered Products	26	12	30	89	116.7%	-13.3%
- Petro Chemical Intermediates	32	31	32	127	3.2%	-
- Naphthalene Derivates	31	30	31	121	3.3%	-
- Resins	33	31	35	135	6.5%	-5.7%
TOTAL	**122**	**104**	**128**	**472**	**17.3%**	**-4.7%**
(b) Net Revenue [(1)] (₹ in Millions)						
- Engineered Products	1,579	974	1,928	6,183	62.1%	-18.1%
- Petro Chemical Intermediates	1,488	1,297	1,699	6,600	14.7%	-12.4%
- Naphthalene Derivates	2,086	2,075	1,971	7,966	0.5%	5.8%
- Resins	3,519	3,331	3,699	14,095	5.6%	-4.9%
TOTAL	**8,672**	**7,677**	**9,297**	**34,844**	**13.0%**	**-6.7%**
(c) Adjusted EBITDA [(2)] (₹ in Millions)	**1,227**	**623**	**1,216**	**3,958**	**97.0%**	**0.9%**
(d) Adjusted EBITDA Margin	**14.1%**	**8.1%**	**13.1%**	**11.4%**	**6.0%**	**1.0%**

CEMENT

Particulars	Q2 CY19	Q1 CY19	Q2 CY18	CY 2018	Variance Q2 CY19 vs Q1 CY19	Variance Q2 CY19 vs Q2 CY18
(a) Sales Volumes (In '000 MTs)	671	669	572	2,229	0.3%	17.3%
(b) Net Revenue (₹ in Millions)	2,955	2,773	2,357	9,083	6.6%	25.4%
(c) Adjusted EBITDA[(2)] (₹ in Millions)	557	422	117	709	32.0%	376.1%
(d) Adjusted EBITDA Margin (%)	18.8%	15.2%	5.0%	7.8%	3.6%	13.8%

Notes:

(1) *Net of inter-company sales.*

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

Financial Performance Review and Analysis – Q2 CY19 vs Q2 CY18

- Net Revenue of ₹33.2 billion during Q2 CY19 was a decrease of ~11.9% compared to ₹37.7 billion during Q2 CY18.

    - Carbon sales volumes during Q2 CY19 were 700 thousand metric tons, a decrease of ~6.3% compared to 747 thousand metric tons in Q2 CY18. There was a decrease in sales volumes of calcined petroleum coke (CPC) by ~12.2%, other carbon products (OCP) by ~4.8% and an increase in coal tar pitch (CTP) by ~14.3%. The decrease in CPC volumes was driven by the petcoke import restrictions in India, which caused an interruption in blending operations, offset by an increase in CTP volumes primarily driven by increase in demand. During Q2 CY19, the average blended realisation decreased by ~11.5% due to changes in market trend, further affected due to the unfavourable impact from depreciation of the Euro against Indian Rupee by ~2.1% offset by appreciation of the US Dollar against the Indian Rupee by ~3.7%. Overall, due to the aforesaid reasons, the revenue from the Carbon segment decreased by ~17.1% in Q2 CY19 as compared to Q2 CY18.

        - Advanced Materials sales volumes during Q2 CY19 were 122 thousand metric tons, a decrease of ~4.7% as compared to 128 thousand metric tons in Q2 CY18. Sales volumes in engineered products and resins decreased by ~13.3% and ~5.7% respectively, while volumes for naphthalene derivates and petrochemical intermediates were flat. The decrease in volumes was related to lower demand for our specialty binder due to weakness in graphite industry coupled with reduced throughputs due to weakness in the adhesives industry. During Q2 CY19, the average blended realisation decreased by ~2.1% driven by fall in oil-related price along with the unfavourable impact from depreciation of the Euro against the Indian Rupee by ~2.1% offset by appreciation of the US Dollar against the Indian Rupee by ~3.7%. Due to the aforesaid reasons, revenue from the Advanced Materials segment decreased by ~6.7% during Q2 CY19 as compared to Q2 CY18.

    - Cement sales volumes increased by ~17.3% during Q2 CY19 as compared to Q2 CY18, and realisations increased by ~6.9%. Due to these reasons, revenue from Cement segment increased by ~25.4%. During Q2 CY19, there was a ~20.4% increase in sales volume from Telangana, Tamil Nadu, Karnataka, Maharashtra and Pondicherry offset by ~3.1% lower volumes in Andhra Pradesh, Odisha and Kerala as compared to Q2 CY18.

- During Q2 CY19, Adjusted EBITDA was ₹4.5 billion, a decrease of ₹2.4 billion compared to Adjusted EBITDA of ₹6.9 billion achieved during Q2 CY18. Adjusted EBITDA in the Carbon segment decreased by ₹2.8 billion due to lower volumes coupled with lower margin majorly in the CPC business. Adjusted EBITDA increased by 0.9% in the Advanced Materials segment, and in the Cement segment it increased by ₹ 0.4 billion due to increased sales volumes.

- A detailed reconciliation of reported EBITDA and Adjusted EBITDA for Q2 CY19 is explained in the below table:

Particulars	₹ in Millions
A. Reported EBITDA	**4,199**
B. Adjustments:	
• Inventory adjustments	206
• Insurance claims received during the quarter related to prior periods and other operating income adjustments	(50)
• On account of strategic project expenses at our European operations	163
C. Adjusted EBITDA (A + B)	**4,518**

- Finance costs during Q2 CY19 were ₹ 1.1 billion and approximately the same as compared to Q2 CY18. Although there was a reduction in working capital borrowing during the current quarter, the decrease in interest cost was offset by the increase in exchange rates.

- The Company recorded an income tax expense of ₹0.6 billion for Q2 CY19, compared to an income tax expense of ₹1.5 billion for Q2 CY18. The effective tax rate is in line with the group tax rates at various geographies.

- The Adjusted Net Profit during Q2 CY19 was ₹1.4 billion as compared to Adjusted Net Profit of ₹2.9 billion during Q2 CY18. The decrease was mainly due to lower operating performance.

- The Company achieved an Adjusted Earnings per Share of ₹4.2 during Q2 CY19 as compared to Adjusted Earnings per Share of ₹8.8 during Q2 CY18.

- A detailed reconciliation of reported net profit after tax and adjusted net profit after tax for Q2 CY19 is explained in the below table:

Particulars	₹ in Millions
A. Reported Profit After Tax	**1,257**
B. Adjustments:	
• Inventory adjustments	161
• Insurance claims received during the quarter related to prior periods and other operating income adjustments	(45)
• On account of strategic project expenses at our European operations	143
• Reversal of provisions relating to environmental issues	(103)
C. Adjusted Profit After Tax (A + B)	**1,413**

Debt Analysis

As at June 30, 2019, the Company had a Gross Debt of $1,104 million (including Working Capital Debt of $48 million), Cash and cash equivalents of $133 million, Unamortised Deferred Finance Cost of $15 million and Net Debt of $956 million.

($* in Million)

Particulars	As on Jun. 30, 2019	As on Dec. 31, 2018	Repayment Terms
7.25% USD denominated Senior Secured Notes	550	550	Matures in April 2025
Euro denominated Senior Secured Term Loan B	443	446	Matures in January 2025
Senior Bank Debt	50	50	Floating Rate - Instalments up to March 2022
Sales Tax Deferment	9	9	Interest Free - Instalments up to 2025
Other Debt	4	5	Fixed Rates - Finance leases
Gross Term Debt	**1,056**	**1,060**	
Add: Working Capital Debt	48	72	
Less: Deferred Finance Cost	15	17	
Total Debt	**1,089**	**1,115**	
Less: Cash and cash equivalents	133	122	
Net Debt	**956**	**993**	

**As major part of the Debt is denominated in US Dollars, the Debt of the Company is presented in US Dollars.*

During the six months ended June 30, 2019, the Company has incurred capital expenditure of $72 million, including expansion capex for the hydrogenated hydrocarbon resins production facility in Germany, vertical-shaft kiln project in Vizag, waste-heat recovery power plant in Kodad and other maintenance projects.

With the existing Cash and cash equivalents and revolver facilities, 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.

Foreign Exchange Rates

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

Average Rate of Exchange	Q2 CY19	Q1 CY19	Q2 CY18	CY 2018	Variance Q2 CY19 vs Q1 CY19	Variance Q2 CY19 vs Q2 CY18
Indian Rupee / US Dollar	69.55	70.33	67.04	68.36	1.1%	-3.7%
Indian Rupee / Euro	78.16	79.85	79.86	80.66	2.1%	2.1%
Russian Ruble / US Dollar	64.56	65.95	62.11	62.77	2.1%	-3.9%
Canadian Dollar / Euro	1.50	1.51	1.54	1.53	0.7%	2.6%

Closing Rate of Exchange	Q2 CY19	Q1 CY19	Q2 CY18	CY 2018	Variance Q2 CY19 vs Q1 CY19	Variance Q2 CY19 vs Q2 CY18
Indian Rupee / US Dollar	68.92	69.17	68.58	69.79	0.4%	-0.5%
Indian Rupee / Euro	78.36	77.70	79.85	79.78	-0.8%	1.9%
Russian Ruble / US Dollar	62.92	64.85	62.75	69.62	3.0%	-0.3%
Canadian Dollar / Euro	1.49	1.50	1.54	1.56	0.7%	3.2%

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, Advanced Materials and Cement. 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 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 advanced material products that are critical raw materials for the specialty chemicals, coatings, construction, petroleum 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"). 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 provide us the flexibility to capitalise 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 capitalise on market opportunities by addressing raw material supply and product demand on a global basis in both established and emerging markets.

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