



**PROGRESS  
THROUGH PRUDENCE**

## ABOUT RAIN INDUSTRIES

RAIN Industries Limited (RAIN) operates in three business segments, namely Carbon, Advanced Materials and Cement, producing high-quality products that serve as raw materials for various industries. We are the world's largest producer of coal tar pitch (CTP) and second-largest manufacturer of calcined petroleum coke (CPC).

We have long-standing relationships with suppliers of key raw materials to our calcination, distillation and advanced materials businesses and we are self-sufficient with regard to limestone for our cement operations. Our ability to manufacture vital and value-added raw materials for various industries has helped us grow into a diversified global business leader. Our actions are driven by our view of the future, but we keep ourselves grounded in practicality while making decisions.

We operate across three key verticals – Carbon, Advanced Materials and Cement – having established our presence in eight countries with 18 production facilities across Asia, North America and Europe. We carry forward a legacy of over four decades, backed by industry-leading production capacities driven by prudent decision-making over our expansions while assessing opportunities through robust diligence and approval processes.

We deal with some of the largest global aluminium, graphite and specialty chemicals producers, as well as the world's leading oil refiners and steel producers, and enjoy long-standing relationships with them. As a vertically integrated organisation, we have registered sustained growth since 2007. We adhere to world-class manufacturing practices, strive for operational excellence, and manufacture high-grade products. Our goal of balancing profitability with social consciousness through environment-friendly business practices and giving back to our communities is at the heart of our innovations and decision-making.

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At RAIN, our strengths reside in our judicious and prudent decision-making. We continue to capitalise on evolving market trends through innovations and capacity expansions, guided by our foresight into emerging opportunities as well as our ability to translate them into engines of growth. This helps us stay ahead of the curve in a dynamic business environment.

Our decades of robust industry experience comes laden with insights that allow us to garner and uphold the trust of our customers across our key operating segments of Carbon, Advanced Materials and Cement. We manufacture high-quality products to meet the stringent requirements of our customers.

On the back of our well-planned growth strategies, we have emerged as one of the global leaders in the manufacturing and sale of CPC and CTP. Our downstream capabilities of processing coal tar and petrochemical distillates have given us a comprehensive basket of advanced materials. These specialty chemicals are critical components in the manufacture of an ever-widening range of applications across industries and sectors. Our brands such as Rain CII, Rütgers, Novares and Priya Cement are well regarded and trusted by the industries they serve.

Following the successful debottlenecking project at our German distillation facility and expansion of our Indian blending facility, we are now focused on establishing

a research and development (R&D) centre as well as the expansion of our Visakhapatnam (Vizag) CPC plant in India. We are augmenting our cement production capacities and widening our market reach. We are also focused to expanding our advanced materials' product portfolio.

We are working steadily to ensure that our position as a global leader in the operational areas of our business is centred on our sense of responsibility towards society at large, with a focused contribution in the areas of health, education, environment and rural development. Our aspirations to bring about a change is evidenced through the work of the Pragnya Priya Foundation in India, the RÜTGERS Foundation in Europe and activities with a wide range of volunteer and charitable partner organisations across North America.

We remain committed to achieving progress through prudence and creating sustainable long-term value for our stakeholders.

## Key Highlights for 2018

### Revenue

**₹140,490** million

4% \*

### Adjusted operating profit

**₹21,471** million

15% \*

### Adjusted earnings per share

**₹21.7**

30% \*

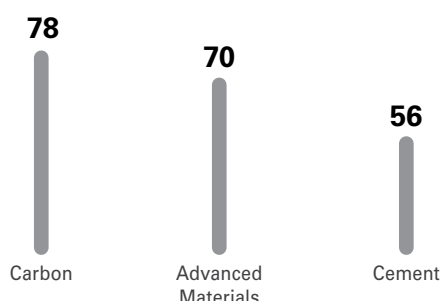
### Book value per share

**₹137**

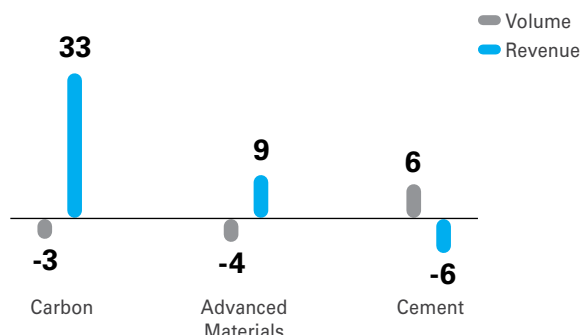
12% \*

\* Consolidated 5-year CAGR growth (2014 to 2018)

### Capacity utilisation (%)



### Sales growth (%)





## WORLD OF RAIN INDUSTRIES

# FORGING AHEAD WITH FORESIGHT

We are headquartered in Hyderabad, India and have 22 offices and 18 production facilities in eight countries across three continents. Our strategically positioned manufacturing locations and integrated global logistics network assist us in capitalising on market opportunities by addressing raw material supply and product demand in both established and emerging markets across the world.

We have installed and established best-in-class production facilities and manufacturing processes, enabling us to offer a wide range of specialty chemicals. We also have the capability to customise our product mix and composition to match customer specifications.

Our progress has seen us surpass our early milestones of greenfield and brownfield capacity expansions. In the last decade, strategic acquisitions of leading international companies, namely CII Carbon and RÜTGERS, have helped us grow, positioning RAIN as a global industry leader in the Carbon and Advanced Materials sectors.

### Industry Leadership

#1

Global Producer of CTP

#2

Global Producer of CPC  
by Sales Volume





## Carbon

Calcined Petroleum Coke (CPC)  
Coal Tar Pitch (CTP)  
Other Carbon Products (OCPs)  
Energy



## Advanced Materials

Resins  
Naphthalene Derivates  
Petrochemical Intermediates  
Engineered Products



## Cement

Ordinary Portland Cement (OPC)  
Portland Pozzolana Cement (PPC)

## Industries We Serve



Aluminium



Steel



Carbon Black



Automotive



Titanium  
Dioxide



Specialty  
Chemicals



Adhesives  
and Paints



Graphite



Coatings



Construction



Wood  
Preservation



Refractory

## Sustainability

5

Waste-heat recovery (WHR)  
systems

3

Flue-gas desulphurisation (FGD)  
systems

~132 MW

Energy co-generation capacity

## Global Assets

2,600+

Team members

18

Production facilities

## GLOBAL MANUFACTURING LOCATIONS

# STRATEGIC GLOBAL OPERATIONS

Over the years, we have established our facilities near direct and indirect logistics networks. The tactical choice of locations allows us to strengthen our presence in established international markets and cater to the emerging markets across the globe.



### Capacities (In MT)

**2.1**

CPC

**1.3**

Coal tar distillation

**0.7**

Advanced materials

**4.0**

Cement

### Sites across three continents

**10**

Carbon facilities

**2**

Carbon and advanced materials sites

**3**

Cement sites

**3**

Advanced materials sites

**Carbon**

India	* Visakhapatnam, Andhra Pradesh	2 RK, 1 CPBF, 1 WHRP
USA	* Lake Charles, Louisiana	2 RK, 1 IDWT, 1 WHRP
	* Robinson, Illinois	2 RK
	* Chalmette, Louisiana	1 RK, 1 IDWT, 1 WHRP
	* Gramercy, Louisiana	2 RK, 1 IDWT
	* Norco, Louisiana	1 RK, 1 WHRS
	* Purvis, Mississippi	1 RK
Germany	# Castrop-Rauxel	1 CTPT (largest single-line distillation plant globally), 1 IDWT
Belgium	# Zelzate	1 CTPT, 1 IDWT
Poland	# Kedzierzyn-Kozle	1 GSU
Canada	# Hamilton	1 CT
Russia	# Cherepovets	1 CT

\* CPC = Calcined Petroleum Coke Facility

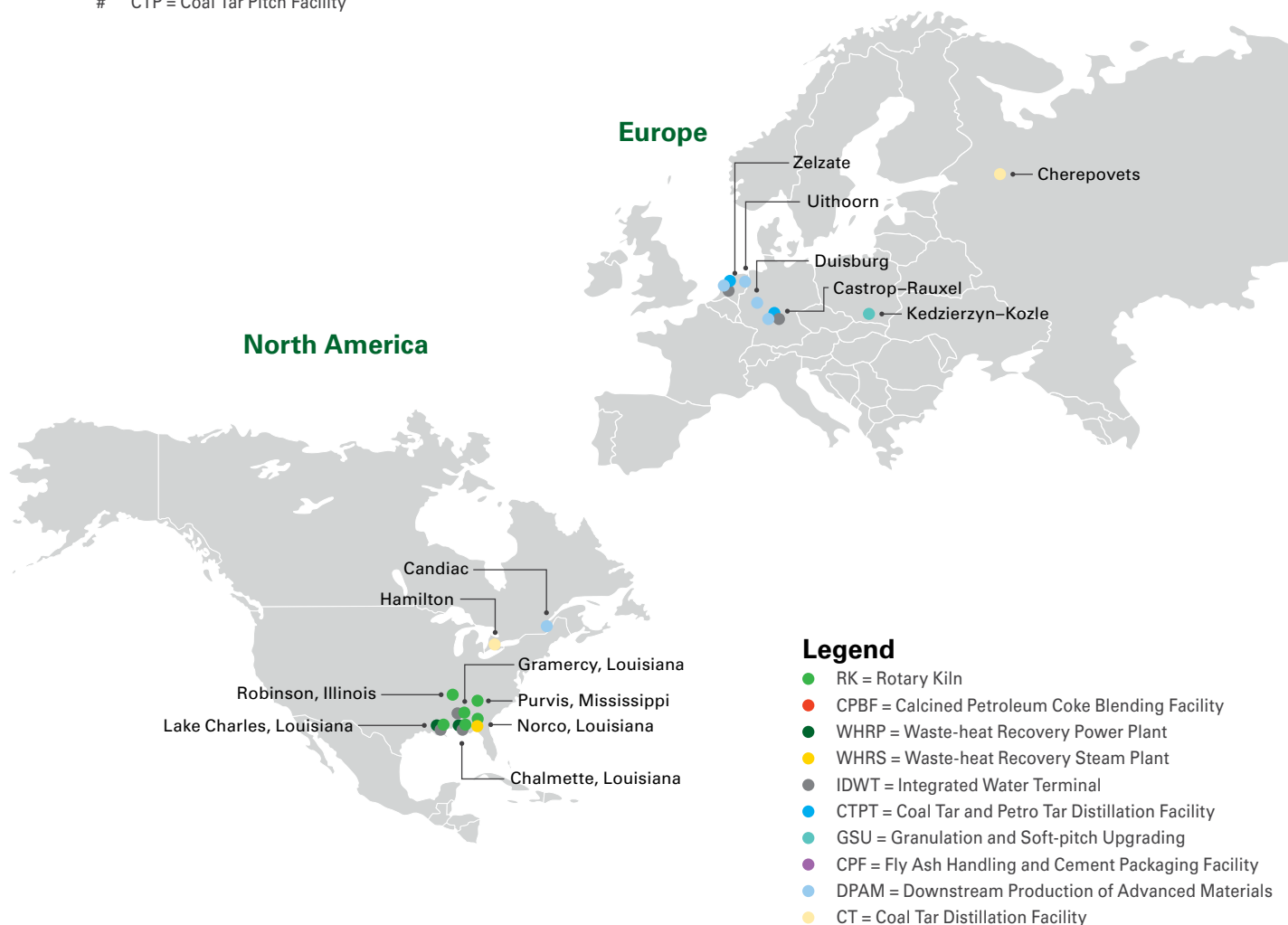
# CTP = Coal Tar Pitch Facility

**Advanced Materials**

Germany	Duisburg	1 DPAM
	Castrop-Rauxel	1 DPAM, 1 IDWT
The Netherlands	Uithoorn	1 DPAM
Canada	Candiac	1 DPAM
Belgium	Zelzate	1 DPAM, 1 IDWT

**Cement**

India	Nalgonda, Telangana	1 RK
	Kurnool, Andhra Pradesh	2 RK, 1 WHRP
	Bellary, Karnataka	1 CPF



## FINANCIAL HIGHLIGHTS

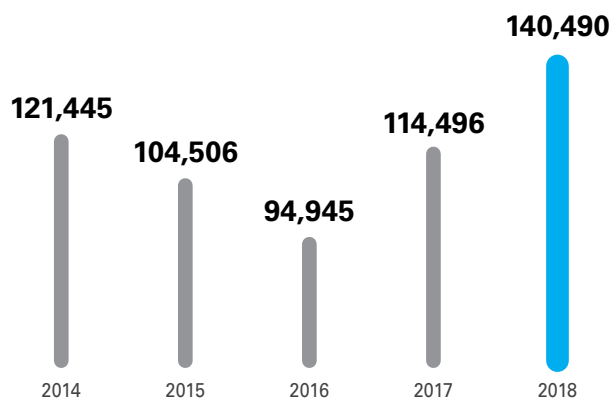
# ON A STEADY GROWTH PATH

### KEY PROFIT AND LOSS METRICS

\*5-year CAGR growth (2014 to 2018)

#### Revenue from operations

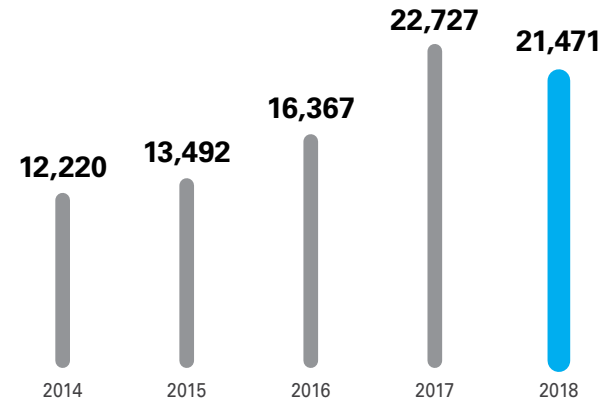
(in ₹ million)



4% \*

#### Adjusted operating profit

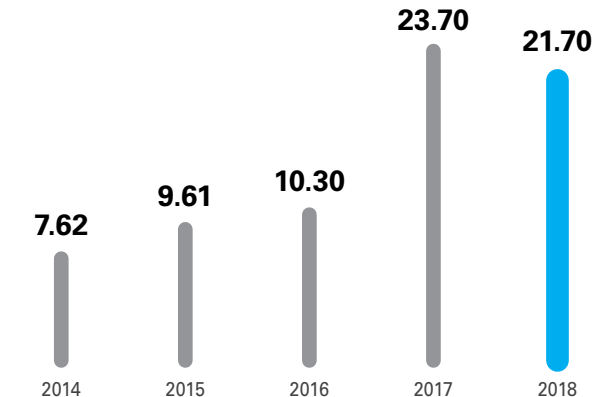
(in ₹ million)



15% \*

#### Adjusted earnings per share

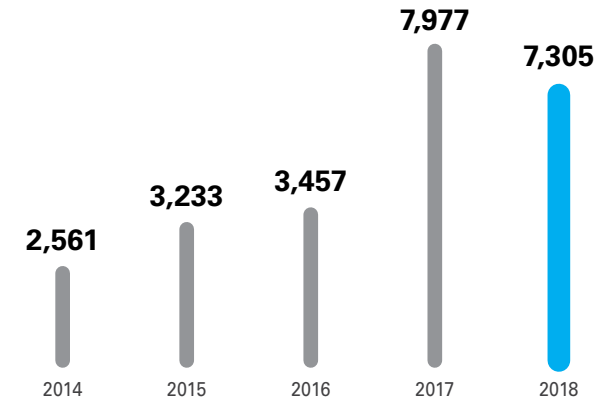
(in ₹)



30% \*

#### Adjusted net profit

(in ₹ million)



30% \*



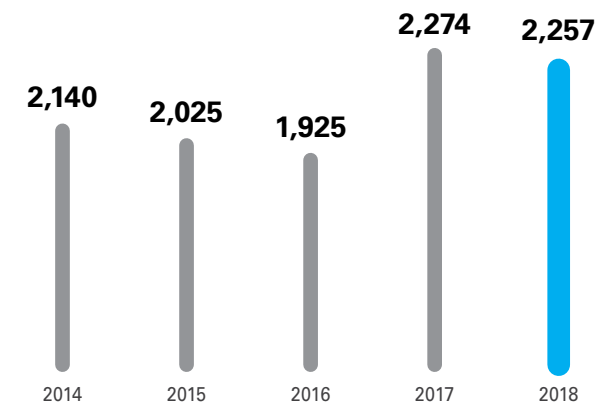
RAIN strives to improve performance each and every year through its strategic decision-making, which is guided by years of research and deep understanding of the markets it operates in. Despite the turbulent conditions these markets may pose at times, RAIN has been able to deliver moderate and sustainable performance.

## KEY BALANCE SHEET METRICS

\*5-year CAGR growth (2014 to 2018)

### Total assets

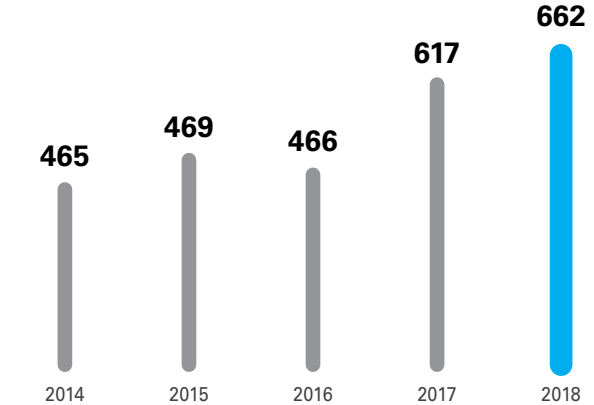
(in \$ million)



1% \*

### Net worth

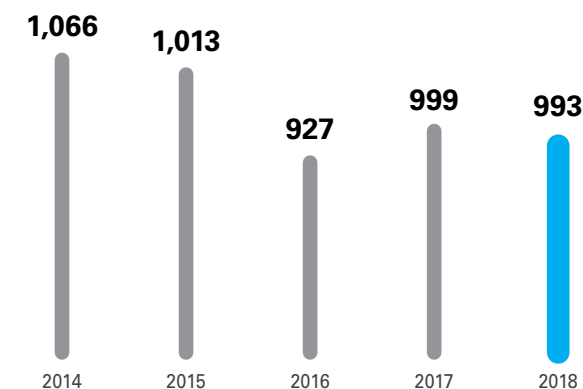
(in \$ million)



9% \*

### Net debt

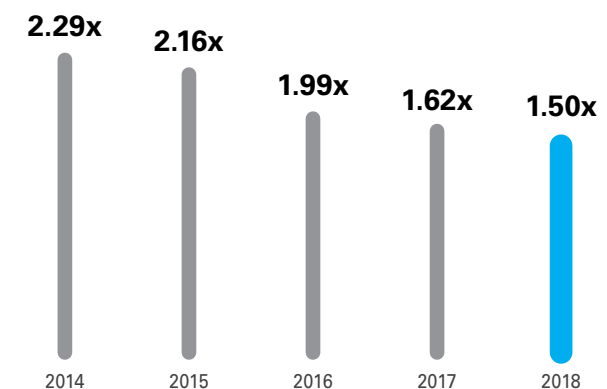
(in \$ million)



2% \*

### Net debt to net worth

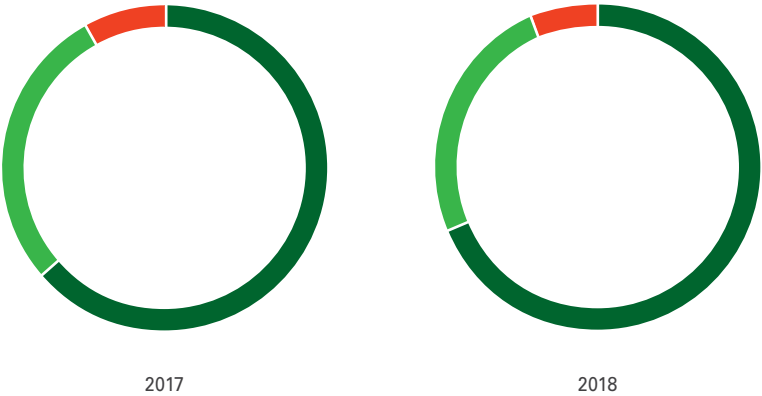
(in multiple)



10% \*

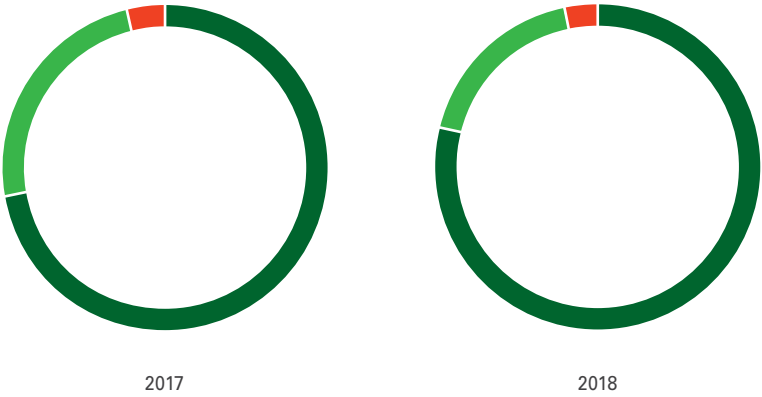
FINANCIAL HIGHLIGHTS (CONTINUED)

Segment revenue (%)



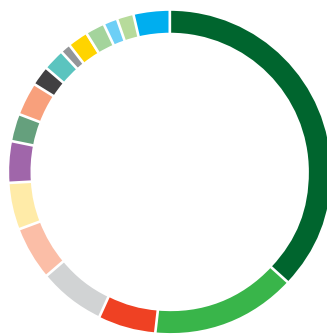
	2017	2018
Carbon	63.5	68.5
Advanced Materials	28.0	25.0
Cement	8.5	6.5
	100	100

Segment adjusted operating profit (%)

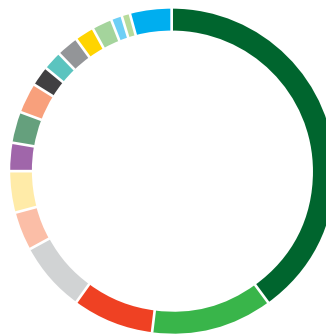


	2017	2018
Carbon	72.5	79.1
Advanced Materials	23.7	17.6
Cement	3.8	3.3
	100	100

## Revenue by end-industry (%)



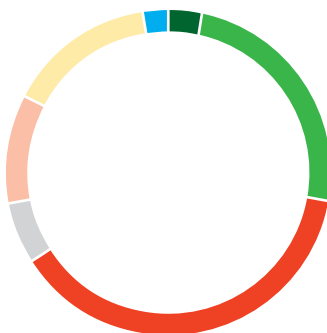
2017



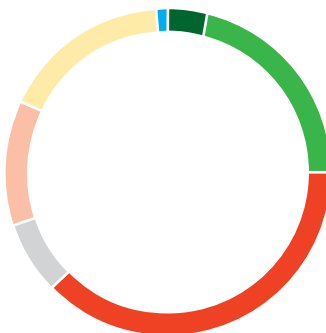
2018

	2017	2018
Aluminium	38	40
Construction	14	12
Graphite	6	8
Carbon black	7	7
Coatings	5	4
Distributor	5	4
Wood preservation	4	3
TiO <sub>2</sub>	3	3
Specialty Chemicals	3	3
Petroleum	2	2
Adhesives	2	2
Refractory	2	2
Rubber	2	2
Printing	1	2
Gypsum	1	1
Energy	2	1
Others	3	4
	100	100

## Revenue by geography (%)



2017



2018

	2017	2018
Africa	3	4
Asia (excl. the Middle East)	24	21
Europe	39	38
Middle East	6	7
North America (excl. the US)	11	12
US	15	17
Others	2	1
	100	100

## VICE CHAIRMAN'S MESSAGE

# FORGING AHEAD ON THE BACK OF JUDICIOUS PLANNING

Dear Shareholders,

2018 was a turbulent year for your Company, characterised by shifting market dynamics, a continued deceleration of the Chinese economy and government actions that had a decidedly tangible impact on our businesses.

We began 2018 by continuing to ride a wave of momentum that began in mid-2017, as global aluminium production and demand for our calcination and distillation products steadily increased, leading to corresponding improvements in selling prices and margins. The global economy also continued to strengthen, especially in the US, where import tariffs and rising prices for aluminium and steel motivated US manufacturers to restart mothballed facilities and increase capacity utilisations.

By the end of March, however, markets started showing early signs of weakness – particularly as an anticipated rebound in the Chinese economy and infrastructure development failed to materialise. As the year progressed, additional unexpected headwinds emerged in the form of a slowdown of Europe's auto manufacturing sector – a major market for our Advanced Materials business – and a temporary ban on the imports of pet coke into India.

At the same time, the spread between our raw material costs and prices for our finished products began to shrink, reversing a trend that was a principle factor in our strong earnings and EBITDA in 2017. However, it is important to note that as prices for commodities and products decrease, it does not have a domino effect on our costs, since we are typically selling inventory that had been committed or purchased earlier when commodity prices were higher. This can result in a time-lag of one to two quarters for adjustment.

Despite these challenges, headwinds and unexpected issues in 2018, our combined businesses generated ₹21,471 million of Adjusted EBITDA compared to a Company-record of ₹22,727 million of Adjusted EBITDA in 2017. Looking ahead, the fundamentals of each of our businesses remain strong, and I believe we are poised to maintain our market-leading positions, thanks to prudent investments to grow and

modernise our Advanced Materials, Carbon and Cement operations.

In the Carbon sector – which contributes more than 75% of our Adjusted EBITDA – we broke ground on a new vertical-shaft calciner in the Special Economic Zone near Visakhapatnam (Vizag) in Andhra Pradesh, India. Once commissioned in the third quarter of 2019, our new calciner will have a production capacity of 370,000 tonnes per year – adding to our current global capacity of 2.1 MT. This will leverage technology that will allow us to produce high-density calcined petroleum coke (CPC) from lower-cost feedstock while consuming less energy than our other calciners.

While the new shaft calciner will position your Company to meet the growing CPC demand in Asia and the Middle East, we are also focusing on the ruling by the Honourable Supreme Court in July to ban the import of green petroleum coke (GPC) and CPC, as part of the government's effort to reduce air pollution. This did have an adverse impact on our operations in India.

In October 2018, the Honourable Supreme Court relaxed the restriction on the importation of GPC by Indian calciners, permitting the industry to import 1.4 MT per year in aggregate as feedstock in the production of CPC.

At the same time, the Honourable Supreme Court passed an order to allow aluminium smelters to import 500,000 MT of CPC annually; however,

the prohibition on CPC imports by the calcining industry for the purposes of producing blended CPC remained intact. Our inability to import CPC into India for blending at our Vizag plant has resulted in a temporary reduction of CPC production at our US plants.

Nonetheless, we continue to pursue discussions with the Indian authorities regarding our GPC allocation and our ability to import CPC. In terms of the new shaft calciner, the project is on schedule to be commissioned during Q3 2019. Once operational, we believe the supply of raw materials for the shaft calciner will come from the current 1.4 MT import allocation, since the Ministry of Commerce has stated that the industry's allotment already contemplates future expansions.

As a result, your Company will focus on rationalising raw materials between our two Indian plants and supplementing our raw material needs by utilising proprietary technologies to calcine lower-quality GPC available within India to produce anode-grade CPC.

We believe these actions, combined with state-of-the-art pollution control equipment that will remove more than 98% of the shaft calciner's sulphur dioxide emissions as well as the plant's ability to generate approximately 15 MW of clean electricity from waste heat, will keep the facility's feasibility intact.

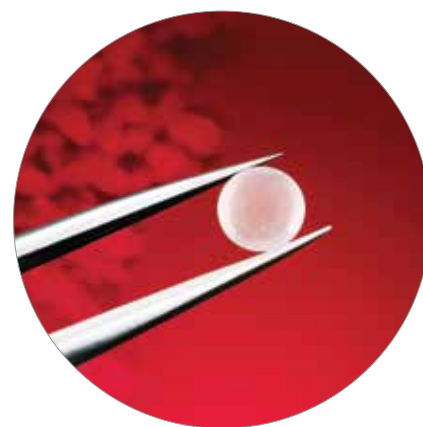
In Europe, we began building a new hydrogenated hydrocarbon resins (HHCR) production facility in June 2018. Once commissioned in

the third quarter of 2019, the plant will produce up to 30,000 tonnes of "water-white" resins per year, including our newly introduced product, NOVARES<sup>®</sup> pure. This will enable customers to meet evolving regulatory requirements and the growing demand for cleaner and safer raw materials in consumer products such as food packaging and sanitary products. Beyond the technical advantages of hydrogenated resins, NOVARES<sup>®</sup> pure will be produced in Germany, which means that European customers will have a local source for water-white resins, significantly shortening their supply chain. Currently, European manufacturers rely heavily on imported volumes of hydrogenated resins, mostly from China.

It was announced last April that as part of a realignment of our Carbon and former Chemicals sectors, the HHCR facility would serve as the centrepiece of our Advanced Materials business, going forward. This reflects an increasing focus on transforming by-products of our coal tar and petrochemical feedstock distillation activities to produce raw materials that support high-growth products of the future. The shift to Advanced Materials also allows us to place greater emphasis on premium products such as CARBORES<sup>®</sup> and PETRORES<sup>®</sup>, which are used in specialty applications such as lithium-ion batteries and energy storage.

Consistent with the change in reporting segments, your Company

Once the hydrogenated hydrocarbon resins (HHCR) production facility is commissioned in Europe in the third quarter of 2019, it will produce up to 30,000 tonnes of "water-white" resins per year, including our newly introduced product, NOVARES<sup>®</sup> pure.





## VICE CHAIRMAN'S MESSAGE (CONTINUED)

spent much of 2018 evaluating our existing product portfolio to ensure that we have the right product mix and that our offerings support our increased focus on high-growth areas. As a result, we are shutting down production lines in Germany that rely on outdated technology or whose products are no longer competitive or fail to meet the needs of a changing market. We expect this restructuring to provide an annual cost savings of approximately \$4 million. Moreover, we continue to evaluate other parts of our business to see where we can improve efficiencies, optimise logistics and maximise the use of our assets to eliminate non-value-added expenditures.

As a result of prudent investments to grow and modernise our calcination and distillation operations, we believe that both our Carbon and Advanced Materials businesses are well positioned to meet the increased demand for raw materials that are essential for cleaner, faster and lighter 21<sup>st</sup>-century applications. These initiatives will contribute to the future earnings of your Company and enhance the medium- to long-term viability of our businesses.

Going forward, we also expect that the aluminium industry will continue to be a major customer for our products. As the world's leading coal tar pitch (CTP) producer and number-two calciner, we provide two irreplaceable ingredients in the anodes that are required in the

electrolytic process of producing this versatile metal.

Aluminum pricing weakened during the second half of 2018 despite unusually low LME inventory levels. However, we believe these price levels are not sustainable given the production costs of global smelters. Moreover, demand for aluminium is expected grow as it continues to gain traction as the metal of choice in a growing number of applications, thanks to its high-strength, durable, lightweight, corrosion-resistant and recyclable nature.

Electric vehicles are an example of the potential growth in aluminium demand. They typically use 25-27% more aluminium than automobiles equipped with internal combustion engines. Also, electric vehicles' share of the global automotive fleet is forecast to increase from 4% in 2017 to 30% in 2030. This means smelters will need to increase their production capacity to meet rising demand, thereby requiring more CPC and CTP for anodes during the next decade. It's also worth noting that as the number of electric vehicles increases, so will the need for additional lithium-ion batteries that power the automobiles. We expect this to benefit your Company, as we are a leading supplier of advanced materials used in the coatings that extend the life of lithium-ion batteries and enable them to maintain a prolonged charge.

To help enhance the competitiveness of our cement operations, we have installed a 7 MW power plant at our Kurnool facility and are further installing a 4.1 MW power plant at our Nalgonda facility.

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Our raw materials are also essential ingredients in the production of concrete and asphalt, gypsum wallboard, PVC piping, paints and, of course, aluminium. Therefore, our products will play a significant role in the modernisation of developing countries.

Moreover, in India – where our business was born – we are optimistic that Priya Cement will provide a solid foundation for much of the infrastructure development and new housing that is contemplated in the southern states of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Kerala.

We expect growth in India's infrastructure and housing sectors to positively impact demand for cement in the coming years. This growth, coupled with limited expansion of the cement industry's production capacity, should result in steady improvement of plant utilisation across India and a multi-year earnings growth cycle where cement gains pricing and operating leverage.

To help enhance the competitiveness of our cement operations, we have installed a 7 MW power plant at our Kurnool facility and are further installing a 4.1 MW power plant at our Nalgonda facility. Together, they will generate 11.1 MW of clean electricity, using the waste gases produced in the manufacturing process. In addition, we have upgraded a cooler at the Nalgonda plant to achieve greater energy efficiency and we are upgrading the cement-grinding facility

at our Kurnool plant to improve its efficiency.

Alongside each of these activities, RAIN Group maintains a steady focus on workplace safety, occupational health and environmental stewardship – and I am proud to report that 2018 was the safest year in the history of your Company. The limestone mining operation at our Nalgonda cement facility is a prime example of our commitment to workplace safety. During National Safety Week 2018, the mine received first-place recognition from India's Directorate General of Mines Safety in the Drilling and Blasting, and Safe Mine Workings categories and second-place recognition in the Loading and Transportation, and Lighting and Electrical Installation categories, resulting in a first-place award for Overall Performance.

While 2018 was a record year in terms of our safety performance, we aspire to further improve our safety standards. In fact, we are working with DuPont Sustainable Solutions to develop a behaviour-based safety culture as part of a Company-wide initiative called Quest for Zero – a two-year journey to become an incident-free organisation.

Of course, being a global leader requires us to expand our focus beyond profit margins to ensure that we are enhancing the quality of life of people in the communities where we operate. Our Pragnya Priya Foundation operates three ambulatory care hospitals and three secondary schools

in rural Andhra Pradesh and Telangana, helping drive positive socio-economic changes in the remote areas of South India. In the US, our operations and employees have donated more than \$1 million and contributed countless volunteer hours to help local charities, schools and sports organisations. In Europe, the RÜTGERS Foundation provides financial support for science-focused education and has reached more 10,000 students during the past 15 years.

As we enter 2019 – after a year of challenges and turbulence – we remain confident that the future holds more opportunities than risks for your Company. We look forward to returning to more normalised earnings in our businesses in 2019, and we are eager to complete our new calcining and advanced materials facilities and realise their contributions to our growth and bottom line. I want RAIN Group to be more than a Company that you invest in – I want it to be a Company that you are proud to own.

Finally, we look forward to continuing to manage our business and balance sheet aggressively, investing in our business prudently, cutting costs wherever possible and realising the benefits of our Quest for Zero safety initiative in the years to come.

Sincerely,

**Jagan Mohan Reddy Nellore**

Vice Chairman

## BUSINESS MODEL

# RESILIENT VALUE-CREATION FRAMEWORK



Along every step of our corporate journey, we strive to create value for our stakeholders, driven by prudent decision-making and by leveraging our core competencies.

## OUR STRATEGIC GROWTH DRIVERS

**Established presence:** An established presence in high-demand end markets with an integrated low-cost logistics network, providing access to global raw material sources

**Scale:** Large-scale operations enabling economies of scale

**Diversification:** Diversified business across geographies and products

**Value-added materials:** Converter of industrial by-products into critical raw materials essential for the production of countless products

**Operations:** Sustainable operations with best-in-class technologies and sophisticated processes to produce superior raw materials

**Long-term relationships:** Enduring and long-term relationships with customers and suppliers

**Production:** Hub-and-spoke production, blending and distribution model provide efficient utilisation of all processed materials and flexible selection of markets globally

**Eco-friendly growth:** Increasing participation in the eco-friendly growth industries of the future such as lithium-ion batteries, aluminium and low-rolling resistance tyres

**Internal reorganisation:** Implemented internal reorganisation, including allocation of debt to European subsidiaries to improve effective tax rate

## THE VALUE WE CREATE FOR OUR STAKEHOLDERS



**Customers:** We produce high-quality raw materials essential for various customer product applications and manufacturing processes, helping them to provide the market with best-in-class end products. Our sustainable practices help us reduce dependency on natural resources and optimise production costs, the benefits of which are passed on to our customers. With our experience, foresight and know-how, we have an established record of meeting our customers' stringent requirements for quality, quantity and timely delivery.



**Investors/shareholders:** Since we became a public limited organisation, we have delivered financial returns to our investors. We are confident that our investments in sustainable practices and commitment to social responsibility will help us smoothly transition into a future-ready organisation that will continue to create value for all our stakeholders.



**Suppliers:** Our suppliers form a critical part of our value-creation process. Like our customer relationships, our association with key suppliers are long standing, strengthened by trust and the quality and timely procurement of our raw materials. We work in tandem with our suppliers to promote their growth by providing value engineering and contributing to their quality improvement processes.



**People:** We endeavour to attract, develop, retain and reward talented individuals to build a diverse workforce with the requisite skills, commitment to our values and a quest for excellence to drive our strategic requirements.



**Communities:** We are committed to enhancing the quality of life in the communities around us, with a focus on health, education, environment and rural development. This work is carried out by the Pragnya Priya Foundation in India, the RÜTGERS Foundation in Europe and a wide range of volunteer and charitable activities in North America.



## REVIEW OF BUSINESS SEGMENTS

# CARBON: DELIVERING A RANGE OF CRITICAL INPUTS FOR VARIED INDUSTRIES

Rain Carbon Inc., (RCI), our wholly-owned subsidiary, is responsible for our key vertical – the manufacture and supply of calcined petroleum coke (CPC) and coal tar pitch (CTP), both of which are critical raw materials in the production of primary aluminium. These high-value carbon-based products are produced by converting the by-products of oil refining and metallurgical coke production, and are important for industries such as graphite, carbon black, wood preservation, titanium dioxide and refractory.

Our eco-friendly and energy-efficient practices have helped make our Carbon business sustainable. We have a combined power co-generation capacity in Visakhapatnam (1) India and Louisiana (3) US of approximately 125 MW for this segment. Over the years, we have significantly invested in environment-friendly procedures in our flue-gas desulphurisation (FGD) plants in India and the US.

### Contribution of Carbon in 2018

#### Sales volume

**2.7** MT

#### Revenue

**₹96** billion

#### Contribution to consolidated revenue

**68.5%**

#### Adjusted operating margin

**18%**



**CPC**

CPC is produced from GPC, a by-product of crude oil refining, using a process called “calcining”.

**CTP**

CTP is distilled from coal tar, a by-product of metallurgical coke, an important raw material in the iron and steel industries.

**OCPs**

OCPs are produced during the distillation of coal tar and include carbon black, naphthalene, creosote oil and other oils.

**Product review****Calcined Petroleum Coke (CPC)**

CPC is produced from GPC through a high-temperature process known as “calcining”, which removes moisture and volatile matter from GPC. CPC can be produced using rotary kiln and vertical-shaft technologies.

We have six CPC-manufacturing plants in the US and one in India, operating under our wholly-owned subsidiary companies. We market our product around the world, except China.

**Capacity details**

- Serves across global markets from seven manufacturing plants with an aggregate production capacity of approximately 2.1 MTPA and 1.0 MTPA CPC-blending capacity
- Four plants are equipped with WHR technology, which produce carbon-free power that is transmitted to the local power grids
- Three CPC plants are equipped with FGD technology that enables us to use low-cost, high-sulphur raw material and still meet rigorous emission requirements

**Coal Tar Pitch (CTP) and Other Carbon Products (OCPs)**

CTP is a derivative of coal tar distillation. Through our wholly-owned subsidiaries, we operate three coal tar distillation facilities in Belgium, Canada, and Germany. A distillation plant in Cherepovets, Russia, is operated through a joint venture.

OCPs are produced during the distillation of coal tar. They include naphthalene, creosote oil and carbon black oil.

We supply CTP and a range of OCPs with different properties for a wide spectrum of applications to customers around the world, except in Australia and China.

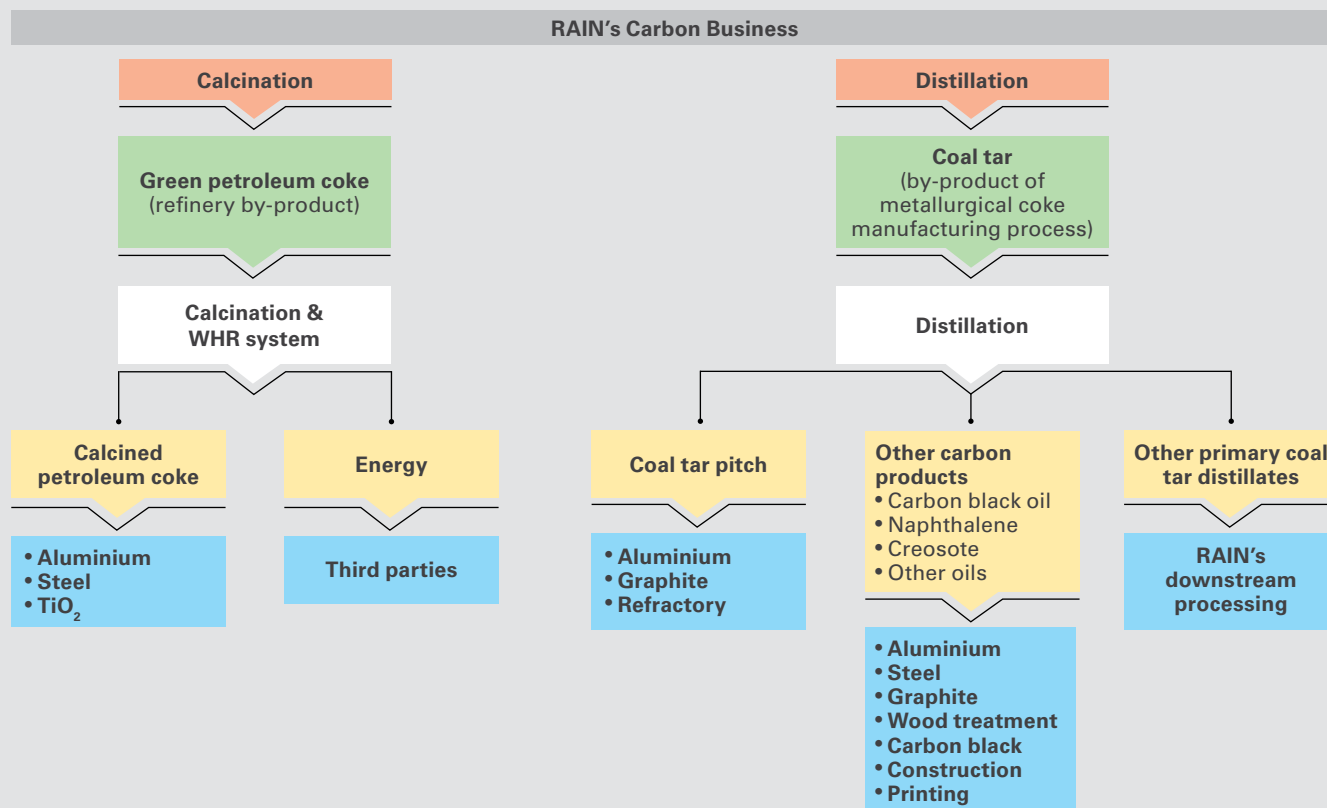
**Capacity details**

- Four coal tar distillation plants with a total capacity of 1.3 MTPA in Europe and North America

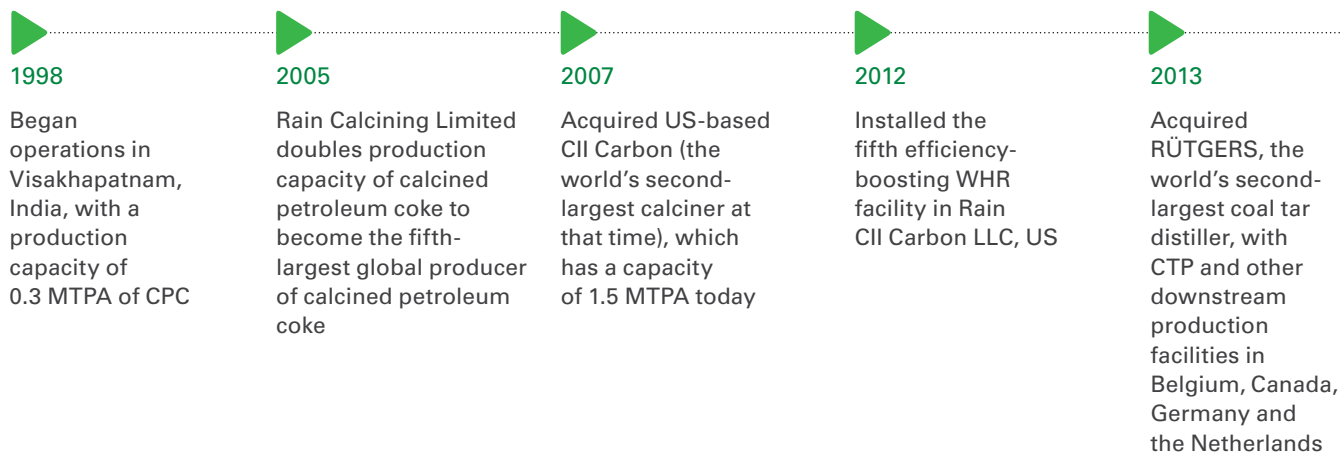
**CPC and CTP: Critical Raw Materials for Aluminium Industry**

Aluminum produced using the electrolytic Hall-Héroult process requires carbon anodes to transmit electrical currents to the pot lines. These carbon anodes are made from CPC and CTP. The quality of CTP and CPC directly influences the nature of the anode and its performance, thereby affecting the production of aluminium.

## REVIEW OF BUSINESS SEGMENTS: CARBON (CONTINUED)



### Expansion milestones



## Key highlights of 2018

- Carbon revenue increased by 32.5% due to improved realisations, including the favourable impact of the depreciation of the Indian Rupee against the Euro and US Dollar, offset by lower volumes
- Adjusted EBITDA from the Carbon business stood at ₹17 billion in 2018 as against ₹16.5 billion in 2017
- The ban on pet coke imports in India led to a realignment of shipments and production schedule, ultimately resulting in lower volumes of CPC and higher costs. However, in October 2018, we received the Honourable Supreme Court's permission to

resume shipments of GPC to our Visakhapatnam facility. However, the exemption covers only current production requirements and does not take into account future expansion plans. We are hopeful of securing required permissions for an expanded facility in future, due to the plant's strategic location in a Special Economic Zone, which will provide some benefits for us while procuring raw materials

- RCI completed the transition to ISO 9001:2015, following successful audits at its calcining and office locations in Illinois and Louisiana

## Strategic roadmap

- We will focus on capacity expansions across various locations to reinforce our leadership position
- We plan to increase supply volumes to existing and new customers
- Our execution strategies, including expansion and debottlenecking, will focus on timely completion
- The aluminium industry is increasingly demanding consistent supply of quality anode-grade CPC. We are working closely with aluminium smelters to meet this requirement and are using our patented Isotropic Coke Experiment (ICE) technology to convert previously unacceptable grades of GPC to anode-grade CPC



## REVIEW OF BUSINESS SEGMENTS

# ● ● ● ADVANCED MATERIALS: OFFERING RAW MATERIALS FOR FUTURE-READY PRODUCTS

We produce 0.7 MTPA of advanced materials, which makes us a global leader in this industry. We transform a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials through innovation and technology.

We operate our advanced materials production facilities in Germany, Canada, Belgium and the Netherlands and cater to various industries worldwide, such as specialty chemicals, coatings, construction, automotive and petroleum.

To manufacture our advanced materials products, we use primary coal tar distillates, which are processed and refined, while simultaneously using petroleum derivatives such as C9 and C10 as raw materials for our products.

### Contribution of Advanced Materials in 2018

#### Sales volume

**0.47** MT

#### Revenue

**₹35** billion

#### Contribution to consolidated revenue

**25%**

#### Adjusted operating margin

**11%**





## Naphthalene derivatives

**Key raw materials:**  
Naphthalene oil

**Products:**

- Naphthalene
- Phthalic anhydride (PA)
- Polynaphthalene sulfonates (PNS)
- Modifiers

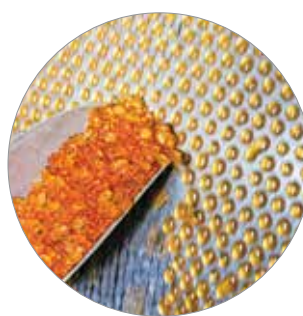


## Petrochemical intermediates

**Key raw materials:**  
Crude benzene

**Products:**

- Benzene
- Toluene
- Xylene
- Solvents
- Fuel additives



## Resins

**Key raw materials:**

- Carboindene
- C9 feedstock

**Products:**

- Carbon resins
- Hydrocarbon resins
- Pure resins
- Hydrogenated resins
- Phenolics



## Engineered products

**Key raw materials:**  
Coal tar and petro tar

**Products:**

- CARBORES®
- PETRORES®
- Sealer coatings

## Product review

### Naphthalene derivatives

Naphthalene derivatives are primarily produced from our internal production of naphthalene oil, which is further processed into downstream products — PA and PNS/PCE liquids — that serve as key raw materials in various industries.

#### Manufacturing details

- Manufactured in Belgium and Germany

### Petrochemical intermediates

We produce petrochemical intermediates such as benzene, toluene and xylene that are critical inputs for several chemicals-based products such as solvents for inks and paints. We manufacture these from secondary distillation of crude benzene — a liquid by-product derived during conversion of coal into metallurgical coke used for pig iron and steel production. We procure a substantial amount of crude benzene from third parties.

#### Manufacturing details

- Manufactured in Belgium and Germany

- Two petrochemical feedstock distillation plants with an available capacity of 0.2 MTPA in Europe

### Superplasticisers

Superplasticisers offer strength, elasticity, colour-fastness and resistance to wear and tear, among other things, to concrete superstructures. They are a class of polymer-based dispersant materials, primarily used as in-process aids in the manufacture of products such as concrete, gypsum and a variety of other industrial and agricultural applications.

#### Manufacturing details

- Manufactured in Candiac, Canada

### Resins

We manufacture aromatic hydrocarbon resins that find applications in coatings, rubber tyres and other end-user rubber products (for coal tar-based resins) and adhesives and printing inks (for petrochemical-based resins).

Similarly, we produce modifiers from downstream refining of naphthalene and other inputs that are procured. The modifiers are used in the manufacture of carbonless copy papers, carrier and insulation oils, flooring production and epoxy-based coatings.

#### Manufacturing details

- Two advanced materials manufacturing units in Duisburg, Germany, and Uithoorn, the Netherlands
- An integrated and dedicated river port at the Duisburg facility
- New heat polymerisation technology for tailor-made products in Uithoorn facility in the Netherlands

### Engineered products

CARBORES® binder is our innovative engineered pitch product that combines the advantages of CTP products and phenolic resins. CARBORES® is a substitute binder used in carbon-containing refractory products and graphite



## REVIEW OF BUSINESS SEGMENTS: ADVANCED MATERIALS (CONTINUED)

products, produced from a highly reduced concentration of polycyclic aromatic hydrocarbons (PAHs).

**CARBORES® is available in three product lines:**

- **CARBORES® T:** A binder for the production of monolithic refractory products, it is available in different viscosities, delivered as a liquid at ambient temperature.
- **CARBORES® F:** A binder with different softening points for the production of refractory bricks

and for specialty graphite, it is delivered in molten or solid form.

- **CARBORES® P:** A high-performance binder for shaped and monolithic refractory products as well as for specialty graphite, it is delivered as a solid or powder.

### Manufacturing details

- CARBORES® binder manufactured in Castrop-Rauxel, Germany

**Our engineered products also include:**

- **PETRORES®:** It is used in specialty applications such as lithium-ion batteries and energy storage.

Due to the eco-friendly nature of our engineered products, there is an increase in their demand. RAIN Carbon is therefore constantly working to bring additional products to the market to help customers meet evolving environmental and societal requirements.



## Resins and modifiers and their brand names

We market our resins and modifiers under various brand names:

Coal tar- and petrochemical-based resins	<b>NOVARES®</b>
Low-cost petrochemical-based resins	<b>MULTIRES®</b>
By-products of resins production process	<b>NOVABOOST® and NOVADEST®</b>
Modifiers	<b>KMC® and RUETASOLV®</b>

## Key highlights of 2018

- Advanced Materials revenue increased 9% due to the improved realisations, including the favourable impact from depreciation of the Indian Rupee against the Euro and US Dollar offset by lower volumes
- Adjusted EBITDA from Advanced Materials business stood at ₹3.8 billion in 2018 as against ₹5.4 billion in 2017
- Began construction of a new resin polymerisation and hydrogenation plant at our integrated coal tar and petrochemical site in Castrop-Rauxel, Germany
- Unveiled upcoming line of hydrogenated resins — NOVARES pure® — at the FEICA European Adhesive and Sealant Conference in Riga, Latvia

## Strategic roadmap

- Continue to develop new products for catering to specific client requirements
- Increase our focus on R&D to expand our product range
- Increase capacity across strategic locations to reinforce industry leadership position
- Focus on increasing supply volumes to existing customers

## Expansion milestones

The recent years have seen a rise in awareness about environmentally conscious business engagement. As a result, the demand for cleaner, lighter and faster products has increased. Advances in science and engineering are helping us match these expectations, with the potential of coal tar and petro tar, two of our core raw materials. This has created a range of opportunities for us to provide customers with the advanced materials they need for a more responsible and environmentally conscious way of production.





## REVIEW OF BUSINESS SEGMENTS

# CEMENT: REINFORCING INDIA'S URBANISATION RESOLVE

Rain Cements Limited (RCL), our wholly-owned subsidiary, is the leading manufacturer of cement in South India. Through RCL, we produce high-quality ordinary portland cement (OPC) and portland pozzolana cement (PPC) marketed under the brand name "Priya Cement". We have two production facilities each in Telangana and Andhra Pradesh and one packing unit in Karnataka with a combined production capacity of 4.0 MTPA. Our limestone mines are within two-kilometre radius of our plants and have reserves of about 50 years.

We enjoy a prominent presence in the states of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, Kerala, Odisha, Maharashtra and Goa. Our aim is to meet the rising need of rapid urbanisation in India without compromising on quality or adversely impacting the environment.

Currently we have 2,000-plus dealers registered with us. We have been awarded ISO 14001:2004 and ISO 9001:2000 certificates for our quality management and environmental management systems. At RCL, we prioritise the well-being of our employees. We have set up schools and hospitals in the vicinity of our cement plants, which can be easily accessed by employees who work at these plants. These facilities are affordable, and the employees' families can also benefit from them. The schools and hospitals are run by the Pragnya Priya Foundation. We believe in doing what is right, not just for the Company, but also for our employees.

### Contribution of Cement in 2018

#### Sales volume

**2.2** MT

#### Revenue

**₹9.1** billion

#### Contribution to consolidated revenue

**6.5%**

#### Adjusted operating margin

**8%**



## OPC

This premium-quality cement can find application in any concrete structure owing to its fast-setting and fast strength-development characteristics.



## PPC

This cement is eco-friendly as it is manufactured using fly-ash, a by-product from thermal power plants. It is less porous and has low heat of hydration, which makes it suitable for marine work and construction of structures near coastal areas. About two-thirds of our total cement production is PPC, which is estimated to increase to three-fourth in the coming year.

## Product review

### Ordinary Portland Cement

OPC is a premium-quality cement that attains high strength and is known for its durability, since it comprises a low percentage of minor constituents, such as alkalis and chlorites. Its rapid-setting and fast strength-development features make it a favourite among builders. The cement is used in high-rise industrial buildings, slabs, and roofs of apartments and bridges.

### Portland Pozzolana Cement

The setting time for and strength development of PPC is longer than required for OPC, making it an ideal product for residential buildings, dams, roads and airport runways. PPC eliminates surface cracks due to low heat of hydration. It is eco-friendly and consumes less production energy to manufacture, which reduces overall production costs.

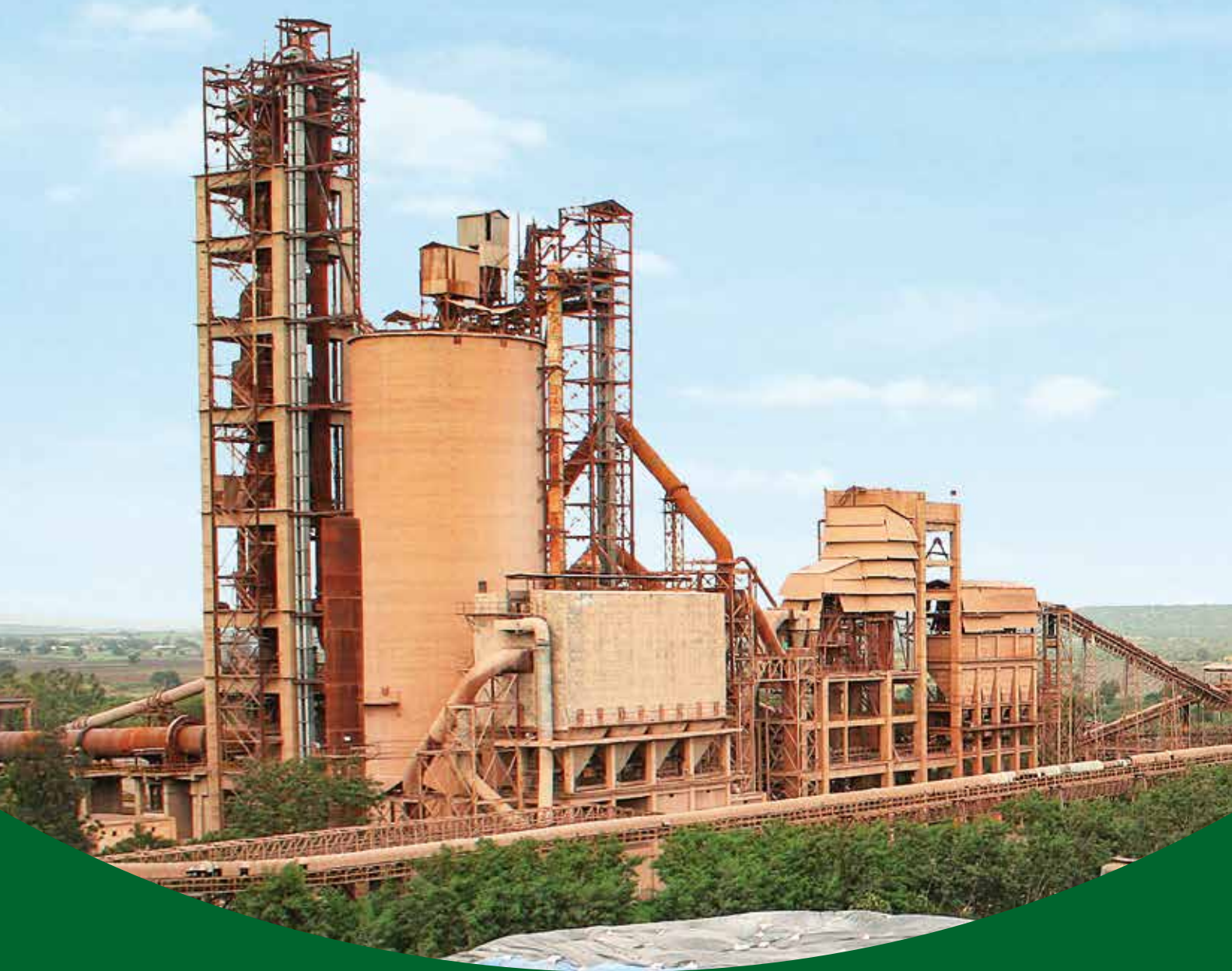
Through rigid quality procedures and continuous monitoring of our manufacturing processes, we ensure that only quality cement reaches our customers. Our limestone reserves are among those with the highest quality in the world, and we employ technologies and mining processes that minimise our impact on the environment.

### Capacity details

- Unit I integrated cement plant in Telangana is located in Suryapet district and has a production capacity of 1.0 MTPA of clinker and 1.5 MTPA of cement
- Unit II integrated cement plant in the Kurnool district of Andhra Pradesh, has a production capacity of 1.94 MTPA of clinker and 2.77 MTPA of cement
- Cement packing plant in Karnataka's Bellary district
- Kurnool cement plant operates a 7 MW cogeneration facility



## REVIEW OF BUSINESS SEGMENTS: CEMENT (CONTINUED)





### What does the future hold for the Indian cement industry?

The Indian cement industry is estimated to increase its total production capacity to around 550 MT by CY2025. The Indian housing sector accounts for approximately 67% of the total cement consumption. Infrastructure (13%), commercial construction (11%) and industrial construction (9%) are other demand drivers for cement. During the last few years, low capacity utilisation, coupled with weak prices and increasing input costs, has dimmed the performance

of the Indian cement industry, forcing some producers to defer expansion plans. However, rapid urbanisation is driving the demand from the housing and infrastructure sectors in Tier II and Tier III cities. Moreover, the overall growth in India's real estate sector and the government's initiative towards building 100 Smart Cities are expected to boost demand. These factors as well as the limited capacity additions are expected to gradually thrust the Indian cement industry towards a bright future.

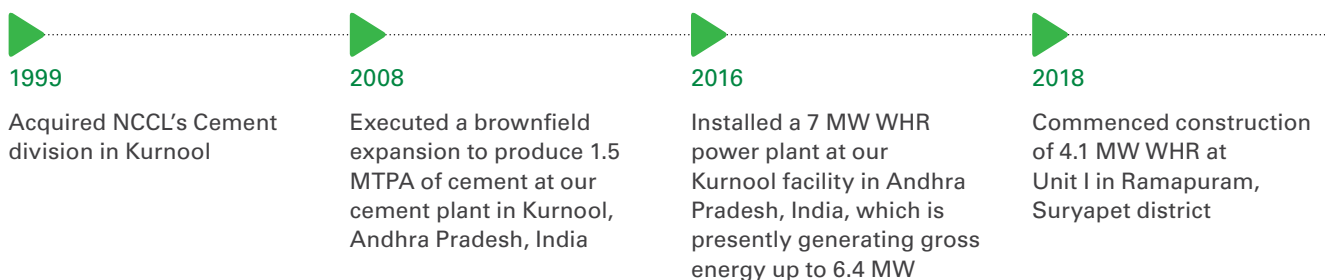
### Key highlights of 2018

- Cement sales volumes increased by 6%
- Revenue from cement business was ₹9.1 billion
- We undertook a 4 MW WHR expansion at one of our cement facilities
- Adjusted EBITDA from the cement business stood at ₹0.7 billion in 2018 as against ₹0.9 billion in 2017

### Strategic roadmap

- Modernisation of Line 1 of our cement facility at Kurnool with state-of-the-art infrastructure aimed at achieving greater energy efficiency and capacity expansion from 0.5 MTPA to 1 MTPA
- Expand our presence in core states with proactive marketing and branding
- Expected to commission a 4.1 MW WHR plant at Unit 1 (Ramapuram of Suryapeth district) by end of April 2019

### Expansion milestones




## RESEARCH AND DEVELOPMENT

# ●●● INTEGRATING INNOVATION AND TECHNOLOGY FOR A SUSTAINABLE FUTURE

World-class manufacturing and operational excellence, combined with strategic investments in state-of-the-art technologies, provide us with a platform for industry leadership. It has also enabled us to achieve sustained growth since 2007. Our relentless commitment to R&D has helped us anticipate, pursue and develop sustainable solutions, optimising product mix and conversion costs.





Leveraging the expertise of our dedicated product development and applications teams, we work closely with clients to deliver quality products that meet their specific application needs. We have pioneered aromatic chemistry in Germany and invented Bakelite, the first synthetic plastic material. Our list of innovative products also includes coal tar-based resins, colourless resins and specialty coatings that improve energy storage of lithium-ion batteries.

We believe in conducting business in a responsible and judicious manner, creating value for our stakeholders and society. The demand for our unique advanced materials products is on the rise due to their eco-friendly nature. We have also developed a new generation of environment-friendly resins with reduced volatile organic emissions like water-white resins.

Our prudent decision-making will continue to direct our future strategic roadmap. To further expand our advanced materials portfolio, we commenced the construction of a hydrogenated hydrocarbon resins facility in Germany in July 2018. Once commissioned in the third quarter of 2019, the plant will produce water-white resins that satisfy changing regulations and growing demand for cleaner and safer raw materials, particularly for food packaging and sanitary products.

At RAIN, we will continue to focus on creating value in a responsible manner by developing products that meet high-quality standards while being economically, environmentally and socially sustainable.



## HUMAN RESOURCES

# DEVELOPING A DIVERSE TEAM COMMITTED TO OUR CORE VALUES

We recognise the role of our people in enabling our success and growth. We remain committed to their growth and development.

**2,600+**

Team strength

**88%**

Employee retention rate

### The RAIN way

We promote a work environment that engenders meritocracy, nurtures diverse skill sets, and rewards team work, respect for each other and commitment. We share long-term relationships with our people and treasure passion, intelligence, flexibility and integrity.

We recruit and attract highly qualified, skilled employees from across borders by using online platforms, where we post all current vacancies at RAIN Industries. We reach out to desirable candidates through social media postings, alliances with universities, job fairs and online job search platforms in India, North America and Europe. We list our job profiles and requirements clearly and ensure candidates fulfil all criteria before onboarding them.

### Striving for excellence

We endeavour to excel and help our people grow to their full potential. We upskill our recruits, as well as established employees, with various skill development programmes that help them to adopt contemporary technologies and adapt to an evolving global business environment. We also help our people develop the skills and confidence to move laterally and vertically in our organisation.

We have devised two main development programmes aimed at enabling our employees to grow professionally:

### Regional development programmes:

These programmes are conducted in Europe, India and North America. They provide shop-floor and mid-level employees with advanced skills training in their current area of expertise, as well as basic leadership training.

### Global leadership programme:

This four-module course features training in five key areas — advanced communication, strategic management, leading leaders, intercultural management and developing oneself — given to high-potential employees throughout the organisation.

We have also developed leadership principles for the Company, which help us better assess the leadership potential of our people and provide them with a clear understanding of the responsibilities and behaviour expected of them.



### Engagement activities

At RAIN, our employee engagement mantra is to treat our people with respect and trust. We ensure that there is a regular communication of our core values at every juncture of the RAIN life. Our people have access to professional development opportunities and adequate time off for participation in volunteer activities, and their efforts are recognised through appropriate means such as awards and bonuses.

Additionally, we use newsletters and announcements to reach our people across the globe. We also conduct townhall meetings to update employees on the state of our business, and encourage them to share their ideas and concerns with the senior management.

### Safety first

We strongly believe that safety performance is a leading indicator of a company's overall business performance. We are committed to maintaining international standards of workplace safety. Our global safety initiative — Quest for Zero — attests to our strong commitment to this goal: to become an incident-free organisation by 2020.

Additionally, experts from DuPont Sustainable Solutions are helping us conduct extensive training in behaviour-based safety and process safety. We have implemented a Safety Training Observation Programme (STOP) that uses a combination of methods to give people the information, skills and willingness to work more safely, maximising their learnings and ability to apply what they learn to real-world situations. We are confident that these measures will help us develop safety as a way of life at RAIN and become a source of organisational pride.

### Measuring the performance of our team

We have implemented a global performance-appraisal system that establishes a transparent set of goals and expectations for our people. It further ensures that they receive useful and timely feedback from their managers. The new appraisal architecture measures employee behaviour on key parameters such as safety, teamwork and integrity, knowledge and abilities, leadership competency and work results.



## CORPORATE SOCIAL RESPONSIBILITY



# GENERATING SHARED VALUE WITH RESPONSIBLE BUSINESSES

At RAIN, we are aware of how our operations impact our stakeholders, especially the communities where we operate. Our corporate citizenship efforts are an extension of our broad sustainability agenda to create shared value for people, products and the planet.

We are a resourceful, reliable and responsible company that operates in a socially and environmentally sustainable manner. We primarily focus on health, education, environment and rural development by promoting social welfare programmes and community participation near our facilities and offices.

### **Sustainability at RAIN**

Our commitment to sustainability ensures we offer a safe workplace for our people, contractors and visitors at all our facilities. We strive to become industry leaders in safety and foster an environment where safety is recognised as a value and a way of life. We have set up several programmes, with teams dedicated to safety, health and environmental activities, which are among our most significant areas of growth over the last decade.

### **Upcycling is the RAIN way**

We transform by-products from various industries like refining, steel and coal-fired power industries into usable raw materials such as CPC, CTP and PPC. These raw materials are then used for developing various products that people need every day. By extracting additional value from these industrial by-products, we are not merely recycling important resources; instead we are “upcycling” them for 21<sup>st</sup>-century applications in a responsible way.

## Our major interventions

### India

The Pragnya Priya Foundation was established in 2012 in India to empower underprivileged and rural communities. The Foundation has been taking a hands-on, grassroots-driven approach to influence positive socio-economic changes in remote corners of South India. It operates three ambulatory care hospitals and three schools in rural Andhra Pradesh and Telangana.

### United States

In the US, we partner with local schools, support food banks and volunteer as coaches. For more than two decades, we have donated to the United Way through a matching programme with our employees; this has contributed more than \$1 million for assisting and aid to our local communities.

### Europe

The RÜTGERS Foundation provides financial support for science endeavours such as research, working groups and project days for all age groups. This Foundation has supported over 10,000 students at more than 300 schools all over Germany in the last 15 years, representing a contribution of more than €1.25 million.

**3**

Ambulatory care hospitals  
and schools each

**\$1** million  
Contribution

**300+**  
Schools benefited





## ENVIRONMENT



# CARE FOR THE ENVIRONMENT IS THE RAIN WAY OF LIFE



The health of our environment is central to human existence and all our activities. Enhanced green cover and ecological balance are the need of the hour.

At RAIN, we understand the importance of eco-friendly and environmentally conscious development. We have thus been steadily investing in developing cleaner and greener raw materials for our customers that enable them to deliver eco-friendly end products. One of our key focus areas here has been technological upgradation of our plants and processes to ensure that we continue to contribute towards the health of our environment.



### **Greenscaping: An investment for future**

Environmental care remains at the crux of our culture, and we are focusing on landscaping to achieve our goal of providing an eco-friendly environment to our people and the communities around us. We have made significant investments in “greenscaping” with green beds around our various facilities.



### **Minimising environmental impact**

We believe in driving successful performance in tandem with ethical behaviour with an unwavering commitment to reducing environmental impact. We have five WHR systems producing 137 MW carbon-free electricity in four of our calcination facilities and both our cement plants. The WHR systems help diminish our carbon footprint and add electricity to regional power grids, which reach local communities. These have helped offset the need for generating carbon-fuelled electricity and curbed the generation of greenhouse gases.



### **Helping desulphurise our ecosystem**

We have three FGD systems, which eliminate more than 98% of sulphur dioxide (SO<sub>2</sub>) emissions. Our Visakhapatnam facility in Andhra Pradesh, India, is the country's only calcination plant with SO<sub>2</sub> scrubbers operating for more than two decades.



### **Extending the life of mineral reserves**

The production of PPC involves replacing approximately one-third of the limestone used in OPC with fly ash — a by-product of coal-fired power generation. The use of fly ash in the manufacture of PPC provides an eco-friendly alternative to landfill disposal. Moreover, this reduces our consumption of valuable limestone, thereby extending the useful life of our mineral reserves.



## RISK MANAGEMENT

# IDENTIFYING AND MITIGATING RISKS

We operate in three core market segments across eight countries, which exposes our business to various risks and uncertainties. We view risk management as an integral part of our operations to achieve our strategic objectives.

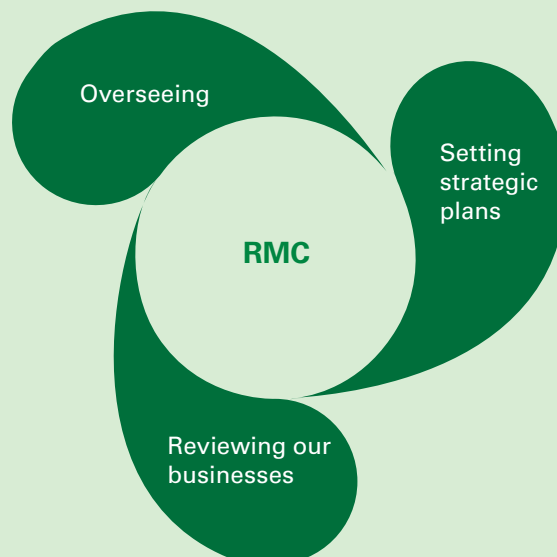
Risk management is embedded in our processes. The risk framework helps us meet the business objectives by aligning operating controls with the mission and vision of the Company. The Board of Directors is responsible for our overall risk management.



### Risk Management Committee

Our governance philosophy ensures we have a robust risk management system. Our Risk Management Committee (RMC) is entrusted with the responsibility of assisting the Board in:

- **Overseeing** our risk management procedures and controls, risk tolerance, capital liquidity and funding
- **Setting strategic plans** and objectives for risk management and review of risk assessment
- **Reviewing** our businesses' risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks

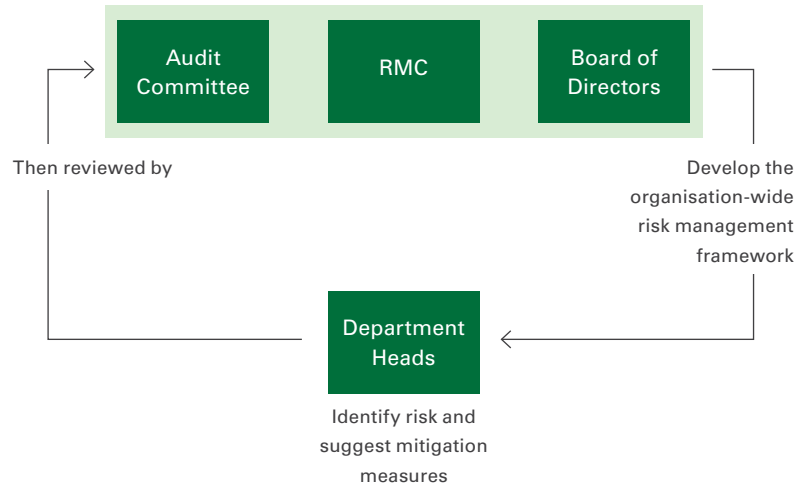




## Risk management framework

Our risk management framework is designed to be simple, consistent and clear for managing and reporting risks. We have set up a multi-layered risk management framework to effectively mitigate various risks to which our businesses are exposed in the course of their operations.

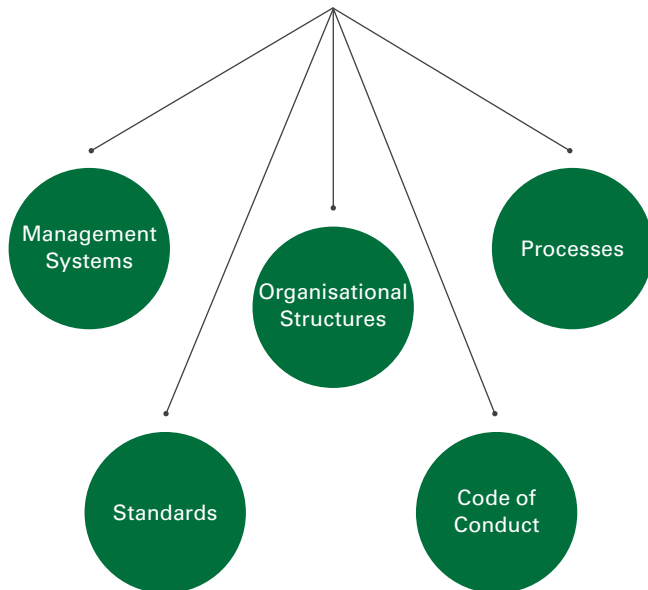
The RMC supports the Audit Committee and the Board in developing the organisation-wide risk management framework. The respective Department Heads identify the risks and suggest mitigation measures, which are then reviewed by the RMC, the Audit Committee and the Board of Directors.



## Internal Control Systems

Our internal control systems help us conduct our businesses and manage the associated risks.

### Internal Control Systems



## Enterprise Risk Management

Our robust Enterprise Risk Management programme helps our businesses address opportunities and manage risks. We use an institutionalised approach that is aligned to our objectives and facilitated by an internal audit to strengthen our risk management system.

Business risks are managed through cross-functional involvement and communication across various business units. The results of risk assessment are thoroughly discussed with the Senior Management before being presented to the RMC. We identify the key risks that are systematically addressed through mitigating actions. We have appointed risk champions at various operating businesses, as well as at the Group level, to develop a culture that is focused on risk management across various units.

## BOARD OF DIRECTORS

# LEADING WITH FORESIGHT

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### Mr H. L. Zutshi – Chairman

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Mr H. L. Zutshi was the Chairman & Managing Director of Hindustan Petroleum Corporation Ltd. (HPCL). He was also the Chairman of Mangalore Refineries and Petrochemicals Ltd. (MRPL), South Asia LPG Ltd., HINCOL and an exploration and production company called Prize Petroleum.

Mr Zutshi was a member of the Government of India appointed expert sub-committee for developing a policy paper on deregulation, which provided inputs for the Hydro Carbon Vision 2025. He also was Advisor Energy & Hydrocarbon to Mittal S.a.r.l. in Luxemburg and ABN Amro Investments. In addition, he has served as an Independent Director on the Boards of several companies.

Currently, Mr Zutshi is the Managing Trustee of the Energy Research and Social Advancement Foundation, New Delhi and Ishwar Charitable Trust Eye Hospital – ICARE. He is also a member of India International Centre, New Delhi.

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### Mr N. Radhakrishna Reddy – Managing Director

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Mr N. Radhakrishna Reddy has more than 50 years of experience in the construction and cement industries. He has been a Director of RAIN Industries Limited since 1984. He has keen foresight to make the Company a leader in the cement and carbon segments. Mr Reddy also is on the Boards of Rain Cements Limited, Renuka Cement Limited, PCL Financial Services Private Limited, Arunachala Holdings Private Limited, PR Cement Holdings Limited, Apeetha Enterprises Private Limited, Lakshmi Sea Foods Limited, Rain Entertainments Private Limited and the Pragnya Priya Foundation.

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### Mr Jagan Mohan Reddy Nellore – Vice Chairman

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With 25 years of experience in the areas of finance, commerce and operations, Mr Jagan Mohan Reddy Nellore is currently Vice Chairman of Rain Industries Limited and the CEO of Rain Carbon Inc., US.

Mr Nellore is the founder of Rain CII Carbon (Vizag) Limited, which had commenced the production of calcined petroleum coke (CPC) and electricity in 1998 in India. He spearheaded the vision, strategy and execution of the globalisation of the Indian entity's business model through the acquisition of Rain CII Carbon, LLC of the US and RÜTGERS N.V., a coal tar pitch (CTP) and chemicals producer. He has successfully integrated the acquired entities to create the world's leading industrial carbon producer.

Mr Nellore is a member of the Boards of companies such as Rain CII Carbon (Vizag) Limited, Rain Cements Limited, Renuka Cement Limited and Rain Carbon Inc.

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### Mr N. Sujith Kumar Reddy – Director

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Mr N. Sujith Kumar Reddy has more than 24 years of experience in the manufacturing and construction industries. He is the Managing Director of Rain Cements Limited, which manufactures and sells cement under the brand name "Priya Cement". He is also Director of Renuka Cement Limited, PCL Financial Services Pvt. Ltd., Arunachala Holdings Pvt. Ltd., Apeetha Enterprises Pvt. Ltd, Nivee Holdings Pvt. Ltd., Nivee Property Developers Pvt. Ltd., Rain Entertainments Pvt. Ltd. and Pragnya Priya Foundation.

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**Mr Brian Jude McNamara – Independent Director**

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Mr Brian McNamara is a former banker with a 30 years of experience in project finance, corporate finance and investment management. He has extensive investment experience in project evaluation, financial structuring and investment management across the chemicals, fertilisers, carbon black, plastics, fibres, specialty chemicals and primary metals industries.

Mr McNamara is an independent Director and Chairman of the Audit Committee of the Company's wholly owned subsidiary Rain Carbon Inc.

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**Mr Varun Batra – Independent Director**

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Mr Varun Batra is a senior finance professional with more than 25 years of experience in the fields of Private Equity, Special Situations, Corporate Finance & Capital Markets, Credit & Relationship management across various Corporate & Financial Institutional customers. He has relevant experience in Relationship, Risk & Product Management and Debt & Equity investing across the Capital Structure.

Mr Varun is currently a Senior partner and heads the Mumbai office for Baring Private Equity Partners India Pvt. Ltd. He is a member of the Board of Starkarma Realty Holdings India Pvt. Ltd.

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**Ms Radhika Vijay Haribhakti – Independent Director**

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With over 30 years of experience in commercial and investment banking, Ms Radhika Vijay Haribhakti has advised several large corporates and led their Equity and Debt offerings in domestic as well as international capital markets. She now heads RH Financial, a boutique advisory firm focused on M&A and private equity.

She serves as an Independent Director on the Boards of several companies such as Adani Ports & Special Economic Zone and Mahanagar Gas Limited.

Ms Haribhakti has also been closely involved with issues of women empowerment, financial inclusion and CSR and has served on Boards of non-profits for over 18 years, including 12 years as Chairperson. She has also served on the Governing Council of Citigroup Micro Enterprise Awards and CII's National Committee on Women Empowerment.

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**Ms Nirmala Reddy – Independent Director**

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Ms Nirmala Reddy has 45 years of experience in Banking, Finance and project appraisal. She has worked on assignments related to credit intermediation, institutional sustainability, privatisation, and financial and performance appraisal of development banks and financial institutions.

Her experience spans across State Bank of Hyderabad, Vijaya Bank, Manufacturers Hanover Trust Company New York and American Express Bank Ltd. in reputed positions. During her tenure with these banks, she underwent extensive training in operations, credit and foreign exchange. She also underwent a senior management course at the Administrative Staff College in Hyderabad.

Ms Reddy is the Managing Director of Nugget Estates Private Limited and Nugget Realty & Ventures Private Limited and Independent Director in Rain Cements Limited and Rain CII Carbon (Vizag) Limited. She is also the President of Globe Enterprises LLC, USA.



WE HAVE IMPLEMENTED A GLOBAL  
PERFORMANCE-APPRAISAL SYSTEM  
THAT ESTABLISHES A TRANSPARENT  
SET OF GOALS AND EXPECTATIONS  
FOR OUR PEOPLE.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr H. L. Zutshi  
Mr N. Radhakrishna Reddy  
Mr Jagan Mohan Reddy Nellore  
Mr N. Sujith Kumar Reddy  
Mr Varun Batra  
Mr Brian Jude McNamara  
Ms Nirmala Reddy  
Ms Radhika Vijay Haribhakti

Chairman (Independent Director)  
Managing Director  
Director and Vice Chairman  
Director  
Independent Director  
Independent Director  
Independent Director  
Independent Director

### CHIEF FINANCIAL OFFICER

Mr T. Srinivasa Rao

### COMPANY SECRETARY

Mr S. Venkat Ramana Reddy

### STATUTORY AUDITORS

B S R & Associates LLP  
Chartered Accountants,  
Salarpuria Knowledge City,  
Orwell, B wing, 6th Floor, Unit 3,  
Sy. No. 83/1, Plot No.2, Raidurg,  
Hyderabad -500081,  
Telangana State, India.

### REGISTERED OFFICE

"Rain Center",  
34, Srinagar Colony,  
Hyderabad-500 073,  
Telangana State, India.  
Phone No.+ 91 (40) 40401234  
Fax No. + 91 (40) 40401214  
Email: secretarial@rain-industries.com  
Website: www.rain-industries.com  
CIN: L26942TG1974PLC001693

### BANKS

IDBI Bank Limited  
ICICI Bank Limited  
Citibank, NA

### INTERNAL AUDITORS

Ernst & Young LLP  
Oval Office,  
18, iLabs Center, Hitech City  
Madhapur, Hyderabad - 500 081  
Telangana State, India.

### SECRETARIAL AUDITORS

DVM & Associates LLP  
Practicing Company Secretaries  
6/3/154-159, Flat No. 303,  
3rd Floor, Royal Majestic,  
Prem Nagar Colony,  
Near Banjara Hills Care Hospital,  
Hyderabad – 500 004,  
Telangana State, India.

### REGISTRARS & SHARE TRANSFER AGENTS

Karvy Fintech Private Limited  
(Unit: Rain Industries Limited)  
Karvy Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District,  
Nanakramguda, Hyderabad – 500 032,  
Telangana State, India.  
Fax: +91 40 23420814; Phone: +91 40 67161566  
e-mail: einward.ris@karvy.com/ murthy.psrch@karvy.com



## NOTICE

Notice is hereby given that the 44th Annual General Meeting of the Members of Rain Industries Limited (the Company) will be held on Wednesday, the May 8, 2019 at 3.00 PM at KLN Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce & Industry (FTAPCCI), Red Hills, Hyderabad - 500 004, Telangana State, India to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Standalone Audited Financial Statements of the Company for the Financial Year ended December 31, 2018 and reports of Board and Auditors thereon.
2. To receive, consider and adopt the Consolidated Audited Financial Statements of the Company for the Financial Year ended December 31, 2018 and Report of Auditors thereon.
3. To approve and ratify interim dividend.
4. To appoint a Director in place of Mr N Sujith Kumar Reddy (DIN: 00022383) who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr Jagan Mohan Reddy Nellore (DIN: 00017633) who retires by rotation and being eligible offers himself for re-appointment.

### SPECIAL BUSINESS:

6. To re-appoint Ms Nirmala Reddy as an Independent Director.

To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, read with Schedule IV to the Act and Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the consent of the members of the Company be and is hereby accorded to re-appoint Ms Nirmala Reddy (DIN: 01673128), as an Independent Director of the Company from September 30, 2019 to February 27, 2023 and she shall not be liable to retire by rotation, who has submitted a declaration that she meets the criteria of independence as provided in Section 149 of the Act.

**FURTHER RESOLVED THAT** the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things and give such directions as may be

necessary, in the best interest of the Company, for giving effect to the aforesaid Resolution, including but not limited to signing and execution of necessary forms and documents as may be deemed necessary and expedient in its discretion.”

7. To appoint Mr Brian Jude McNamara as an Independent Director.

To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and 160 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, read with Schedule IV to the Act and Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the consent of the members of the Company be and is hereby accorded to appoint Mr Brian Jude McNamara (DIN: 08339667), who was appointed as an Additional Director of the Company by the Board of Directors, in terms of Section 161 of the Companies Act, 2013 and who has submitted a declaration that he meets the criteria of independence under Section 149 of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, for a period of 3 years i.e., from February 28, 2019 to February 27, 2022 and he shall not be liable to retire by rotation.

**FURTHER RESOLVED THAT** the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things and give such directions as may be necessary, in the best interest of the Company, for giving effect to the aforesaid Resolution, including but not limited to signing and execution of necessary forms and documents as may be deemed necessary and expedient in its discretion.”

8. To appoint Mr N Radhakrishna Reddy as Managing Director of the Company.

To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to provisions of Sections 2(54), 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Schedule V thereto, the consent of the Members of the Company be and is hereby accorded for appointment of Mr N. Radhakrishna Reddy (DIN: 00021052) as the Managing Director of the Company for a period of 3 years i.e., from March 31, 2019 to March 30, 2022 on the following terms and conditions:

**A. Remuneration**

Salary: Nil

**B. Perquisites/Benefits**

- a) Gas, electricity, water, house maintenance and furnishings.
- b) Personal Accident Insurance Premium shall not exceed ₹ 10,000 per annum
- c) Reimbursement of all Medical expenses incurred for self and family.
- d) Fees of club, subject to a maximum of two clubs excluding admission and life membership fees.
- e) Provision of a car with driver for use on Company's business and telephone/fax facility at residence.
- f) The perquisites shall be evaluated at cost to the Company and where such evaluation is difficult, it shall be evaluated as per the Income Tax Rules.

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and are hereby authorised to take such steps and do other acts, deeds, matters and things as they may deem fit and appropriate and give such directions/

instructions as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for the matters connected therewith or incidental thereto."

9. Authorisation to the Board of Directors to pay Commission to the Non-executive Directors of the Company under Sections 197 and 198 of the Companies Act, 2013.

To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 197 and 198 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and all other applicable provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any statutory modification(s) or re-enactment thereof, the consent of the members of the Company be and is hereby accorded to the payment of 1% or more Commission on the net profits of the Company as computed in the manner referred to under Section 198 of the Companies Act, 2013, with an authority to the Board of Directors (hereinafter referred to as the 'Board' which term shall include Committee of Directors) to determine the manner and proportion in which the amount be distributed among the Non-executive Directors of the Company.

**FURTHER RESOLVED THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and give such directions as may be necessary, in the best interest of the Company, for giving effect to the aforesaid Resolution, including but not limited to signing and execution of necessary forms and documents as may be deemed necessary and expedient in its discretion."

By order of the Board  
for **Rain Industries Limited**

**S Venkat Ramana Reddy**  
Company Secretary  
M. No A14143

Place: Hyderabad  
Date: February 27, 2019

## NOTICE (CONTINUED)

### NOTES:

- The Explanatory Statement setting out all material facts as required under Section 102 of the Companies Act, 2013 in respect of special business of the Company is appended and forms part of the Notice.
- A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote instead of himself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.**
- The Register of Members and Share Transfer Books of the Company will remain closed from May 2, 2019 to May 8, 2019 (both days inclusive).
- Profile of Mr N Sujith Kumar Reddy, Mr Jagan Mohan Reddy Nellore, Ms Nirmala Reddy, Mr Brian Jude McNamara and Mr N Radhakrishna Reddy being appointed/ re-appointed as Directors is given in the Explanatory Statement and Report on Corporate Governance.
- Pursuant to the provisions of Section 124 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and rules made thereunder, unclaimed dividend amount of ₹3.68 million of the Company for the Financial Year ended December 31, 2010 has been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 125 of the Companies Act, 2013.
- Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has uploaded the details of unclaimed Dividend amounts lying with the Company as on May 11, 2018 (date of last Annual General Meeting) on the website of the Company ([www.rain-industries.com](http://www.rain-industries.com)) and also on the website of Ministry of Corporate Affairs.
- Information in respect of such unclaimed dividend when due for transfer to the Investor Education and Protection Fund (IEPF) are given below:

Sl No	For the Financial year ended	Percentage of Dividend	Date of Declaration	Due date for transfer to the Investor Education and Protection Fund
1	December 31, 2011	55%	April 25, 2012	May 25, 2019
2	December 31, 2012	55%	April 27, 2013	May 26, 2020
3	December 31, 2013 (Interim dividend)	50%	November 14, 2013	December 13, 2020
4	December 31, 2014 (Interim dividend)	50%	November 6, 2014	December 7, 2021
5	December 31, 2015 (Interim dividend)	50%	August 14, 2015	September 15, 2022
6	December 31, 2016 (Interim dividend)	50%	August 13, 2016	September 14, 2023
7	December 31, 2017 (Interim dividend)	50%	August 11, 2017	September 10, 2024
8	December 31, 2017 (Final dividend)	50%	May 11, 2018	June 10, 2025
9	December 31, 2018 (Interim dividend)	50%	November 14, 2018	December 13, 2025

The Shareholders who have not en-cashed the aforesaid dividends are requested to make their claim to the Secretarial Department, Rain Industries Limited, Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India, e-mail: [secretarial@rain-industries.com](mailto:secretarial@rain-industries.com).

- Unclaimed Equity shares held in the suspense account are maintained with Karvy Stock Broking Limited, Banjara Hills, Hyderabad – 500 034 vide Client ID: 19074218 and DP ID: IN300394.
- Compulsory transfer of Equity Shares to Investor Education and Protection Fund (IEPF) Authority**  
Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("Rules"), all shares on which dividend has not been claimed for seven consecutive years or more shall be transferred to IEPF Authority.

The Company has transferred 31,918 equity shares to Investor Education and Protection Fund during the financial year ended December 31, 2018.

To Claim the equity shares and dividend which were transferred to the Investor Education and Protection Fund, the shareholders are requested to visit the website of the Company i.e., [www.rain-industries.com](http://www.rain-industries.com) to know the procedure for claiming Shares and Dividend transferred to the Investor Education and Protection Fund Authority.

The Shareholders who have not encashed the dividends are requested to make their claim to the Secretarial Department, Rain Industries Limited, Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India, e-mail: [secretarial@rain-industries.com](mailto:secretarial@rain-industries.com).

10. The Securities and Exchange Board of India ("SEBI") and the Ministry of Corporate Affairs have made it mandatory for all the Listed Companies to offer Electronic Clearing Service ("ECS") facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment, etc.

**In view of the above:**

- (i) Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete ECS form attached to this Annual Report and forward the same to the Company's Registrar and Share Transfer Agent Karvy Fintech Private Limited, (Unit: Rain Industries Limited), Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana State, India.
  - (ii) Shareholders holding shares in Dematerialised Form are requested to provide the Bank details to their Depository Participants for updation in their records.
11. The Company's equity shares are Listed at
    - (i) BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, Maharashtra, India;
    - and (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, Bandra (East), Mumbai – 400 051, Maharashtra, India
 and the Company has paid the Annual Listing Fees to the said Stock Exchanges for the year 2018 -19.

12. The Securities and Exchange Board of India has mandated submission of Permanent Account Number (PAN) by every participant in securities market for transaction of transfer, transmission/transposition and deletion of name of deceased holder. Members holding shares in demat form are, therefore, requested to submit PAN details to the Depository Participants with whom they have demat accounts. Members holding shares in physical form can submit their PAN details to the Registrar & Share Transfer Agents of the Company i.e., Karvy Fintech Private Limited.
13. Route Map showing directions to reach to the venue of the 44th AGM is attached to this Annual Report as per the requirement of the Secretarial Standard - 2 on "General Meetings" issued by the Institute of Company Secretaries of India and the venue of the Annual General Meeting is situated at FTAPCCI Building, Red hills, Hyderabad.
14. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Registrar and Share Transfer Agent at **Karvy Fintech Private Limited (Unit: Rain Industries Limited), Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032, Telangana State, India.**
15. Register of Directors and KMP and their shareholding under Section 170 of the Companies Act, 2013 and the rules made thereunder and Register of Contracts maintained under Section 189 of Companies Act, 2013 and the rules made thereunder are available for inspection at the registered office of the Company.
16. Corporate members intending to send their authorised representatives to attend the Annual General Meeting pursuant to the provisions of Section 113 of Companies Act, 2013 are requested to send a certified copy of the relevant Board resolution to the Company.
17. Please note that as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations'), it is mandatory for the Company to print the bank account details of the investors on dividend payment instrument. Hence, you are requested to register/update your correct bank account details with the Company/ RTA/ Depository Participant, as the case may be.
18. As required under Listing Regulations and Secretarial Standard - 2 on General Meetings details in respect of Directors seeking appointment/ re-appointment at the Annual General Meeting, is separately annexed



## NOTICE (CONTINUED)

hereto. Directors seeking appointment/ re-appointment have furnished requisite declarations under Section 164(2) and other applicable provisions of the Companies Act, 2013 including rules framed thereunder.

### 19. Voting through electronic means and poll

In terms of the provisions of Section 108 and 109 of the Companies Act, 2013 (the Act) read with Rule 20 and 21 of the Companies (Management and Administration) Rules, 2014 (hereinafter called "the Rules" for the purpose of this Section of the Notice) and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing facility to exercise votes on the items of business given in the Notice through electronic voting system and poll to members holding shares as on Wednesday the May 1, 2019 (End of Day) being the Cut-off date fixed for determining voting rights of members, entitled to participate in the e-voting process and poll.

### 20. The instructions for voting are as under

#### A. Procedure and instructions for e-voting

The procedure and instructions for e-voting are as follows:

1. Open your web browser during the voting period and navigate to 'https://evoting.karvy.com'.
2. Enter the login credentials (i.e., user-id & password). Your folio/DP and Client ID will be your User-ID.

User - ID for Members holding shares in Demat Form:

- For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
- For CDSL: 16 digits beneficiary ID.

For Members holding shares in Physical Form:

- EVENT No. followed by Folio Number registered with the Company.
- Password: Your Unique password is printed on separate sheet/via e-mail forwarded through the electronic notice.

Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

3. Please contact our toll free No. [1800 3454 001] for any further clarifications.
4. Members can cast their vote online from 10.00 am (IST) on May 4, 2019 to 5.00 pm (IST) on May 7, 2019.
5. After entering these details appropriately, click on "LOGIN".
6. Members will now reach 'Password Change' menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Fintech Private Limited e-voting platform. System will prompt you to change your password and update any contact details like mobile no., email ID, etc. on first login. You may also enter the 'Secret Question' and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
7. You need to login again with the new credentials.
8. On successful login, system will prompt to select the 'Event' i.e., 'Rain Industries Limited'.
9. If you are holding shares in Demat form and had logged on to "https://evoting.karvy.com" and casted your vote earlier for any Company where the System Provider was Karvy Fintech Private Limited, then your existing login id and password given earlier are to be used.
10. On the voting page, you will see Resolution description and against the same the option FOR/ AGAINST/ ABSTAIN for voting. Enter the number of shares (which represents number of votes) under 'FOR/ AGAINST/ ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the Member do not want to cast, select 'ABSTAIN' After selecting the resolution you have decided to vote

on, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly modify your vote.

11. Once you 'CONFIRM' your vote on the Resolution, you will not be allowed to modify your vote.

## B. General Instructions

- (i) Members holding shares either in demat or physical mode who are in receipt of Notice in physical form, may cast their votes through e-voting.
- (ii) Members opting for e-voting, for which the USER ID and initial password are provided in a separate sheet. Please follow steps from Sl. No. (1) to (11) under heading 'A' above to vote through e-voting platform.
- (iii) The e-voting period commences from 10.00 am (IST) on May 4, 2019 to 5.00 pm (IST) on May 7, 2019. During this period, the members of the Company, holding shares either in physical form or in demat form, as on the cut-off date of May 1, 2019 may cast their vote electronically. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- (iv) The Company has appointed Mr DVM Gopal, Practising Company Secretary (Membership No. 6280 and CP No. 6798)/ Ms Ansu Thomas, Practising Company Secretary (Membership No. 8994 and CP No. 16696) having address at 6/3/154-159, Flat No. 303, 3rd Floor, Royal Majestic, Prem Nagar Colony, Near Banjara Hills Care Hospital, Khairatabad, Hyderabad – 500004, Telangana, India as the Scrutiniser to conduct the voting process (e-voting and poll) in a fair and transparent manner.
- (v) The Scrutiniser shall, within a period not exceeding 48 hours from the conclusion of the Annual General meeting unlock the votes in the presence of at least two (2) witnesses, not in the employment of the Company and make a Scrutiniser's Report containing the details with respect to votes cast in favour, against, neutral/abstained, shall submit the Report to the Chairman of the Company.
- (vi) In the event of a poll, please note that the members who have exercised their right to vote by electronic means as above shall not be eligible to vote by way of poll at the meeting. The poll process shall be conducted and report thereon will be prepared in accordance with Section 109 of the Companies Act, 2013 read with the relevant Rules. In such an event, votes cast under Poll taken together with the votes cast through e-voting shall be counted for the purpose of passing of resolution(s).
- (vii) Subject to the receipt of sufficient votes, the resolution shall be deemed to be passed at the 44th Annual General Meeting of the Company scheduled to be held on May 8, 2019, the results declared along with the Scrutiniser's Report shall be placed on the Company's website [www.rain-industries.com](http://www.rain-industries.com) and on the website of Karvy, [www.evoting.karvy.com](http://www.evoting.karvy.com), within 48 hours of conclusion of the Annual General Meeting.
- (viii) The members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
- (ix) To receive communications through electronic means, including annual reports and notices, members are requested to kindly register/ update their email address with their respective depository participant, where shares are held in electronic form. With respect to shares held in physical form, members are advised to register their e-mail address with Karvy Fintech Private Limited on [einward.ris@karvy.com](mailto:einward.ris@karvy.com) or contact Ms C Shobha Anand, Dy. General Manager, Contact No. 040- 67162222, at [Unit: Rain Industries Limited] Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032, Telangana State, India.

By order of the Board  
for **Rain Industries Limited**

**S. Venkat Ramana Reddy**  
Company Secretary  
M. No. A14143

Place: Hyderabad  
Date: February 27, 2019

## NOTICE (CONTINUED)

### EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 FORMING PART OF THE NOTICE

#### Item No 6

The shareholders of the Company through Postal Ballot held on September 28, 2016 have appointed Ms Nirmala Reddy (DIN: 01673128) as an Independent Director of the Company for a period of 3 years i.e., from September 30, 2016 to September 29, 2019 and the term of Ms Nirmala Reddy will expire on September 29, 2019.

A notice under Section 160 of the Companies Act, 2013 has been received from a member of the Company proposing to reappoint Ms Nirmala Reddy as an Independent Director of the Company. The Company has received from Ms Nirmala Reddy i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) Intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that she is not disqualified as per Section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that she meets the criteria of independence as provided under Section 149 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Nomination and Remuneration Committee at their meeting held on February 26, 2019 and Board of Directors at their meeting held on February 27, 2019 on the basis of the report of performance evaluation of Independent Directors have recommended the re-appointment of Ms Nirmala Reddy as an Independent Director for a further period from September 30, 2019 to February 27, 2023.

In the opinion of the Board, Ms Nirmala Reddy fulfills the conditions specified in the Companies Act, 2013 and the Rules framed thereunder and Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for re-appointment as an Independent Director and she is independent of the management.

As per the provisions of Section 149 of the Companies Act, 2013, an Independent Director shall be eligible for re-appointment subject to approval of shareholders by way of a Special Resolution.

The Resolution set out at Item No 6 of the notice is put forth for consideration of the members as a Special

Resolution pursuant to Section 149 read with Schedule IV of the Companies Act, 2013 for re-appointment of Ms Nirmala Reddy as an Independent Director.

The terms and conditions of re-appointment of Ms Nirmala Reddy shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day.

#### Brief Resume of Ms Nirmala Reddy

Ms Nirmala Reddy (71 years) worked as a Financial Sector Consultant with the World Bank Washington D.C. during 1995-2006. Her assignments were on credit intermediation, institutional sustainability, privatisation, financial and performance appraisal of development banks and financial institutions. Projects were located in Mongolia, Guyana, Egypt, and Jordan. She also worked on projects for the Asian Development Bank in Thailand and for the African Development Bank in Abidjan, Cote d'Ivoire.

She has twenty two years experience as a career banker in India. She joined as a Probationary Officer in the then State Bank of Hyderabad in 1969 and underwent training in operations, credit, and foreign exchange. In 1975 she joined Vijaya Bank as a Branch Manager and held several operational assignments for sixteen years that included heading the Bank's Merchant Banking Division in Bombay. She was deputed to the then Manufacturers Hanover Trust Company New York for training in Credit and Foreign Exchange. She has also undergone a senior management course at the Administrative Staff College in Hyderabad. In 1989 she joined the American Express Bank Ltd. in Bombay as Director and Head of Correspondent Banking for India and Nepal. She was trained at the Bank's offices in New York, London and Frankfurt.

Ms Reddy holds a Masters degree in Political Science from the Osmania University, Hyderabad. She has also studied French and Japanese.

She is the Managing Director of Nugget Estates Private Limited and Nugget Realty & Ventures Private Limited and Independent Director in Rain Cements Limited and Rain CII Carbon (Vizag) Limited. She is the Chairperson of Audit Committee and Nomination and Remuneration Committee of Rain CII Carbon (Vizag) Limited, Member of Audit Committee and Nomination and Remuneration Committee of Rain Cements Limited and President of Globe Enterprises LLC, US.

She is not holding any equity shares of the Company and she is not related to any Director of the Company.

Except Ms Nirmala Reddy, none of the Directors on the Board or Manager or Key Managerial Personnel of the Company or their relatives are, in any way concerned or interested, financially or otherwise, in the resolution set out at Item No 6 of the Notice.

Your Directors recommend the resolution for your approval.

### Item No 7

Pursuant to the recommendation of the Nomination and Remuneration Committee and the Board of Directors, Mr Brian Jude McNamara was appointed as an Additional Director (Independent Director) of the Company w.e.f. February 28, 2019 by the Board of Directors at their meeting held on February 27, 2019 under Section 161 of the Companies Act, 2013. The appointment is subject to the approval of the shareholders at the General Meeting to be held immediately after the said appointment.

A notice under Section 160 of the Companies Act, 2013 is received from a member of the Company proposing candidature of Mr Brian Jude McNamara. The Company also received from Mr Brian Jude McNamara: i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) Intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified as per Section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that he meets the criteria of independence as provided under Section 149 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In the opinion of the Board, Mr Brian Jude McNamara fulfills the conditions specified in the Companies Act, 2013 and the Rules framed thereunder and Securities and Exchange Board of India (Listing obligations and Disclosure Requirements) Regulations, 2015 for appointment as an Independent Director and he is independent of the management.

The Resolution set out at Item No 7 of the notice is put forth for consideration of the members as an Ordinary Resolution pursuant to Section 149 read with Schedule IV of the Companies Act, 2013 for appointment of Mr Brian Jude McNamara as an Independent Director of the Company.

The terms and conditions of appointment of Mr Brian Jude McNamara shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day.

### Brief Profile of Mr Brian Jude McNamara

Mr Brian McNamara (57 years) is a former banker with a 30 year career in project finance, corporate finance and investment management. Mr McNamara worked in investment operations at International Finance Corporation (IFC) in Washington D.C. from 1991 to 2015 with responsibility for investment strategy, business development and project financing for a range of sectors across emerging markets including chemicals, textiles, general manufacturing and mining. Mr McNamara has extensive investment experience in project evaluation, financial structuring and investment management across the chemicals, fertilisers, carbon black, plastics, fibers, specialty chemicals and primary metals industries.

Mr McNamara is an Independent Director and Chairman of the Audit Committee of the Company's wholly-owned subsidiary Rain Carbon Inc. Prior to joining IFC Mr McNamara worked in the corporate finance division of Solvay Chemicals (Belgium) and in banking and investment management in Brussels, Belgium and Dublin, Ireland.

Mr McNamara holds a bachelor's degree in economics and philosophy from Bristol University in England, and a master's degree in finance and banking from University College Dublin in Ireland.

He is not holding any equity shares of the Company and he is not related to any Director of the Company.

Except Mr Brian Jude McNamara, none of the Directors on the Board or Manager or the Key Managerial Personnel of the Company or their relatives are in anyway concerned or interested financially or otherwise in the above Resolution set out at Item No 7 of the Notice.

Your Directors recommend the resolution for your approval.

### Item No 8

Mr N Radhakrishna Reddy was appointed as Managing Director of the Company with effect from March 31, 2019 for a period of 3 years i.e., from March 31, 2019 to March 30, 2022 by the Board considering the significant contribution made by Mr N Radhakrishna Reddy in the growth and development of the Company and based on the recommendation of Nomination and Remuneration Committee. The appointment of Mr N Radhakrishna Reddy as Managing Director of the Company is subject to the approval of shareholders at the ensuing Annual General Meeting.



## NOTICE (CONTINUED)

Considering his long association with the Company and the pivotal role being played by him for bringing the Company to the level where it stands today, the Board justifies the proposal of his appointment.

The terms of appointment of Mr N Radhakrishna Reddy and remuneration payable to him are as set out in Item No 8 of the Notice.

Additional information in respect of Mr N Radhakrishna Reddy pursuant to SEBI (LODR) Regulations, 2015 and Secretarial Standard on General Meetings is appended to the Notice.

The Resolution set out at Item No. 8 of the notice is put forth for consideration of the members as a Special Resolution pursuant to Section 2(54), 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Schedule V thereto for appointment of Mr N. Radhakrishna Reddy as the Managing Director of the Company.

The terms and conditions of appointment of Mr N. Radhakrishna Reddy shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day.

### **Brief Profile of Mr N Radhakrishna Reddy**

Mr N Radhakrishna Reddy (76 years) is the Chairman of Rain Industries Limited. He has more than 50 years of experience in Construction and Cement Industry. He has been a Director of the Company since 1984. Currently, he is also on the Board of Rain Cements Limited, Renuka Cement Limited, PCL Financial Services Private Limited, Arunachala Holdings Private Limited, PR Cement Holdings Limited, Apeetha Enterprises Private Limited, Lakshmi Sea Foods Limited, Rain Entertainments Private Limited and Pragnya Priya Foundation.

He holds 10,383,730 equity shares in the Company.

Mr N Radhakrishna Reddy is father of Mr Jagan Mohan Reddy Nellore, Managing Director and Mr N Sujith Kumar Reddy, Director. Other than the said Directors, he is not related to any other Director of the Company.

Except Mr N Radhakrishna Reddy, Chairman, Mr Jagan Mohan Reddy Nellore, Managing Director, Mr N Sujith Kumar Reddy, Director, their relatives, no other Director on the Board or Manager or the key managerial personnel of the Company or their relatives are in anyway concerned or interested financially or otherwise in the above Resolution.

Your Directors recommend the resolution for your approval.

### **Item No 9**

In the current competitive business environment, the Directors are required to take far more complex business decisions than before and are required to commit their time and provide expertise for the Company's business. In addition, with the more stringent Accounting Standards and Corporate Governance norms, the Board of Directors not only has to ensure compliance with various statutory requirements but also enhance the level and quality of Corporate Governance. It is accordingly, proposed to pay the Non-executive Directors a Commission. The Board of Directors or Committee of Directors will determine each year, the specific amount to be paid as Commission to the Non-executive Directors on the net profits of the Company as computed in the manner referred to in Section 198 of the Companies Act, 2013.

Members are requested to approve the payment of Commission to the Non-executive Directors and to authorise the Board to determine the manner and proportion in which the amounts be distributed to the Non-Executive Directors. The payment of Commission would be in addition to the sitting fee payable for attending Board/ Committee Meetings.

Except the Key Managerial Personnel or their relatives of the Company, all other Directors on the Board and their relatives are concerned or interested financially or otherwise in the above Resolution.

Your Directors recommend the resolution for your approval.

By order of the Board  
for **Rain Industries Limited**

**S. Venkat Ramana Reddy**  
Company Secretary  
M. No. A14143

Place: Hyderabad  
Date: February 27, 2019

## ANNEXURE TO THE NOTICE DATED FEBRUARY 27, 2019

**Details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting on May 8, 2019**  
[Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India]

S. No	Particulars	Name of the Director			
		Mr N Radhakrishna Reddy	Mr Jagan Mohan Reddy Nellore	Mr N Sujith Kumar Reddy	Ms Nimala Reddy
1.	DIN	00021052	00017633	00022383	01673128
2.	Date of birth and Age	July 1, 1942 76 Years	January 17, 1967 52 Years	July 26, 1971 47 Years	March 27, 1947 71 Years
3.	Qualification	Under Graduate	Bachelor of Science degree in Industrial Engineering from Purdue University, US	Graduate in Commerce	Master in Political Science
4.	Experience and expertise in specific functional areas	More than 50 years of experience in Construction and Cement Industry.	More than 26 years of experience in finance, commercial and operations areas.	More than 24 years of experience in manufacturing and Construction Industry.	More than 45 years of experience in Banking, Finance and Project appraisal.
5.	Brief resume	Resume is given in the Explanatory Statement and Corporate Governance Report forming part of Annual Report.	Resume is given in the Corporate Governance Report forming part of Annual Report.	Resume is given in the Corporate Governance Report forming part of Annual Report.	Resume is given in the Explanatory Statement and Corporate Governance Report forming part of Annual Report.
6.	Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	Father of Mr Jagan Mohan Reddy Nellore, Managing Director and Mr N Sujith Kumar Reddy, Director.	Son of Mr N Radhakrishna Reddy, Chairman and brother of Mr N Sujith Kumar Reddy, Director.	Son of Mr N Radhakrishna Reddy, Chairman and brother of Mr Jagan Mohan Reddy Nellore, Managing Director.	Not related to Directors, Manager and other Key Managerial Personnel of the Company.
7.	Nature of appointment (appointment/ re-appointment)	Appointment as Managing Director of the Company	Retires by rotation and offers himself for re-appointment.	Retires by rotation and offers himself for re-appointment.	Appointment
8.	Terms and Conditions of appointment/ re-appointment	Terms and conditions of appointment are as per the resolution at Item No 8 of the Notice convening Annual General Meeting on May 8, 2019 read with explanatory statement thereto.	Appointment as a Non-executive Director subject to retirement by rotation.	Appointment as a Non-executive Director subject to retirement by rotation.	Terms and conditions of appointment are as per the resolution at Item No 7 of the Notice convening Annual General Meeting on May 8, 2019 read with explanatory statement thereto.

# NOTICE (CONTINUED)

S. No	Particulars	Name of the Director			
		Mr N Radhakrishna Reddy	Mr Jagan Mohan Reddy Nellore	Mr N Sujith Kumar Reddy	Ms Nirmala Reddy
9.	Remuneration last drawn by such person, if applicable and remuneration sought to be paid	Sitting fees paid to Mr N Radhakrishna Reddy is given in Corporate Governance Report.	Remuneration paid to Mr Jagan Mohan Reddy Nellore is given in the Corporate Governance Report.	Nil	Sitting fees and Commission paid to Ms Nirmala Reddy is given in Corporate Governance Report. As an Independent Director, she is entitled to sitting fees for attending meetings of the Board/Committee and Commission as may be approved by the Board of Directors from time to time.
10	Date of first appointment on the Board	January 2, 1984	June 13, 1997	March 22, 1992	February 28, 2019
11.	Shareholding in the Company	Holds 10,383,730 equity shares	Holds 100 equity shares	Holds 10,028,770 equity shares	Nil
12.	The number of Meetings of the Board attended during the year	4 out of 4	4 out of 4	4 out of 4	4 out of 4
13.	Directorship Details of the Board	<ol style="list-style-type: none"> <li>1. Rain Cements Limited</li> <li>2. Renuka Cement Limited</li> <li>3. PCL Financial Services Private Limited</li> <li>4. PR Cement Holdings Limited</li> <li>5. Arunachala Holdings Private Limited</li> <li>6. Apeetha Enterprises Private Limited</li> <li>7. Lakshmi Sea Foods Limited</li> <li>8. Rain Entertainment Private Limited</li> <li>9. Pragnya Priya Foundation</li> </ol>	<ol style="list-style-type: none"> <li>1. Rain Cements Limited</li> <li>2. Rain CII Carbon (Vizag) Limited</li> <li>3. Renuka Cement Limited</li> <li>4. Pragnya Priya Foundation</li> <li>5. Rain Entertainment Private Limited</li> <li>6. Sujala Investments Private Limited</li> <li>7. Rain Enterprises Private Limited</li> <li>8. Rain Commodities (US) Inc.</li> <li>9. Rain CII Carbon LLC</li> <li>10. CII Carbon Corp</li> <li>11. Handy Chemicals (US) Ltd.</li> <li>12. Rain Carbon Inc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Rain Cements Limited</li> <li>2. Rain CII Carbon (Vizag) Limited</li> <li>3. Nugget Estates Private Limited</li> <li>4. Nugget Realty &amp; Ventures Private Limited</li> </ol>	<p>Not applicable. He is appointed w.e.f. February 28, 2019.</p> <ol style="list-style-type: none"> <li>1. Rain Carbon Inc.</li> </ol>

S. No	Particulars	Name of the Director			
		Mr N Radhakrishna Reddy	Mr Jagan Mohan Reddy Nellore	Mr N Sujith Kumar Reddy	Ms Nimala Reddy
14.	Membership/ Chairmanships of Committees of other Boards	<b>Member:</b> Corporate Social Responsibility Committee of Rain Cements Limited	<b>I) Member:</b> <b>A. Audit and Nomination and Remuneration Committee of</b> 1. Rain Cements Limited 2. Rain CII Carbon (Vizag) Limited <b>B. Corporate Social Responsibility Committee of</b> 1. Rain Cements Limited <b>II) Chairman</b> <b>A. Corporate Social Responsibility Committee</b> 1. Rain CII Carbon (Vizag) Limited	<b>Member:</b> Corporate Social Responsibility Committee of Rain Cements Limited	<b>Rain Cements Limited Member</b> Audit Committee Nomination and Remuneration Committee <b>Rain CII Carbon (Vizag) Limited Chairperson</b> Audit Committee Nomination and Remuneration Committee
					Chairman of the Audit Committee of Rain Carbon Inc.

By order of the Board  
for **Rain Industries Limited**

**S Venkat Ramana Reddy**  
Company Secretary  
M. No. A14143

Place: Hyderabad  
Date: February 27, 2019



## BOARD'S REPORT

Adjusted Earnings Per Share  
on Consolidated Basis in  
CY2018

₹ 21.70

Dear Members,

Your Directors have pleasure in presenting the 44th Annual Report and the Audited Financial Statements for the Financial Year ended December 31, 2018.

### FINANCIAL RESULTS

#### A) Standalone

The Standalone performance for the Financial Year ended December 31, 2018 is as under:

#### The financial summary

Sl No	Particulars	(In ₹ million)	
		December 31, 2018	December 31, 2017
1.	Revenue from operations	1,053.53	596.21
2.	Profit before finance cost, depreciation and tax expense	974.62	568.20
3.	Finance Cost	196.08	176.90
4.	Profit before depreciation and tax expense	778.54	391.30
5.	Depreciation	5.20	6.00
6.	Profit before Tax Expense	773.34	385.30
7.	Tax Expense	168.68	64.24
8.	Profit After Tax Expense	604.66	321.06
9.	Add: Surplus at the beginning of the year	745.65	793.05
10.	Total Available for appropriation	1,350.31	1,114.11
<b>Appropriations:</b>			
11.	Dividend including taxes	672.69	336.35
12.	Transfer to general reserve	60.47	32.11
13.	Surplus carried to Balance Sheet	617.15	745.65

**B) Consolidated**

The Consolidated performance for the Financial Year ended December 31, 2018 is as under:

**The financial summary**

Sl No	Particulars	(In ₹ million)	
		December 31, 2018	December 31, 2017
1	Revenue from operations	140,489.93	114,495.93
2	Profit before finance cost, depreciation, share of profit of associates, exceptional items and tax expense	20,063.72	23,836.75
3	Finance cost	4,565.13	5,946.71
4	Profit before depreciation, share of profit of associates, exceptional items and tax expense	15,498.59	17,890.04
5	Depreciation	5,550.86	5,256.27
6	Profit before share of profit of associates, exceptional items and tax expenses	9,947.73	12,633.77
7	Share of profit of associates	8.80	8.84
8	Profit before exceptional items and tax expenses	9,956.53	12,642.61
9	Exceptional items	-	1,803.30
10	Profit before tax expense	9,956.53	10,839.31
11	Tax expense	3,643.22	2,918.09
12	Profit after tax expense	6,313.31	7,921.22
13	Non-controlling interests	497.05	285.35
14	Profit after tax expense after non-controlling interests	5,816.26	7,635.87
15	Add: Surplus at the beginning of the year	38,020.54	30,755.62
16	Total available for appropriation	43,836.80	38,391.49
	<b>Appropriations:</b>		
17	Dividend including taxes	672.69	338.84
18	Transfer to general reserve	60.47	32.11
19	Surplus carried to the Balance Sheet	43,103.64	38,020.54

**State of the Company's Affairs**

During the year, the Company achieved revenue of ₹1,053.53 million and net profit of ₹604.66 million on a Standalone basis. During the same period, the Consolidated revenue was ₹140,489.93 million and net profit after non-controlling interests was ₹5,816.26 million.

**BUSINESS OUTLOOK****Cautionary Statement**

RAIN Industries Limited along with its subsidiary companies in India and abroad are together referred to as "RAIN Group". Information in this business outlook describing RAIN Group's estimates and expectations may include forward-looking statements. Actual results may differ materially from those expressed or implied. Important factors that could impact RAIN Group's operations include economic conditions affecting demand and supply for the products manufactured by RAIN Group; price conditions in the domestic and overseas markets in which RAIN Group operates; changes

in government regulations, tax laws and statutes; and other incidental factors.

**Overview**

RAIN Group is one of the world's largest producers of CPC, CTP, OCP and advanced materials. RAIN operates in three key business verticals: Carbon, Advanced Materials and Cement. RAIN Group has production facilities in eight countries across three continents and continues to grow through capacity expansions and mergers and acquisitions throughout the world.

Our Carbon business segment converts the by-products of oil refining [i.e., green petroleum coke (GPC)] and steel production (i.e., coal tar) into high-value carbon-based products [i.e., calcined petroleum coke (CPC), coal tar pitch (CTP) and other carbon products (OCP)] that are critical raw materials for the aluminium, graphite, carbon black, wood preservation, titanium dioxide, refractory and several other global industries.

# BOARD’S REPORT (CONTINUED)

Our Advanced Materials business segment does the innovative downstream transformation of a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials that are critical to the specialty chemicals, coatings, construction, automotive, petroleum and several other global industries.

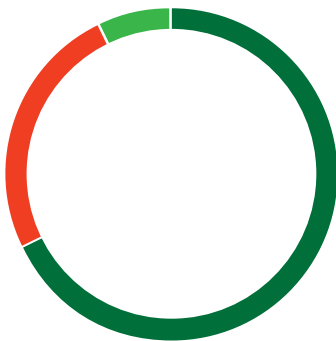
Our Cement business segment produces and markets high-quality ordinary portland cement (OPC) and portland pozzolana cement (PPC) consumed largely by the civil construction and infrastructure industries within India.

Our scale and process sophistication provide us the flexibility to capitalise on market opportunities by selecting raw materials from a wide range of sources across various geographies, adjusting the composition of our product mix and producing products that meet stringent customer specifications, including several specialty products.

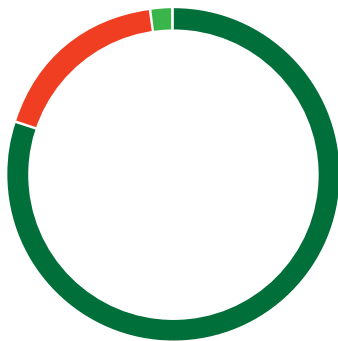
Our global manufacturing footprint and our integrated worldwide logistics network have also strategically positioned us to capitalise on market opportunities by addressing raw material supply and product demand on a global basis in both established (mainly North America and Europe) and emerging markets (mainly Asia and the Middle East).

## BUSINESS SEGMENT OUTLOOK

Revenue (%)



Adjusted operating profit (%)



	Revenue (%)	Adjusted operating profit (%)
Carbon	68.5	79.1
Advanced Materials	25.0	17.6
Cement	6.5	3.3

Source: Company Data

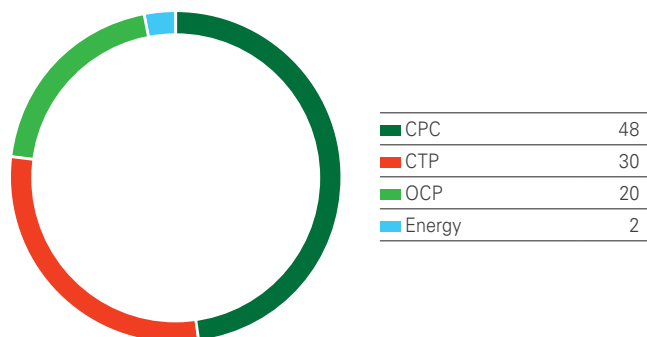
### 1 Carbon

Carbon consists of CPC, CTP, GPC and derivatives of coal tar distillation, including carbon black oil, creosote oil, naphthalene oil and other aromatic oils. This segment contributed approximately 68.5% of the consolidated revenue of RAIN Group for CY2018.

The Carbon business converts the by-products of oil refining and steel production into high-value carbon-based products that are crucial for the manufacture of aluminium, graphite, carbon black and titanium dioxide.

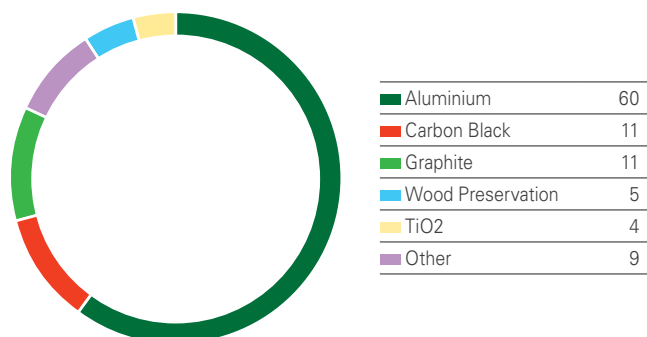
Environment-friendly and energy-efficient practices have made RAIN Group’s Carbon business highly efficient and sustainable. The business co-generates energy at four CPC plants with a combined power generation capacity of approximately 125 MW. The Company has made substantial investments in flue-gas desulfurisation (FGD) to significantly reduce emissions at its plants in India and in the US. These strategic investments have given the Carbon business a competitive advantage in the CPC industry.

### Carbon Segment – Revenue Mix Revenue (%)



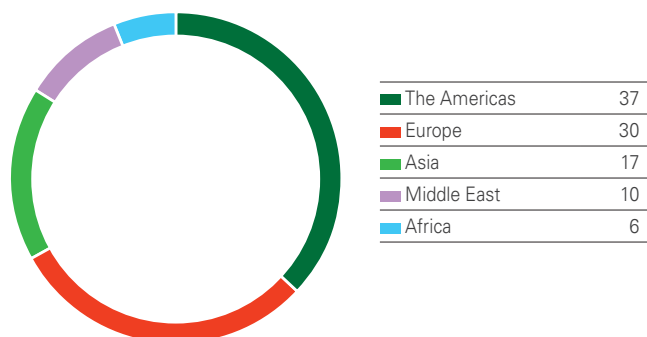
Source: Company Data

### Customer (%)



Source: Company Data

### Geography (%)



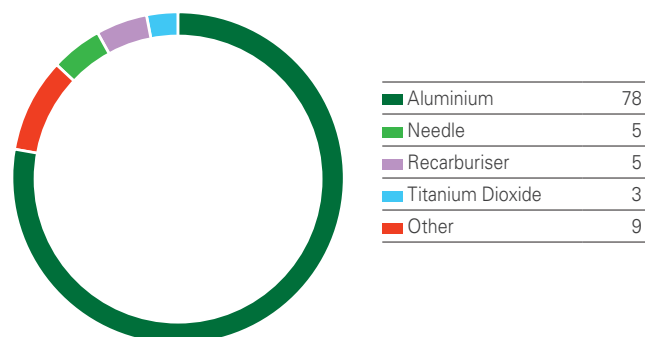
Source: Company Data

### 1.1. Calcined Petroleum Coke (CPC)

RAIN Group carries on the business of manufacturing and selling of CPC through its wholly-owned subsidiaries in India and the US. RAIN Group has six CPC manufacturing plants in the US and one CPC plant in India with an aggregate production capacity of approximately 2.1 MTPA along with a CPC blending facility in India with a capacity of 1.0 MTPA. In addition, RAIN Group is setting up a greenfield CPC plant with a capacity of 0.37 MTPA, using the vertical-shaft technology in Vizag, India. We expect the vertical-shaft CPC plant to commence operations during the second half of CY2019. Adding the vertical-shaft technology to its portfolio will allow the CPC business to offer customers a wider range of quality options to meet their CPC requirements.

CPC is produced through a process known as “calcining” GPC, a porous black solid that is a by-product of the crude refining process. This process removes moisture and volatile matter from the GPC at a very high temperature. CPC is produced in two primary qualities: (i) anode-grade CPC (for use in the aluminium smelting process) and (ii) industrial-grade CPC (for use in the manufacturing of titanium dioxide and other industrial applications). Anode-grade CPC represents approximately 89% of global CPC production and industrial-grade CPC represents the remaining 11%. For every tonne of primary aluminium produced, approximately 0.4 tonnes of CPC is consumed.

### World CPC – End-Use Demand Mix (%)



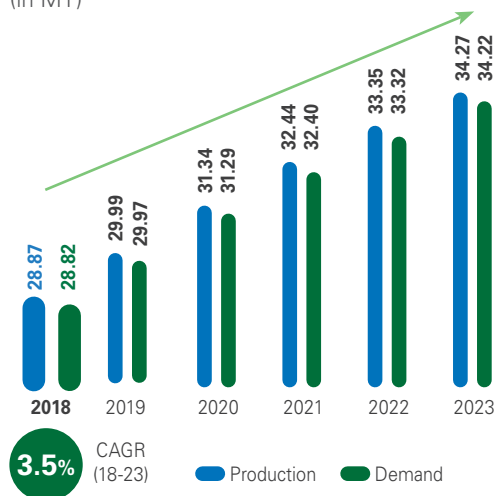
Source: Management Estimate and Industry



## BOARD'S REPORT (CONTINUED)

### World CPC – Production & Demand

(in MT)



Source: Management Estimate and Industry

Worldwide CPC production for CY2018 was about 28.9 MT, 74% of which was produced in China and North America, comprising 59% of global demand. China continues to play a dominant role in the CPC industry and its share of the world's CPC production is estimated to remain at 55% in the near term. China and North America will maintain the positive surplus. Due to a large gap between

production and demand, Asian calciners are expected to increase their focus on Asia and the Middle East as markets for the surplus capacity.

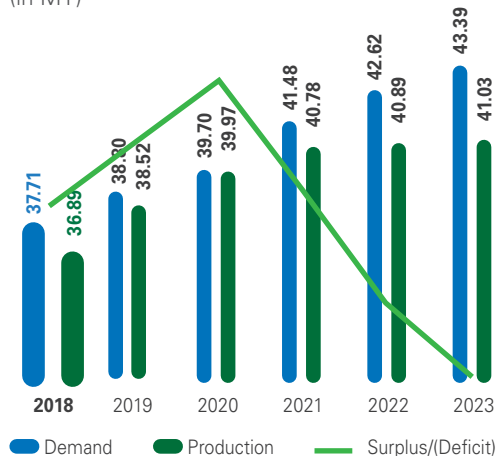
As per recent industry estimates, worldwide demand for CPC aggregated to approximately 28.8 MT in CY2018. The demand is expected to grow to approximately 34.2 MT by CY2023, representing a CAGR of +3.5%. Worldwide production of CPC aggregated to approximately 28.9 MT in CY2018 and is expected to grow to approximately 34.3 MT by CY2023, representing a CAGR of +3.5%.

RAIN Group estimates that more than 280 oil refineries worldwide produce and sell GPC in varying forms and qualities. Generally, the sale of GPC does not constitute a material portion of oil refineries' revenues. The quality of GPC is largely a function of the crude oil being refined. Manufacturers of CPC blend various grades of GPC (and CPC) to meet the stringent quality specifications of their customers.

The price of GPC varies depending on the quality and the market in which it is utilised. The price of GPC is largely driven by prevailing demand and supply conditions. A refinery typically realises higher prices for GPC that is used in production of anode-grade CPC and industrial-grade CPC as compared to GPC used as a fuel.

### World Anode-Grade GPC – Demand and Supply

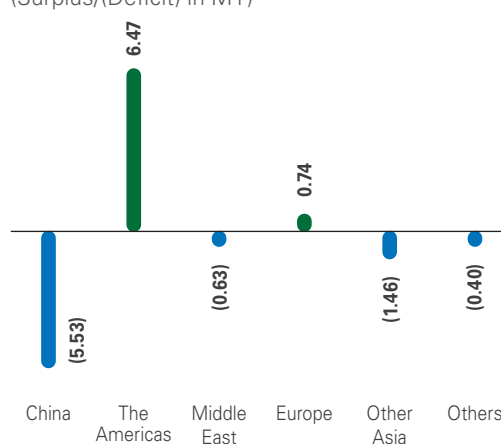
(in MT)



Source: Management Estimate and Industry

### World Anode-Grade GPC – Balance in 2018

(Surplus/(Deficit) in MT)



Source: Management Estimate and Industry

In general, it is advantageous for oil refineries to process more sour crude, as compared to sweet crude, to improve their profitability. The price spread between sweet crude and sour crude has increased. This economic incentive for refineries to process sour crudes has the effect of reducing the production of anode-grade GPC. In fact, a significant volume of existing anode-grade GPC quality has deteriorated due to increased use of sour crude by refineries. Nonetheless, it should be noted that many coking units will continue to produce anode-grade GPC because these refineries are unable to process sour crudes due to limitations of their refinery configuration. In addition, some refineries process sweet crudes logistically advantaged to those locations.

In general, CPC and GPC prices move in parallel. Hence, CPC producers are converters with ability to pass on the increase/decrease in GPC cost to their customers. However, there may be a time lag of one or two quarters for CPC prices to reflect changes in GPC costs. During this period, the difference, if any, may have to be absorbed by the CPC producers.

During 2018 to 2023, the demand for global calcinable-grade GPC is expected to outgrow the increase in supply, at a CAGR of +2.8% compared to +2.1% respectively. The availability of low-sulphur GPC is expected to be negatively affected due to regulations specified by the International Convention for the Prevention of Pollution from Ships (MARPOL), which would be effective from 2020 and is expected to cause oil-refining companies to shift to heavier or high-sulphur crudes. The regulation aims to reduce greenhouse gasses emitted at sea by reducing the allowable level of sulphur in marine fuel used for operating ships from 3% to 0.5%. It is assumed that larger vessels will use scrubbers to meet the requirement. The freight cost is estimated to increase in all perspectives. Refineries may also find it reasonable to process the high-sulphur feedstock in a coker and get a premium rather than selling high-sulphur fuel oil (HSFO) at a discount. Hence, there is very limited possibility of a petroleum coke shortage after the implementation of MARPOL.

### Threats & Challenges – CPC

The main threat for the CPC industry is the availability of suitable-quality GPC. GPC is a by-product of the oil-refining process and is not produced to meet the supply or quality needs of CPC or aluminium producers. Changes in the economics of processing sour crudes over the past 15-20 years have resulted in a trend towards refining more sour crudes. While petroleum refineries continue to build refining capacity (and, therefore, indirectly increase GPC production), the global supply of traditional anode-grade GPC is expected to grow at a slower pace as refineries are processing more sour crude, which results in the production of lower-quality (fuel-grade) GPC. Thus, global CPC producers have experienced, and may continue to experience, a decline in the availability of high-quality anode-grade GPC.

CPC quality directly influences anode quality in the performance of aluminium smelters. To meet the aluminium industry's demand for consistent quality of anode-grade CPC, RAIN Group works closely with smelters to expand existing quality specifications, allowing use of more non-traditional anode coke (NTAC) in blends for the production of anode-grade CPC without compromising on quality. RAIN Group's patented Isotropic Coke Experiment (ICE) technology is one method of utilising grades of GPC previously not considered acceptable to produce anode-grade CPC. Additionally, strategic investments in flue-gas desulphurisation at the Chalmette and Lake Charles plants in Louisiana, US have enabled RAIN Group to unlock an unmatched advantage of utilising high-sulphur GPC more efficiently to serve the growing demand from aluminium smelters without compromising on quality.

It is expected that India will continue leading CPC demand growth in the world (excluding China) as a result of significant capacity expansions by major aluminium producers in India. Indian aluminium production is set to grow by approximately 25% by CY2020. Due to the logistical synergies and implementation of stringent environmental regulations by the Chinese Government, thereby increasing costs, India will remain competitive against Chinese CPC suppliers. RAIN Group's infrastructure and locational advantages enable the Company to quickly meet increased demand for CPC in India, as well as the Middle East. To serve the

## BOARD'S REPORT (CONTINUED)

increasing demand in India and nearby markets, RAIN Group commissioned a new CPC blending facility with a capacity of 1.0 MT during CY2016 at its Vizag facility in India.

In July 2018, the Hon'ble Supreme Court of India ordered a ban on the importation of pet coke to reduce pollution by burning it as fuel, impacting the Company's ability to import pet coke from its US facilities and other sources for calcination and blending. In October 2018, however, the court provided a limited exemption to the calcination and aluminium industries that use pet coke as a raw material rather than as a fuel; these industries also were able to demonstrate that their production processes result in minimal emissions. At the same time, the October 2018 order limits the import of GPC by the calcination industry to 1.4 MT and the import of CPC by the aluminium industry to 0.5 MT. Despite the exemption, a number of uncertainties remain, including (i) how the allocations will be shared among industry players, (ii) whether imports of CPC for blending by the calcination industry will be permitted, (iii) whether import levels will increase to accommodate expansions in production capacity and to meet increasing aluminium industry demand and (iv) the impact of this order on Special Economic Zones. Clarifications on these matters are being sought from regulators.

### 1.2. Coal Tar Pitch (CTP) and Other Carbon Products (OCP)

RAIN Group operates four coal tar distillation facilities in Belgium, Canada, Germany and Russia, with an aggregate primary coal tar distillation capacity of approximately 1.3 MT per annum. Coal tar distillation is carried out in Belgium, Canada and Germany through wholly-owned subsidiaries and coal tar distillation is carried out in Russia through a joint venture with PAO Severstal, Russia.

Coal tar is a liquid by-product derived from the conversion of coal into metallurgical coke. During this conversion, approximately 80% of the coal volume is processed into metallurgical coke. Metallurgical coke is an important reducing agent and energy source in blast furnaces that produce pig iron and steel. Consequently, the supply of coal tar is correlated to pig iron production, which, in turn, is driven by steel production. Asia (including 61% from

China) contributes approximately 79% of total global pig iron production and Europe (including Russia) contributes about 15%.

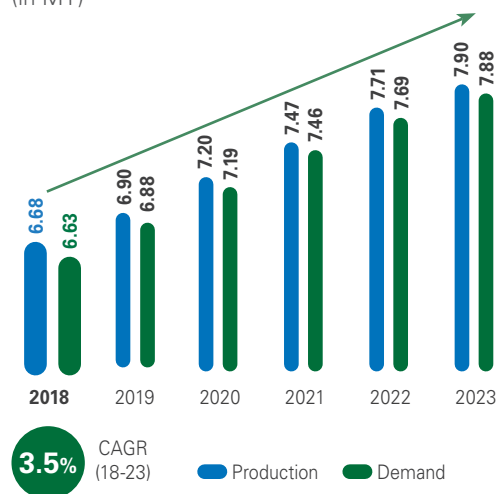
Every tonne of metallurgical coke produced yields on average 0.04 tonnes of coal tar. Coal tar is the main raw material in the coal tar distillation process. The coal tar distillation process can be categorised into two stages: (i) primary coal tar distillation ("primary distillation") and (ii) downstream processing of selected products of primary distillation into co-generated refined products ("downstream"). With a distillation yield of approximately 48%, CTP is the main end-product in the coal tar distillation business and therefore crucial for its growth. Coal tar distillation also yields naphthalene oil (approximately 12%) and aromatic oils (approximately 40%).

Unlike the previous two years, China in 2018 relaxed capacity restrictions on coke producers that had been implemented to reduce emissions. In an effort to avoid overcapacity, China is expected to manage coke production to match CTP demand from coal tar distillers and aluminium smelters. A tightening of coal tar supply should be visible during winter heating seasons. During 2018, improvement in coal tar supply from Eastern Europe was observed, with Russia and Turkey being the major coal tar exporters to European distillers. While demand for CTP is expected to be lower across China, Central and Latin America and Europe, demand for CTP in North America is expected to increase with the restart of mothballed aluminium smelters; that demand may partially be met with excess pitch available in Europe. A ramp-up in production by Middle East smelters also could have a positive impact on demand for CTP in this region. China and Europe will continue to have surplus availability of CTP. This will compensate for the CTP deficit in the rest of the world, largely in America and the Middle East.

During 2018, due to large curtailments in aluminium production, China's demand for CTP decreased by 0.6%. The rest of the world, however, saw a 2.3% increase in CTP demand – including a 7.5% increase in Asia (excluding China) – largely due to an increase in aluminium production in India and the Middle East.

## World CTP – Production & Demand

(in MT)



Source: Management Estimate and Industry

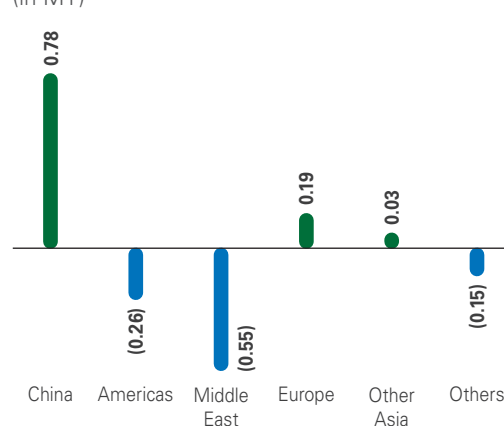
As per recent industry estimates, global demand for CTP aggregated to approximately 6.6 MT in CY2018. This is expected to grow to approximately 7.9 MT by CY2023, representing a CAGR of +3.5%. Global production of CTP aggregated to approximately 6.7 MT in CY2018 and is expected to grow to approximately 7.9 MT by CY2023, representing a CAGR of +3.4%.

Geographically, CTP production is led by China, followed by Europe and Asia, with these three markets having an aggregate share of 92% in CY2018. China, Europe and Asia (excluding China) currently have surplus production. While China will maintain this surplus through CY2023 with a CAGR of +10.0%, the levels of surplus production over demand for CTP in Europe should decline with a negative CAGR of -10.7% through CY2023. The levels of surplus in other regions are expected to remain negative in future years.

Seventy-eight percent of the world's CTP production is primarily used to produce carbon anodes for aluminium smelting. For every tonne of primary aluminium produced, approximately 0.1 tonne of CTP is consumed. Therefore, production of primary aluminium is an important determinant of demand for CTP. The second-largest CTP end-users, consuming approximately 10% of global production, are graphite electrode producers. Graphite

## World CTP – Balance in 2018

(in MT)

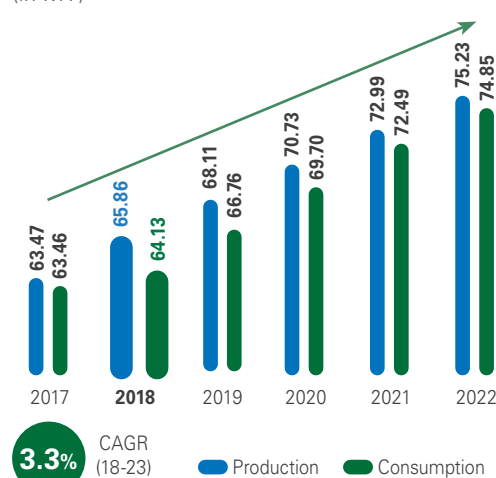


Source: Management Estimate and Industry

electrodes are used in the manufacturing of steel using electric arc furnaces. Elsewhere, demand for CTP is increasing as a key component in the production of lithium-ion batteries, solar panels, LED lights and in materials such as carbon fibre.

## World Aluminium – Production & Demand

(in MT)

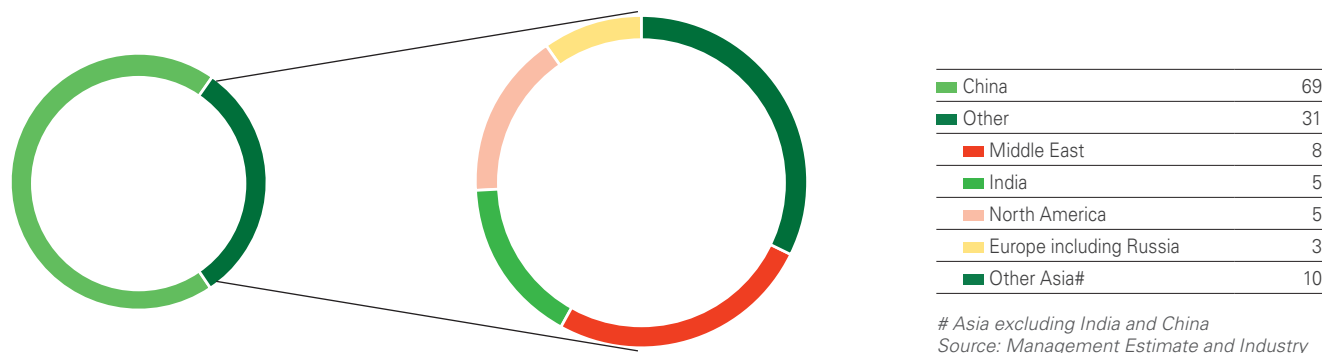


Source: Management Estimate and Industry



## BOARD'S REPORT (CONTINUED)

### World Aluminium – Greenfield & Brownfield Expansion (%)



The aluminium industry is the largest consumer of CPC and CTP. Global demand for primary aluminium aggregated to approximately 65.9 MT in CY2018 and is expected to grow to approximately 77.4 MT by CY2023, representing a CAGR of +3.3%. Of the total demand in CY2018, 54.7% was from China, 14.3% from Europe (including Russia) and 10.2% from North America. It is expected that China will increase its share in aluminium consumption to about 56.0% of total demand for primary aluminium by CY2023. The expected demand will be driven by electrical conductors and significant growth in the packaging industry. India is expected to see an increase in aluminium consumption of about 7.3% CAGR, which mainly will be driven by the construction, automobile and packaging industries.

Aluminium continues to chip away at steel's previously unassailable position as the material of choice for the automotive industry. Due to more stringent regulations and societal pressure to improve fuel economy, automobile manufacturers are increasing their use of lighter materials such as aluminium for the structural shell of vehicles as well as closing panels such as the hood, trunk and doors. Aluminium producers will continue to innovate with new alloys and production processes to meet the automotive industry's demand.

By 2023, more than 10.3 MT of aluminum smelting capacity additions are expected through various greenfield and brownfield projects announced across the world. Approximately 69% of the additional capacity will take place in China and 23% in Asia (excluding China) and the Middle East. Smelting capacity additions until 2023 in North America and Europe will be approximately 5% and

3%, respectively. Some of these additions were expected to occur in 2018, but they were delayed or put on hold due to high alumina and power costs.

#### Other Products from Tar Distillation

Naphthalene, as a chemical intermediate, is used mainly as a precursor to other chemicals or as a solvent for chemical reaction. Naphthalene is used both in the production of dispersants and the construction industry, and as a superplasticiser to produce concrete and gypsum. Therefore, the demand for naphthalene is correlated to the building materials industry.

Naphthalene is also used in the production of phthalic anhydride (PA) as a substitute for ortho-xylene, as it is more cost-effective. PA is used in the manufacturing of plastics, polyester resins and alkyd resins. Additionally, phthalate esters made from PA are used as plasticisers in the production of several PVC products. RAIN's Advanced Materials segment produced PA and a majority of our internally produced naphthalene is supplied to that plant.

Aromatic oils, such as creosote oil and carbon back oil, are sold to a variety of industries. Creosote oil is used by the wood-treatment industry for the impregnation of wood. The majority of this production is sold in North America, as the European market has seen decreased demand due to environmental restrictions. As a result of declining demand in Europe, as well as a significant capital investment that would have been required at our Castrop-Rauxel creosote production facility, we ceased production in Germany in the fourth quarter of 2018. Going forward, we believe we will be able to meet the European market requirements from our Belgium facility.

Carbon black oil is primarily sold to the carbon black industry. The carbon black industry produces carbon black for the tyre and rubber industries. Therefore, demand for our carbon black oil is dependent on these end industries.

After industrial processing, the downstream products made from naphthalene and aromatic oils, such as PT and toluene, form indispensable constituents of many articles of daily life. For example, they are used as a key raw material in the leather, construction, tyre and pharmaceutical industries.

### Threats & Challenges – CTP

The main threat to the supply of CTP is the availability of reliable quantities of coal tar from the steel industry. With approximately 8% of global coal tar production coming from the EU's 28 countries, the region's supply of coal tar meets most of the coal tar requirements for RAIN Group's distillation operations, which are located predominantly in Europe. Steel production using electric arc furnaces is becoming more prevalent due to various factors including its superior technology and lower emissions compared to traditional blast furnaces. As a result, coal tar production is limited to the existing capacities of metallurgical coke ovens. RAIN Group strengthened its coal tar sourcing through its Russian joint venture. With approximately 5% of global coal tar production, Russia contributes significantly to coal tar supply in the region.

Although the aluminium industry has experienced production and consumption growth on a long-term basis, there may be cyclical periods of weak demand that could result in decreased primary aluminium production. RAIN Group's sales have historically declined during such cyclical periods of weak global demand for aluminium.

Research and development activities are being conducted to create a new carbon-free aluminium smelting technology that would produce oxygen while eliminating all direct greenhouse gas emissions from the traditional smelting process. If successfully commercialised, this new process would also be expected to increase productivity. At this time of increasingly stringent environmental regulations and a drive to slash emissions, this new technology would obviously be appealing to aluminium producers and their customers around the world. As per analyst estimates, on average, the aluminium industry currently generates 12 tons of carbon dioxide emissions per ton of aluminium at the

smelter. The developers of this technology believe that if successfully commercialised, it could be used in new smelters as well as retrofitted into the existing ones. While there is uncertainty around its commercial viability, successful introduction of this technology would likely impact future demand by the aluminium industry for carbon-based products in the smelting process.

The curtailment of coal tar distillation by certain manufacturers in North America and Europe has minimised the demand for coal tar and benefited RAIN Group with improved availability of raw material for its distillation plants.

Increasing demand from traditional end customers as well as demand from more recent applications such as lithium-ion batteries, solar panels and LED light bulbs, are gradually tightening the global balance for supply of CTP. In the event of future coal tar and CTP shortages, petroleum pitch would be the most reliable alternative for the aluminium industry, as smelters could blend up to 15-25% of petroleum pitch with CTP for preparing the carbon anodes.

Naphthalene and aromatic oils (other by-products in primary distillation) are subject to the demand and supply forces of the construction and automotive industries, as well as changes in the price of correlated commodities. Any decrease in the prices of fuel oil and ortho-xylene could reduce margins and the competitiveness of naphthalene and aromatic oils.

### 1.3. Co-generated Energy

RAIN Group is committed to environmental compliance at all of its facilities. As part of this commitment, RAIN Group has made significant investments in waste-heat-recovery (WHR) systems at its CPC plants. RAIN Group co-generates energy through the waste heat recovered in the calcining process. Currently, RAIN Group has co-generation at four of its seven CPC plants and one of its two cement production plants with a combined power generation capacity of approximately 132 MW. Additionally, commissioning of a new 4.1 MW WHR system is under progress at the other cement production plant.

The operation of these WHR units reduces greenhouse gas emissions by offsetting the use of fossil fuels that would be otherwise required

## BOARD'S REPORT (CONTINUED)

to produce an equivalent amount of energy. This significantly reduces RAIN Group's carbon footprint and results in carbon-neutral facilities.

As further evidence of RAIN Group's commitment to the environment, it has made substantial investments in flue-gas desulfurisation at its CPC plants in India and the US to substantially reduce the emission of sulphur dioxide to meet all regulatory requirements for air quality standards.

### Threats & Challenges – Energy

Energy production is proportional to the waste heat produced during the calcination process. The output is subject to the volume and quality of raw materials being processed in calcination. Any decrease in capacity utilisations in calcination or change in raw material quality will directly influence the generation of energy. A substantial part of the energy produced is sold to external customers for industrial use. Availability of alternate economical sources of energy, such as solar energy to these industries in future, could cause a reduction in sales of energy by RAIN Group.

A declining trend in tariff in India continues to impact revenues from the sale of energy. Part of the energy generated at our CPC plants, as well as our cement facilities, is captively used to power those operations, mitigating the impact of declining energy tariffs. Energy revenues in the US are subject to fluctuating natural gas prices, which, at times, causes uncertainty regarding revenue growth from energy sales.

## 2. Advanced Materials

RAIN Group is a global leader and innovator in the production of advanced materials through the innovative downstream transformation of a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials that are critical to the specialty chemicals, coatings, construction, automotive, petroleum and several other global industries. RAIN Group operates advanced materials production facilities in Belgium, Canada, Germany and the Netherlands.

RAIN Group produces 0.7 MT of advanced material products per annum, which account for over 25% of its consolidated turnover. Its products have applications ranging from rubber tires to printing inks, and from energy storage to pharmaceutical products.

RAIN produces advanced materials in two parallel production processes:

- Downstream processing and refining of primary coal tar distillates
- Petroleum derivatives, such as C9 and C10, which serve as raw materials for the production of a range of advanced material products

In 2018, the Company completed a debottlenecking project in Europe that will enable RAIN Group to distill up to 0.2 MT of petro tar. This will further enable RAIN Group to leverage its raw material mix.

Approximately 25% of the consolidated revenue for CY2018 is from this segment. RAIN Group's Advanced Materials business can be classified broadly into four sub-product categories:

### 2.1. Resins

RAIN Group manufactures hydrocarbon resins based on coal tar distillates produced during the downstream refining of carboindene and from C9 and C10, which are liquid by-products derived from the steam cracking of petroleum substances. Coal tar-based resins are used primarily for applications in coatings and rubber tyres while petrochemical-based resins are used primarily for applications in adhesives and printing inks. The Company recently introduced a family of colourless resins used in colour-sensitive applications such as tape and book bindings.

The Company also produces phenolics, which are used for applications in leather treatment, electric wire enamels and pharmaceuticals.

### 2.2. Engineered Products

RAIN Group's innovative CARBORES® binder, an engineered pitch product, combines the advantages of CTP products and phenolic resins. CTP contains polycyclic aromatic hydrocarbons (PAHs) that require special safety precautions during its use. CARBORES® is a substitute binder used in carbon-containing refractory products and graphite products, produced from a dramatically reduced concentration of PAHs. While designed for refractory products, the property profile of CARBORES® also allows it to be a substitute for standard CTP in other applications.

The Company's portfolio of engineered products also includes PETRORES®, which is used in specialty

applications such as lithium-ion batteries and energy storage. PETRORES® is produced by further processing our petro pitch, which is a derivative of petro tar distillation.

### 2.3. Petrochemical Intermediates

RAIN Group produces benzene, toluene and xylene from the secondary distillation of crude benzene, a liquid by-product derived in conversion of coal into metallurgical coke used for pig iron and steel production. Benzene, toluene and xylene are critical inputs for several chemical-based substances. Toluene and xylene are used as solvents for inks and paints.

### 2.4. Naphthalene Derivates

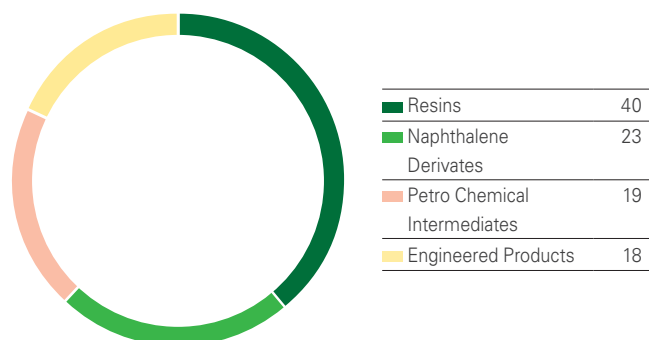
RAIN Group produces PA, polynaphthalene sulfonates and modifiers from the downstream refining of naphthalene and from other inputs procured externally.

The Company also produces specialty polymers called superplasticisers from the downstream refining, polymerisation and purification of naphthalene oil and naphthalene. Superplasticisers are used as in-process aids in the manufacture of concrete and gypsum wallboard, and have widespread use for a variety of industrial and agricultural applications.

In addition, RAIN Group produces a wide range of differentiated naphthalene and melamine superplasticisers in liquid and powder form, as well as carboxylate dispersants in liquid form.

## Advanced Materials Segment – Revenue Mix

### Revenue (%)



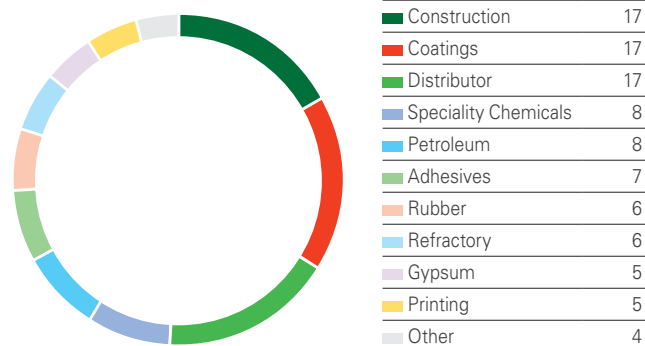
Source: Company Data

### Outlook

Based on slowing GDP growth in key markets, mainly Europe, political uncertainties like the trade dispute between the US and China and the return of volatility of raw-material markets, we expect more challenging and uncertain business conditions in near future.

Europe is the main market for our resins, modifiers and petrochemicals. Lower demand from the coatings and adhesive industry for resins and modifiers will get offset by the improving demand from the tyre industry, resulting in an overall stable volume in resins and modifiers business. This segment will benefit from our new product NOVARES® pure HHCR produced in our new

### Customer (%)



hydrogenated hydrocarbon resins plant in Europe. We shall have some competition from Chinese resins producers in some areas of the business. Carbon-less copy paper, coatings and effluents are some of our end customers for products under the modifiers group. Majority of these customers are from Asia. The business in this product shall remain moderate due to strict competition from China. 3.5 DMP, although a small contributor used in disinfectants has a strong market in Asia and has better prospects due to its higher demand.

Among petrochemicals, PA is highly competitive since the main raw material naphthalene is available in-house from our distillation business. Further the naphthalene-



## BOARD'S REPORT (CONTINUED)

based process is cost advantageous compared to the ortho xylene-based production. In the coming years, the overall outlook of petrochemicals is stable due to the partial offset of the performance of benzene, toluene, xylene (BTX) with PA.

North America is our main market for polymers, superplasticisers and naphthalene. The products are mainly used in producing gypsum as well as in concrete mixture for construction. The delays in infrastructure projects and storm has affected the performance of this business. Investment in infrastructure, and industrial and residential projects shall maintain the overall outlook stable in coming years. Oversupply will continue to impact the naphthalene business.

Engineered products business shall benefit in sealer market in North America with our new sealer – ULTRASEAL – an and growing demand in Asia for our PETRORES in lithium-ion anode application. With a stable demand from refractories in Asia, the performance of CARBORES shall be moderate. Overall, the outlook for this business is positive.

### Threats & Challenges – Advanced Materials

Key threats for RAIN Group's Advanced Materials business are volatility in commodity prices and Chinese competition. The price of benzene, C9 and C10 fractions largely depend on the price of crude and fuel oil. Tariffs issued by the US have caused Chinese manufacturers to redirect sales to Europe, creating increased competition in that market. We expect this to continue until a new trade agreement between the US and China is finalised.

RAIN Group tries to mitigate its pricing and procurement risks through an integrated global management of sales and supply procurement, optimised processes, and long-term agreements with suppliers to ensure reliable sourcing of raw materials.

The quarterly operating results fluctuate due to a variety of factors that are outside our control, including inclement weather conditions. Historically, our operating results have been lower in the first and fourth quarters compared to the second and third quarters.

### 3. Cement

RAIN Group has two integrated cement plants, one each in the states of Telangana and Andhra Pradesh with an aggregate installed capacity of 4 MT per annum. The plants are strategically located near sources of limestone,

the primary raw material in cement production. RAIN Group also has a fly-ash handling and cement packaging unit in the state of Karnataka that converts the bulk cement into packed cement and enables supplies to neighbouring areas. About 6.5% of the consolidated revenue of RAIN Group for CY2018 is from the Cement business segment.

RAIN Group's cement plants manufacture two grades of cement: ordinary portland cement (OPC) and portland pozzolana cement (PPC). Out of the total cement produced, PPC-grade accounts for about 75% and OPC grade about 25%.

RAIN Group has been reducing the output cost by introducing efficient energy measures, such as WHR power plants and the use of GPC to heat its furnaces. Stringent Bureau of Indian Standards (BIS) are applied in cement production to attain consistency in quality.

RAIN Group has built a vast dealer network in the southern states of India and has made additional inroads into the neighbouring states of neighboring Maharashtra, Goa, Odisha and Kerala. Sales in the new market regions account for 15% of total sales achieved during CY2018.

The major costs in the production of cement are (a) freight and transportation and (b) power and fuel, each constituting 30% of the total cost of manufacturing. RAIN Group constantly works to improve efficiencies in logistics, such as entering into long-term contracts with transport agencies for transportation of cement to dealers spread across various states. The downside risk is that any increase in fuel prices could adversely affect freight costs. RAIN Group also has long-term arrangements with The Singareni Collieries Company Limited for the supply of coal, which meets about 56% of the total fuel requirement for its cement plants. In addition, about 26% of high-quality coal is imported and blended with pet coke of about 18%.

The Cement business segment consumes up to 29 MW of electricity. RAIN Group supplements its requirements for power in the Cement business segment with power generated at its CPC plant in Vizag and its new 6.4 MW WHR power plant in the Kurnool cement plant. Additionally, a 4.1 MW WHR power plant is under development at the Nalgonda cement plant. With these measures, RAIN Group expects significant savings in its energy costs in the coming years.

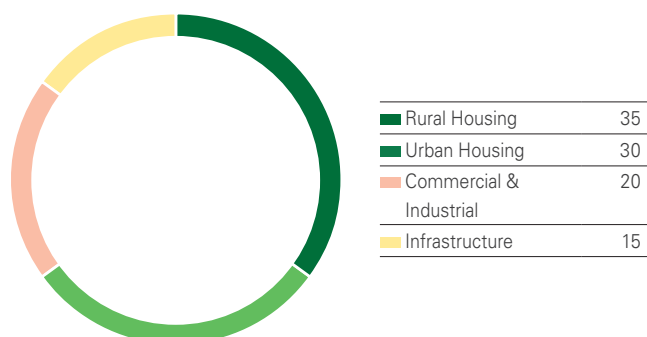
### Cement Industry Growth in India

The Indian cement industry is estimated to have a total production capacity of 502 MT during CY2018. The industry is expected to grow at 4% in CY2019. Due to an increase in demand from various sectors, the capacity is expected to increase from 550 MT to 600 MT by CY2025. Cement is a cyclical commodity with a high correlation to GDP. The Indian housing sector is the most critical demand driver of cement, accounting for about 65% of total consumption. The other major consumers of cement include infrastructure (15%) and commercial and industrial construction (20%). During the last few years, low capacity utilisation coupled with weak prices and

increasing input costs have impacted the performance of the cement industry in India. Subdued operating profits and high debt-service obligations have led some Indian cement producers to defer expansion plans.

With increased demand by the infrastructure and housing sectors, coupled with limited capacity additions, the cement capacity utilisation on a pan-India basis is expected to improve steadily over the next few years. In particular, demand is expected to be boosted by infrastructure development in Tier 2 and Tier 3 cities, growth in the real estate sector and initiatives to build 100 Smart Cities by the Government of India.

### Cement Consumption by Sector in 2018 (%)



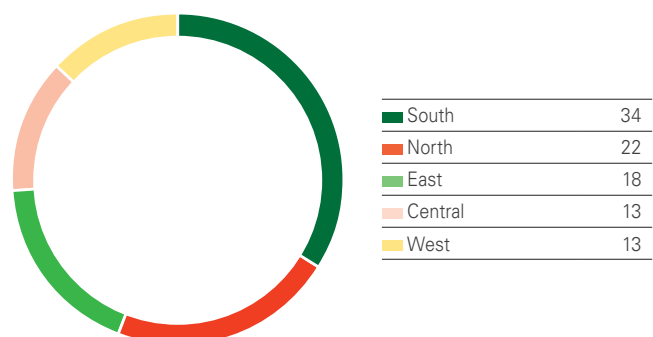
Source: Management Estimate and Industry

Cement, being a bulk commodity, is a freight-intensive industry, and transporting it over long distances can be uneconomical. This has resulted in cement being largely a regional play with the industry divided into five main regions in India: North, South, West, East and Central. The southern region of India has the highest installed capacity, accounting for about 34% of the country's total installed capacity.

### Current Position

During CY2018, demand in India's cement industry remained flat when compared to CY2017. Growth in demand observed in South India was led by Andhra Pradesh and Telangana. Floods in Kerala and state elections had some impact on demand in this region. Although there is the possibility of increased demand due to the Indian Government's emphasis on infrastructure development, increases will be contingent on the successful execution of contemplated

### Cement Capacity in India (By Region) (%)



Source: Management Estimate and Industry

projects. The growth in the southern region was driven by the initiation of development activities in the newly formed capital city of Andhra Pradesh as well as irrigation and low-cost housing projects in Telangana.

RAIN Group also has made inroads into neighboring states such as Maharashtra, where there is a lack of adequate cement production capacity due to the absence of limestone mines. As a result, approximately 50% of its demand is met by the southern region's cement plants. With no new capacity additions coming online in Maharashtra during the next three years, increasing capacity utilisation of the southern region's cement facilities should lead to an increase in performance. Volume growth should benefit most companies based in South India due to their high operating/ financial leverage. RAIN Group already has expanded into new markets such as Maharashtra, Odisha,

## BOARD'S REPORT (CONTINUED)

Kerala, Goa and Pondicherry. These new geographical markets contributed 18% of cement sales during CY2018.

### Near Future

As stated elsewhere, cement demand is closely linked to the overall economic growth, particularly in the housing and infrastructure sectors. With the Government of India introducing new plans for housing and infrastructure development, cement demand is expected to increase.

Historically, positive incremental demand over supply, as well as high levels of capacity utilisation, have led to an increase in cement prices. A rebound in demand growth from CY2018 is expected to support prices in the southern region. Cement demand across India is expected to increase at a CAGR of 8%

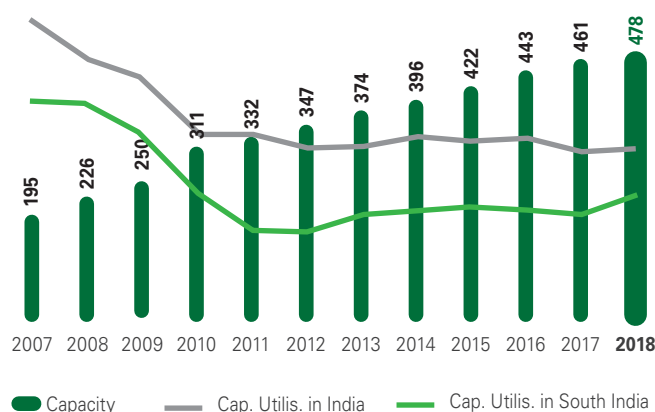
Due to the limited capacity additions and demand revival, the cement sector is expected to enter a multi-year earnings growth cycle where it gains pricing and operating leverage.

The Government of Telangana is undertaking major irrigation projects, and the Government of Andhra Pradesh is building a new capital city. More than 90% of RAIN Group's cement sales volumes are in the southern region, almost 30% of which is sold in Andhra Pradesh and Telangana each. Hence, the above developments planned for these two states are expected to contribute to the growth in the Cement business of RAIN Group.

The real estate sector is a crucial contributor to demand growth in the southern region. Major cities like Bengaluru, Chennai and Hyderabad have emerged as promising commercial destinations, which boosts demand for commercial and office space within these cities. In addition, these cities are some of the biggest hospitality markets in South India, with Hyderabad reporting year-over-year growth of 7.6%, followed by 4.3% in Bengaluru and 1.4% in Chennai.

### Cement Capacity Utilisation

(in MT)



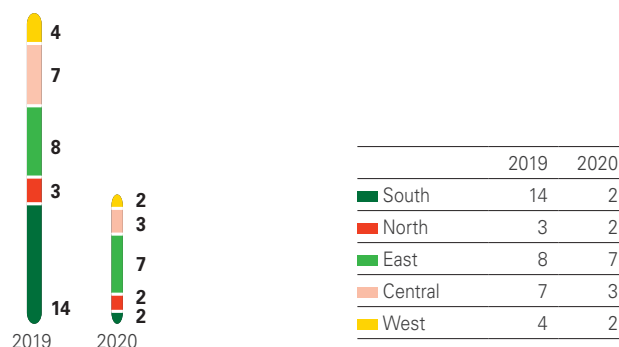
Source: Management Estimate and Industry

### Threats & Challenges – Cement

The Indian cement industry has witnessed a massive capacity addition of more than 250 MT during last decade. This the capacity addition is disproportionately high when compared to the growth in demand concentrated in South India, with approximately 79 MT of new capacity during this period. This has resulted

### Region-wise Capacity Additions

(in MT)



Source: Management Estimate and Industry

in significant pressure on capacity utilisation and price realisation among the region's producers.

The Indian cement industry's average utilisation has declined drastically to approximately 63% in CY2018, led by weak demand and an oversupply in the industry. Pan-India utilisation is expected to reach 67%

by CY2020 while the utilisation levels in the southern region are expected to remain stable at 57% until CY2020. Cement demand and capacity utilisation are expected to improve, led by a slower pace in capacity addition and better demand prospects.

### Listing of Equity Shares

The Company's equity shares are listed on the following Stock Exchanges:

- (i) BSE Limited, Phiroze JeeJeebhoy Towers, Dalal Street, Mumbai – 400 001, Maharashtra, India; and
- (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, G Block, Bandra –Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India.

The Company has paid the Annual Listing Fees to the said Stock Exchanges for the Financial Year 2018-19.

### Subsidiary Companies

As per the provisions of Section 129 of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the Financial Statements of the Subsidiary Companies/ Associate Companies/Joint Ventures in Form AOC-1 is annexed to this Board's Report (**Annexure – 1**).

### Performance and contribution of each of the Subsidiaries, Associates and Joint Ventures

As per Rule 8 of Company's (Accounts) Rules, 2014, a Report on the Financial performance of Subsidiaries, Associates and Joint Venture Companies along with their contribution to the overall performance of the Company during the Financial Year ended December 31, 2018 is annexed to this Board's report (**Annexure – 2**).

### Consolidated Financial Statements

The Consolidated Financial Statements prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013.

As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate Audited accounts of its Subsidiaries on its website [www.rain-industries.com](http://www.rain-industries.com) and a copy of separate Audited Financial Statements

of its Subsidiaries will be provided to shareholders upon their request.

### Share Capital

The Paid-up Share Capital of the Company as on December 31, 2018 is ₹ 672,691,358/- divided into 336,345,679 Equity Shares of ₹ 2/- each fully paid up.

### Number of Meetings of the Board of Directors

During the year, four Board meetings were held.

The dates on which the Board meetings were held are: February 28, 2018, May 11, 2018, August 14, 2018 and November 14, 2018.

Details of the attendance of the Directors at the Board meetings held during the year ended December 31, 2018 are as follows:

Name of the Director	Number of Board Meetings	
	Held	Attended
Mr N. Radhakrishna Reddy	4	4
Mr Jagan Mohan Reddy Nellore	4	4
Mr N. Sujith Kumar Reddy	4	4
Mr S. L. Rao	4	4
Mr H. L. Zutshi	4	4
Ms Radhika Vijay Haribhakti	4	4
Ms Nirmala Reddy	4	4
Mr Varun Batra <sup>1</sup>	4	3

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

### Management Discussion and Analysis

The Management Discussion and Analysis forms an integral part of this Report and provides details of the overall industry structure, developments, performance and state of affairs of the Company's various businesses viz. Carbon, Advanced Materials, Cement along with internal controls and their adequacy, Risk Management Systems and other material developments during the Financial Year.

### Directors Responsibility Statement as required under Section 134 of the Companies Act, 2013

Pursuant to the requirement under Section 134 of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms:



## BOARD'S REPORT (CONTINUED)

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on December 31, 2018 and of Profit and Loss Account of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the Financial Year ended December 31, 2018 on a going concern basis;
- v) that the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi) that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Statement on Declaration given by Independent Directors under Section 149

The Independent Directors have submitted their declaration of independence, as required pursuant to sub-section (7) of Section 149 of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section (6) of Section 149.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following Directors:

Ms Radhika Vijay Haribhakti, Chairperson, Mr S L Rao, Mr H L Zutshi, Ms Nirmala Reddy and Mr Varun Batra.

Mr Varun Batra was appointed as member of the Nomination and Remuneration Committee on February 28, 2018.

### ● Brief description of the terms of reference

- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board for their appointment and removal;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Carry on the evaluation of every Director's performance;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director; and
- Recommend to the Board, a policy relating to the remuneration of the Directors, Key Managerial Personnel and other Employees.

### ● Nomination and Remuneration policy

#### Policy objectives

1. To lay down criteria, terms and conditions with regard to identifying persons who are qualified to become Directors (Executive, Non-executive and Independent Director) and persons who may be appointed to senior management and key managerial positions and to determine their remuneration.
2. To determine remuneration based on the Company's size and financial position comparable with trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation on the performance of Directors.
4. To provide them with reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent to ensure long-term sustainability of talented managerial persons and create competitive advantage.

### Nomination and Remuneration Committee meetings

During the period from January 1, 2018 to December 31, 2018, Nomination and Remuneration Committee Meetings were held on February 27, 2018 and November 13, 2018.

### Attendance at the Nomination and Remuneration Committee Meetings

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Ms Radhika Vijay Haribhakti	Chairperson	2	2
Mr H. L. Zutshi	Member	2	2
Mr S. L. Rao	Member	2	1
Ms Nirmala Reddy	Member	2	2
Mr Varun Batra <sup>1</sup>	Member	2	1

<sup>1</sup> Mr Varun Batra was appointed as member of the Nomination and Remuneration Committee on February 28, 2018.

### Particulars of Loans, Guarantees, Securities or Investments under Section 186

The details of Loans, Guarantees, Investments and Security made during the Financial Year ended December 31, 2018 is given in compliance with the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 and the same is annexed to the Board's Report (**Annexure – 3**).

### Particulars of Contracts or Arrangements with Related Parties

The particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 entered by the Company during the Financial Year ended December 31, 2018 in prescribed Form AOC-2 is annexed to this Board's Report (**Annexure – 4**).

### Transfer of Amount to Reserves

The Company has transferred ₹ 60.47 million to the General Reserve for the Financial Year ended December 31, 2018. An amount of ₹ 617.15 million is retained in the retained earnings.

### Dividend

The Board of Directors at their meeting held on November 14, 2018 declared an Interim Dividend @ 50% on the paid-up Equity Share Capital i.e., ₹ 1.00 per equity share for the Financial Year ended December 31, 2018 and same was paid to the shareholders and no further dividend has been recommended for the Financial Year ended December 31, 2018.

### Extract of Annual Return

The Extract of Annual Return as per the provisions of Section 92 of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 in Form MGT-9 is annexed to this Board's Report (**Annexure – 5**).

### The conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 (Act) read with the Companies (Accounts) Rules, 2014

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Act read with Companies (Accounts) Rules, 2014 is annexed to this Board's Report (**Annexure – 6**).

### Risk Management Committee

The Risk Management Committee consists of the following Directors:

Mr N Radhakrishna Reddy, Chairman, Mr Jagan Mohan Reddy Nellore, Managing Director and Mr N Sujith Kumar Reddy, Director.

Mr T Srinivasa Rao is the Chief Risk Officer and Mr S Venkat Ramana Reddy acts as Secretary to the Committee.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day-to-day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat risks. The Risk management procedures are reviewed by the Audit Committee and the Board of Directors on a quarterly basis at the time of review of the Quarterly Financial results of the Company.

During the Financial Year, Risk Management Committee Meeting was held on November 13, 2018.

### Attendance at the Risk Management Committee Meeting:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr N. Radhakrishna Reddy	Chairman	1	1
Mr Jagan Mohan Reddy Nellore	Member	1	1
Mr N. Sujith Kumar Reddy	Member	1	1

### Corporate Social Responsibility (CSR)

Corporate Social Responsibility reflects the strong commitment of the Company to improve the quality of life of the workforce and their families and also the community and society at large. The Company believes in undertaking business in a way that will lead to the overall development of all stakeholders and society.

## BOARD'S REPORT (CONTINUED)

The Board of Directors of the Company have constituted a Corporate Social Responsibility Committee comprising the following Directors:

Mr Jagan Mohan Reddy Nellore, Chairman, Mr N Sujith Kumar Reddy, Member and Ms Nirmala Reddy, Member (Independent Director).

Corporate Social Responsibility policy was adopted by the Board of Directors on the recommendation of the Corporate Social Responsibility Committee.

During the last three years, the Company has spent ₹ 6.40 million on CSR activities.

A report on Corporate Social Responsibility as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed to this Board's Report (**Annexure – 7**).

During the Financial Year, Corporate Social Responsibility Committee Meeting was held on November 12, 2018.

### Attendance at the Corporate Social Responsibility Committee Meeting:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr Jagan Mohan Reddy Nellore	Chairman	1	1
Mr N. Sujith Kumar Reddy	Member	1	1
Ms Nirmala Reddy	Member	1	1

### Stakeholders Relationship Committee

The Board of Directors at their meeting held on February 28, 2018 have decided to re-constitute the Stakeholders Relationship, Grievance and Share Transfer Committee into the Stakeholders Relationship Committee and Share Transfer Committee.

The Stakeholders Relationship Committee consists of following Directors:

Mr N Radhakrishna Reddy, Chairman, Mr Jagan Mohan Reddy Nellore, Member Mr N Sujith Kumar Reddy, Member and Ms Nirmala Reddy, Member (Independent Director).

During the Financial Year, Stakeholders Relationship Committee Meeting was held on August 11, 2018.

### Attendance at Stakeholders Relationship Committee Meeting:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr N. Radhakrishna Reddy	Chairman	1	1
Mr Jagan Mohan Reddy Nellore	Member	1	1
Mr N. Sujith Kumar Reddy	Member	1	1
Ms Nirmala Reddy	Member	1	1

### Terms of Reference

- Resolving the grievances of the security holders including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, non-receipt of new/duplicate certificates, etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

### Share Transfer Committee

The Share Transfer Committee consists of following Directors:

Mr N Radhakrishna Reddy, Chairman,  
Mr Jagan Mohan Reddy Nellore, Member  
Mr N Sujith Kumar Reddy, Member.

The Committee meets every week/15 days to oversee and review all matters connected with the securities transfers and review the performance of the Registrar and Transfer agents and recommends measures for overall improvement in the quality of investor services.

### Mechanism for Evaluation of the Board

Evaluation of all Board members is performed on an annual basis. The evaluation is performed by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the

performance and effective functioning of the Board and Individual Directors.

In line with the Securities and Exchange Board of India (SEBI) Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/004, dated January 5, 2017, the Company adopted the recommended criteria by the SEBI.

The Directors were given six forms for evaluation of the following:

- (i) Evaluation of Board;
- (ii) Evaluation of Committees of the Board;
- (iii) Evaluation of Independent Directors;
- (iv) Evaluation of Chairperson;
- (v) Evaluation of Non-executive and Non-Independent Directors; and
- (vi) Evaluation of Managing Director.

The Directors were requested to give the following ratings for each criteria:

- 1. Could do more to meet expectations;
- 2. Meets expectations; and
- 3. Exceeds expectations.

The Board of Directors have appointed Mr DVM Gopal, Practicing Company Secretary as scrutinizer for Board evaluation process.

The Directors have sent the duly filled forms to Mr DVM Gopal after Evaluation.

Mr DVM Gopal, based on the evaluation done by the Directors, has prepared a report and submitted the Evaluation Report.

The Chairperson based on the report of the scrutiniser has informed the rankings to each Director and also informed that based on the Evaluation done by the Directors and the report issued by Mr DVM Gopal, the performance of Directors is satisfactory and they are recommended for continuation as Directors of the Company.

### Directors

Mr Jagan Mohan Reddy Nellore, Managing Director of the Company, also serves as the Chief Executive Officer of Rain Carbon Inc., a step-down wholly owned subsidiary of the Company.

To ensure that the Company's Carbon business receives the attention necessary to navigate changing raw material trends, tax laws and other issues; manage organic expansions; and ensure the ongoing success of this crucial business segment, Mr Nellore has decided to dedicate more time to Rain Carbon Inc.

As per the provisions of the Companies Act, 2013, the Whole-time Director/Chief Executive Officer/Managing Director of the Companies incorporated under the Companies Act, 2013, shall be a Resident in India. With Mr Nellore also being the Chief Executive Officer of Rain Carbon Inc., it is difficult for him to be in India for a defined period of time every year.

In view of the above, Mr Nellore has submitted his resignation from the position of Managing Director with effect from March 31, 2019, but continues to be the Director and Vice Chairman of the Company.

Consequent to the resignation of Mr Jagan Mohan Reddy Nellore from the position of Managing Director, Mr N. Radhakrishna Reddy has been appointed as Managing Director of the Company for a period of three years (i.e., from March 31, 2019 to March 30, 2022).

Mr Jagan Mohan Reddy Nellore and Mr N Sujith Kumar Reddy, Directors of the Company retire by rotation and are eligible to offer themselves for re-appointment.

The term of appointment of Ms Nirmala Reddy as an Independent Director of the Company will expire on September 29, 2019.

A notice under Section 160 of the Companies Act, 2013 is received from a member of the Company proposing candidature of Ms Nirmala Reddy. The Company has received from Ms Nirmala Reddy: i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that she is not disqualified as per Section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that she meets the criteria of independence as provided under Section 149 of the Companies Act, 2013.

The Nomination and Remuneration Committee at their meeting held on February 26, 2019 and the Board of

## BOARD'S REPORT (CONTINUED)

Directors at their meeting held on February 27, 2019 have recommended the re-appointment of Ms Nirmala Reddy as an Independent Director for a further period from September 30, 2019 to February 27, 2023.

To broad base the Board, Mr Brian Jude McNamara was appointed as an Additional Director (Independent Director) of the Company w.e.f. February 28, 2019 by the Board of Directors at their meeting held on February 27, 2019 under Section 161 of the Companies Act, 2013. The appointment is subject to the approval of the shareholders at the General Meeting.

A notice under Section 160 of the Companies Act, 2013 is received from a member of the Company proposing candidature of Mr Brian Jude McNamara. The Company has received from Mr Brian Jude McNamara: i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified as per Section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that he meets the criteria of independence as provided under Section 149 of the Companies Act, 2013.

### Key Managerial Personnel

Mr Jagan Mohan Reddy Nellore - Managing Director  
Mr T. Srinivasa Rao - Chief Financial Officer  
Mr S. Venkat Ramana Reddy - Company Secretary

There has been no change in the key managerial personnel during the year.

### Meeting of Independent Directors

A separate meeting of the Independent Directors was held under the Chairmanship of Mr Varun Batra, Independent Director on November 13, 2018, *inter-alia*, to discuss evaluation of the performance of Non-independent Directors, the Board as a whole, evaluation of the performance of the Chairman, taking into account the views of the Executive and Non-executive Directors and the evaluation of the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors expressed satisfaction with the overall performance of the Directors and the Board as a whole.

### Deposits

The Company has not accepted any deposits from the public in terms of Section 73 of the Companies Act, 2013. Hence, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

### Statutory Auditors

The Company's Statutory Auditors, BSR and Associates LLP, Chartered Accountants (ICAI Regn. No.-116231W/W-100024), were appointed as the Statutory Auditors of the Company for a period of 5 years at the 43<sup>rd</sup> Annual General Meeting of the Company, i.e., up to the conclusion of the 48<sup>th</sup> Annual General Meeting of the Company.

Accordingly, BSR and Associates LLP, Chartered Accountants, Statutory Auditors of the Company will continue till the conclusion of Annual General Meeting to be held in 2023. In this regard, the Company has received a Certificate from the Auditors to the effect that their continuation as Statutory Auditors, would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

### Auditors Report

There are no qualifications, reservations or adverse remarks made by BSR & Associates LLP, Chartered Accountants (ICAI Regn. No. 116231W/W-100024) Statutory Auditors in their report for the Financial Year ended December 31, 2018.

### Secretarial Auditors Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors have appointed DVM & Associates LLP, Practising Company Secretaries as Secretarial Auditors to conduct Secretarial Audit of the Company for the Financial Year ended December 31, 2018.

The Secretarial Auditors Report issued by DVM & Associates LLP, Practising Company Secretaries in Form MR-3 is annexed to this Board's Report (**Annexure – 8**).

The Secretarial Auditors Report does not contain any qualifications, reservation or adverse remarks.



**Board's response on Auditor's qualification, reservation or adverse remarks or disclaimer made**

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report or by the Practicing Company Secretary in the Secretarial Audit Report for the year.

During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

**Internal Auditors**

The Board of Directors of the Company have appointed Ernst & Young LLP as Internal Auditors to conduct Internal Audit of the Company for the Financial Year ended December 31, 2018.

**Maintenance of Cost Records specified by the Central Government under Section 148 of the Companies Act, 2013**

The provisions relating to maintenance of Cost Records as specified by the Central Government under Section 148 of the Companies Act, 2013 is not applicable to the Company.

**Audit Committee**

The Audit Committee consists of the following Directors:

Mr H. L. Zutshi, Chairman, Mr S. L. Rao, Ms Radhika Vijay Haribhakti, Ms Nirmala Reddy and Mr Varun Batra.

Mr Varun Batra was appointed as member of the Audit Committee on February 28, 2018.

There has been no such incidence where the Board has not accepted the recommendation of the Audit Committee during the year under review.

Four Audit Committee Meetings were held during the Financial Year ended December 31, 2018. The maximum time gap between any two meetings was not more than one hundred and twenty days.

The Audit Committee meetings were held on February 27, 2018, May 10, 2018, August 13, 2018 and November 13, 2018.

**Attendance at the Audit Committee Meetings**

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr H. L. Zutshi	Chairman	4	4
Mr S. L. Rao	Member	4	3
Ms Radhika Vijay Haribhakti	Member	4	4
Ms Nirmala Reddy	Member	4	4
Mr Varun Batra <sup>1</sup>	Member	4	3

<sup>1</sup> Mr Varun Batra was appointed as member of Audit Committee on February 28, 2018.

**Corporate Governance Report**

A separate report on Corporate Governance is annexed as part of the Annual Report along with the Auditor's Certificate on its compliance.

**Vigil Mechanism**

The Company has adopted a Whistle Blower Policy establishing a formal vigil mechanism for the Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimisation of employees who avail of the mechanism and provides direct access to the Chairperson of the Audit Committee in exceptional cases. It is affirmed that no personnel of the Company has been denied access to the Audit Committee. The policy of vigil mechanism is available on the Company's website.

The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. All employees of the Company are covered under the Whistle Blower Policy.

**Statement of particulars of appointment and remuneration of managerial personnel**

The Statement of particulars of Appointment and Remuneration of Managerial personnel as per Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Board's Report (Annexure – 9).

**Insurance**

All properties and insurable interests of the Company have been fully insured.

## BOARD'S REPORT (CONTINUED)

### **Adequacy of Internal Financial Controls with reference to the Financial Statements**

1. The Company maintains all its records in ERP (SAP) System and the work flow and approvals are routed through ERP (SAP);
2. The Company has appointed Internal Auditors to examine the internal controls and verify whether the workflow of the organisation is in accordance with the approved policies of the Company. In every quarter, during approval of Financial Statements, the Internal Auditors present to the Audit Committee, the Internal Audit Report and Management Comments on the Internal Audit observations; and
3. The Board of Directors of the Company have adopted various policies such as Related Party Transactions Policy, Whistle Blower Policy, Material Subsidiaries Policy, Corporate Social Responsibility Policy, Anti-Corruption and Anti-Bribery Policy, Risk Management Policy, Dissemination of material events Policy, Documents preservation policy, Monitoring and Reporting of Trading by Insiders, Code of Internal Procedures and conduct for Regulating, monitoring and reporting of trading by Insiders, Code of Practices and Procedures for Fair Disclosures, Policy on Prevention of Fraud and such other procedures for ensuring the orderly and efficient conduct of its business for safeguarding of its assets, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

### **Names of Companies which have become or ceased to be Company's Subsidiaries, Joint Ventures or Associate Companies during the year**

During the Financial Year, no Company has become the Subsidiary/ Joint Venture/ Associate of the Company. Rain Coke Limited, step-down subsidiary of the Company has ceased to be the Company's subsidiary during the period under review.

### **Change in the nature of business**

There has been no change in the nature of business of the Company.

### **The details of significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future**

There have been no significant material orders passed by the Regulators or Courts or Tribunals which would

impact the going concern status of the Company and its future operations.

### **Material changes and commitments**

There are no material changes and commitments affecting the financial position of the Company which occurred between the Financial Year ended December 31, 2018 to which the Financial Statements relates and the date of signing of this report.

### **Financial Year of the Company**

The Company has wholly-owned subsidiary Companies situated in India and outside India. The Companies situated outside India follow the Financial Year from January 1 to December 31 and they contribute significant revenue to the consolidated revenue of the Company and their statutory financials; tax filings are also made on this basis in the respective jurisdictions where they are registered. A common Financial Year of the Company and its subsidiary companies has synergies in closing of accounts, compilation and disclosure of data, internal control assessment and audit thereof and preparation of Consolidated Financial Statements; hence, the Company is following the Financial Year from January 1 to December 31.

The Company Law Board vide its order dated October 16, 2015 permitted the Company to follow the Financial Year from January 1 to December 31.

### **Business Responsibility Report**

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Business Responsibility Report is annexed to this Board's Report (**Annexure – 10**).

### **Human Resources**

The Company believes that the quality of its employees is the key to its success and is committed to providing necessary human resource development and training opportunities to equip employees with additional skills to enable them to adapt to contemporary technological advancements.

Industrial relations during the year continued to be cordial and the Company is committed to maintain good industrial relations through effective communication, meetings and negotiation.

**Policy on Sexual Harassment**

The Company has adopted policy on Prevention of Sexual Harassment of Women at Workplace in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has not received any complaints during the year.

The Company regularly conducts awareness programmes for its employees.

The following is a summary of sexual harassment complaints received and disposed off during the year:

Sl. No.	Particulars	Status of the No. of complaints received and disposed off
1.	Number of complaints on sexual harassment received	Nil
2.	Number of complaints disposed off during the year	Not Applicable
3.	Number of cases pending for more than ninety days	Not Applicable
4.	Number of workshops or awareness programmes against sexual harassment carried out	The Company regularly conducts necessary awareness programmes for its employees
5.	Nature of action taken by the employer or district officer	Not Applicable

**Constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has constituted an Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has not received any complaints during the year.

**Environment, Health and Safety**

The Company considers it is essential to protect the Earth and limited natural resources as well as the health and wellbeing of every person.

The Company strives to achieve safety, health and environmental excellence in all aspects of its business activities. Acting responsibly with a focus on safety, health and the environment is part of the Company's DNA.

**Dividend Distribution policy**

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires the top 500 listed companies based on the market capitalisation to formulate Dividend Distribution Policy. In compliance with the said requirement, the Company has formulated its Dividend Distribution Policy; the policy is available on the Company's website at: <http://www.rain-industries.com>.

**Compliance with Secretarial Standards**

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India.

**Prevention of Insider Trading Code**

As per SEBI (Prohibition of Insider Trading) Regulation, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading. The Company has appointed Mr S Venkat Ramana Reddy, Company Secretary, as Compliance Officer, who is responsible for setting forth procedures and implementing the code for trading in Company's securities. During the year under review, there has been due compliance with the said code.

**Acknowledgements**

We express our sincere appreciation and thank our valued Shareholders, Customers, Bankers, Business Partners/ Associates, Financial Institutions, Insurance Companies and Central and State Government Departments for their continued support and encouragement to the Company.

We are pleased to record our appreciation of the sincere and dedicated services of the employees and workmen at all levels.

On behalf of the Board of Directors  
for **Rain Industries Limited**

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

Place: Hyderabad  
Date: February 27, 2019

## BOARD'S REPORT (CONTINUED)

### ANNEXURE - 1

#### Form No. AOC -1

#### Statement containing salient features of the Financial Statement of Subsidiaries/Associate Companies/Joint Ventures

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

#### Part - A- Subsidiaries

Sl No	Name of the Subsidiary	The date since when subsidiary was acquired	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting Currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries (Refer Note 1 below)	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments (Refer Note 4 below)	Turnover	Profit/ (Loss) before Taxation	Tax Expense/ (Benefit)	Profit/ (Loss) after Taxation	Other Comprehensive Income	Total Comprehensive Income	Proposed Dividend	(₹ in million)	% of shareholding of the Company	
1.	Rain Cements Limited	19/11/2003	31/12/2018	INR	298.05	3,829.02	7645.12	7645.12	16.20	9,13,787	400.05	128.85	271.20	(4.60)	266.60	-	-	100	2%
2.	Rain Commodities (US) Inc.	13/01/2006	31/12/2018	USD	7732.13	11,992.07	22,967.51	22,967.51	-	-	3,966.38	(90.14)	4,056.52	749.73	4,806.25	834.90	-	100	26%
3.	Rain Coke Limited (5)	19/03/2012	31/12/2018	INR	-	-	-	-	-	-	-	-	-	-	-	-	-	51	0%
4.	Renuka Cement Limited	14/01/2011	31/12/2018	INR	74.98	213.36	288.78	288.78	-	-	(6.30)	-	(6.30)	-	(6.30)	-	-	100	0%
5.	Rain Carbon Inc.	15/09/2010	31/12/2018	USD	16,270.47	3,123.18	20,305.47	20,305.47	-	-	1,537.46	(40.55)	1,578.01	1,703.10	3,281.11	3,772.69	-	100	10%
6.	Rain Carbon Holdings, LLC	12/04/2010	31/12/2018	USD	14,828.28	4,838.35	19,668.08	19,668.08	-	-	1,181.41	-	1,181.41	1,710.83	2,892.24	1,705.83	-	100	8%
7.	Rain Global Services LLC	27/03/2008	31/12/2018	USD	0.25	(231.81)	0.67	0.67	-	-	(138)	-	(138)	(19.38)	(20.76)	-	-	100	0%
8.	Rain CII Carbon (Vizag) Limited	23/04/2008	31/12/2018	INR	8180	11,924.93	16,664.93	16,664.93	-	25,056.86	2,626.62	936.46	1,690.16	(1.30)	1,688.86	-	-	100	11%
9.	Rain CII Carbon LLC	19/07/2007	31/12/2018	USD	13,639.83	13,872.40	69,692.26	69,692.26	-	29,012.52	2.50	140.42	(137.92)	2,650.07	2,512.15	1,181.41	-	100	(1%)
10.	CII Carbon Corp.	18/08/2009	31/12/2018	USD	-	-	-	-	-	-	-	-	-	-	-	-	-	100	0%
11.	RÜTGERS Polymers Ltd.	04/01/2013	31/12/2018	CAD	638.40	1,717.55	2,769.24	2,769.24	-	2,673.24	458.98	116.25	342.73	3.10	345.83	-	-	100	2%
12.	RÜTGERS Canada Inc.	04/01/2013	31/12/2018	CAD	2,027.94	3,139.65	10,985.27	10,985.27	-	17,095.41	3,013.44	808.72	2,204.72	(40.00)	2,164.72	-	-	100	14%
13.	Handy Chemicals (US) Ltd.	04/01/2013	31/12/2018	USD	0.01	86.21	263.17	263.17	-	1,991.42	39.30	9.49	29.81	4.90	34.71	-	-	100	0%
14.	Rain Carbon BVBA	04/01/2013	31/12/2018	EUR	724.80	16,977.40	22,768.47	22,768.47	-	29,669.43	2,744.27	824.05	1,920.22	1,156.38	3,076.60	-	-	100	12%
15.	VFT France S.A	04/01/2013	31/12/2018	EUR	79728	303.40	1,115.50	1,115.50	-	168.92	23.42	0.24	23.18	6.09	29.27	-	-	100	0%
16.	Rumba Invest BVBA & Co. KG	04/01/2013	31/12/2018	EUR	-	(186)	1,398.32	1,398.32	-	-	87.43	-	87.43	0.59	88.02	-	-	94.9	2%

## Part - A- Subsidiaries

Sl No	Name of the Subsidiary	The date since when subsidiary was acquired	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting Currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries (Refer Note 1 below)	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments (Refer Note 4 below)	Turnover	Profit/(Loss) before Taxation	Tax Expense/(Benefit)	Profit/(Loss) after Taxation	Other Comprehensive Income	Total Comprehensive Income	Proposed Dividend	(₹ in million)	% of shareholding	Contribution to the overall performance of the Company
17.	RÜTGERS Holding Germany GmbH (6)	04/01/2013	31/12/2018	EUR	2.17	13,932.23	20,887.09	20,887.09	-	267.61	(436.76)	(33.11)	(403.65)	669.72	266.07	-	100	(3%)	
18.	RÜTGERS Germany GmbH (6)	04/01/2013	31/12/2018	EUR	2,226.59	4,914.80	27,893.63	27,893.63	110.27	43,982.20	973.65	123.50	850.15	568.53	1,418.68	-	99.7	6%	
19.	RÜTGERS Resins BV	04/01/2013	31/12/2018	EUR	74.20	(59.70)	1,637.67	1,637.67	-	2,793.27	(346.80)	-	(346.80)	(16.48)	(363.28)	-	100	(2%)	
20.	Severtar Holding Ltd.	04/01/2013	31/12/2018	EUR	10.31	2,758.02	2,769.69	2,769.69	-	-	21.47	0.46	21.01	115.95	136.96	-	65.3	0%	
21.	OOO RÜTGERS Severtar	04/01/2013	31/12/2018	RUB	296.44	2,613.98	4,486.86	4,486.86	-	6,688.04	1,745.16	349.68	1,395.48	(373.46)	1,022.02	-	65.3	9%	
22.	Rain RÜTGERS LLC	26/05/2017	31/12/2018	RUB	0.01	23.96	108.40	108.40	-	-	(19.78)	(3.93)	(15.85)	(4.31)	(20.16)	-	100	0%	
23.	RÜTGERS Poland Sp. z o.o	04/01/2013	31/12/2018	PLN	195.70	162.12	446.99	446.99	-	2,212.71	90.73	1767	73.06	(797)	65.09	34.45	100	0%	
24.	RÜTGERS (Shanghai) Trading Co. Ltd.	06/01/2014	31/12/2018	CNY	31.12	46.45	291.42	291.42	-	387.84	10.92	3.11	7.81	0.69	8.50	-	100	0%	
25.	RÜTGERS Wohnim mobilien GmbH & Co	20/08/2015	31/12/2018	EUR	0.14	201.91	243.19	243.19	-	106.97	(15.48)	1.12	(16.60)	9.52	(708)	-	100	0%	
26.	RÜTGERS Gewerbeim mobilien GmbH & Co	21/08/2015	31/12/2018	EUR	0.14	452.22	609.62	609.62	-	134.51	34.86	6.81	28.05	17.40	45.45	-	100	0%	
27.	Rain Carbon GmbH (6)	27/11/2015	31/12/2018	EUR	3.62	12,470.94	52,282.60	52,282.60	-	-	455.44	(165.22)	620.66	466.60	1,087.26	2,419.82	100	4%	

### Notes:

- Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies are based on the exchange rates as at December 31, 2018. Exchange rates as on the last date of the financial year are INR/USD - 69.79; INR/EUR - 79.78; INR/RUB - 1.00; INR/CNY - 10.13; INR/PLN - 18.55; INR/CAD - 51.12.
- Refer Note 2(a) of Consolidated Financial Statements to see relation with the subsidiary, percentage equity holding and Country of incorporation for each of subsidiary.
- Financial information is based on Audited Results of the subsidiaries. The reporting period of the subsidiary is same as that of holding Company.
- Investments except in case of investments in subsidiaries.
- Sold during the year.
- Controlled companies in German fiscal unity, income according to local GAAP transferred to Rain Carbon GmbH and taxed on consolidated basis.

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## BOARD'S REPORT (CONTINUED)

### 1. Names of subsidiaries which are yet to commence operations.

Sl. No.	Name of the Company	Address
	- NIL -	

### 2. Names of subsidiaries which have been liquidated or sold during the year.

Sl. No.	Name of the Company	Address
1.	Rain Coke Limited	Plot No.1071, Road No.44, Jubilee Hills, Hyderabad – 500033, Telangana State, India.

### Part – B - Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Sl. No.	Name of Associates/ Joint Ventures	Date on which the Associate Balance Sheet or Joint venture was associated or acquired	Latest audited Balance Sheet Date	Shares of Associate/Joint Ventures held by the Company on the year end		Description of how there is significant influence	Reason why the associate/joint venture is not consolidated	Network attributable to Shareholding as per latest audited Balance Sheet	Profit / Loss for the year (₹ in million)	
				No.	Amount of Investment in Associates/Joint Venture				i. Considered in Consolidation	ii. Not Considered in Consolidation
1.	InfraTec Duisburg GmbH (IDGmbH)	04/01/2013	31/12/2017	7,500	83.08	30	Based on the percentage of holding over these investees As the group has only ability to exercise significant influence but not control over these investees	83.08	8.53	19.91

### 1. Names of associates or joint ventures which are yet to commence operations

Sl. No.	Name of the Company and Address
	- NIL -

### 2. Names of associates or joint ventures which have been liquidated or sold during the year

Sl. No.	Name of the Company and Address
	- NIL -

### For and on behalf of the Board of Directors for Rain Industries Limited

Place: Hyderabad	<b>Jagan Mohan Reddy Nellore</b>	<b>N. Sujith Kumar Reddy</b>	<b>T. Srinivasa Rao</b>	<b>S. Venkat Ramana Reddy</b>
Date: February 27, 2019	Managing Director DIN: 00017633	Director DIN: 00022383	Chief Financial Officer M. No.: F29080	Company Secretary M. No.: A14143

# ANNEXURE - 2

## Report on the performance and Financial position of each of the Subsidiaries, Associates and Joint Ventures Companies of the Company

(Pursuant to Rule 8 of Companies (Accounts) Rules, 2014)

### Part - A- Subsidiaries

Sl. No.	Name of the Subsidiary	The date since when subsidiary was acquired	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting Currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries (Refer Note 1 below)	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments (Refer Note 4 below)	Turnover	Profit/ (Loss) before Taxation	Tax Expense/ (Benefit)	Profit/ (Loss) after Taxation	Other Comprehensive Income	Total Comprehensive Income	Proposed Dividend	Contribution to the overall performance of the Company	
																	(₹ in million)	
1.	Rain Cements Limited	19/11/2003	31/12/2018	INR	298.05	3,829.02	7645.12	7645.12	16.20	9,137.87	400.05	128.85	271.20	(4.60)	266.60	-	100	2%
2.	Rain Commodities (US) Inc	13/01/2006	31/12/2018	USD	7732.13	11,992.07	22,967.51	22,967.51	-	-	3,966.38	(90.14)	4,056.52	749.73	4,806.25	834.90	100	26%
3.	Rain Coke Limited <sup>(a)</sup>	19/03/2012	31/12/2018	INR	-	-	-	-	-	-	-	-	-	-	-	-	51	0%
4.	Renuka Cement Limited	14/01/2011	31/12/2018	INR	74.98	213.36	288.78	288.78	-	-	(6.30)	-	(6.30)	-	(6.30)	-	100	0%
5.	Rain Carbon Inc	15/09/2010	31/12/2018	USD	16,270.47	3,123.18	20,305.47	20,305.47	-	-	1,537.46	(40.55)	1,578.01	1,703.10	3,281.11	3,772.69	100	10%
6.	Rain Carbon Holdings, LLC	12/04/2010	31/12/2018	USD	14,828.28	4,838.35	19,668.08	19,668.08	-	-	1,181.41	-	1,181.41	1,710.83	2,892.24	1,705.83	100	8%
7.	Rain Global Services LLC	27/03/2008	31/12/2018	USD	0.25	(231.81)	0.67	0.67	-	-	(1.38)	-	(1.38)	(19.38)	(20.76)	-	100	0%
8.	Rain CII Carbon (Vizag) Limited	23/04/2008	31/12/2018	INR	81.80	11,924.94	16,664.93	16,664.93	-	25,056.86	2,626.62	936.46	1,690.16	(130)	1,688.86	-	100	11%
9.	Rain CII Carbon LLC	19/07/2007	31/12/2018	USD	13,639.83	13,872.40	69,692.26	69,692.26	-	29,012.52	2.50	140.42	(137.92)	2,650.07	2,512.15	1,181.41	100	(1%)
10.	CII Carbon Corp	18/08/2009	31/12/2018	USD	-	-	-	-	-	-	-	-	-	-	-	-	100	0%
11.	RÜTGERS Polymers Ltd.	04/01/2013	31/12/2018	CAD	638.40	1,717.55	2,769.24	2,769.24	-	2,673.24	458.98	116.25	342.73	3.10	345.83	-	100	2%
12.	RÜTGERS Canada Inc	04/01/2013	31/12/2018	CAD	2,027.94	3,139.65	10,995.27	10,995.27	-	17,095.41	3,013.44	808.72	2,204.72	(40.00)	2,164.72	-	100	14%
13.	Handy Chemicals (US) Ltd.	04/01/2013	31/12/2018	USD	0.01	86.21	263.17	263.17	-	1,991.42	39.30	9.49	29.81	4.90	34.71	-	100	0%
14.	Rain Carbon BVBA	04/01/2013	31/12/2018	EUR	724.80	16,977.40	22,768.47	22,768.47	-	29,669.43	2,744.27	824.05	1,920.22	1,156.38	3,076.60	-	100	12%
15.	VFT France SA	04/01/2013	31/12/2018	EUR	797.28	303.40	1,115.50	1,115.50	-	168.92	23.42	0.24	23.18	6.09	29.27	-	100	0%
16.	Rumba Invest BVBA & Co. KG	04/01/2013	31/12/2018	EUR	-	(186)	1,398.32	1,398.32	-	-	87.43	-	87.43	0.59	88.02	-	94.9	2%
17.	RÜTGERS Holding Germany GmbH (6)	04/01/2013	31/12/2018	EUR	2.17	13,932.23	20,887.09	20,887.09	-	267.61	(436.76)	(33.11)	(403.65)	669.72	266.07	-	100	(3% S.)
18.	RÜTGERS Germany GmbH (6)	04/01/2013	31/12/2018	EUR	2,226.59	4,914.80	27,893.63	27,893.63	110.27	43,982.20	973.65	123.50	850.15	568.53	1,418.68	-	99.7	6%
19.	RÜTGERS Resins BV	04/01/2013	31/12/2018	EUR	74.20	(59.70)	1,637.67	1,637.67	-	2,793.27	(346.80)	-	(346.80)	(16.48)	(363.28)	-	100	(2%)

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## BOARD'S REPORT (CONTINUED)

### Part - A- Subsidiaries

Sl. No.	Name of the Subsidiary	The date since when subsidiary was acquired	Reporting period for the subsidiary concerned, if different from the holding company's reporting period (Refer Note 1 below)	Reporting Currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries (Refer Note 1 below)	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments (Refer Note 4 below)	Turnover	Profit/(Loss) before Taxation	Tax Expense/(Benefit)	Profit/(Loss) after Taxation	Other Comprehensive Income	Total Comprehensive Income	Proposed Dividend	% of shareholding	Contribution to the overall performance of the Company
20.	Severtar Holding Ltd.	04/01/2013	31/12/2018	EUR	10.31	2,758.02	2,769.69	2,769.69	-	-	21.47	0.46	21.01	115.95	136.96	-	65.3	0%
21.	OOO RUTGERS Severtar	04/01/2013	31/12/2018	RUB	296.44	2,613.98	4,486.86	4,486.86	-	6,688.04	1,745.16	349.68	1,395.48	(373.46)	1,022.02	-	65.3	9%
22.	Rain RUTGERS LLC	26/05/2017	31/12/2018	RUB	0.01	23.96	108.40	108.40	-	-	(19.78)	(3.93)	(15.85)	(4.31)	(20.16)	-	100	0%
23.	RUTGERS Poland Spzoo	04/01/2013	31/12/2018	PLN	195.70	162.12	446.99	446.99	-	2,212.71	90.73	1767	73.06	(797)	65.09	34.45	100	0%
24.	RUTGERS (Shanghai) Trading Co. Ltd.	06/01/2014	31/12/2018	CNY	31.12	46.45	291.42	291.42	-	387.84	10.92	3.11	781	0.69	8.50	-	100	0%
25.	RUTGERS Wohnimmobilien GmbH & Co	20/08/2015	31/12/2018	EUR	0.14	201.91	243.19	243.19	-	106.97	(15.48)	1.12	(16.60)	9.52	(708)	-	100	0% S.
26.	RUTGERS Gewerbeimmobilien GmbH & Co	21/08/2015	31/12/2018	EUR	0.14	452.22	609.62	609.62	-	134.51	34.86	6.81	28.05	1740	45.45	-	100	0%
27.	Rain Carbon GmbH (6)	27/11/2015	31/12/2018	EUR	3.62	12,470.94	52,282.60	52,282.60	-	-	455.44	(165.22)	620.66	466.60	1,087.26	2,419.82	100	0%

#### Notes:

- Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies are based on the exchange rates as at December 31, 2018. Exchange rates as on the last date of the financial year are INR/USD - 69.79; INR/EUR - 79.78; INR/RUB - 1.00; INR/CNY - 10.13; INR/PLN - 18.56; INR/CAD - 51.12.
- Refer Note 2(a) of Consolidated Financial Statements to see relation with the subsidiary, percentage equity holding and Country of incorporation for each of subsidiary.
- Financial information is based on Audited Results of the subsidiaries. The reporting period of the subsidiary is same as that of holding Company.
- Investments except in case of investments in subsidiaries.
- Sold during the year.
- Controlled companies in German fiscal unity, income according to local GAAP transferred to Rain Carbon GmbH and taxed on consolidated basis.

### 1. Names of subsidiaries which are yet to commence operations.

Sl. No.	Name of the Company	Address
	- NIL -	

### 2. Names of subsidiaries which have been liquidated or sold during the year.

Sl. No.	Name of the Company	Address
1.	Rain Coke Limited	Plot No.1071, Road No.44, Jubilee Hills, Hyderabad – 500033, Telangana State, India.

**Part – B - Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Sl. No.	Name of Associates/Joint Ventures	Date on which the Associate or Joint venture was associated or acquired	Latest audited Balance Sheet Date	Shares of Associate/Joint Ventures held by the Company on the year end		Description of how there is significant influence	Reason why the associate/joint venture is not consolidated	Network attributable to Shareholding as per latest audited Balance Sheet	Profit/ Loss for the year	
				Number	Amount of Investment in Associates/Joint Venture				i. Considered in Consolidation	ii. Not Considered in Consolidation
1.	InfraTec Duisburg GmbH (IDGmbH)	04/01/2013	31/12/2017	7500	83.08	30	Based on the percentage of holding over these investees	As the group has only ability to exercise significant influence but not control over these investees	83.08	8.53
										19.91

**1. Names of associates or joint ventures which are yet to commence operations**

Sl. No.	Name of the Company and Address
	- NIL -

**2. Names of associates or joint ventures which have been liquidated or sold during the year**

Sl. No.	Name of the Company and Address
	- NIL -

**For and on behalf of the Board of Directors**  
for Rain Industries Limited

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**T. Srinivasa Rao**  
Chief Financial Officer  
M. No.: F29080

**S. Venkat Ramana Reddy**  
Company Secretary  
M. No.: A14143

## BOARD'S REPORT (CONTINUED)

### ANNEXURE – 3

#### Particulars of Loans, Guarantees, Investments and Security under Section 186 of the Companies Act, 2013

Nature of transaction (whether loan/ guarantee/ security/ acquisition)	Date of making loan/ acquisition/ giving guarantee/ providing security	Name and address of the person or body corporate to whom it is made or given or whose securities have been acquired (Listed/Unlisted entities)	Amount of loan/ security/ acquisition/ guarantee	Time period for which it is made/ given	Date of passing Board resolution	Purpose of loan/ security/ acquisition/ guarantee	For loans	
							Rate of interest	Date of maturity
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Loan	October 29, 2018	Rain Commodities (US) Inc, (a wholly-owned Subsidiary Company) Corp. Off: 10 Signal Road, Stamford, Fairfield, US-06902 (Unlisted)	Loan of USD 20 million (₹ 1,395.80 million).	The loan is repayable on October 25, 2021	August 14, 2018	Unsecured Loan for making investment in overseas wholly-owned Subsidiary Companies	Interest: 3 months USD LIBOR plus 240 bps per annum for year 1 and 2; 3 month USD LIBOR plus 315 bps per annum for year 3, payable quarterly	Rain Commodities (US) Inc, has to repay the loan amount as Bullet Repayment on October 25, 2021

For and On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383



## ANNEXURE – 4

### Form No. AOC-2

#### (Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

- There are no contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis.
- Contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at arm's length basis are as follows:

SI No	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any	Justification for entering into contracts
1-	Rain Cements Limited (wholly owned Subsidiary)	To provide Shared Services	January 1, 2018 to December 31, 2018	₹ 51.35 million	February 23, 2017 and February 28, 2018	NIL	Rain Industries Limited (the Company) has set-up a shared service center to provide accounting, legal, human resources, corporate communications, corporate finance and information technology support services to its subsidiary companies in India and outside India. Accordingly, the Company has entered into contracts to provide shared services to subsidiary companies.
		To provide premises on lease	January 1, 2018 to December 31, 2018	₹ 5.29 million	February 23, 2017, February 28, 2018 and November 14, 2018	NIL	Rain Industries Limited (the Company) has its own building at which its registered office is situated. For operational convenience and better co-ordination, Rain Cements Limited (wholly-owned subsidiary) registered office is also located in the same building at which the Company's registered office is situated. Hence, the Company has entered into a lease agreement with Rain Cements Limited. The rent received by Rain Industries Limited is similar to the rent prevailing in surrounding buildings.
2.	Rain CILCarbon (Vizag) Limited (step-down wholly-owned subsidiary)	To provide Shared Services	January 1, 2018 to December 31, 2018	₹ 51.27 million	February 23, 2017, November 8, 2017 and February 28, 2018	NIL	Rain Industries Limited (the Company) has set up a shared service centre to provide accounting, legal, human resources, corporate communications, corporate finance and information technology support services to its subsidiary companies in India and abroad. Accordingly, the Company has entered into contracts to provide shared services to subsidiary companies.

## BOARD'S REPORT (CONTINUED)

SI No	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any	Justification for entering into contracts
		Reimbursement of expenses to Rain CII Carbon (Vizag) Limited	March 1, 2018 to December 31, 2018	₹ 0.81 million	February 28, 2018	NIL	Rain CII Carbon (Vizag) Limited is a step-down wholly-owned subsidiary of Rain Industries Limited. Rain CII Carbon (Vizag) Limited has incurred certain expenditure on behalf of Rain Industries Limited which was reimbursed by Rain Industries Limited.
		Provide premises on lease	January 1, 2018 to December 31, 2018	₹ 5.28 million	February 23, 2017, February 28, 2018 and November 14, 2018	NIL	Rain Industries Limited (the Company) has its own building at which its registered office is situated. For operational convenience and better coordination, Rain CII Carbon (Vizag) Limited, a step-down wholly-owned subsidiary Company) registered office is also located in the same building at which the Company's registered office is situated. Hence, the Company has entered into a lease agreement with Rain CII Carbon (Vizag) Limited. The rent received by Rain Industries Limited is similar to the Rent prevailing in surrounding buildings.
		Sale of HDPE Bags	January 1, 2018 to December 31, 2018	₹ 4.96 million	November 8, 2017 and February 28, 2018	NIL	<p>Rain CII Carbon (Vizag) Limited is engaged in the business of manufacture and sale of Calcined Petroleum Coke and generation and sale of electricity.</p> <p>Hence, it is thought appropriate to buy HDPE Bags from Rain Industries Limited, ultimate Holding Company. The HDPE bags is purchased from Industries Limited at the same price at which Rain CII Carbon (Vizag) Limited purchases from other parties. All transactions entered are on arms' length basis at prevailing market prices/ values.</p>
		Sale of Hydrated Lime	January 1, 2018 to December 31, 2018	₹ 10.82 million	November 8, 2017 and February 28, 2018	NIL	<p>Rain CII Carbon (Vizag) Limited is engaged in the business of manufacture and sale of Calcined Petroleum Coke and generation and sale of electricity. Hydrated lime is used in the calcination process. The sales price received from Rain CII Carbon (Vizag) Limited is at the same price at which Rain CII Carbon (Vizag) Limited purchases hydrated lime from other parties. All transactions entered are on Arms' length basis at prevailing market prices/ values.</p>
		Reimbursement of expenses by Rain CII Carbon (Vizag) Limited	January 1, 2018 to December 31, 2018	₹ 0.39 million	November 8, 2017 and February 28, 2018	NIL	Rain Industries Limited is the ultimate Holding Company of Rain CII Carbon (Vizag) Limited. Rain Industries Limited has incurred certain expenditure on behalf of Rain CII Carbon (Vizag) Limited which was reimbursed by Rain CII Carbon (Vizag) Limited.

SI No	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any	Justification for entering into contracts
		Sale of Export Licenses	January 1, 2018 to December 31, 2018	Rs.717.10 million	November 8, 2017 and February 28, 2018	NIL	Rain CII Carbon (Vizag) Limited imports raw materials for manufacture of Calcined Petroleum Coke. It has to pay customs duty on imports to customs authorities. Rain CII Carbon (Vizag) Limited can also submit the duty scripts in lieu of payment of customs duty. Rain CII Carbon (Vizag) Limited purchases duty scripts from Rain Industries Limited to settle the customs duty to customs authorities. Rain Industries Limited sells duty scripts at face value. Hence, it is thought appropriate to purchase duty scripts from Rain Industries Limited. Rain CII Carbon (Vizag) Limited will get benefit by paying customs duty in the form of duty scripts compared to payment of customs duty through cheque.
3.	Rain CII Carbon LLC, US (step-down wholly-owned Subsidiary)	Revenue from Shared Services	January 1, 2018 to December 31, 2018	₹ 83.55 million	February 23, 2017 and February 28, 2018	NIL	Rain Industries Limited (the Company) has set up a shared service centre to provide accounting, legal, human resources, corporate communications, corporate finance and information technology support services to its subsidiary companies in India and abroad. Accordingly, the Company has entered into contracts to provide shared services to subsidiary companies.
4.	Reutgers Holding Germany GmbH (step-down wholly-owned Subsidiary)	To provide Shared Services	January 1, 2018 to December 31, 2018	₹ 115.23 million	February 23, 2017 and February 28, 2018	NIL	Rain Industries Limited (the Company) has set up a shared service centre to provide accounting, legal, human resources, corporate communications, corporate finance and information technology support services to its subsidiary companies in India and outside India. Accordingly, the Company has entered into contracts to provide shared services to subsidiary companies.

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

## BOARD'S REPORT (CONTINUED)

### ANNEXURE - 5

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on December 31, 2018

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS

i) CIN	L26942TG1974PLC001693
ii) Registration Date	March 15, 1974
iii) Name of the Company	Rain Industries Limited
iv) Category/ Sub-Category of the Company	Company Limited by Shares/ Public Company
v) Address of the Registered Office and contact details	Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India. Phone: 040-40401234, Fax: 040-40401214; E-mail: secretarial@rain-industries.com; website: www.rain-industries.com
vi) Whether listed Company	YES Listed at i) BSE Limited ii) National Stock Exchange of India Limited
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana State, India. Phone: +91 040 67161566, Fax: +91 040 23420814 E-mail: einward.ris@karvy.com; CIN: U72400TG2003PTC041636

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover (Consolidated) of the Company shall be stated:

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service*	% to total turnover of the Company
1.	Carbon	19209	69%
2.	Advanced Materials	20119	25%
3.	Cement	23941	6%

\* As per NIC Code 2008

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S No	Name and Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Rain Cements Limited, Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India	U23209TG1999 PLC031631	Subsidiary Company	100.00	Section 2 (87)
2.	Rain CII Carbon (Vizag) Ltd., Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India	U11100TG2008 PLC058785	Subsidiary Company	100.00	Section 2 (87)
3.	Renuka Cement Limited, Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India	U26942TG1996 PLC025831	Subsidiary Company	100.00	Section 2 (87)
4.	Rain Commodities (US) Inc. Corporate Office: 10 Signal Road, Stamford, CT 06902, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
5.	Rain Global Services LLC , 10 Signal Road, Stamford, CT 06902, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
6.	Rain Carbon Inc, 10 Signal Road, Stamford, CT 06902, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
7.	Rain Carbon Holdings, LLC, 10 Signal Road, Stamford, CT 06902, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
8.	Rain CII Carbon LLC, 1330 Greengate Drive, Suite 300, Covington LA 70433, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
9.	CII Carbon Corp, 10 Signal Road, Stamford, CT 06902, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
10.	RÜTGERS Canada Inc, 725 Strathearne Ave. North, Hamilton, Ontario L8H 5L3, Canada	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
11.	RÜTGERS Polymers Limited, 120 de L'Industrie Blvd., Candiac, Qc J5R 1J2, Canada	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
12.	Handy Chemicals (US) Ltd., Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, US	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
13.	Rain Carbon BVBA, Vredekaai 18, B-9060 Zelzate, Belgium	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
14.	VFT France SA, Avenue du Bord des Eaux, 62251 Henin Beaumont Cedex	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
15.	RÜTGERS Holding Germany GmbH, Varziner Str. 49, 47138 Duisburg, Germany	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
16.	RÜTGERS Germany GmbH, Kekuléstr. 30, 44579 Castrop-Rauxel, Germany	Not Applicable	Subsidiary Company	99.70	Section 2 (87)
17.	RÜTGERS Poland Sp. z o.o., ul. Szkolna 15, PL-47-225 Kedzierzyn-Kozle, Poland	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
18.	RÜTGERS Resins BV, Molenlaan 30, 1422 ZA Uithoorn, The Netherlands	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
19.	OOO RÜTGERS Severtar, Mira Street 30, 162608 Cherepovets, Vologda Region, Russia	Not Applicable	Subsidiary Company	65.30	Section 2 (87)
20.	Severtar Holding Ltd., 48 Themistokli Dervi Athienitis, Centennial Building 1st floor office 104, 1066 Nicosia, Cyprus	Not Applicable	Subsidiary Company	65.30	Section 2 (87)
21.	Rumba Invest BVBA & Co KG, Varziner Str 49, 47138 Duisburg, Germany	Not Applicable	Subsidiary Company	94.90	Section 2 (87)



## BOARD'S REPORT (CONTINUED)

S No	Name and Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
22.	RÜTGERS (Shanghai) Trading Co. Ltd., Suite 706, Office Block, Hotel Equatorial, No. 65 Yan An Road (West), Shanghai 200040, P.R. China	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
23.	Rain Carbon GmbH, Kekulestr.30, 44579 Castrop-Rauxel, Germany	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
24.	RÜTGERS Wohnimmobilien GmbH & Co KG Kekulestr.30, 44579 Castrop-Rauxel, Germany	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
25.	RÜTGERS Gewerbeimmobilien GmbH & Co. KG Kekulestr.30, 44579 Castrop-Rauxel, Germany	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
26.	Rain RÜTGERS LLC Bakhrushina Street 32 block 1 Moscow, Russia	Not Applicable	Subsidiary Company	100.00	Section 2 (87)
27.	InfraTec Duisburg GmbH Varziner Str.49, 47138, Duisburg, Germany	Not Applicable	Associate Company	30.00	Section 2(6)

### IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

#### i) Category-wise Shareholding

S No	Category of Shareholders	Number of Shares held at the beginning of the year				Number of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% to Total Shares	Demat	Physical	Total	% to Total Shares	
A. Promoters										
1. Indian										
(a)	Individuals/ HUF	56,961,651	-	56,961,651	16.94	56,961,651	-	56,961,651	16.94	-
(b)	Central Government	-	-	-	-	-	-	-	-	-
(c)	State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Bodies Corporate	81,268,885	-	81,268,885	24.16	81,268,885	-	81,268,885	24.16	-
(e)	Banks/FI	-	-	-	-	-	-	-	-	-
(f)	Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (1):-		138,230,536	-	138,230,536	41.10	138,230,536	-	138,230,536	41.10	-
2. Foreign										
(a)	NRIs-Individuals	-	-	-	-	-	-	-	-	-
(b)	Other - Individuals	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporates	-	-	-	-	-	-	-	-	-
(d)	Banks/FI	-	-	-	-	-	-	-	-	-
(e)	Any other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (2):-		-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A) = (A) (1)+(A)(2)		138,230,536	-	138,230,536	41.10	138,230,536	-	138,230,536	41.10	-
B. Public Shareholding										
1. Institutions										
(a)	Mutual Funds	1,974,035	-	1,974,035	0.59	550,338	-	550,338	0.16	(0.42)
(b)	Banks/FI	2,013,152	37,000	2,050,152	0.61	37,731	37,000	74,731	0.02	(0.59)
(c)	Central Government	-	-	-	-	-	-	-	-	-
(d)	State Government(s)	-	-	-	-	-	-	-	-	-
(e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-

S No	Category of Shareholders	Number of Shares held at the beginning of the year				Number of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% to Total Shares	Demat	Physical	Total	% to Total Shares	
(f)	Insurance Companies	-	-	-	-	-	-	-	-	-
(g)	FII/FPI	62,032,217	1,500	62,033,717	18.44	54,113,910	1,500	54,115,410	16.09	(2.35)
(h)	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i)	Others (Specify)	-	-	-	-	-	-	-	-	-
	<b>Sub-Total (B) (1):-</b>	66,019,404	38,500	66,057,904	19.64	54,701,979	38,500	54,740,479	16.28	(3.36)
	<b>2. Non-Institutions</b>									
	<b>a) Bodies Corp.</b>									
i)	Indian	30,461,503	162,140	30,623,643	9.10	29,876,202	164,640	30,040,842	8.93	(0.17)
ii)	Overseas	-	-	-	-	-	-	-	-	-
	<b>b) Individuals</b>									
i)	Individual Shareholders holding nominal share capital up to ₹ 2 lakh.	47,754,534	4,268,865	52,023,399	15.47	61,123,315	3,622,630	64,745,945	19.25	3.78
ii)	Individual Shareholders holding nominal share capital in excess of ₹ 2 lakh.	31,515,681	-	31,515,681	9.37	30,890,076	-	30,890,076	9.18	(0.19)
	<b>c) Others (Specify)</b>									-
i.	Non-Resident Individuals	9,024,697	3,440,205	12,464,902	3.71	10,106,730	3,375,565	13,482,295	4.01	0.30
ii.	Trusts	5,000	-	5,000	0.00	4,175	-	4,175	0.00	0.00
iii.	Clearing Members	897,158	-	897,158	0.27	286,272	-	286,272	0.09	(0.18)
iv.	NBFC	852,654	-	852,654	0.25	342,704	-	342,704	0.10	(0.15)
v.	Rain Industries Limited Unclaimed Suspense Account	995,710	-	995,710	0.30	872,940	-	872,940	0.26	(0.04)
vi.	Investor Education And Protection Fund Authority (IEPF)	2,679,092	-	2,679,092	0.80	2,709,415	-	2,709,415	0.81	0.01
	<b>Sub-Total (B) (2):-</b>	124,186,029	7,871,210	132,057,239	39.26	136,211,829	7,162,835	143,374,664	42.63	3.36
	<b>Total Public Shareholding (B)=(B) (1)+(B)(2)</b>	190,205,433	7,909,710	198,115,143	58.90	190,913,808	7,201,335	198,115,143	58.90	-
	<b>C Shares held by Custodian for GDRs &amp; ADRs</b>									
	<b>Grand Total (A+B+C)</b>	328,435,969	7,909,710	336,345,679	100.00	329,144,344	7,201,335	336,345,679	100.00	-

## BOARD'S REPORT (CONTINUED)

### ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		Number of Shares	% to Total Shares of the Company	% to Shares Pledged/encumbered to total Shares	Number of Shares	% to Total Shares of the Company	% to Shares Pledged/encumbered to total Shares	
1.	Mr N Radhakrishna Reddy	10,383,730	3.09	-	10,383,730	3.09	-	-
2.	Mr N Sujith Kumar Reddy	10,028,770	2.98	-	10,028,770	2.98	-	-
3.	Mr Jagan Mohan Reddy Nellore	100	0.00	-	100	0.00	-	-
4.	Ms N Indira Reddy	7,513,100	2.23	-	7,513,100	2.23	-	-
5.	Ms N Anupama Reddy	27,152,351	8.07	-	27,152,351	8.07	-	-
6.	Ms N Akhila Reddy	1,869,315	0.56	-	1,869,315	0.56	-	-
7.	Ms K V Arundhathi Reddy	14,285	0.00	-	14,285	0.00	-	-
8.	Nivee Holdings Private Limited	8,143,250	2.42	-	8,143,250	2.42	-	-
9.	Arunachala Holdings Private Limited	5,272,500	1.57	-	5,272,500	1.57	-	-
10.	PCL Financial Services Private Limited	3,780,750	1.12	-	3,780,750	1.12	-	-
11.	Arunachala Logistics Private Limited	989,245	0.29	-	989,245	0.29	-	-
12.	Sujala Investments Private Limited	37,766,675	11.23	-	37,766,675	11.23	-	-
13.	Rain Enterprises Private Limited	25,316,465	7.53	-	25,316,465	7.53	-	-
<b>Total</b>		<b>138,230,536</b>	<b>41.10</b>	<b>-</b>	<b>138,230,536</b>	<b>41.10</b>	<b>-</b>	<b>-</b>

### iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
	<b>At the beginning of the Year</b>	138,230,536	41.10	-	-
	Date wise increase/ decrease in Promoters Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>138,230,536</b>	<b>41.10</b>

**Note :**

There is no change in Promoters' Shareholding.

### iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Meghamala Enterprises Pvt... Ltd.	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>1</b>	<b>At the beginning of the Year</b>	17,402,110	5.17	-	-
	<b>Date wise increase/ decrease in Shareholding during the year</b>				
	05/01/2018	(1,000)	(0.00)	1,74,01,110	5.17
	23/03/2018	(500)	(0.00)	17,400,610	5.17
	<b>At the end of the Year</b>			<b>17,400,610</b>	<b>5.17</b>

Sl. No.	The Pabrai Investment Fund 3, Ltd.	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>2</b>	<b>At the beginning of the Year</b>	16,254,715	4.83	-	-
	<b>Date wise increase/ decrease in Shareholding during the year</b>				
	06/04/2018	(1,121,290)	(0.33)	15,133,425	4.50
	13/04/2018	(396,998)	(0.12)	14,736,427	4.38
	<b>At the end of the Year</b>			<b>14,736,427</b>	<b>4.38</b>
Sl. No.	Pabrai Investment Fund II, LP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>3</b>	<b>At the beginning of the Year</b>	12,758,000	3.79	-	-
	<b>Date wise increase/ decrease in Shareholding during the year</b>	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>12,758,000</b>	<b>3.79</b>
Sl. No.	Pabrai Investment Fund IV, LP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>4</b>	<b>At the beginning of the Year</b>	2,709,000	0.81	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>		-		NIL
	18/05/2018	2,451,525	0.73	5,160,525	1.53
	25/05/2018	2,29,475	0.07	5,390,000	1.60
	05/10/2018	40,691	0.01	5,430,691	1.61
	<b>At the end of the Year</b>			<b>5,430,691</b>	<b>1.61</b>
Sl. No.	Bridge India Fund	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>5</b>	<b>At the beginning of the Year</b>	1,900,000	0.56	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>				
	20/04/2018	(200,000)	(0.06)	1,700,000	0.51
	08/06/2018	215,000	0.06	1,915,000	0.57
	<b>At the end of the Year</b>			<b>1,915,000</b>	<b>0.57</b>

## BOARD'S REPORT (CONTINUED)

Sl. No.	Ashok Kirtilal Bhansali	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>6.</b>	<b>At the beginning of the Year</b>	1,570,000	0.47	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>				
	30/11/2018	20,000	0.01	1,590,000	0.47
	<b>At the end of the Year</b>			<b>1,590,000</b>	<b>0.47</b>

Sl. No.	Hitesh Narayandasji Jhavar	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>7.</b>	<b>At the beginning of the Year</b>	367,523	0.11	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>				
	05/01/2018	(99,650)	(0.03)	2,67,873	0.08
	09/02/2018	45,929	0.01	3,13,802	0.09
	16/02/2018	4,091	0.00	3,17,893	0.09
	23/02/2018	480	0.00	3,18,373	0.09
	08/06/2018	126,000	0.04	4,44,373	0.13
	29/06/2018	16,000	0.00	4,60,373	0.14
	20/07/2018	20,000	0.01	4,80,373	0.14
	27/07/2018	4,000	0.00	4,84,373	0.14
	10/08/2018	5,500	0.00	4,89,873	0.14
	17/08/2018	13,000	0.00	5,02,873	0.15
	07/09/2018	22,156	0.01	5,25,029	0.15
	21/09/2018	13,398	0.00	5,38,427	0.16
	05/10/2018	830,509	0.25	13,68,936	0.41
	12/10/2018	4	0.00	13,68,940	0.41
	19/10/2018	24,849	0.01	13,93,789	0.41
	26/10/2018	145,105	0.04	15,38,894	0.46
	02/11/2018	87,260	0.03	16,26,154	0.48
	16/11/2018	1,425	0.00	16,27,579	0.48
	23/11/2018	15,960	0.00	16,43,539	0.49
	30/11/2018	7,615	0.00	16,51,154	0.49
	07/12/2018	41,349	0.01	16,92,503	0.50
	<b>At the end of the Year</b>			<b>16,92,503</b>	<b>0.50</b>

Sl. No.	Acadian Emerging Markets Small Cap Equity Fund LLC	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>8.</b>	<b>At the beginning of the Year</b>	1,740,744	0.52	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>				
	09/03/2018	140,318	0.04	1,881,062	0.56
	07/12/2018	(96,778)	(0.03)	1,784,284	0.53
	<b>At the end of the Year</b>			<b>1,784,284</b>	<b>0.53</b>



Sl. No.	Dolly Khanna	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>9</b>	<b>At the beginning of the Year</b>	8,630,115	2.57	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>				
	05/01/2018	(3,000)	(0.00)	8,627,115	2.56
	12/01/2018	(22,000)	(0.01)	8,605,115	2.56
	19/01/2018	(16,000)	(0.00)	8,589,115	2.55
	02/02/2018	(11,500)	(0.00)	8,577,615	2.55
	09/02/2018	6,639	0.00	8,584,254	2.55
	16/02/2018	(12,639)	(0.00)	8,571,615	2.55
	23/02/2018	(3,000)	(0.00)	8,568,615	2.55
	02/03/2018	(5,000)	(0.00)	8,563,615	2.55
	09/03/2018	97,000	0.03	8,660,615	2.57
	16/03/2018	180,275	0.05	8,840,890	2.63
	23/03/2018	85,125	0.03	8,926,015	2.65
	30/03/2018	21,500	0.01	8,947,515	2.66
	06/04/2018	8,000	0.00	8,955,515	2.66
	13/04/2018	(40,500)	(0.01)	8,915,015	2.65
	20/04/2018	(35,500)	(0.01)	8,879,515	2.64
	27/04/2018	(43,500)	(0.01)	8,836,015	2.63
	04/05/2018	(21,000)	(0.01)	8,815,015	2.62
	11/05/2018	18,500	0.01	8,833,515	2.63
	18/05/2018	(82,105)	(0.02)	8,751,410	2.60
	25/05/2018	(32,000)	(0.01)	8,719,410	2.59
	01/06/2018	(18,000)	(0.01)	8,701,410	2.59
	08/06/2018	70,000	0.02	8,771,410	2.61
	15/06/2018	(25,000)	(0.01)	8,746,410	2.60
	22/06/2018	(75,000)	(0.02)	8,671,410	2.58
	29/06/2018	(19,000)	(0.01)	8,652,410	2.57
	06/07/2018	99,874	0.03	8,752,284	2.60
	13/07/2018	(23,374)	(0.01)	8,728,910	2.60
	20/07/2018	(66,000)	(0.02)	8,662,910	2.58
	27/07/2018	22,000	0.01	8,684,910	2.58
	03/08/2018	183,900	0.05	8,868,810	2.64
	10/08/2018	(42,500)	(0.01)	8,826,310	2.62
	17/08/2018	(101,450)	(0.03)	8,724,860	2.59
	24/08/2018	101,000	0.03	8,825,860	2.62
	31/08/2018	(19,625)	(0.01)	8,806,235	2.62
	07/09/2018	92,000	0.03	8,898,235	2.65
	14/09/2018	111,000	0.03	9,009,235	2.68
	21/09/2018	187,000	0.06	9,196,235	2.73
	28/09/2018	247,467	0.07	9,443,702	2.81
	05/10/2018	5,775	0.00	9,449,477	2.81
	12/10/2018	5,000	0.00	9,454,477	2.81
	19/10/2018	38,000	0.01	9,492,477	2.82
	26/10/2018	(65,000)	(0.02)	9,427,477	2.80
	02/11/2018	(22,000)	(0.01)	9,405,477	2.80
	09/11/2018	(9,125)	(0.00)	9,396,352	2.79

## BOARD'S REPORT (CONTINUED)

Sl. No.	Dolly Khanna	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
	16/11/2018	(57,000)	(0.02)	9,339,352	2.78
	23/11/2018	(109,980)	(0.03)	9,229,372	2.74
	30/11/2018	(117,000)	(0.03)	9,112,372	2.71
	07/12/2018	(36,000)	(0.01)	9,076,372	2.70
	14/12/2018	(10,000)	(0.00)	9,066,372	2.70
	21/12/2018	(55,500)	(0.02)	9,010,872	2.68
	28/12/2018	(47,000)	(0.01)	8,963,872	2.67
	31/12/2018	(12,000)	(0.00)	8,951,872	2.66
	<b>At the end of the Year</b>			<b>8,951,872</b>	<b>2.66</b>

Sl. No.	Investor Education and Protection fund Authority (IEPF)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>10.</b>	<b>At the beginning of the Year</b>	2,679,092	0.80	-	-
	<b>Date wise increase / decrease in Shareholding during the year</b>				
	29/06/2018	31,918	0.01	2,711,010	0.81
	03/08/2018	(500)	(0.00)	2,710,510	0.81
	21/09/2018	(170)	(0.00)	2,710,340	0.81
	12/10/2018	(425)	(0.00)	2,709,915	0.81
	30/11/2018	(500)	(0.00)	2,709,415	0.81
	<b>At the end of the Year</b>			<b>2,709,415</b>	<b>0.81</b>

In compliance with the provisions of Section 124 of the Companies Act, 2013, the Company has transferred the shares to Investor Education and Protection fund Authority (IEPF) those shareholders who have not claimed the dividends for a continuous period of 7 years.

### v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
<b>1.</b>	<b>Mr N Radhakrishna Reddy</b>				
	At the beginning of the Year	10,383,730	3.09	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>10,383,730</b>	<b>3.09</b>
<b>2.</b>	<b>Mr Jagan Mohan Reddy Nellore</b>				
	At the beginning of the Year	100	0.00	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>100</b>	<b>0.00</b>

## v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of Shares	% to Total Shares of the Company	Number of Shares	% to Total Shares of the Company
3.	<b>Mr N Sujith Kumar Reddy</b>				
	At the beginning of the Year	10,028,770	2.98	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>10,028,770</b>	<b>2.98</b>
4.	<b>Mr S L Rao</b>				
	At the beginning of the Year	NIL	NIL	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>NIL</b>	<b>NIL</b>
5.	<b>Mr H L Zutshi</b>				
	At the beginning of the Year	NIL	NIL	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>NIL</b>	<b>NIL</b>
6.	<b>Mr Varun Batra</b>				
	At the beginning of the Year	NIL	NIL	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>NIL</b>	<b>NIL</b>
7.	<b>Ms Nirmala Reddy</b>				
	At the beginning of the Year	NIL	NIL	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>NIL</b>	<b>NIL</b>
8.	<b>Ms Radhika Vijaya Haribhakti</b>				
	At the beginning of the Year	NIL	NIL	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>NIL</b>	<b>NIL</b>
<b>Key Managerial Personnel</b>					
1.	<b>Mr Jagan Mohan Reddy Nellore, Managing Director</b>				
	At the beginning of the Year	100	0.00	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>100</b>	<b>0.00</b>
2.	<b>Mr T Srinivasa Rao, Chief Financial Officer</b>				
	At the beginning of the Year	90,000	0.03	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>90,000</b>	<b>0.03</b>
3.	<b>Mr S Venkat Ramana Reddy, Company Secretary</b>				
	At the beginning of the Year	NIL	NIL	-	-
	Date wise increase/ decrease in Shareholding during the year	NIL	NIL	NIL	NIL
	<b>At the end of the Year</b>			<b>NIL</b>	<b>NIL</b>

## BOARD'S REPORT (CONTINUED)

### V. INDEBTEDNESS

(₹ million)

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the Beginning of the Financial Year</b>				
i) Principal Amount	3,196.50	0.00	0.00	3,196.50
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	7.17	0.00	0.00	7.17
<b>Total (i+ii+iii)</b>	<b>3,203.67</b>	<b>0.00</b>	<b>0.00</b>	<b>3,203.67</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	1,472.80	0.00	0.00	1,472.80
Reduction	1,461.00	0.00	0.00	1,461.00
Forex impact	(281.20)	0.00	0.00	(281.20)
Interest	(1.37)	0.00	0.00	(1.37)
<b>Net Change</b>				<b>(270.77)</b>
<b>Indebtedness at the end of the Financial year</b>				
i) Principal Amount	3,489.50	0.00	0.00	3,489.50
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	5.79	0.00	0.00	5.79
<b>Total (i+ii+iii)</b>	<b>3,495.29</b>	<b>0.00</b>	<b>0.00</b>	<b>3,495.29</b>

### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### A. Remuneration paid to Managing Director, Whole-time Directors/ Manager:

(₹ million)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager Mr Jagan Mohan Reddy Nellore, Managing Director	Total Amount
1.	Gross Salary		
a)	Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	12.00	12.00
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	3.40	3.40
c)	Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	0.00	0.00
2.	Stock option	0.00	0.00
3.	Sweat Equity	0.00	0.00
4.	Commission	0.00	0.00
	- as % of profit	0.00	0.00
	- others, specify...	0.00	0.00
5.	Others, Please specify (Company's Contribution to Provident Fund)	1.44	1.44
	<b>Total (A)</b>	<b>16.84</b>	<b>16.84</b>
	Ceiling as per the Act	39.71	39.71

**B Remuneration to other Directors:**

(₹ million)

Sl. No.	Particulars of Remuneration	Name of Independent Director					Total Amount
		Mr S L Rao	Mr H L Zutshi	Ms Radhika Vijay Haribhakti	Ms Nirmala Reddy	Mr Varun Batra*	
<b>1. Independent Directors</b>							
	Fee for attending board/committee meetings	0.64	0.76	0.76	0.82	0.54	3.52
	Commission	0.90	0.90	0.90	0.90	0.70	4.30
	Others, please specify	-	-	-	-	-	-
	<b>Total (1)</b>	<b>1.54</b>	<b>1.66</b>	<b>1.66</b>	<b>1.72</b>	<b>1.24</b>	<b>7.82</b>
<b>2. Other Non-executive Directors</b>							
		Mr N Radhakrishna Reddy		Mr N Sujith Kumar Reddy			
	Fee for attending board/committee meetings		0.40		0.00		0.40
	Commission		0.00		0.00		0.00
	Others, please specify		0.00		0.00		0.00
	<b>Total (2)</b>		<b>0.40</b>		<b>0.00</b>		<b>0.40</b>
	<b>Total (B)=(1+2)</b>						<b>8.22</b>
	Total Managerial Remuneration to Non-executive Directors (Commission)						<b>4.30</b>
	Overall Ceiling as per the Act for Directors who are neither Managing Director/Whole-time Director (1% of Net Profits Calculated in accordance with the Provisions of Section 198 of the Companies Act, 2013)						7.94

\*Mr Varun Batra was appointed as Director of the Company with effect from February 28, 2018.

**C. Remuneration paid to Key Managerial personnel other than MD/Manager/WTD**

(₹ million)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total Amount
		Mr S Venkat Ramana Reddy	Mr T Srinivasa Rao	
1.	Gross Salary			
a)	Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	4.20	13.86	18.06
b)	Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.00	0.03	0.03
c)	Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify...	-	-	-
5.	Others			
	Company's contribution to provident fund	0.22	0.84	1.06
	National pension Scheme	0.00	0.62	0.62
	<b>Total</b>	<b>4.42</b>	<b>15.35</b>	<b>19.77</b>



## BOARD'S REPORT (CONTINUED)

### VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/ NCLT/COURT)	Appeal made, if any (Give Details)
<b>A. Company</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>B. Directors</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>C. Other Officers in Default</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

## ANNEXURE - 6

**The Conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014**

### A. CONSERVATION OF ENERGY

1. The steps taken or impact on conservation of energy: - NA -
2. The steps taken by the Company for utilising alternate sources of energy: - NA -
3. The Capital investment on energy conservation equipments: - NA -

### B. TECHNOLOGY ABSORPTION

- i. The efforts made towards technology absorption  
NIL
- ii. The benefits derived like product improvement, cost reduction, product development or import substitution  
NIL
- iii. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)  
NIL
- iv. The expenditure incurred on Research and Development - NA -

### C. FOREIGN EXCHANGE EARNINGS AND OUT GO

1. The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows

Particulars	(₹ million)	
	December 31, 2018	December 31, 2017
Used	4,156.82	1,449.35
Earned	178.40	1,984.00

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

## BOARD'S REPORT (CONTINUED)

### ANNEXURE - 7

#### Report on Corporate Social Responsibility as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.
  - i. Eradicating hunger, poverty and malnutrition, promoting sanitation and making available safe drinking water;
  - ii. Providing health care, maintaining hospitals, ambulances and conducting medical camps;
  - iii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
  - iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water; and
  - v. Rural development projects.

Web link: <http://www.rain-industries.com>

2. Composition of CSR Committee:

Sl. No.	Name	Designation
1.	Mr Jagan Mohan Reddy Nellore	Chairman
2.	Mr N Sujith Kumar Reddy	Member
3.	Ms Nirmala Reddy	Member (Independent Director)

3. Average Net profit of the Company for the last three Financial Years:

Net Profit	For the Financial Year ended 31 December (in ₹ million)		
	2017	2016	2015
	(8.40)	(71.395)	(70.967)
Average Net Profit for the preceding three Financial Years	(50.254)		

4. Prescribed CSR expenditure (2% of the amount as in item 3 above): Nil. However, the Company has spent ₹ 2.50 million.
5. Details of CSR spent for the financial year:
  - a) Total amount to be spent during the financial year: Nil
  - b) Amount unspent, if any: Nil

c) Amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SI No	CSR project or activity identified	Sector in which the project is covered	Projects or programmes (1) Local area or other (2) Specify the state and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise	Amount spent on the projects or programmes Sub heads: (1) Direct expenditure on projects or programmes (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent : Direct or through implementing agency
1.	Health and Education	Promotion of Health and Education	Maintenance of Schools and Hospitals in Suryapet District, Telangana State, India; Kurnool District, Andhra Pradesh State, India; and Nellore District, Andhra Pradesh State, India.	The Company has donated ₹ 2.50 million to Pragnya Priya Foundation, a Company established under Section 25 of Companies Act, 1956 (Section 8 as per Companies Act, 2013)	₹ 2.50 million	₹ 2.50 million	The amount was spent through Pragnya Priya Foundation, a Section 25 Company under Companies Act, 1956 (Section 8 of Companies Act, 2013).
<b>Total</b>				<b>₹ 2.50 million</b>	<b>₹ 2.50 million</b>	<b>₹ 2.50 million</b>	<b>–</b>

6. Though the amount of Profits of the Company as per CSR Rules is negative, the Company has spent ₹ 2.50 million towards CSR expenditure.
7. We hereby confirm that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and Policy of the Company.

For and on behalf of

**Corporate Social Responsibility Committee**

**Jagan Mohan Reddy Nellore**

Chairman of the Committee and Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**

Member and Director  
DIN: 00022383

Place: Hyderabad  
Date: February 27, 2019

## BOARD'S REPORT (CONTINUED)

### ANNEXURE – 8

#### SECRETARIAL AUDIT REPORT

For The Financial Year Ended December 31, 2018

#### FORM NO MR 3

**Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

To,  
The Members,  
Rain Industries Limited  
Hyderabad.

We have conducted Secretarial Audit pursuant to Section 204 of the Companies Act, 2013, on the compliance of applicable Statutory Provisions and the adherence to good corporate practices by **Rain Industries Limited** (hereinafter called as "**the Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minutes books, forms, returns filed and other records maintained by the Company and also the information and according to the examinations carried out by us and explanations furnished and representations made to us by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has during the Audit Period covering the Financial Year ended on December 31, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended December 31, 2018 ("Audit Period") according to the provisions of:
  - 1.1. The Companies Act, 1956 (to the extent applicable) and the Companies Act, 2013 (the Act) and the Rules made thereunder;
  - 1.2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
  - 1.3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
  - 1.4. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
  - 1.5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
    - 1.5.1. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - 1.5.2. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
    - 1.5.3. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
    - 1.5.4. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
  - 1.6. The Secretarial Standards on the Meetings of the Board of Directors, Committees and General Meetings issued by the Institute of Company Secretaries of India.



2. We report that during the period under review the Company has complied with the aforesaid provisions of the Act, Rules, Regulations and Guidelines thereunder and also complied with the provisions of Secretarial Standards issued by Institute of Company Secretaries of India.
3. The Company is carrying on the business of Trading of Green Petroleum Coke and it also provides shared services to its subsidiary companies and holding investments in its Subsidiary Companies. In view of the management, there are no Industry Specific Laws applicable to the Company.
4. We further report that:
  - 4.1 The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors, Independent Directors and Woman Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
  - 4.2 Adequate Notice is given to all the Directors electronically to schedule the Board Meetings at least 7days in advance and agenda and detailed notes on agenda were sent in advance.
  - 4.3 There exists a system for seeking and obtaining further information and clarifications on the agenda items before the meeting and meaningful participation at the meeting.
  - 4.4 Decisions at the meetings of the Board of Directors and Committees of the Board of the Company were taken unanimously. It is to be noted that for the Audit Period the following acts are not applicable:
    - i. SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
    - ii. SEBI (Delisting of Equity Shares) Regulations, 2009.
    - iii. SEBI (Buyback of Securities) Regulations, 1998.
    - iv. SEBI (Share Based Employee Benefits) Regulations, 2014.
    - v. SEBI (Issue of capital and disclosure requirements) Regulations, 2009
  - 4.5 There exist adequate systems and processes in the Company that commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
5. We further report that during the audit period, there were no specific events/ actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Place: Hyderabad  
Date: February 27, 2019

For **DVM & Associates LLP**  
Company Secretaries  
L2017KR002100

**DVM Gopal**  
Partner  
M No: F 6280  
CP No: 6798

*Note: This letter is to be read with our letter of even date, which is annexed, and form an integral part of this report.*

## BOARD'S REPORT (CONTINUED)

### ANNEXURE

To,  
The Members,  
Rain Industries Limited  
Hyderabad.

Our Report of even date is to be read along with this letter

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **DVM & Associates LLP**  
Company Secretaries  
L2017KR002100

**DVM Gopal**  
Partner  
M No: F 6280  
CP No: 6798

Place: Hyderabad  
Date: February 27, 2019

## ANNEXURE - 9

### Statement of particulars as per Rule 5 of Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014.

The remuneration and perquisites provided to the employees and Management are at par with the industry levels. The remunerations paid to the Managing Director and senior executives are reviewed and recommended by the Nomination and Remuneration Committee.

#### (i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year

Sl. No.	Name of the Director	Ratio of the remuneration to the median remuneration of the employees
1.	Mr N Radhakrishna Reddy (Chairman)	0.78:1
2.	Mr Jagan Mohan Reddy Nellore (Managing Director)	32.72:1
3.	Mr N Sujith Kumar Reddy (Director)	Nil
4.	Mr S L Rao (Independent Director)	2.99:1
5.	Mr H L Zutshi (Independent Director)	3.22:1
6.	Mr Varun Batra (Independent Director) <sup>1</sup>	2.41:1
7.	Ms Radhika Vijay Haribhakti (Independent Director)	3.22:1
8.	Ms Nirmala Reddy (Independent Director)	3.34:1

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

\*Median remuneration of Employees: ₹ 5,14,676/-

#### (ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager in the financial year

S. No.	Name of the Director	Percentage increase in remuneration
1.	Mr N Radhakrishna Reddy (Chairman)	Nil
2.	Mr Jagan Mohan Reddy Nellore (Managing Director)	Nil
3.	Mr N Sujith Kumar Reddy (Director)	Nil
4.	Mr S L Rao (Independent Director)	Nil
5.	Mr H L Zutshi (Independent Director)	Nil
6.	Mr Varun Batra (Independent Director) <sup>1</sup>	Nil
7.	Ms Nirmala Reddy (Independent Director)	Nil
8.	Ms Radhika Vijay Haribhakti (Independent Director)	Nil
9.	Mr T Srinivasa Rao (Chief Financial Officer)	8.00%
10.	Mr S Venkat Ramana Reddy (Company Secretary)	9.60%

Note:

<sup>1</sup> Mr Varun Batra is appointed as Independent Director of the Company w.e.f. February 28, 2018.

#### (iii) The percentage increase in the median remuneration of employees in the financial year

10.00%

## BOARD'S REPORT (CONTINUED)

**(iv) The number of permanent employees on the rolls of Company**

There are 142 permanent employees on the rolls of the Company.

**(v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration**

The Average percentile increase already made in the salaries of employees is 10.60%

There is only one Whole-time Director i.e., Managing Director. There has been no increase in the managerial remuneration for the financial year.

**(vi) The Remuneration paid to Key Managerial Personnel is as per the Remuneration policy of the Company.**

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

# STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

S. No.	Name & Designation	Remuneration received	Nature of employment	Qualifications and experience of the employee	Date of commencement of employment	Age	The last employment held before joining the Company	The percentage of equity shares held by the employee in the Company within the meaning of clause (iii) of sub-rule (2) of Rule 5	Whether is a relative of any director or manager of the Company
1.	Mr Jagan Mohan Reddy Nellore (Managing Director)	₹ 16.84 million	Regular	BSIE (US) 26 years	August 10, 1994	52 years	Managing Director of Rain Calcining Ltd.	NA	Son of Mr N Radhakrishna Reddy, Chairman Brother of Mr N Sujith Kumar Reddy, Director NA
2.	Mr T Srinivasa Rao (Chief Financial Officer)	₹ 15.35 million	Regular	BCom, FCA 29 years	April 1, 2012	52 years	Vice President (Finance) of Rain CII Carbon (Vizag) Ltd.	NA	NA

Note: There are no other employees who draw remuneration in excess of the limits prescribed in Rule 5(2) (i), (ii) & (iii) of the Companies (Appointment and Remuneration) Rules, 2014

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

## BOARD'S REPORT (CONTINUED)

### STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

#### List of Top 10 salaried employees for the Financial Year ended December 31, 2018

Sl. No.	Name & Designation	Remuneration received during the period from January 1, 2018 to December 31, 2018	Nature of employment	Qualifications and experience of the employee	Date of commencement of employment	Age	The last employment held before joining the Company	Whether is a relative of any director or manager of the Company	The percentage of equity shares held by the employee in the Company within the meaning of clause (iii) of sub-rule (2) of Rule 5
1.	Mr Jagan Mohan Reddy Nellore, Managing Director	₹ 16.84 million	Regular	BSIE (US)	10/08/1994	52	Rain Calcining Limited	Son of Mr N Radhakrishna Reddy, Chairman Brother of Mr N Sujith Kumar Reddy, Director	NA
2.	Mr T Srinivasa Rao, Chief Financial Officer	₹ 15.35 million	Regular	BCom, FCA	01/04/2012	52	Rain Calcining Limited	NA	NA
3.	Mr Balasubramanian Ramaswamy, Chief Internal Auditor	₹ 6.30 million	Regular	BCom, ICWAI	21/04/2017	51	Metro Cash & Carry India	NA	NA
4.	Mr M S Krishnamohan Reddy, General Manager – HR	₹ 6.44 million	Regular	BCom, BL and MHRM	12/06/1996	57	SOL Pharmaceuticals Limited	NA	NA
5.	Mr Rajan Passi, Head Logistics (SSO)	₹ 5.22 million	Regular	BSc, NDA (JNU), BBM, MMS	01/04/2018	55	Rain CII Carbon (Vizag) Limited	NA	NA
6.	Mr K Shankar Sathish, Dy. General Manager - IT	₹ 4.35 million	Regular	BCom, ACA, ICWAI	26/09/2016	42	Archean Group	NA	NA
7.	Mr S Venkata Ramana Reddy, Company Secretary	₹ 4.42 million	Regular	MCom, LLB, ACS	01/02/2008	46	Suryalata Spinning Mills Limited	NA	NA



Sl. No.	Name & Designation	Remuneration received during the period from January 1, 2018 to December 31, 2018	Nature of employment	Qualifications and experience of the employee	Date of commencement of employment	Age	The last employment held before joining the Company	Whether is a relative of any director or manager of the Company	The percentage of equity shares held by the employee in the Company within the meaning of clause (iii) of sub-rule (2) of Rule 5
8.	Mr Suswaram Sridhar, Chief Information Officer	₹ 3.33 million	Regular	BBA & MBA	15/06/2016	52	FHPL (Apollo Group)	NA	NA
9.	Mr V P Srikanth, Dy. General Manager - Legal	₹ 2.60 million	Regular	BSc, BL	11/02/2008	54	Advanta India	NA	NA
10.	Mr U S Saranga Pani, Asst. GM. - Corporate Finance	₹ 2.59 million	Regular	BCom, CA, CWA	23/06/2014	35	Dr Reddy's Laboratories Ltd.	NA	NA

On behalf of the Board of Directors  
for **Rain Industries Limited**

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

Place: Hyderabad  
Date: February 27, 2019

## BOARD'S REPORT (CONTINUED)

### ANNEXURE – 10

#### RAIN INDUSTRIES LIMITED – BUSINESS RESPONSIBILITY REPORT – FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

As per Regulation 34(2)(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

##### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **Corporate Identity Number (CIN) of the Company :**  
L26942TG1974PLC001693
2. **Name of the Company:** Rain Industries Limited
3. **Registered address:** Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India.
4. **Website:** www.rain-industries.com
5. **E-mail ID:** secretarial@rain-industries.com

6. **Financial Year reported:** January 1, 2018 to December 31, 2018.
7. **Sector(s) that the Company is engaged in (industrial activity code-wise)**

Rain Industries Limited (Rain Group) along with its subsidiaries in India and outside India is engaged in the business of Manufacture and Sale of Cement, Carbon Products (Calcined Petroleum Coke, Green Petroleum Coke and Coal Tar Pitch), Electricity and Specialty Chemicals.

Industrial Group*	Product Description
191	Carbon Products (Calcined Petroleum Coke, Green Petroleum Coke and Coal Tar Pitch)
239	Manufacture of Cement
351	Electric power Generation, Transmission and Distribution
201	Advanced Materials

\* As per National Industrial Classification, 2008 – Ministry of Statistics and Programme Implementation.

8. **List three key products/services that the Company manufactures/provides (as in balance sheet)**  
Rain Industries Limited along with its subsidiaries manufactures/sells the following products:
  - i) Ordinary Portland and Portland Pozzolana Cement;
  - ii) Carbon Products (Calcined Petroleum Coke, Green Petroleum Coke and Coal Tar Pitch);
  - iii) Generation and Distribution of Electricity; and
  - iv) Advanced Materials.
9. **Total number of locations where business activity is undertaken by the Company**

Rain Industries Limited along with its subsidiaries undertakes business at the following locations:

- a) **Number of International Locations (Provide details of major Five):**  
Rain Industries Limited undertakes business activities in Five International locations through its Subsidiaries on consolidated basis. Five major business activities undertaken at international locations are as follows:
  - i) Europe
  - ii) Asia (Excl: Middle East)
  - iii) Middle East
  - iv) North America (including United States)
- b) **Number of National Locations:**  
**Cement and Electricity:** Cement Plants are situated in the State of Telangana and Andhra Pradesh. One Cement Packing Plant is situated in the State of Karnataka. Dealer networks and zonal marketing offices are located in the States of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, Maharashtra, Odisha and Kerala.

One co-generation power facility is located in the state of Andhra Pradesh. The Cement Plant in Andhra Pradesh has a Waste Heat Recovery based power production mechanism to generate up to 7 MW of electricity.

**Calcined Petroleum Coke and Electricity:** The Calcined Petroleum Coke plant is in the State of Andhra Pradesh, India. The Plant has a Waste Heat Recovery based power production mechanism to generate up to 49 MW of electricity.

#### 10. Markets served by the Company – Local/State/ National/International

Local	State	National	International
√	√	√	√

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

- Paid-up Capital (₹): ₹ 672,691,358/-
- Total Revenue (₹): ₹ 1,053.53 million (Standalone) and ₹ 140,489.93 million (Consolidated).
- Total profit after taxes (₹): ₹ 604.66 million (Standalone) and ₹ 6,313.31 million (Consolidated).
- Total spending on Corporate Social Responsibility (CSR) as percentage of profit:

Though Rain Industries Limited (the Company) is not required to spend 2% of its net profits calculated in accordance with Section 198 of the Companies Act, 2013 towards CSR expenditure as per Section 135 of the Companies Act, 2013, however, the Company has spent ₹ 2.50 million towards CSR activities.

- List of activities in which expenditure in 4 above (CSR) has been incurred:

The Company through Pragnya Priya Foundation (Section 25 Company, under Companies Act, 1956/Section 8 Company, Companies Act, 2013) is maintaining Schools and Hospitals in Suryapet District, Telangana State, India, Kurnool District, Andhra Pradesh, India and Nellore District, Andhra Pradesh, India.

#### SECTION C: OTHER DETAILS

- Does the Company have any Subsidiary Company/ Companies?**

Yes, Rain Industries Limited has 26 Subsidiary Companies.

- Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)**

Rain Industries Limited positively influences and encourages its subsidiaries to adopt Business Responsibility (BR) initiatives. All the Company's subsidiaries are guided to conduct their business in an ethical, transparent and accountable manner. It encompasses suppliers, customers and other stakeholders. It also address key BR issues like quality, customer value, health & safety, environment, human rights and employee well-being.

- Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

The Company does not mandate its suppliers/distributors to participate in the Company's BR initiatives. However, they are encouraged to adopt such practices and follow the concept of being a responsible business entity.

#### SECTION D: BR INFORMATION

- Details of Director/Directors responsible for BR**

- Details of the Director/Directors responsible for implementation of the BR policy/policies

- DIN Number: 00017633
- Name : Mr Jagan Mohan Reddy Nellore
- Designation: Managing Director

- Details of the BR head

No	Particulars	Details
1	DIN Number (if applicable)	00017633
2	Name	Mr Jagan Mohan Reddy Nellore
3	Designation	Managing Director
4	Telephone number	040-40401245
5	E-mail ID	secretarial@rain-industries.com

## BOARD'S REPORT (CONTINUED)

### 2. Principle-wise (as per NVGs) BR Policy/ Policies (Reply in Y/N):

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

**P1** - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability (this forms part of the Code of Conduct).

**P2** - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle (the policy is part of Company's Environment, Health and Safety (EHS) Policy).

**P3** - Businesses should promote the well-being of all employees (certain policies form part of the Code of Conduct for employees. There are various policies for the benefit of the employees which are issued by the Human Resources function from time to time. The policies include Maternity Leave Policy, Employee Safety Policy, Medclaim Policy, etc.).

**P4** - Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised (the Company does not have a specific policy, however certain aspect of this principle forms part of the CSR Policy).

**P5** - Businesses should respect and promote human rights (this forms part of the Code of Conduct of the Company which is applicable to all employees).

**P6** - Businesses should respect, protect and make efforts to restore the environment (this forms part of Company's EHS policy).

**P7** - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner (not applicable).

**P8** - Businesses should support inclusive growth and equitable development (this forms part of the Company's CSR Policy).

**P9** - Businesses should engage with and provide value to their customers and consumers in a responsible manner (this forms part of the Subsidiary Companies Consumer Policy).

#### a) Details of compliance (Reply in Y/N)

No	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/ policies for Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
2.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	All the policies are in comparable with the best practices in the industry.								
3.	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	NA	Y	Y
4.	Does the Company have a specified Committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	NA	Y	Y
5.	Indicate the link for the policy to be viewed online?	www.rain-industries.com								
6.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
7.	Does the Company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	NA	Y	Y

**b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

No	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3.	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4.	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6.	Any other reason (please specify)	-	-	-	-	-	-	-	-	-

**3. Governance related to BR**

**(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, more than 1 year**

The Managing Director and top management periodically review the BR performance of the Company through Business Review Meetings.

**(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently is it published?**

BR will be published annually along with the Annual Report.

Web link: [www.rain-industries.com](http://www.rain-industries.com)

The Company has received and resolved 471 complaints from Shareholders during the Financial Year ended December 31, 2018 and all the complaints have been resolved satisfactorily.

With respect to other Stakeholders, the Company has formulated Whistle Blower Policy. However, the Company has not received any complaint under Vigil mechanism during the Financial Year ended December 31, 2018.

**Principle 2**

**Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.**

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

- Ordinary Portland and Portland Pozzolana Cement;
- Carbon products (Calcined Petroleum Coke and Coal Tar Pitch); and
- Advanced Materials.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product (optional):**

**a) Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain:**

The Company through its Subsidiary Companies mainly Rain Cements Limited which is engaged in the business of manufacture and sale of Cement and Rain CII Carbon (Vizag) Limited which is engaged in the business of Carbon products and generation

**SECTION E: PRINCIPLE-WISE PERFORMANCE**

**Principle 1**

**Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.**

**1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

Yes. The policy of Code of Conduct, Ethics, Anti-Bribery and Anti-Corruption covers the Company and its subsidiaries.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

## BOARD'S REPORT (CONTINUED)

and distribution of electricity, always strives for conserving natural resources and energy and improved efficiencies in plant operations.

Cement Plants consume alternate materials like fly-ash and pet-coke in manufacturing to substitute natural resources like coal & fuels. In the process of manufacture of Cement and Calcined Petroleum Coke, plants generate electricity through waste heat recovery based power plant which converts the heat generated into electricity. In the manufacture of Cement, there is no solid or liquid waste arising from this process.

**b) Reduction during usage by consumers (energy and water) has been achieved since the previous year?**

Cement, Coal tar Pitch and Electricity are used for variety of purposes by diverse consumers and Calcined Petroleum Coke is used by Aluminum and Steel manufacturers. As the products are used for variety of purposes by diversified consumers, it is not practical to measure the reduction in usage by consumers.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)?**

**a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

The Company and its Subsidiary Companies practices are targeted at seeking cost optimisation, ensuring environment sustainability, societal interest and resource efficiency. The criteria used for selection of suppliers/ vendors go beyond cost relevance and include resource efficiency, product quality, life cycle, environment impact, etc. Company gives preference in selection of vendors which comply with the various principles of sustainability.

The criteria for procurement of equipment is based upon resource efficiency, mainly comprising of but not limited to energy efficiency, fuel efficiency, emission control, etc.

**4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

**a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

Rain Cements Limited, a wholly-owned subsidiary Company is engaged in the business of manufacture and sale of Cement. It procures lime stone from locally available resources.

The Company and subsidiary Companies accord priority to local suppliers in procurement of stores and spares and other consumables. Company's contractors who supply labour services for plant operations employ workmen from nearby communities. This workforce is educated and are provided training in occupational health and safety.

**5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

The Subsidiary Companies in India are engaged in the business of manufacture and sale of Cement and Calcined Petroleum Coke. In the process of manufacture of Cement and Calcined Petroleum Coke, plants generate electricity through waste heat recovery based power plants which converts the waste heat generated into electricity. In the manufacture of Cement, there is no solid or liquid waste arising from this process.

### Principle 3

**Businesses should promote the well-being of all employees**

- 1. Please indicate the Total number of employees of Rain Industries Limited: 142**
- 2. Please indicate the Total number of employees hired on temporary/ contractual/ casual basis: Nil**
- 3. Please indicate the Number of permanent women employees: 18**
- 4. Please indicate the Number of permanent employees with disabilities: Nil**
- 5. Do you have an employee association that is recognised by management: No**
- 6. What percentage of your permanent employees are members of this recognized employee association: Nil**



7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

Sl. No. Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1. Child labour/ forced labour/ involuntary labour	Nil	Nil
2. Sexual harassment	Nil	Nil
3. Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Particulars	Safety (%)	Skill-upgradation (%)
Permanent Employees	100 %	100 %
Permanent Women Employees	100 %	100 %
Casual/ Temporary/Contractual Employees	Nil	Nil
Employees with Disabilities	NA	NA

#### Principle 4

**Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.**

- Has the Company mapped its internal and external stakeholders? Yes/No**  
Yes. The Company Rain Industries Limited has mapped its internal as well as external stakeholders.
- Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders**  
There are no disadvantaged, vulnerable and marginalized stakeholders identified by Rain Industries Limited.  
  
However, subsidiaries of the Company in India namely Rain Cements Limited and Rain CII Carbon (Vizag) Limited have identified the Communities around Company's manufacturing units and its contractors/ workers as disadvantaged, vulnerable and marginalized stakeholders.
- Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**  
The Company and its subsidiaries endeavour to bring meaningful difference in the lives of its associated stakeholders in thrust areas like healthcare, infrastructure support and education. Several initiatives towards healthcare, education, sanitation, safe drinking water, integrated rural development, creation of sustainable livelihoods, etc. have been taken under Corporate Social Responsibility activities of the Company and its Subsidiaries.

#### Principle 5

**Businesses should respect and promote Human Rights**

- Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**  
All aspects of human rights are inbuilt and covered under the Company's Code of Business Conduct as well in various human resource practices/ policies.
- How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**  
No complaints with respect to Human Rights was reported during the Financial Year ended December 31, 2018.

#### Principle 6

**Businesses should respect, protect and make efforts to restore the environment.**

- Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others.**  
The Company and its subsidiary Companies adheres to all the Statutory Environmental Regulatory requirements. The subsidiary Companies in India have adopted Environment, Health and Safety policy.
- Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**  
-No-

## BOARD'S REPORT (CONTINUED)

### 3. Does the Company identify and assess potential environmental risks? Y/N

-Yes-

The Company and its subsidiary Companies have Risk Management mechanisms in place to identify and assess existing and potential risks across its operations.

### 4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

- i. Rain Cements Limited, a wholly-owned Subsidiary has a Waste Heat Recovery based Power Generation plant at its Cement Plant at Kurnool, Andhra Pradesh, India to generate up to 7 MW Electricity;
- ii. Rain CII Carbon (Vizag) Limited, a wholly-owned Subsidiary of the Company has a Waste Heat Recovery based Power Generation facility to generate up to 49 MW Electricity situated at Visakhapatnam, Andhra Pradesh, India with Clean Development Mechanism; and
- iii. Rain CII Carbon (Vizag) Limited has registered its Waste Heat Recovery based Power Generation plant with United Nations Framework Convention on Climate Change (UNFCCC) under Clean Development Mechanism (CDM). Rain CII Carbon (Vizag) Limited was eligible for Certified Emission Reductions (CERs) up to July, 2017.

### 5. Has the Company undertaken any other initiatives on-clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The Company and its subsidiaries through its dedicated team of engineers, have been monitoring performance of various plants and equipment's to reduce energy consumption. The significant energy conservation measures initiated during the year are given in the statement under section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, which is made part of Annual Report as an annexure to Boards' Report of the Company and Subsidiary Companies. The web link for the same is [http:// www.rain-industries.com](http://www.rain-industries.com)

### 6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/ SPCB for the financial year being reported?

The emissions/waste generated by the subsidiary Companies are within the permissible limits specified by

Central or State Pollution Control Board (CPCB/ SPCB) for the financial year being reported.

### 7. Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e., not resolved to satisfaction) as on end of Financial Year.

There are no show cause/legal notices from CPCB/ SPCB which are pending as at the end of the financial year.

## Principle 7

**Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.**

### 1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

Yes. The Company is a member of Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry (FTAPCCI), Telangana State, India.

### 2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

-No-

## Principle 8

**Businesses should support inclusive growth and equitable development.**

### 1. Does the Company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.

The Company has adopted CSR Policy, the key areas of focus of CSR Policy are:

- i. Eradicating hunger, poverty and malnutrition, promoting sanitation and making available safe drinking water;
- ii. Providing health care, maintaining hospitals, ambulances and conducting medical camps;
- iii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare,

agroforestry, conservation of natural resources and maintaining quality of soil, air and water; and

v. Rural development projects.

**2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organisation?**

The above mentioned initiatives are implemented through its in-house team and through own Foundation named Pragnya Priya Foundation. It is a not-for-profit Company registered under Section 8 of the Companies Act, 2013 (Section 25 of the Companies Act, 1956).

**3. Have you done any impact assessment of your initiative?**

Yes, the Company has conducted impact assessments of its CSR initiatives.

**4. What is your Company's direct contribution to community development projects- Amount in ₹ and the details of the projects undertaken.**

The Company along with its subsidiaries in India have spent an amount of ₹ 86.91 million on its CSR activities during Financial year ended December 31, 2018.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

**Corporate Social Responsibility – An Overview**

Corporate social responsibility (CSR) is the way Rain Industries Limited and its subsidiaries (RAIN) operates its businesses. Rain's CSR model is well-integrated with its business strategy and has helped to bring about positive change in communities. Rain established Pragnya Priya Foundation in 2012 to drive its CSR initiatives. RAIN's CSR efforts are directed at improving the lives of its employees and their families and the lives of marginalised sections of society living near its production facilities.

Rain's CSR initiatives focus on four key areas: Health, Education, Rural Development and Environment.

**Health**

RAIN has established the Priya Cement Free Primary Hospital near its Cement facility in Ramapuram Village, Mellacheruvu Mandal, Suryapet District, Telangana State, India, Boincheruvupalli Village, Kurnool District, Andhra Pradesh, India and Kalayakagollu village, Nellore District, Andhra Pradesh, India. The hospital also provides fully

equipped emergency ambulance facilities for patients. In addition to medical care, the hospitals conducts routine health-related initiatives for communities such as de-addiction counselling and creating awareness about health education in marginalised communities.

**Education**

Recognising the role education plays in social transformation, RAIN operates High Schools in English Medium at Ramapuram Village, Mellacheruvu Mandal, Suryapet District, Telangana State, India, Boincheruvupalli Village, Kurnool District, Andhra Pradesh, India and Kalayakagollu village, Nellore District, Andhra Pradesh, India. After completion of school education, the students are encouraged to enrol for college.

Rain has provided scholarships to 935 students for pursuing intermediate education for academic years 2015-2017 and 2016-2018.

**Rural developmental initiatives**

Rain undertakes development projects that contribute to the overall development of communities around its production facilities. In co-operation with local communities in India, Rain promotes and supports initiatives taken by Local Bodies and Government Agencies to identify, adopt and support for development and growth. Some of the developmental activities undertaken in India by the Company around its Suryapet and Kurnool Cement facilities include:

- Installed CC Cameras in Ramapuram Village, Suryapet District, Telangana State.
- Installed Street lights in Boincheruvupalli Village, Kurnool District, Andhra Pradesh.
- Granted donation towards repairs and maintenance of Public Service Centre in Boincheruvupalli Village, Kurnool District, Andhra Pradesh.

**Environment**

Rain undertakes Plantation of Trees at Visakhapatnam, Andhra Pradesh, India towards promotion of Plantation and Forestry.

## BOARD'S REPORT (CONTINUED)

### Principle 9

#### **Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

- 1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**  
No complaints/consumer cases are pending as on the end of financial year.
- 2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/ NA/ Remarks (additional information)**  
The Company and its subsidiary Companies displays product information on the product label as per the requirement of law.

- 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**  
No case was filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years.
- 4. Did your Company carry out any consumer survey/ consumer satisfaction trends?**  
The Company has not carried out any formal consumer survey/consumer satisfaction trends. However, the Company keeps track of responses/comments from various stakeholders.

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383





OUR SCALE AND PROCESS SOPHISTICATION  
PROVIDE US THE FLEXIBILITY TO CAPITALISE  
ON MARKET OPPORTUNITIES.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. OVERVIEW

RAIN Group is one of the world's largest producers of calcined petroleum coke (CPC), coal tar pitch (CTP), other carbon products (OCPs) and advanced materials. RAIN operates in three key business verticals: Carbon, Advanced Materials and Cement. It has production facilities in eight countries across three continents, and continues to grow through capacity expansions and mergers and acquisitions throughout the world.

Our Carbon business segment converts the by-products of oil refining (i.e., green petroleum coke (GPC) and steel production (i.e., coal tar) into high-value carbon-based products [i.e., calcined petroleum coke (CPC), coal tar pitch (CTP) and other carbon products (OCP)]. These by-products 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 does the innovative downstream transformation of a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials that are critical to the specialty chemicals, coatings, construction, automotive, petroleum and several other global industries.

Our Cement business segment produces and markets high-quality ordinary portland cement (OPC) and portland pozzolana cement (PPC) consumed largely by the civil construction and infrastructure industries within India.

Our scale and process sophistication provide us the flexibility to capitalise on market opportunities by selecting raw materials from a wide range of sources across various geographies, adjusting the composition of our product mix and producing products that meet stringent customer specifications, including several specialty products.

Our global manufacturing footprint and our integrated worldwide logistics network have also strategically positioned us to capitalise on market opportunities by addressing raw material supply and product demand on a global basis in both established (mainly North America and Europe) and emerging markets (mainly Asia and the Middle East).

The following operating and financial review is intended to convey the management's perspective on the operating and financial performance of RAIN Group for the year ended December 31, 2018. This should be read in conjunction with RAIN Group's Standalone and Consolidated Financial Statements, the schedules and notes thereto, and the other information included elsewhere in the Annual Report. RAIN Group's Financial Statements have been prepared in compliance with the requirements of the Companies Act, 2013, the guidelines issued by the Securities and Exchange Board of India (SEBI), in accordance with Indian Accounting Standards (Ind AS) and the other accounting principles generally accepted in India.



## 2. DISCUSSION ON FINANCIAL PERFORMANCE

### Consolidated Financial Performance

Particulars	(In ₹ million)	
	CY2018	CY2017
Income from Operations	140,490	114,496
Adjusted Operating Profit	21,471	22,727
Profit Before Tax	9,957	10,839
Adjusted Net Profit After Tax	7,305	7,977

During CY2018, our business generated revenue from operations of ₹ 140.5 billion and adjusted operating profit of ₹ 21.5 billion. The revenue in CY2018 was higher by 22.7% compared to CY2017 mainly due to improved price realisations, including the depreciation of the Indian Rupee against the US Dollar and Euro. The operating margins in CY2018 were comparatively lower due to higher operating cost resulting from an increase in raw material prices. As a result, the adjusted net profit after tax in CY2018 was ₹ 7.3 billion i.e., ₹ 0.7 billion lower than the ₹ 8.0 billion generated in CY2017. Consequently, the adjusted earnings per share is ₹ 21.7 in CY2018 as against ₹ 23.7 in CY2017.

With a moderate performance in CY2018 coupled with a strong cash balance of ₹ 8.5 billion and undrawn working capital loans of ₹ 9.6 billion, RAIN Group is well placed to meet its debt-servicing obligations in the future and to fund the expansion projects initiated.

The paid-up share capital of RAIN Group as on December 31, 2018 is ₹ 672,691,358, comprising 336,345,679 fully paid-up equity shares of ₹ 2 each.

## 3. PERFORMANCE OF CARBON BUSINESS SEGMENT

Particulars	(In ₹ million)	
	CY2018	CY2017
Sales Volumes ('000 MT)	2,715	2,796
Net Revenue	95,681	72,205
Adjusted Operating Profit	16,975	16,476
Adjusted Operating Profit (%)	17.7	22.8

The Carbon business segment includes the manufacturing and trading of carbon products comprising CPC, CTP, GPC, and other derivatives of coal distillation, including creosote oil, naphthalene, carbon black oil and other basic aromatic oils. Energy produced through waste-heat recovery in the manufacturing of CPC is also included in the Carbon business segment. About 68.5% of RAIN Group's consolidated revenue for CY2018 was generated from the Carbon business segment.

During CY2018, the Carbon business segment generated ₹ 95.7 billion in net revenue, an increase of approximately 32.5% as compared to ₹ 77.2 billion generated during CY2017. The increase in revenue was due to an increase in average realisations by approximately 36.5%, including exchange fluctuation from depreciation of Indian Rupee

against US Dollar and Euro, partially offset by decrease in volumes by approximately 2.9%. The adjusted operating margin decreased to 17.7% in CY2018 as compared to 22.8% in CY2017. Margins declined in the calcination business due to higher operating costs from increase in raw material costs coupled with the consumption of high-cost raw materials as consequence to the ban on import of pet coke in India. Margins declined in the distillation business due to higher operating costs from an increase in raw material costs.

With encouraging prospects for steady-to-increased demand by end-customer industries, we expect the Carbon business segment to remain comparatively stable in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. PERFORMANCE OF ADVANCED MATERIALS BUSINESS SEGMENT

Particulars	CY2018	CY2017
Sales Volumes ('000 MT)	472	492
Net Revenue	34,844	32,035
Adjusted Operating Profit	3,787	5,385
Adjusted Operating Profit (%)	10.9	16.8

(In ₹ million)

Our Advanced Materials business segment mainly comprises engineered products, petrochemical intermediates, resins and naphthalene derivatives, which are derived from our primary distillate – naphthalene – and additional raw materials purchased from third parties. About 25.0% of the consolidated revenue for CY2018 is from the Advanced Materials business segment.

During CY2018, our Advanced Materials business segment generated ₹ 34.8 billion in net revenue, an increase of 8.8% as compared to ₹ 32.0 billion during CY2017. The increase was primarily related to a 13.4% increase in blended price realisations during CY2018 partially offset by 4.1% decrease in sales volumes. The adjusted operating margin decreased from 16.8% in CY2017 to 10.9% in CY2018 due to an increase in operating expenses and raw material prices, coupled with unplanned shutdowns.

### 5. PERFORMANCE OF CEMENT BUSINESS SEGMENT

Particulars	CY2018	CY2017
Sales Volumes ('000 MT)	2,229	2,104
Net Revenue	9,083	9,679
Adjusted Operating Profit	709	866
Adjusted Operating Profit (%)	7.8	8.9

(In ₹ million)

Our Cement business segment is engaged in the manufacture and sale of cement. The products include high-quality OPC and PPC. About 6.5% of the consolidated revenue of RAIN Group for CY2018 was from this business segment. During CY2018, this segment generated ₹ 9.1 billion in net revenue. Due to a decline in price realisations of approximately 11.4% in CY2018 despite an increase in volumes of approximately 5.9% there is a decrease in revenue by approximately 6.2% compared to ₹ 9.7 billion during CY2017. The Cement business segment operated at an improved average capacity utilisation of approximately 56% during CY2018 compared to approximately 52% in CY2017.

The adjusted operating margin of Cement business decreased from 8.9% in CY2017 to 7.8% in CY2018 mainly due to a decline in average realisation and increase in operating costs.

### 6. OVERALL BUSINESS AND GROWTH STRATEGIES

RAIN Group's strategy is aimed at process improvement and the development of new, higher-margin products and technologies through research and development (R&D) initiatives. Emphasis is placed on performance, sustainability and utilisation of alternative raw materials. RAIN Group intends to maximise efficiencies and minimise costs by combining the purchasing, trading, plant operations, logistics management, finance and R&D functions across all business segments and by executing cost-reduction initiatives.

RAIN Group believes that the scale of its vertically integrated organisation will provide an effective platform to continue to develop higher-margin downstream products. The size and efficient logistic networks of its plants allow RAIN Group to realise economies of scale. RAIN Group has integrated its coal tar and petro tar distillation operations with its downstream operations

**Our production facilities have been awarded ISO certifications for maintaining quality and environmental management standards.**

that efficiently use the products derived from its primary distillation process and allow generation of incremental margins greater than the margins that it generated through the sale of conventional primary distillation products.

The commissioning of the Russian CTP project in 2016 provided a reliable long-term source of coal tar supply. Consequently, RAIN Group enjoys flexibility to increase the volume of co-products and expand its production in downstream products from this facility. The strategic location of the project provides easier market access to eastern Europe.

## 7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The internal audits of RAIN Group companies across India, Europe and North America were carried out by EY, India, and the observations of the internal auditors and their recommendations are presented to the Audit Committee of the Company. Also, the implementation of recommendations of internal auditors are reviewed during monthly review meetings and reported to the Audit Committee on a quarterly basis. Further, the Company established an in-house internal audit department in India to carry out robust reviews of various RAIN Group companies in India, Europe and North America and increase the frequency of the internal audit visits from 2018 onwards.

RAIN Group has optimal internal control systems and procedures in place to handle all its business processes such as purchasing raw materials and stores, including components, plant and machinery equipment, and the sale of goods and other assets.

RAIN Group has clearly defined roles and responsibilities for all managerial positions. Its operating parameters are monitored and controlled effectively through its SAP ERP software system.

RAIN Group has established a global shared-service centre in India to support SAP users across its global

facilities. This enables effective utilisation of SAP for implementing efficient internal controls and timely reporting of financial and operational information.

## 8. HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

RAIN Group employs more than 2,600 employees directly and indirectly through its subsidiaries across the globe. It believes that the quality of these employees is the key to its success and is committed to providing necessary human resource development and training opportunities to equip employees with additional skills to enable them to adapt to contemporary technological advancement and evolving workplace requirements.

Industrial relations during the year continued to be cordial, and RAIN Group is committed to maintaining these relations through effective communication, meetings and negotiation.

## 9. SAFETY AND ENVIRONMENTAL COMPLIANCE

We continuously seek to improve safety and reliability at all our production facilities. Our production facilities have been awarded ISO certifications for maintaining quality and environmental management standards. These certificates demonstrate RAIN Group's efforts in ensuring high product quality standards and compliance with environmental laws and regulations.



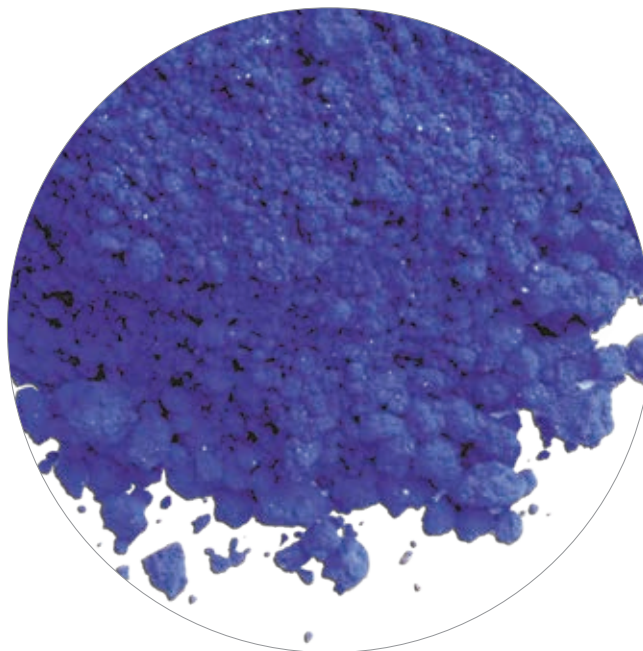
## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**We have an extensive safety programme, which includes formal training for all employees, preventive measures such as pre-job safety analyses and a system aimed at identifying risks, taking corrective actions and preventing incidents.**

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Our production facilities also have been awarded with ISO certifications for energy management systems. We follow a systematic approach in achieving continual improvement in performance, including energy efficiency, energy security, energy use and consumption. In addition, our production facilities have been awarded with the certification for compliance of international occupational health and safety management.

Prevention of safety-related incidents is one of our highest priorities. We have an extensive safety programme, which includes formal training for all employees, preventive measures such as pre-job safety analyses and a system aimed at identifying risks, taking corrective actions and preventing incidents. We regularly conduct internal audits of this safety system. Our management team has implemented a structured process for handling, monitoring, documenting and learning from near-miss accidents. We have taken stringent measures to reduce the number of recordable incidents Company-wide and the monetary incentives of most employees are linked to fulfilling the Company's safety targets.



### 10. STATUTORY COMPLIANCE

The Managing Director makes a declaration at each Board Meeting regarding compliance with provisions of various statutes after obtaining confirmation from all the operating plants across all subsidiary companies within India and abroad. The Company Secretary ensures compliance with SEBI Regulations and provisions of the Listing Agreement and with the guidelines on insider trading for prevention of the same.





THE SIZE AND EFFICIENT LOGISTIC  
NETWORKS OF ITS PLANTS ALLOW RAIN  
GROUP TO REALISE ECONOMIES OF SCALE.



# REPORT ON CORPORATE GOVERNANCE

**Report Pursuant to Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, compliance with the requirements of Corporate Governance is set out below:**

## A. RELATED PARTY DISCLOSURE

Transactions with related parties are disclosed in the Notes to Accounts in the Annual Report. All transactions with related parties are at arm's length and in compliance with transfer pricing regulations. Consideration is paid/received through cheque/online payment.

All Related Party Transactions are entered into by the Company only after obtaining the prior approval of the Audit Committee and Board of Directors and are entered into on arm's length basis.

In terms of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has adopted a policy to determine Related Party Transactions.

The Company has not entered into any transaction with any person or entity belonging to the Promoter/Promoter Group which hold(s) 10% or more shareholding in the Company.

Related Party Transaction policy is placed on the Company's website at: [www.rain-industries.com](http://www.rain-industries.com)

## B. MANAGEMENT DISCUSSION AND ANALYSIS (MDA) REPORT

1. The report on MDA is annexed to the Board's Report.
2. Disclosure of Accounting Treatments:

The Company has followed the Indian Accounting Standards and accounting principles generally accepted in India in preparation of its Financial Statements.

## C. CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance

Rain Industries Limited ("RIL"/ "the Company") is committed to implement sound corporate governance practices with a view to bring about transparency in its operations and maximise shareholder value. The Company's core philosophy on the code of Corporate Governance is to ensure:

- Fair and transparent business practices;
- Accountability for performance;
- Compliance of applicable statute;
- Transparent and timely disclosure of financial and management information;
- Effective management control and monitoring of executive performance by the Board; and
- Adequate representation of Promoter, Executive and Independent Directors on the Board.

### 2. Board of Directors

The Board of Directors along with its Committees provides leadership and guidance to the Company's management and supervises the Company's performance. As on December 31, 2018, the Board of Directors ("Board") comprised eight Directors, of which seven are Non-executive Directors.



The Company has a Non-executive Chairman and five Independent Directors. Independent Directors comprise more than half of the total strength of the Board.

The Board of Directors of the Company at their meeting held on February 28, 2018 have appointed Mr Varun Batra as an Independent Director.

**a) The composition and category of the Board of Directors is as follows:**

Sl. No.	Name of the Director	Designation	Category
1.	Mr N. Radhakrishna Reddy	Chairman	Non-executive Director (Promoter)
2.	Mr Jagan Mohan Reddy Nellore	Managing Director	Executive Director (Promoter)
3.	Mr N. Sujith Kumar Reddy	Director	Non-executive Director (Promoter)
4.	Mr S. L. Rao	Director	Independent Director
5.	Mr H. L. Zutshi	Director	Independent Director
6.	Mr Varun Batra <sup>1</sup>	Director	Independent Director
7.	Ms Radhika Vijay Haribhakti	Director	Independent Director
8.	Ms Nirmala Reddy	Director	Independent Director

<sup>1</sup> Mr Varun Batra has been appointed as Director of the Company w.e.f. February 28, 2018.

**b) Attendance of Directors at the meetings**

The details of the attendance of the Directors at the Board meetings held during the Financial Year ended December 31, 2018 and at the last Annual General Meeting (AGM) are given below:

Name of the Director	Number of Board Meetings		Attendance at AGM Held on May 11, 2018
	Held	Attended	
Mr N. Radhakrishna Reddy	4	4	Yes
Mr Jagan Mohan Reddy Nellore	4	4	Yes
Mr N. Sujith Kumar Reddy	4	4	Yes
Mr S. L. Rao	4	4	Yes
Mr H. L. Zutshi	4	4	Yes
Mr Varun Batra <sup>1</sup>	4	3	Yes
Ms Radhika Vijay Haribhakti	4	4	Yes
Ms Nirmala Reddy	4	4	Yes

<sup>1</sup> Mr Varun Batra has been appointed as Director of the Company w.e.f. February 28, 2018.

**c) Other Directorships**

The number of Directorships and memberships in the Committees of other Companies held by the Directors as on December 31, 2018 are as under:

Name of the Director	No. of other Directorships*	In other public Companies**	
		Membership	Chairmanship
Mr N. Radhakrishna Reddy	9	-	-
Mr Jagan Mohan Reddy Nellore	7	4	-
Mr N. Sujith Kumar Reddy	9	-	-
Mr S. L. Rao	1	-	-
Mr H. L. Zutshi	-	-	-
Mr Varun Batra	1	-	-
Ms Radhika Vijay Haribhakti	6	8	1
Ms Nirmala Reddy	4	4	2

\* Includes Directorships in the Companies incorporated under the Companies Act, 1956/2013.

\*\* Includes only Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee (excluding Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013/Section 25 of the Companies Act, 1956).

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

None of the Directors hold Directorships in more than 10 Companies.

Names of the Listed Companies wherein the Directors of the Company are Directors:

S. No.	Name of the Director	No. of Directorships in other Listed Companies	Name of the other Listed Companies in which Directors of the Company are Directors
1	Mr N Radhakrishna Reddy	Nil	NA
2	Mr Jagan Mohan Reddy Nellore	Nil	NA
3	Mr N Sujith Kumar Reddy	Nil	NA
4	Mr S. L. Rao	Nil	NA
5	Mr H. L. Zutshi	Nil	NA
6	Mr Varun Batra	Nil	NA
7	Ms Radhika Vijay Haribhakti	6	1. Navin Fluorine International Limited (Independent Director); 2. ICRA Limited (Independent Director); 3. Adani Ports and Special Economic Zone Limited (Independent Director); 4. EIH Associated Hotels Limited (Independent Director); 5. Mahanagar Gas Limited (Independent Director) and 6. Vistaar Financial Services Private Limited
8	Ms Nirmala Reddy	Nil	NA

### d) Number of Board Meetings

Four Board meetings were held during the Financial Year ended December 31, 2018. The maximum time gap between any two consecutive meetings did not exceed one hundred and twenty days.

The dates on which the Board meetings were held are February 28, 2018, May 11, 2018, August 14, 2018 and November 14, 2018.

### e) Disclosure of relationship between Directors inter-se

Mr N. Radhakrishna Reddy, Chairman is the father of Mr Jagan Mohan Reddy Nellore, Managing Director and Mr N Sujith Kumar Reddy, Director. Other than Mr N. Radhakrishna Reddy, Chairman, Mr Jagan Mohan Reddy Nellore, Managing Director and Mr N. Sujith Kumar Reddy, Director, none of the Directors are related to any other Director.

### f) Shares held by Non-executive Directors

The number of equity shares of the Company held by Non-executive Directors, as on December 31, 2018 are as follows:

Name of the Director	No. of Equity Shares (face value ₹ 2 each) held in the Company
Mr N. Radhakrishna Reddy	10,383,730
Mr N. Sujith Kumar Reddy	10,028,770
Mr S. L. Rao	Nil
Mr H. L. Zutshi	Nil
Mr Varun Batra	Nil
Ms Radhika Vijay Haribhakti	Nil
Ms Nirmala Reddy	Nil

**g) Familiarisation programmes imparted to Independent Directors**

Senior management personnel of the Company make presentations to the Board Members on a periodical basis, briefing them on the operations of the Company, plans, strategy, risks involved, new initiatives, etc., and seek their opinions and suggestions on the same. In addition, the Directors are briefed on their specific responsibilities and duties that may arise from time to time. Any new Director who joins the Board is presented with a brief background of the Company, its operations and is informed of the important policies of the Company including the Code of Conduct for Directors and Senior Management Personnel, Code of Conduct for Prevention of Insider Trading, Policy on Related

Party Transactions, Policy on Remuneration, Policy on Material Events, Policy on Material Subsidiaries, Whistle Blower Policy, Risk Management Policy, Policy on Anti-Corruption and Anti-Bribery, Policy on Prevention of Sexual Harassment and Corporate Social Responsibility policy.

The Statutory Auditors and Internal Auditors of the Company make presentations to the Board of Directors with regard to regulatory changes from time to time while approving the financial results.

The details of the familiarisation programme is available on the website: <http://www.rain-industries.com>

**h) Given below is the chart setting out the skills/ expertise/ competence of the Board of Directors:**

Sl No	Name of the Director	Category	Specialisation
1.	Mr N Radhakrishna Reddy	Chairman (Promoter)	He has more than 50 years of experience in the construction and cement industries.
2.	Mr Jagan Mohan Reddy Nellore	Managing Director (Promoter)	He has more than 25 years of experience in finance, commercial and manufacturing areas.
3.	Mr N Sujith Kumar Reddy	Director (Promoter)	He has more than 24 years of experience in the manufacturing and construction Industry.
4.	Mr S. L. Rao	Independent Director	He has more than 50 years of experience in commercial, administrative, electricity and policy matters.
5.	Mr H L Zutshi	Independent Director	He has more than 50 years of experience in the manufacturing Industry.
6.	Mr Varun Batra	Independent Director	He is a senior finance professional with more than 28 years of experience in the fields of private equity, special situations, corporate finance & capital markets, credit & relationship management across various corporate & financial institutional customers.
7.	Ms Radhika Vijay Haribhakti	Independent Director	She has over 30 years of experience in commercial and investment banking.
8.	Ms Nirmala Reddy	Independent Director	She has more than 45 years of experience in banking, finance and project appraisal.

**i) Confirmation from the Board**

The Board of Directors be and hereby confirm that in the opinion of the Board, the Independent Directors fulfill the conditions specified by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and they are independent of the management.

**j)** No Independent Director has resigned from the Directorship of the Company before the expiry of their term of appointment during the Financial Year ended December 31, 2018.

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

### Profile of Board of Directors

Brief resume of the Directors, nature of their expertise in specific functional areas and names of companies in which they hold Directorship and the membership of the Committees of the Board are furnished hereunder:

#### Mr N. Radhakrishna Reddy

Mr N. Radhakrishna Reddy (76 years) is the Chairman of Rain Industries Limited. He has more than 50 years of experience in construction and cement industry. He has been a Director of the Company since 1984. Currently, he is also on the Boards of Rain Cements Limited, Renuka Cement Limited, PCL Financial Services Private Limited, Arunachala Holdings Private Limited, PR Cement Holdings Limited, Apeetha Enterprises Private Limited, Lakshmi Sea Foods Limited, Rain Entertainments Private Limited and Pragnya Priya Foundation.

Mr N. Radhakrishna Reddy holds 10,383,730 equity shares in the Company.

Mr N. Radhakrishna Reddy, Chairman, is the father of Mr Jagan Mohan Reddy Nellore, Managing Director, and Mr N. Sujith Kumar Reddy, Director. Other than the said Directors, he is not related to any other Director.

#### Mr Jagan Mohan Reddy Nellore

Mr Jagan Mohan Reddy Nellore (52 years) brings with him 25 years of experience to the Company in the finance, commercial and operations areas. Mr Nellore is presently the Managing Director of Rain Industries Limited.

Mr Nellore is the founder of Rain CII Carbon (Vizag) Limited, which had been originally incorporated as Rain Calcining Limited and commenced production of CPC and electricity in 1998 in India. He spearheaded the vision, strategy and execution of the globalisation of the Indian entity's business model through the acquisition of Rain CII Carbon, LLC of the US (formerly CII Carbon, LLC) and by combining the US and Indian CPC business strategies in 2007 and subsequently in 2013 through the acquisition of RÜTGERS N.V., a CTP and chemicals producer. Mr Nellore has successfully integrated the acquired entities to create the world's leading industrial carbon producer. Mr Nellore holds a

Bachelor of Science degree in Industrial Engineering from Purdue University, US.

Mr Nellore is a Member of the Boards of Rain CII Carbon (Vizag) Limited, Rain Cements Limited, Renuka Cement Limited, Sujala Investments Private Limited, Rain Enterprises Private Limited, Rain Entertainments Private Limited, Pragnya Priya Foundation, Rain Commodities (US) Inc., Rain CII Carbon LLC, US, Rain Carbon Inc, Handy Chemicals (US) Ltd. and CII Carbon Corp. Mr Nellore is the member of Audit Committee and Nomination and Remuneration Committee of Rain Cements Limited and Rain CII Carbon (Vizag) Limited. He holds 100 equity Shares in the Company.

Mr Nellore is the son of Mr N. Radhakrishna Reddy, Chairman and brother of Mr N. Sujith Kumar Reddy, Director. Other than the said Directors, he is not related to any other Director of the Company.

#### Mr N Sujith Kumar Reddy

Mr N. Sujith Kumar Reddy (47 years) holds a Bachelor's degree in Commerce. He has more than 24 years of experience in the manufacturing and construction industry. He is the Managing Director of Rain Cements Limited, which manufactures and sells cement under the brand name "Priya Cement". He is also the Director of Renuka Cement Limited, PCL Financial Services Private Limited, Arunachala Holdings Private Limited, Apeetha Enterprises Private Limited, Nivee Holdings Private Limited, Nivee Property Developers Private Limited, Rain Entertainments Private Limited and Pragnya Priya Foundation.

Mr N. Sujith Kumar Reddy holds 10,028,770 equity shares in the Company.

Mr N. Sujith Kumar Reddy, Director, is the son of Mr N. Radhakrishna Reddy, Chairman, and brother of Mr Jagan Mohan Reddy Nellore, Managing Director. Other than the said Directors, he is not related to any other Director.

#### Mr. S. L. Rao

Mr. S. L. Rao (83 Years) is an Economist, Distinguished Fellow, Emeritus at The Energy & Resources Institute (TERI), New Delhi, Board Member, CIRC-CUTS Institute of Regulation and

Competition and Trustee, Bangalore International Centre and Aga Khan Foundation, India. He is Member of the Advisory Committees of Competition Commission of India and the Indian Energy Exchange. He has served for many years on other corporate and institutional Boards.

He was Director-General, National Council of Applied Economic Research, Delhi from 1990 to 1996 and was the first Chairman of the Central Electricity Regulatory Commission (1998 to 2001). He had earlier spent 28 years in management positions in Unilever, Warner Hindustan and Beardsell, five years as management consultant and designed and ran the National Management Programme (1987 to 1990). He is a columnist in the "Telegraph", Kolkata and "Financial Express". He was a widely read commentator on policy issues in many national and international publications. He has authored or edited 16 books; the last 4 were "Managing India" (Academic Foundation, 2015), "Powering India" (Academic Foundation, 2011), "From Servants or Masters? "Evolution of Professional Management in India", (Global Business Press, 2007) and "Governing Power", (TERI Press, 2004). He was President of All India Management Association in 1986. He has received Lifetime Achievement Awards from the Association of Indian Management Schools, IPPAI and Council of Power Utilities.

He is on the Board of Global Trust Capital Finance Pvt Ltd.

Mr. S L Rao does not hold any equity shares of the Company and he is not related to any other Director of the Company.

### **Mr H. L. Zutshi**

Mr H L Zutshi (76 years) was the Chairman & Managing Director of Hindustan Petroleum Corporation Ltd. (HPCL). HPCL is engaged in petroleum refining, marketing and exploration activities. He retired from HPCL in May 2002 after serving as CMD for seven years. HPCL was the successor company of ExxonMobil in India, after the latter's activities were taken over by the Government of India in 1974.

Mr Zutshi was also the Chairman of Mangalore Refineries and Petrochemicals Ltd. (MRPL), a joint

venture company between Aditya Birla Group of companies and HPCL; South Asia LPG Ltd., a joint venture between HPCL and TOTAL of France; HINCOL, a joint venture between COLAS SA of France and HPCL and an Exploration & Production Company called Prize Petroleum, a joint venture between HPCL and HDFC, ICICI and TDCI.

He was a member of the Government of India appointed expert sub-committee for developing a policy paper on deregulation etc., which provided inputs for the Hydro Carbon Vision 2025. He was formerly the Chairman of the Petroleum, Coal, Fertiliser and Related Products Division Council of Bureau of Indian Standards (BIS), New Delhi, Convener of the Financial Services Sector task force of the Department of Public Enterprises, which fixed annual performance targets of the Financial Services PSUs. He was also Advisor Energy & Hydrocarbon to Mittal S.a.r.l, Luxomberg, and ABN Amro Investments. He was formerly the Independent Director on the Boards of MMTC, MECON Ltd. and IDBI Bank Ltd., Indirapuram Habitat Centre Pvt... Ltd., Terasol Labs Pvt... Ltd., Jaguar Overseas Limited and Deepwater Drilling & Industries Ltd., He was also Special Director of BIFR on the Boards of two companies, namely Saurashtra Chemicals & PML Industries.

Mr Zutshi had a brilliant academic record. He specialised in Mechanical Engineering and was trained in Management at the Administrative Staff College (Hyderabad), Indian Institute of Management (Ahmedabad) and Templeton College, Oxford University. He is Fellow of Energy Institute, UK.

Mr Zutshi is presently the Managing Trustee of the Energy Research and Social Advancement Foundation, New Delhi and Ishwar Charitable Trust Eye Hospital – ICARE. He is a member of India International Centre, New Delhi.

Mr Zutshi does not hold any equity shares of the Company and he is not related to any other Director of the Company.

### **Ms Nirmala Reddy**

Ms Nirmala Reddy (71 years) worked as a Financial Sector Consultant with the World Bank Washington D.C. during 1995-2006. Her assignments were on



## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

credit intermediation, institutional sustainability, privatisation, financial and performance appraisal of development banks and financial institutions. Projects were located in Mongolia, Guyana, Egypt, and Jordan. She also worked on projects for the Asian Development Bank in Thailand and for the African Development Bank in Abidjan, Cote de l'Ivoire.

She has twenty two years experience as a career banker in India. She joined as a Probationary Officer in the then State Bank of Hyderabad in 1969 and underwent training in operations, credit and foreign exchange. In 1975, she joined Vijaya Bank as a Branch Manager and held several operational assignments for 16 years that included heading the Bank's Merchant Banking Division in Mumbai. She was deputed to the then Manufacturers Hanover Trust Company New York for training in Credit and Foreign Exchange. She has also undergone a senior management course at the Administrative Staff College in Hyderabad. In 1989, she joined the American Express Bank Ltd. in Mumbai as Director and Head of Correspondent Banking for India and Nepal. She was trained at the Bank's offices in New York, London and Frankfurt.

Ms Reddy holds a Masters degree in Political Science from the Osmania University, Hyderabad. She has also studied French and Japanese.

She is the Managing Director of Nugget Estates Private Limited and Nugget Realty & Ventures Private Limited and Independent Director in Rain Cements Limited and Rain CII Carbon (Vizag) Limited. She is the Chairperson of the Audit Committee and the Nomination and Remuneration Committee of Rain CII Carbon (Vizag) Limited, Member of the Audit Committee and the Nomination and Remuneration Committee of Rain Cements Limited and President of Globe Enterprises LLC, US.

She does not hold any equity shares of the Company and is not related to any Director of the Company.

### **Ms Radhika Vijay Haribhakti**

Ms Radhika Haribhakti (61 years) has over 30 years of experience in commercial and investment banking with Bank of America, JM Morgan Stanley and DSP Merrill Lynch. She has advised several large corporates and led their Equity and Debt offerings in domestic as well as international capital markets. She

now heads RH Financial, a boutique advisory firm focused on M&A and private equity.

She serves as an Independent Director on the Boards of Adani Ports & Special Economic Zone Ltd., EIH Associated Hotels Ltd., ICRA Ltd., Navin Fluorine International Ltd. and Mahanagar Gas Ltd.

She is a member of the Audit Committee and the Risk Management Committee and Chairperson of Nomination and Remuneration Committee of the ICRA Limited, member of the Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee of Adani Ports and Special Economic Zone Limited, member of the Stakeholders' Relationship Committee of Navin Fluorine International Limited and member of the Audit Committee, Performance Review Board and Chairperson of the Corporate Social Responsibility Committee of Mahanagar Gas Limited.

She has also been closely involved with issues of women empowerment, financial inclusion and CSR and has served on the Boards of non-profits for over 18 years, including 12 years as Chairperson. She is the former Chair of Friends of Women's World Banking (FWWB) and Swadhaar FinAccess, both non-profits engaged in providing financial solutions to women in economically disadvantaged communities. She has also served on the Governing Council of Citigroup Micro Enterprise Award and CII's National Committee on Women Empowerment.

She is a Graduate in Commerce from Gujarat University and Post Graduate in Management from the Indian Institute of Management (IIM), Ahmedabad.

She does not hold any equity shares of the Company and is not related to other Directors of the Company.

### **Mr Varun Batra**

Mr Varun Batra (52 years) was appointed as an Independent Director of the Company w.e.f. February 28, 2018 by the Board of Directors at their meeting held on February 28, 2018.

Mr Varun Batra is a senior finance professional with more than 25 years of experience in the fields of private equity, special situations, corporate finance and capital markets, credit and relationship management across various corporate & financial Institutional customers. He has relevant experience in relationship, risk and product management and debt and equity investing across the capital structure.

Mr Batra has built and led teams in both large and small organisations with direct frontline and profit centre responsibility. He is currently a Senior Partner and heads the Mumbai office for Baring Private Equity Partners India Pvt. Ltd.

He was a Managing Director at Citibank N.A where he worked from 1997-2010. During his tenure at Citibank, he built and led Citigroup's Special Situations proprietary investments in India. Prior to that, he headed the Corporate Finance and Capital Markets business and was earlier responsible for relationships with customers Non-bank Financial Institutions.

He worked in ANZ Grindlays Bank, Mumbai during the period from 1991 to 1996.

He is a member of the Boards of Starkarma Realty Holdings India Private Limited.

He is a Graduate in Mathematics from St. Xavier's College, Mumbai and Post Graduate in Management from the Indian Institute of Management (IIM), Ahmedabad.

He does not hold any equity shares of the Company and is not related to any Director of the Company.

### Mr Brian Jude McNamara

Mr Brian McNamara (56 years) is a former banker with 30 years of experience in project finance, corporate finance and investment management. Mr McNamara worked in investment operations at International Finance Corporation (IFC) in Washington D.C. from 1991 to 2015 with responsibility for investment strategy, business development and project financing for a range of sectors across emerging markets, including chemicals, textiles, general manufacturing and mining. He has extensive investment experience in project evaluation, financial structuring and investment management across the chemicals,

fertilisers, carbon black, plastics, fibres, specialty chemicals and primary metals industries.

Mr McNamara is an Independent Director and Chairman of the Audit Committee of the Company's wholly-owned subsidiary Rain Carbon Inc. Prior to joining IFC, Mr McNamara worked in the corporate finance division of Solvay Chemicals (Belgium) and in banking and investment management in Brussels, Belgium and Dublin, Ireland.

Mr McNamara holds a Bachelor's degree in Economics and Philosophy from Bristol University in England, and a Master's degree in Finance and Banking from University College Dublin in Ireland.

He does not hold any equity shares of the Company and is not related to any Director of the Company.

## 3. Audit Committee

### a) Brief description of terms of reference:

The terms of reference of the Audit Committee are as under:

- i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- ii) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv) Reviewing, with the management, the annual financial statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
  - b) Changes, if any, in accounting policies and practices and reasons for the same;

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

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| <ul style="list-style-type: none"> <li>c) Major accounting entries involving estimates based on the exercise of judgement by management;</li> <li>d) Significant adjustments made in the financial statements arising out of audit findings;</li> <li>e) Compliance with listing and other legal requirements relating to financial statements;</li> <li>f) Disclosure of any related party transactions and</li> <li>g) Modified opinion in the draft audit report.</li> </ul>  | <p>and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;</p>   |
| <ul style="list-style-type: none"> <li>v) Reviewing with the management, the quarterly financial statements before submission to the Board for approval;</li> <li>vi) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take steps in this matter;</li> <li>vii) Review and monitor the auditor's independence and performance and effectiveness of audit process;</li> <li>viii) Approval or any subsequent modification of transactions of the Company with related parties;</li> <li>ix) Scrutiny of inter-corporate loans and investments;</li> <li>x) Valuation of undertakings or assets of the Company, wherever it is necessary;</li> <li>xi) Evaluation of internal financial controls and risk management systems;</li> <li>xii) Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;</li> <li>xiii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing</li> </ul> | <ul style="list-style-type: none"> <li>xiv) Discussion with internal auditors of any significant findings and follow up there on;</li> <li>xv) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;</li> <li>xvi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;</li> <li>xvii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;</li> <li>xviii) To review the functioning of the Whistle Blower mechanism;</li> <li>xix) Approval of appointment of the CFO (i.e., the Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;</li> <li>xx) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee;</li> <li>xxi) Monitoring the end use of funds raised through public offers and related matters;</li> <li>xxii) To review the management discussion and analysis of financial condition and results of operations;</li> <li>xxiii) To review the statement of significant related party transactions (as defined by the Audit Committee), submitted by management;</li> <li>xxiv) To review the management letters/letters of internal control weaknesses issued by the statutory auditors;</li> <li>xxv) To review the internal audit reports relating to internal control weaknesses;</li> </ul> |

xxvi) To review the appointment, removal and terms of remuneration of the chief internal auditor;

xxvii) To review the statement of deviations of the following:

- a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- b) Annual statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice in terms of Regulation 32(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

xxviii) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board, and may also discuss any related issues with the internal and statutory auditors and the management of the Company;

xxix) The Audit Committee shall have the authority to investigate into any matter in relation to the items specified above or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company; and

xxx) The auditors of the Company and the key managerial personnel shall have a right to be heard in the meetings of the Audit

Committee when it considers the Auditor's Report but shall not have the right to vote.

#### b) Composition, names of members and Chairperson

The Audit Committee of the Company comprises of five Independent Directors with Mr H. L. Zutshi, Independent Director, as its Chairman.

##### Composition of Audit Committee:

Name of the Director	Designation
Mr H. L. Zutshi	Chairman
Mr S. L. Rao	Member
Mr Varun Batra <sup>1</sup>	Member
Ms Radhika Vijay Haribhakti	Member
Ms Nirmala Reddy	Member

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

- The Head of Finance and Accounts, Statutory Auditors and Internal Auditors attend the Audit Committee meetings on invitation and the Company Secretary acts as the Secretary of the Committee.
- The minutes of the meetings of the Audit Committee are circulated to all the members of the Board.

#### c) Audit Committee meetings held and attendance during the Financial year ended December 31, 2018

- Four Audit Committee Meetings were held during the Financial Year ended December 31, 2018. The maximum time gap between any two meetings was not more than one hundred and twenty days.
- The dates on which the Audit Committee Meetings were held are February 27, 2018, May 10, 2018, August 13, 2018 and November 13, 2018.

#### • Attendance at the Audit Committee Meetings:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr H. L. Zutshi	Chairman	4	4
Mr S. L. Rao	Member	4	3
Mr Varun Batra <sup>1</sup>	Member	4	3
Ms Radhika Vijay Haribhakti	Member	4	4
Ms Nirmala Reddy	Member	4	4

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

### 4. Nomination and Remuneration Committee

#### a) Brief description of terms of reference

- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
- Carry on the evaluation of every Director's performance;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director;
- Recommend to the Board a policy relating to the remuneration of the Directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity; and
- Undertaking other matters as the Board may refer from time to time.

#### c) Nomination and Remuneration Committee meetings

- Two Nomination and Remuneration Committee meetings were held during the Financial Year ended December 31, 2018.
- The Nomination and Remuneration Committee meetings were held on February 27, 2018 and November 13, 2018.

#### Attendance at the Nomination and Remuneration Committee Meetings:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Ms Radhika Vijay Haribhakti	Chairperson	2	2
Mr S. L. Rao	Member	2	1
Mr H. L. Zutshi	Member	2	2
Ms Nirmala Reddy	Member	2	2
Mr Varun Batra <sup>1</sup>	Member	2	1

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

#### d) Nomination and Remuneration policy

- The compensation of the Executive Directors comprises a fixed component and commission. The compensation is determined based on the remuneration prevailing in the industry and the performance of the Company. The remuneration package of the Executive Directors is periodically reviewed and suitable revision is recommended to the Board by the Committee.

#### b) Composition, name of members and Chairperson

The Nomination and Remuneration Committee comprises 5 Independent Directors with Ms Radhika Vijay Haribhakti, Independent Director, as its Chairperson.

#### Composition of the Nomination and Remuneration Committee:

Name of the Director	Designation
Ms Radhika Vijay Haribhakti	Chairperson
Mr S. L. Rao	Member
Mr H. L. Zutshi	Member
Mr Varun Batra <sup>1</sup>	Member
Ms Nirmala Reddy	Member

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

The Company Secretary acts as the Secretary of the Committee.

The minutes of the meetings of the Nomination and Remuneration Committee are circulated to all the members of the Board.

#### e) The Criteria for Evaluation of Independent Directors is given below:

- Qualifications: Professional qualifications;
- Experience: Experience relevant to the entity;
- Knowledge and Competency:

- (i) How the person fares for effective functioning of the entity and the Board and
  - (ii) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates.
- d) Fulfillment of functions: Whether the person understands and fulfills the functions assigned to him/her as by the Board and the law;
- e) Ability to function as a team: Whether the person is able to function as an effective team member;
- f) Initiative: Whether the person actively takes initiative with respect to various areas;
- g) Availability and attendance: Whether the person is available for meetings of the Board and attends the meetings regularly and timely, without delay;
- h) Commitment: Whether the person is adequately committed to the Board and the entity;
- i) Contribution: Whether the person contributed effectively to the entity and in the Board meetings;
- j) Integrity: Whether the person demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.);
- k) Independence: Whether person is independent from the entity and the other directors and there is no conflict of interest; and
- l) Independent views and judgment: Whether the person exercises his/her own judgment and voices opinions freely.

**f) Performance evaluation of Directors**

Pursuant to applicable provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board, in consultation with its Nomination & Remuneration Committee, has formulated a framework containing, *inter-alia*,

the criteria for performance evaluation of the Independent Directors, Board of Directors, Committees of Board, Individual Directors, including the Managing Director, and Non-executive Directors and Chairperson of the Board.

**Performance Evaluation of Independent Directors, Board of Directors, Committees of Board, Individual Directors, Managing Director, Non-executive Directors and Chairperson of the Board**

Evaluation of all Board members is performed on an annual basis. The evaluation is performed by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the performance and effective functioning of the Board and Individual Directors.

In line with Securities and Exchange Board of India Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/004, dated January 5, 2017, the Company has adopted the recommended criteria by the SEBI.

The Directors were given six forms for evaluation of the following:

- (i) Evaluation of the Board;
- ii) Evaluation of Committees of the Board;
- iii) Evaluation of Independent Directors;
- iv) Evaluation of Chairperson;
- v) Evaluation of Non-executive and Non-independent Directors; and
- vi) Evaluation of the Managing Director.

The Directors were requested to give the following ratings for each criteria:

1. Could do more to meet expectations;
2. Meets expectations; and
3. Exceeds expectations.

The Board of Directors have appointed Mr DVM Gopal, Practicing Company Secretary, as scrutiniser for Board evaluation process.



## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

The Directors have sent the duly filled forms to Mr DVM Gopal after evaluation.

Mr DVM Gopal, based on the evaluation done by the Directors, has prepared a report and submitted the evaluation report.

The Chairperson, based on the report of the scrutiniser, has informed the rankings to each Director and also informed that based on the evaluation done by the Directors and also report issued by Mr DVM Gopal, the performance of Directors is satisfactory and they are recommended for continuation as Directors of the Company.

### 5. Meeting of Independent Directors

A separate meeting of the Independent Directors was held on November 13, 2018 under the Chairmanship of Mr Varun Batra, Independent Director, *inter-alia*, to discuss evaluation of the performance of Non-independent Directors, the Board as a whole, evaluation of the performance of the Chairman, taking into account the views of the Executive and Non-executive Directors and the evaluation of the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors expressed satisfaction with the overall performance of the Directors and the Board as a whole. Inputs and suggestions received

from the Directors were considered at the Board meeting and have been implemented.

### 6. Lead Independent Director

The Board has appointed Mr Varun Batra, Chairperson of the Independent Directors Meeting, as the Lead Independent Director. The role of the Lead Independent Director is to provide leadership to the Independent Directors, liaise on behalf of the Independent Directors and ensure the Board's effectiveness to maintain high-quality governance of the organisation and the effective functioning of the Board.

### 7. Succession planning

The Nomination and Remuneration Committee works with the Board on succession plan to ensure orderly succession in appointments to the Board and in the senior management. The Company strives to maintain an appropriate balance of skills and experience within the Board of Directors and the organisation to introduce new perspectives while maintaining experience and continuity.

### 8. Remuneration of Directors

- There were no pecuniary transactions with any Non-executive Director of the Company.
- The criteria for making payment to Non-executive Directors is available on the website of the Company i.e., [www.rain-industries.com](http://www.rain-industries.com)
- Non-executive Directors are paid sitting fees and commission:

**Following are the details of Sitting Fees and Commission paid to the Non-executive Directors during the Financial Year ended December 31, 2018:**

Name of the Director	(In ₹ million)		
	Sitting Fees	Commission	Total Amount
Mr N. Radhakrishna Reddy	0.40	Nil	0.40
Mr S. L. Rao	0.64	0.90	1.54
Mr H. L. Zutshi	0.76	0.90	1.66
Ms Radhika Vijay Haribhakti	0.76	0.90	1.66
Ms Nirmala Reddy	0.82	0.90	1.72
Mr Varun Batra <sup>1</sup>	0.54	0.70	1.24

<sup>1</sup> Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

d) The remuneration paid to the Whole-time Director during the year is as follows:

(In ₹ million)

Name of the Director and Designation	Salary	Benefits	Bonuses	Pension	Commission	Performance linked incentives	Performance criteria	Service contracts	Notice period	Total
Mr Jagan Mohan Reddy Nellore, Managing Director	₹ 13.44	₹ 3.40	Nil	Nil	Nil	Nil	Performance criteria is based on the performance of the Company and as may be decided by the Board from time to time	Appointed for a period of 5 years*	As per the Rules of the Company	₹ 16.84

\*Mr Jagan Mohan Reddy Nellore was re-appointed for a period of 5 years with effect from November 10, 2015.

There were no severance fees and stock option plan. The appointment of the Managing Director is for a period of five years on the basis of the terms and conditions laid down in the respective resolutions passed by the members in the General Meetings.

## 9. Stakeholders Relationship Committee

### a) Composition

The Committee consists of the following Directors:

Name of the Director	Designation
Mr N. Radhakrishna Reddy	Chairman (Non-executive Director)
Mr Jagan Mohan Reddy Nellore	Member
Mr N. Sujith Kumar Reddy	Member
Ms Nirmala Reddy	Member (Independent Director)

### b) Terms of Reference

- Resolving the grievances of the security holders, including complaints related to transfer/transmission of shares, non-receipt of Annual Report, non-receipt of declared dividends, non-receipt of new/duplicate certificates, etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the registrar and share transfer agent.
- Review of the various measures and initiatives taken by the Company for reducing

the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ Annual Reports/ statutory notices by the shareholders of the Company.

## 10. Share Transfer Committee

### a) Composition

The Committee consists of the following Directors:

Name of the Director	Designation
Mr N. Radhakrishna Reddy	Chairman (Non- Executive Director)
Mr Jagan Mohan Reddy Nellore	Member
Mr N. Sujith Kumar Reddy	Member

### b) Terms of Reference

- The Share Transfer Committee shall approve securities transfers/transmissions, split of share certificates, division and consolidation of share certificates, issue of duplicate share certificates, deletion of names, etc.; and
- The Committee oversees the performance of the registrar and transfer agents and recommends measures for overall improvement in the quality of investor services.

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

**c) Name and designation of Compliance Officer**

Mr S Venkat Ramana Reddy, Company Secretary

**d) Number of Shareholder complaints received and resolved so far**

During the year ended December 31, 2018, the Company has received and resolved 471 complaints.

**e) Number of complaints not resolved to the satisfaction of shareholders is Nil.**

**f) There were no pending complaints as at the year end**

E-mail ID for Investor Grievances: [secretarial@rain-industries.com](mailto:secretarial@rain-industries.com)

### 11. General Body Meetings

**a) The details of date, location and time of the last three Annual General Meetings held are as under:**

Financial year ended 31 December	Date	Time	Venue
2017	May 11, 2018	3.00 PM	KLN Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce & Industry (FTAPCCI), Red Hills, Hyderabad – 500 004, Telangana State, India.
2016	May 5, 2017	3.00 PM	
2015	May 6, 2016	11.00 AM	

**b) Special Resolutions passed during the previous three Annual General Meetings:**

i) 43<sup>rd</sup> Annual General Meeting – May 11, 2018

- a) Appointment of Mr Jagan Mohan Reddy Nellore as Chief Executive Officer (CEO) of Rain Carbon Inc.
- b) Re-appointment of Ms Radhika Vijay Haribhakti as an Independent Director

#### Voting results

Resolution	Category	Number of shares held (1)	Number of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/(1)]* 100	Number of votes – in favour (4)	Number of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/ (2)] *100	% of votes against on votes polled (7)=[(5)/(2)] * 100
Appointment of Mr Jagan Mohan Reddy Nellore as Chief Executive Officer (CEO) of Rain Carbon Inc.	Promoter and Promoter Group	138,230,536	0	0	0	0	0	0
	Public- Institutions	65,323,008	52,016,928	79.6303	52,016,928	0	100.0000	0.0000
	Public- Non Institutions	132,792,135	20,420,507	15.3778	20,419,384	1,123	99.9945	0.0055
	<b>Total</b>	<b>336,345,679</b>	<b>72,437,435</b>	<b>21.5366</b>	<b>72,436,312</b>	<b>1,123</b>	<b>99.9984</b>	<b>0.0016</b>

Resolution	Category	Number of shares held (1)	Number of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/ (1)]* 100	Number of votes – in favour (4)	Number of voted – against (5)	% of votes in favour on votes polled (6)=[(4)/ (2)] *100	% of votes against on votes polled (7)=[(5)/(2)] * 100
Re-appointment of Ms Radhika Vijay Haribhakti as an Independent Director	Promoter and Promoter Group	138,230,536	138,230,536	100.0000	138,230,536	0	100.0000	0.0000
	Public- Institutions	65,323,008	52,016,928	79.6303	49,434,770	2,582,158	95.0359	4.9641
	Public- Non Institutions	132,792,135	20,420,057	15.3775	20,418,850	1207	99.9941	0.0059
	<b>Total</b>	<b>336,345,679</b>	<b>210,667,521</b>	<b>62.6342</b>	<b>208,084,156</b>	<b>2,583,365</b>	<b>98.7737</b>	<b>1.2263</b>

ii) 42<sup>nd</sup> Annual General Meeting – May 5, 2017

- a) Alteration of existing Main Object Clause i.e., Clause III(A) of the Memorandum of Association of the Company.

**Voting results:**

Resolution	Category	Number of shares held (1)	Number of votes polled (2)	% of Votes Polled on outstanding shares (3)=[(2)/(1)]* 100	Number of Votes – in favour (4)	Number of Votes – against (5)	% of Votes in favour on votes polled (6)=[(4)/ (2)] *100	% of Votes against on votes polled (7)=[(5)/(2)] * 100
To amend the Main Object Clause of Memorandum of Association	Promoter and Promoter Group	138,230,536	138,230,536	100.0000	138,230,536	0	100.0000	0.0000
	Public- Institutions	85,561,188	36,542,544	42.7093	36,542,544	0	100.0000	0.0000
	Public- Non Institutions	112,553,955	19,182,970	17.0434	19,174,817	8153	99.9575	0.0425
	<b>Total</b>	<b>336,345,679</b>	<b>193,956,050</b>	<b>57.6657</b>	<b>193,947,897</b>	<b>8153</b>	<b>99.9958</b>	<b>0.00425</b>

- b) Person who conducted the postal  
ballot exercise

The Board appointed Mr DVM Gopal,  
Practicing Company Secretary as  
Scrutiniser to conduct the postal  
ballot voting process in a fair and  
transparent manner.

- c) Procedure for Postal Ballot

The Company followed the procedure  
for postal ballot as per Section 110  
of the Companies Act, 2013 read with  
Rule 22 of the Companies (Management  
and Administration) Rules, 2014. The  
scrutinizer submitted his report to the  
Chairman stating that the resolution has  
been duly passed by the Members with  
the requisite majority.

- iii) 41<sup>st</sup> Annual General Meeting – May 6, 2016 -  
No special resolutions were passed.

**c) Special Resolutions passed last year  
through postal ballot**

Special Resolutions were passed through  
postal ballot during the Financial Year  
ended December 31, 2018 to seek approval  
of the following:

As per Regulation 17(1A) of the Securities and  
Exchange Board of India (Listing Obligations  
and Disclosure Requirements) Regulations,  
2015 for continuation of Directorship of  
Mr N. Radhakrishna Reddy (DIN: 00021052) as  
Non-executive Director and Mr H. L. Zutshi (DIN:  
00041002) as an Independent Director who have  
attained the age of 75 years.

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

### Voting results:

Resolution	Category	Number of shares held (1)	Number of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/(1)]* 100	Number of votes – in favour (4)	Number of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/(2)] *100	% of votes against on votes polled (7)=[(5)/(2)] * 100
Continuation of Directorship of Mr N. Radhakrishna Reddy as Non-executive Director	Promoter and Promoter Group	138,230,536	138,230,536	100.0000	138,230,536	0	100.0000	0.0000
	Public- Institutions	56,040,644	50,866,384	90.7670	50,847,098	19,286	99.9621	0.0379
	Public- Non Institutions	142,074,499	19,351,815	13.6209	19,168,451	183,364	99.0525	0.9475
	<b>Total</b>	<b>336,345,679</b>	<b>208,448,735</b>	<b>61.9746</b>	<b>208,246,085</b>	<b>202,650</b>	<b>99.9028</b>	<b>0.0972</b>

Resolution	Category	Number of shares held (1)	Number of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/(1)]* 100	Number of votes – in favour (4)	Number of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/(2)] *100	% of votes against on votes polled (7)=[(5)/(2)] * 100
Continuation of Directorship of Mr H. L. Zutshi as an Independent Director	Promoter and Promoter Group	138,230,536	138,230,536	100.0000	138,230,536	0	100.0000	0.0000
	Public- Institutions	56,040,644	50,866,384	90.7670	50,587,385	278,999	99.4515	0.5485
	Public- Non Institutions	142,074,499	19,350,457	13.6199	19,167,129	183,328	99.0526	0.9474
	<b>Total</b>	<b>336,345,679</b>	<b>208,447,377</b>	<b>61.9742</b>	<b>207,985,050</b>	<b>462,327</b>	<b>99.7782</b>	<b>0.2218</b>

#### a) Person who conducted the postal ballot exercise

The Board appointed Mr DVM Gopal, Practicing Company Secretary as Scrutiniser to conduct the postal ballot voting process in a fair and transparent manner.

#### b) Procedure for Postal Ballot

The Company followed the procedure for postal ballot as per Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014. The scrutiniser submitted his report to the Chairman stating that the resolution has been duly passed by the members with the requisite majority.

#### c) Details of special resolution proposed to be conducted through postal ballot:

No special resolution is proposed to be conducted through postal ballot.

### 12. Means of Communication

#### a) Quarterly results:

The quarterly Financial Results of the Company are published in accordance with the requirements of the SEBI (Listing Obligations and disclosure Requirements) Regulations, 2015.

#### b) Newspapers wherein results are normally published:

The Financial Results of the Company are published in widely circulated newspapers namely Business Standard (English daily, all editions) and Andhra Prabha (Telugu daily, all editions).

#### c) Any website, where displayed

The Financial Results of the Company are displayed on the Company's website: [www.rain-industries.com](http://www.rain-industries.com)

**d) Whether it also displays official news releases**

Official news releases along with quarterly results are displayed on the Company's website: [www.rain-industries.com](http://www.rain-industries.com)

**e) Presentations made to institutional investors or to the analysts**

Presentations are made at regular intervals. Details of presentations made to the investors/analysts are placed on the Company's website: [www.rain-industries.com](http://www.rain-industries.com)

**13. General Shareholder information****a) Annual General Meeting**

Date	: 44 <sup>th</sup> Annual General Meeting
	: May 8, 2019
Time	: 3.00 PM
Venue	: KLN Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce & Industry (FTAPCCI), Red Hills, Hyderabad – 500 004, Telangana State, India.

**b) Financial Calendar**

	: January 1, 2019 to December 31, 2019.
Tentative Schedule for considering Financial Results	:
For the Quarter ending March 31, 2019	: April/May 2019
For the Quarter ending June 30, 2019	: July/August 2019
For the Quarter ending September 30, 2019	: October/November 2019
For the Quarter/Year ending December 31, 2019	: January/February 2020

**c) Dividend Payment Date**

: NA

**d) Listing on Stock Exchanges**

: Company's equity shares are listed at:

Name and Address of the Stock Exchange	Scrip Code
BSE Limited, Phiroze Jeejeebhoy Towers, Dalal street, Mumbai - 400 001, Maharashtra, India.	500339
National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot # C/1, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051, Maharashtra, India.	RAIN

The listing fees for the year 2018-19 has been paid to the above stock exchanges.

**e) Stock Code**

Name of the Stock Exchange	Scrip Code
BSE Limited	500339
National Stock Exchange of India Limited	RAIN

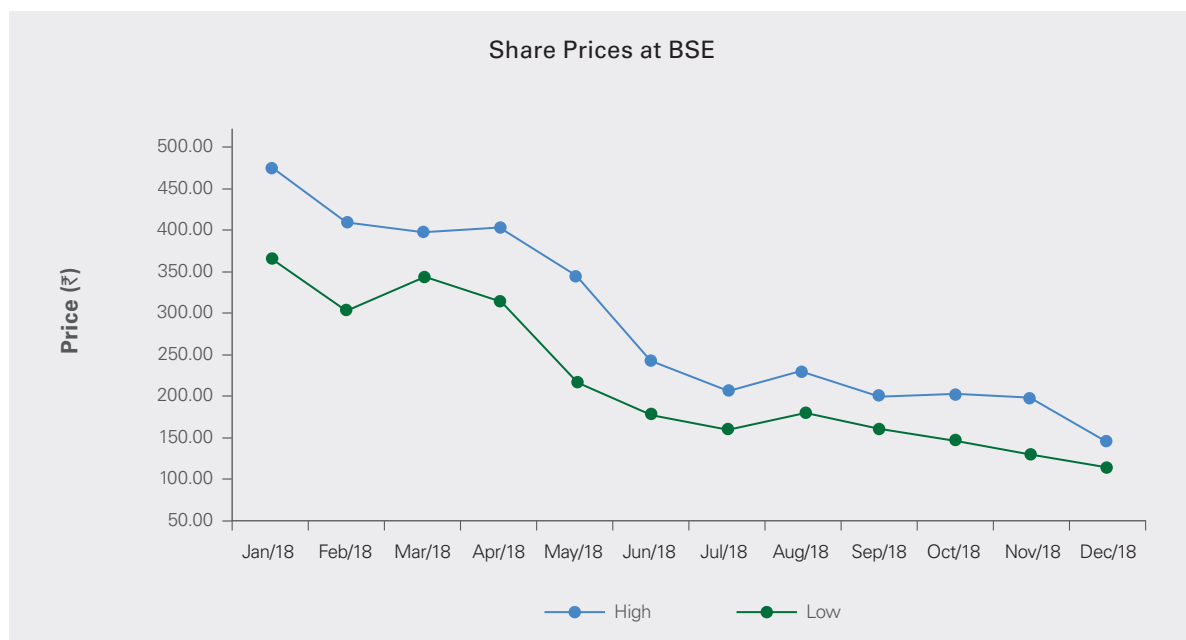


## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

### f) Market price data – High/low during each month in the past financial year BSE Limited (BSE)

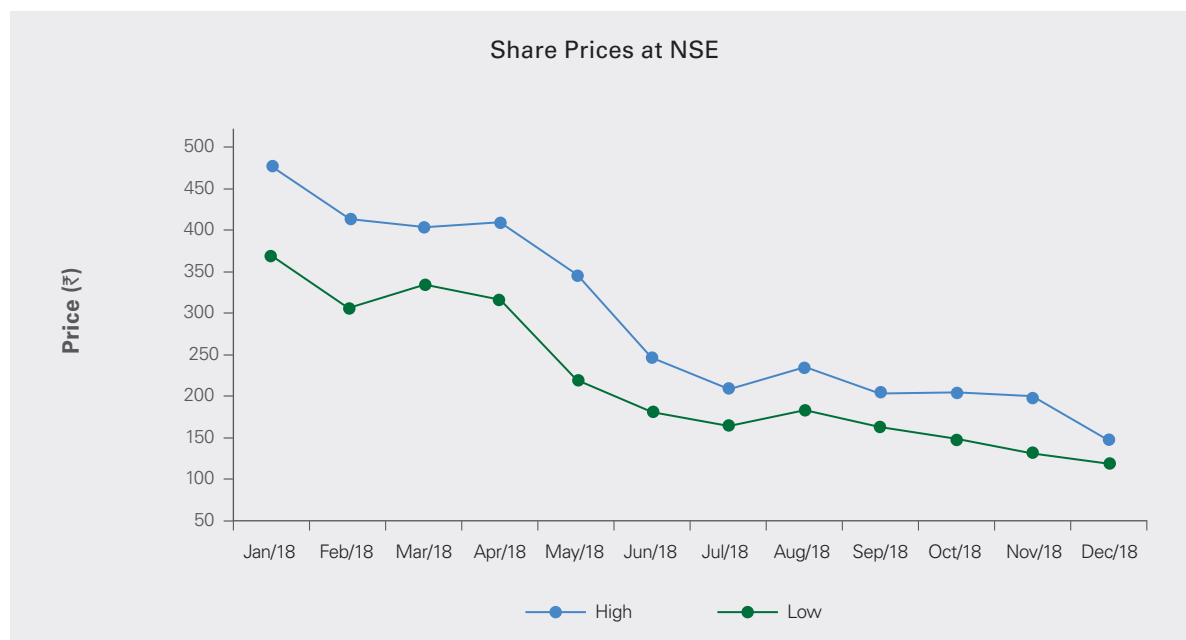
Month	High (₹)	Low (₹)	Number of Shares traded
January 2018	475.50	365.10	17,193,628
February 2018	409.00	304.00	13,478,349
March 2018	398.50	344.50	7,247,851
April 2018	405.20	315.00	6,840,337
May 2018	345.00	218.10	17,431,602
June 2018	243.20	181.05	4,960,419
July 2018	207.00	163.00	2,206,996
August 2018	232.00	181.50	2,612,957
September 2018	202.00	163.05	938,814
October 2018	202.00	148.65	1,566,380
November 2018	197.40	131.70	2,334,526
December 2018	148.60	117.00	2,203,702

#### Share Prices at BSE



**National Stock Exchange of India Limited (NSE)**

Month	High (₹)	Low (₹)	Number of Shares traded
January 2018	475.00	365.00	99,957,641
February 2018	408.85	303.80	82,335,984
March 2018	399.00	331.05	56,373,191
April 2018	405.20	314.00	45,626,059
May 2018	344.35	218.20	115,277,052
June 2018	244.30	181.10	28,233,904
July 2018	206.40	162.35	11,753,890
August 2018	232.00	181.50	12,281,975
September 2018	202.00	162.65	6,558,683
October 2018	201.00	148.50	7,196,935
November 2018	197.70	131.45	13,555,057
December 2018	146.40	117.05	13,408,856

**Share Prices at NSE**

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

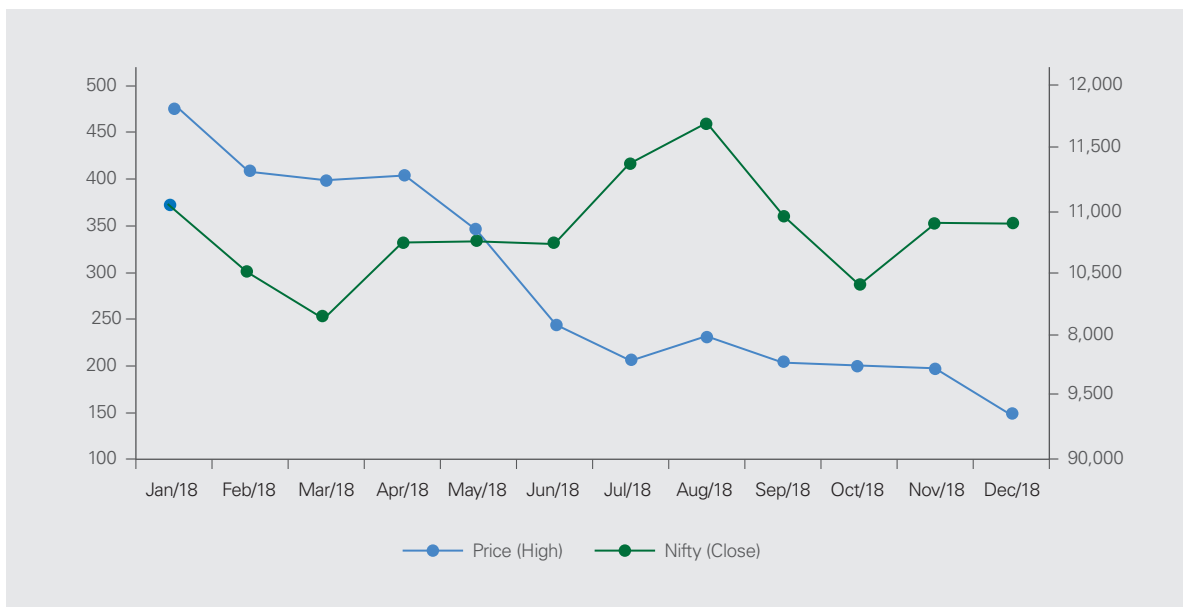
### g) Performance in comparison to broad-based indices of BSE Sensex:

Comparison between the Share price – High and Sensex index close price.



### Performance in comparison to broad-based indices of Nifty:

Comparison between the Share price – High and Nifty index close price.



h) There was no suspension of trading in the Securities of the Company during the year under review.

**i) Registrars to an Issue & Share Transfer Agents:**

(for Shares held in both Physical and Demat mode)

**Karvy Fintech Private Limited**

(Unit: Rain Industries Limited)

Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District,  
Nanakramguda, Hyderabad – 500 032, Telangana State, India.

Fax: +91 040 23001153

Phone: +91 040 67161566

E-mail: einward.ris@karvy.com/  
murthy.psrch@karvy.com

**j) Share Transfer System**

The physical share transfers are processed and the share certificates are returned to the shareholders within a maximum period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects. All the valid transfers are approved by Share Transfer Committee and are noted at Board Meetings.

**k) Distribution of Shareholding**

Shareholding pattern as on December 31, 2018:

Sl. No.	Category	Number of shares held	Percentage of shareholding
1.	Promoters/ Directors/ Associates	138,230,536	41.10
2.	Mutual Funds	550,338	0.16
3.	Financial Institutions and Banks	74,731	0.02
4.	Foreign Portfolio Investors	54,115,410	16.09
5.	Bodies Corporate	30,040,842	8.93
6.	Trusts	4,175	0.00
7.	NBFC Registered with RBI	342,704	0.10
8.	NRIs	13,482,295	4.01
9.	Clearing Members	286,272	0.09
10.	Investor Education Protection Fund (IEPF) A/c	2,709,415	0.81
11.	Unclaimed Suspense Account	872,940	0.26
12.	Indian Public	95,636,021	28.43
<b>Total</b>		<b>336,345,679</b>	<b>100.00</b>

Distribution of shareholding according to nominal value as on December 31, 2018:

Share Holding of nominal value of	Shareholder		Shares	Shareholding	
	Number	% to total number		In (₹)	% to total amount
001- 5000	134,779	96.70	35,582,665	71,165,330	10.58
5001- 10000	2,327	1.67	8,598,958	17,197,916	2.56
10001- 20000	1,076	0.77	7,839,091	15,678,182	2.33
20001- 30000	368	0.26	4,605,288	9,210,576	1.37
30001- 40000	182	0.13	3,221,549	6,443,098	0.96
40001- 50000	144	0.10	3,277,234	6,554,468	0.97
50001- 100000	212	0.15	7,482,135	14,964,270	2.22
100001 & Above	297	0.21	265,738,759	531,477,518	79.01
<b>Total</b>	<b>139,385</b>	<b>100.00</b>	<b>336345679</b>	<b>672,691,358</b>	<b>100.00</b>

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

### l) Dematerialisation of Shares and liquidity

The Company's shares are available for dematerialisation with both the Depositories, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

329,144,344 equity shares were dematerialised representing 97.86% of the total paid up equity share capital of the Company as on December 31, 2018.

**ISIN: INE855B01025**

- m) There are no outstanding Global Depository Receipts/American Depository Receipts or Warrants or any convertible instruments as on December 31, 2018.

### n) Commodity Price Risk or Foreign Exchange risk and hedging activities

The Company is not carrying on any Commodity Business and has also not undertaken any hedging activities, hence same are not applicable to the Company.

- o) The Company does not have any plants.

- p) Address for correspondence:

#### Company Secretary

Rain Industries Limited  
Regd. Off: "Rain Center", 34, Srinagar Colony,  
Hyderabad - 500 073, Telangana State, India.  
Phone: 040-40401234, 040-40401259  
Fax: 040-40401214.

CIN: L26942TG1974PLC001693

**E-mail:** secretarial@rain-industries.com  
(for investor grievance)

**Website:** www.rain-industries.com

### q) Credit Rating

Given below are the ratings given to the Company by India Ratings & Research during the Financial Year ended December 31, 2018:

- (i) Non-Fund Based Limits: WD (Withdrawn paid in full); and
- (ii) External Commercial Borrowings: IND A/Positive.

### 14. Other Disclosures

- a) During the year ended December 31, 2018, there were no materially significant related party transactions, which had potential conflict with the interests of the Company at large. The transactions with related parties are disclosed in the Note 30 to the Annual Accounts.

#### b) Details of non-compliance etc.

A Statement on Compliance with all Laws and Regulations certified by the Managing Director and Company Secretary is placed at the meeting of the Board of Directors for their review.

There were no instances of non-compliance, penalty or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

#### c) Details of establishment of Vigil Mechanism (Whistle Blower Policy)

The Board of Directors of the Company had adopted the Whistle Blower Policy and appointed an ombudsman.

A mechanism has been established for all stakeholders including Directors, employees, vendors and suppliers to report concerns about unethical behaviour, actual or suspected fraud, or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimisation of employees who avail of the mechanism and allows direct access to the Chairperson of the audit committee in exceptional cases.

The Audit Committee reviews periodically the functioning of Whistle Blower mechanism.

No personnel has been denied access to the Audit Committee. A copy of the Whistle Blower Policy is also available on the website of the Company: <http://www.rain-industries.com>

The ombudsman had not received any complaint during the Financial Year ended December 31, 2018.

- d)** The policy for determining 'material' subsidiaries is available on the website of the Company [http:// www.rain-industries.com](http://www.rain-industries.com)
- e)** The policy on dealing with related party transactions is available on the website of the Company: <http://www.rain-industries.com>
- f)** The Company has not raised any funds through preferential allotment or qualified institutions placement during the Financial Year ended December 31, 2018.
- g)** A certificate from a Company Secretary in Practice stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Company by SEBI or Ministry of Corporate Affairs or any such statutory authority is enclosed to this report.
- h)** There has been no such incidence where the Board has not accepted the recommendation of the Committees of the Company during the year under review.
- i)** Given below are the details of fees paid to BSR & Associates LLP, Chartered Accountant, Statutory Auditors of the Company on a Consolidated basis during the Financial Year ended December 31, 2018:

Sl. No.	Payments to the Statutory Auditors (excluding taxes)	Fees paid in ₹ million
1.	Statutory Audit fees paid for Audit of the Company and Subsidiary Companies situated in India	5.75
2.	Fees paid for Limited review of the Company and Subsidiary Companies situated in India and outside India	8.20
3.	Statutory Audit fees paid for Audit of Subsidiary Companies situated outside India	52.31
4.	Fees paid for other services	6.74
5.	Reimbursement of expenses	7.21
<b>Total</b>		<b>80.21</b>

- j)** Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Sl. No.	Particulars	No.
1.	Number of complaints on Sexual harassment received during the year	Nil
2.	Number of Complaints disposed off during the year	Not Applicable
3.	Number of cases pending as on end of the Financial Year	Not Applicable

- 15.** The Company has complied with the requirements of Schedule V Corporate Governance Report sub-paras (2) to (10) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **16. Details of compliance with mandatory requirements and adoption of Discretionary Requirements**

The Company has complied with all the mandatory requirements of Corporate Governance as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

With regard to discretionary requirements, the Company has adopted clauses relating to the following:

- i) Board:** The Company has Non-executive Chairperson, Separate persons were appointed for the post of Chairman and Managing Director.
- ii) Reporting of Internal Auditor:** Internal Auditors reports directly to the Audit Committee.



## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

### 17. The Disclosures of the compliance with Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 are as follows:

Regulation	Particulars of Regulations	Compliance status (Yes/No)
17	Board of Directors	Yes
18	Audit Committee	Yes
19	Nomination and Remuneration Committee	Yes
20	Stakeholders Relationship Committee	Yes
21	Risk Management Committee	Yes
22	Vigil mechanism	Yes
23	Related Party Transactions	Yes
24	Corporate Governance requirements with respect to subsidiary of listed entity	Yes
25	Obligations with respect to Independent Directors	Yes
26	Obligation with respect to Directors and senior management	Yes
27	Other Corporate Governance requirements	Yes
46(2)(b) to (i)	Website	Yes

### 18. Risk Management

The Company has constituted a Risk Management Committee and adopted Risk Management policy. Currently, the Company's risk management approach comprises of the following:

- Governance of Risk
- Identification of Risk
- Assessment and control of Risk

The risks have been prioritised through a company-wide exercise. Members of senior management have undertaken the ownership and are working on mitigating the same through co-ordination among the various departments, insurance coverage, security policy and personal accident coverage for lives of all employees.

The Company had appointed a Risk Officer and put in place a risk management framework, which helps to identify various risks cutting across its business lines. The risks are identified and are discussed by the representatives from various functions.

The details of risks identified and mitigation measures undertaken are presented to the Board of Directors and the Audit Committee on a quarterly basis. The Board and the Audit Committee provides oversight and reviews the risk management policy periodically.

A detailed note on the risks is included in the Management Discussion and Analysis annexed to the Boards' Report.

### 19. Subsidiary Companies

The Company has two material unlisted subsidiaries in India namely, Rain Cements Limited and Rain CIL Carbon (Vizag) Limited. An Independent Director of the Company is also Director on the Board of these subsidiaries. The Audit Committee and Board of the Company reviews the financial statements of the subsidiaries. The Minutes of subsidiary companies are placed as part of the agenda at the Board meeting of the Company.

### 20. Code of Conduct

The Board has laid down a Code of Conduct covering the ethical requirements to be complied with covering all the Board members and all employees of the Company. An affirmation of compliance with the code is received from them on an annual basis.

### 21. CEO and CFO Certification

The Managing Director and the CFO have given a Certificate to the Board as contemplated in Schedule - V of the Securities and Exchange Board of India

(Listing Obligations and Disclosure Requirements) Regulations, 2015 and is separately annexed.

### 22. Disclosure with respect to Demat suspense account/unclaimed suspense account

Unclaimed Equity shares are held in Rain Industries Limited suspense account maintained with Karvy Stock Broking Limited, Banjara Hills, Hyderabad-500034, Telangana State, India vide Client ID: 19074218 and DP ID: IN300394:

In accordance with the requirement of Clause F of Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations,

2015, the Company reports the following details in respect of equity shares lying in the suspense account:

Sl. No.	Particulars	Number of shareholders	Number of equity shares
1.	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e., January 1, 2018.	653	995,710
2.	No. of shareholders who approached the Company for transfer of shares from Unclaimed Suspense account during the year.	61	121,770
3.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense account during the year.	61	121,770
4.	Transferred to Investor Education and Protection fund Authority	2	1,000
5.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense account at the end of the year i.e., December 31, 2018 (1-3-4).	590	872,940

The voting rights on the shares outstanding in the suspense account as on December 31, 2018 shall remain frozen till the rightful owner of such shares claim the shares.

### 23. Transfer of Shares to Investor Education and Protection Fund

As per the provisions of Section 124 of the Companies Act, 2013, shares of the shareholders, who has not claimed dividends for a continuous period of 7 years, shall be transferred to Investor Education and Protection Fund Authority account. Accordingly, the Company has transferred 31,918 equity shares to Investor Education and Protection Fund during the Financial Year ended December 31, 2018.

### 24. Proceeds from public issues, rights issues, preferential issues, etc.

During the year ended December 31, 2018, there were no proceeds from public issues, rights issues, preferential issues, etc.

25. The Company has adopted the policy on dissemination of information on the material events to stock exchanges in accordance with the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said policy is available on the website of the Company [http:// www.rain-industries.com](http://www.rain-industries.com)

26. The Company has adopted the policy on preservation of documents in accordance with Regulation 9 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Documents Preservation Policy is available on the website of the Company: <http://www.rain-industries.com>

27. The Company has adopted policy on Dividend Distribution. Policy on Dividend Distribution is available on the website of the Company: <http:// www.rain-industries.com>

On behalf of the Board of Directors  
for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

## CODE OF CONDUCT DECLARATION

As provided under Schedule-V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended December 31, 2018.

for **Rain Industries Limited**

Place: Hyderabad  
Date: February 27, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

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## CEO AND CFO CERTIFICATE

We hereby certify that:

- a) We have reviewed Audited Financial Statements for the Financial Year ended December 31, 2018 and that to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee that there are no:
  - i) significant changes in internal control over financial reporting during the year;
  - ii) significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

for **Rain Industries Limited**

Place: Hyderabad  
Date: February 26, 2019

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T Srinivasa Rao**  
Chief Financial Officer  
M. No.: F29080

To

The Members,  
Rain Industries Limited,  
Hyderabad.

**SUB: Certificate under Schedule V(C)(10)(i) of SEBI (Listing Obligations and Disclosure Requirements), 2015**

We, **DVM & Associates LLP**, Practicing Company Secretaries, have examined the Company and Registrar of Companies records, books and papers of **RAIN INDUSTRIES LIMITED (CIN: L26942TG1974PLC001693)** having its Registered Office at "Rain Center", 34, Srinagar Colony, Hyderabad – 500073, Telangana State, India (the Company) as required to be maintained under the Companies Act, 2013, SEBI Regulations, other applicable rules and regulations made thereunder for the Financial Year ended on December 31, 2018.

In our opinion and to the best of our information and according to the examinations carried out by us and explanations and representation furnished to us by the Company, its officers and agents, we certify that none of the following Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority as on December 31, 2018:

Sl. No.	Name of the Director	Designation	DIN No
1.	Mr N Radhakrishna Reddy	Chairman (Non - Executive Director)	00021052
2.	Mr Jagan Mohan Reddy Nellore	Managing Director	00017633
3.	Mr N Sujith Kumar Reddy	Non - Executive Director	00022383
4.	Mr S L Rao	Independent Director	00005675
5.	Mr H L Zutshi	Independent Director	00041002
6.	Mr Varun Batra	Independent Director	00020526
7.	Ms Radhika Vijay Haribhakti	Independent Director	02409519
8.	Ms Nirmala Reddy	Independent Director	01673128

for **DVM & Associates LLP**  
Company Secretaries  
L2017KR002100

**DVM Gopal**  
Partner  
M. No.: F6280  
CP No: 6798

Place: Hyderabad  
Date: February 27, 2019

## INDEPENDENT AUDITOR'S CERTIFICATE ON THE CORPORATE GOVERNANCE REPORT

To,

The Members of Rain Industries Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated July 4, 2018.
2. Rain Industries Limited ('the Company') requires Independent auditor's certificate on corporate governance as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period January 1, 2018 to December 31, 2018.

### Management responsibility

3. The preparation of the corporate governance report is the responsibility of the management of the Company along with the maintenance of all its relevant supporting records and documents. The Management is also responsible for compliance with conditions of corporate governance as stipulated in regulation 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period January 1, 2018 to December 31, 2018. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance report and applying an appropriate basis of preparation.

### Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to certify whether the Company has complied with the above said compliances of the conditions of the Corporate Governance for the period January 1, 2018 to December 31, 2018.
5. We have examined the compliance of the conditions of Corporate Governance by the Company for the period 1 January, 2018 to December 31, 2018 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2)

and paragraphs C, D and E of Schedule V of the Listing Regulations. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Standalone IND AS financial statements of the Company.

6. We conducted our examination in accordance with the Guidance Note on Audit Reports and Certificates issued for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17 to 27, Clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of the Schedule V of the Listing Regulations, as applicable.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**Restrictions on Use**

This certificate is issued solely for the purpose of complying with Regulation 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period January 1, 2018 to December 31, 2018 and may not be suitable for any other purpose. Accordingly, we do not

accept or assume any liability or duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**for B S R & Associates LLP**

Chartered Accountants

Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

Partner

Membership Number: 049642

Unique Document Identification Number:

19049642AAAAAB7851

Place: Hyderabad

Date: February 27, 2019



## INDEPENDENT AUDITOR'S REPORT

### To the Members of Rain Industries Limited

#### REPORT ON THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

We have audited the accompanying standalone Ind AS financial statements of Rain Industries Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information, (collectively referred to as the 'Standalone Ind AS Financial Statements')

#### MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

#### OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at December 31, 2018, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on December 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 31 to the standalone Ind AS financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

for **B S R & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

*Partner*

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019

## ANNEXURE A

### TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS

With reference to Annexure A referred to in our Report of even date to the Members of Rain Industries Limited ("the Company") on the standalone Ind AS financial statements for the year ended December 31, 2018, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. In accordance with the programme, fixed assets have been physically verified during the previous year and no material discrepancies were noticed on such physical verification.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 3 to these standalone Ind AS financial statements, are held in the name of the Company.
- ii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.
- iii. The Company has granted unsecured loans to one subsidiary covered in the register maintained under Section 189 of the Companies Act, 2013 ("Act"). The Company has not granted loans to firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act.
  - a) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
  - b) In respect of the aforesaid loans, the borrowers have been regular in the repayment of the principal and payment of interest, wherever stipulated.
  - c) In respect of the aforesaid loans, there are no amounts which are overdue for more than ninety days.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans given and investments made. Further, there are no guarantees and security given in respect of which provisions of Sections 185 and 186 of the Act are applicable.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed thereunder. Accordingly, paragraph 3(v) of the Order are not applicable to the Company.
- vi. The Central Government has not prescribed the maintenance of cost records under Section 148 of the Act, for services rendered by the Company. Thus, paragraph 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Goods and Service tax, Sales-tax, Value Added Tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Goods and Service tax, Sales-tax, Value Added Tax and other material statutory dues were in arrears as at December 31, 2018 for a period of more than six months from the date they became payable.

  - (b) According to the information and explanations given to us, there are no dues of Goods and Service Tax, Sales Tax, Value-Added Tax which have not been deposited with appropriate authorities on account of any dispute. However, the Company has the following disputed dues with respect to Income tax.

## ANNEXURE A

### TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS (CONTINUED)

Name of the Statute	Nature of Dues	Amount in millions (₹)	Period to which the amount relates	Forum where the dispute is pending
Income tax Act, 1961	Income tax and interest	91.24 (91.24)	AY 2004-05	Honourable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh
Income tax Act, 1961	Income tax and interest	25.61 (12.80)	AY 2008-09	Honourable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh
Income tax Act, 1961	Income tax and interest	167.70 (94.90)	AY 2009-10	Honourable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh
Income tax Act, 1961	Income tax and interest	200.44 (10.00)	AY 2010-11	Income tax Appellate Tribunal
Income tax Act, 1961	Income tax and interest	51.90	AY 2011-12	Income tax Appellate Tribunal
Income tax Act, 1961	Income tax and interest	32.60	AY 2012-13	Income tax Appellate Tribunal
Income tax Act, 1961	Income tax and interest	18.40	AY 2013-14	Income tax Appellate Tribunal

(Amount in parenthesis represents amount deposited under protest with respective authority)

- viii. According to the information and explanations given to us and the records of the Company examined by us, the Company has not defaulted in repayment of loans and borrowings to Banks. The Company did not have any dues to Financial Institution or Government, nor has it issued any debentures as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the moneys raised by way of term loan have been applied on an overall basis for the purpose for which they were obtained.
- x. According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.
- xii. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause (xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in Note 30 to the standalone Ind AS financial statements as required under Indian Accounting Standard 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause (xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause (xv) of the Order are not applicable to the Company.
- xvi. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause (xvi) of the Order are not applicable to the Company.

for **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

Partner

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019

## **ANNEXURE B**

### **TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS**

The Annexure B referred to in our Report of even date to the Members of Rain Industries Limited ("the Company") on the standalone Ind AS financial statements for the year ended December 31, 2018.

#### **REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF THE SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**

We have audited the internal financial controls over financial reporting of the Company as of December 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial control and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with the generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the standalone Ind AS financial statements.

## ANNEXURE B

### TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS (CONTINUED)

#### **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **OPINION**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial

reporting were operating effectively as at December 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **B S R & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

*Partner*

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019



## BALANCE SHEET AS AT DECEMBER 31, 2018

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

	Note	As at December 31, 2018	As at December 31, 2017
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Property, plant and equipment	3	74.83	72.17
(b) Other Intangible assets	4	1.30	-
(c) Financial assets			
(i) Investments	5	9,169.65	9,169.65
(ii) Loans	6	2,904.32	1,918.85
(d) Deferred tax asset (net)	26	1.45	1.45
(e) Non-current tax assets (net)	26	311.21	302.27
(f) Other non-current assets	7	0.72	-
<b>2. Current assets</b>			
(a) Financial assets			
(i) Trade receivables	8	327.16	15.12
(ii) Cash and cash equivalents	9	18.17	28.53
(iii) Bank balances other than cash and cash equivalents	9	42.82	39.48
(iv) Loans	10	170.98	927.00
(v) Other financial assets	11	55.79	35.81
(b) Other current assets	12	2.34	1.01
<b>Total</b>		<b>13,080.74</b>	<b>12,511.34</b>
<b>EQUITY AND LIABILITIES</b>			
<b>1. Equity</b>			
(a) Equity share capital	13	672.69	672.69
(b) Other equity	14	8,485.92	8,553.88
		<b>9,158.61</b>	<b>9,226.57</b>
<b>2. Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	15	3,308.70	1,900.40
(b) Provisions	16	4.97	4.45
<b>Current liabilities</b>			
(a) Financial liabilities			
(i) Trade payables	17		
(A) total outstanding dues of micro enterprises and small enterprises and		-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		335.73	13.42
(ii) Other financial liabilities	18	223.92	1,331.22
(b) Other current liabilities	19	5.27	4.64
(c) Provisions	20	1.41	0.83
(d) Current tax liabilities (net)	26	42.13	29.81
<b>Total</b>		<b>13,080.74</b>	<b>12,511.34</b>
Corporate information	1		
Significant accounting policies	2		
<b>The notes referred to above form an integral part of the financial statements</b>			

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

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

# STATEMENT OF PROFIT AND LOSS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>1. TOTAL INCOME</b>			
Revenue from operations	21	1,053.53	596.21
Other income	22	1,037.89	593.38
<b>Total income</b>		<b>2,091.42</b>	<b>1,189.59</b>
<b>2. EXPENSES</b>			
Purchases of stock-in-trade		725.52	359.75
Employee benefits expense	23	187.10	122.65
Finance costs	24	196.08	176.90
Depreciation and amortisation expense	3 & 4	5.20	6.00
Other expenses	25	204.18	138.99
<b>Total expenses</b>		<b>1,318.08</b>	<b>804.29</b>
<b>3. PROFIT BEFORE TAX (1-2)</b>		<b>773.34</b>	<b>385.30</b>
<b>4. TAX EXPENSE</b>	26		
1. Current tax		168.68	64.24
2. Deferred tax		-	-
<b>5. PROFIT FOR THE YEAR (3-4)</b>		<b>604.66</b>	<b>321.06</b>
<b>6. OTHER COMPREHENSIVE INCOME/(LOSS):</b>			
A. (i) Items that will not be reclassified subsequently to profit or loss			
- Remeasurements of the defined benefit plans		0.07	0.18
(ii) Income tax relating to items that will not be reclassified to profit or loss		-	-
B. (i) Items that will be reclassified subsequently to profit or loss		-	-
(ii) Income tax relating to items that will be reclassified to profit or loss		-	-
<b>Total Other Comprehensive Income for the year</b>		<b>0.07</b>	<b>0.18</b>
<b>7. TOTAL COMPREHENSIVE INCOME FOR THE YEAR (5+6)</b>		<b>604.73</b>	<b>321.24</b>
<b>8. EARNINGS PER SHARE (FACE VALUE OF ₹ 2/- EACH)</b>			
Basic and Diluted (₹)	32	1.80	0.95
Corporate information	1		
Significant accounting policies	2		
<b>The notes referred to above form an integral part of the financial statements</b>			

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

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	773.34	385.30
Adjustments for:		
Depreciation and amortisation expense	5.20	6.00
Interest and other borrowing costs	196.08	176.90
Interest income	(180.99)	(164.64)
Dividend income from non-current investments	(846.26)	(393.70)
Foreign exchange (gain)/loss, net	34.05	(20.25)
Operating loss before working capital changes	(18.58)	(10.39)
Adjustments for changes in working capital:		
(Increase)/decrease in operating assets:		
Trade receivables	(312.17)	(1.43)
Loans and other assets	(24.91)	1.75
Increase/(decrease) in operating liabilities:		
Trade payables	322.31	10.83
Other current liabilities	0.63	(62.85)
Other financial liabilities	5.15	2.67
Provisions	1.17	(0.05)
Cash used in operations	(26.40)	(59.47)
Income taxes paid, net	(165.30)	(94.93)
Net cash used in operating activities	(191.70)	(154.40)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment, intangible assets including capital advances	(9.16)	(2.29)
Loans given to subsidiaries	(1,472.90)	-
Loans repaid by subsidiaries	1,492.74	1,314.29
Bank balances other than cash and cash equivalents	(3.34)	16.86
Interest received	183.25	186.79
Dividend received from Subsidiaries	846.26	393.70
Net cash from investing activities	1,036.85	1,909.35
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from non-current borrowings	1,472.80	-
Repayment of non-current borrowings	(1,461.00)	(1,282.28)
Interest and other borrowing costs paid	(194.62)	(168.31)
Dividend paid	(672.69)	(336.35)
Net cash used in financing activities	(855.51)	(1,786.94)
Net decrease in cash and cash equivalents (A+B+C)	(10.36)	(31.99)
Cash and cash equivalents - opening balance	28.53	60.52
Cash and cash equivalents - closing balance (Refer note 9)	18.17	28.53
<b>Notes:</b>		
(i) The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard - 7 on Statement on Cash Flows.		
(ii) Components of Cash and cash equivalents		
Cash and cash equivalents		
Balances with banks:		
- in current accounts	18.17	28.53
	18.17	28.53
(iii) 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: 116231W/ W-100024

**Sriram Mahalingam**  
Partner  
Membership Number: 049642

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
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**Jagan Mohan Reddy Nellore**  
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Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

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

(I)

Particulars	Other equity							Total
	Equity Share Capital	Capital Reserve	Capital Redemption Reserve	Securities Premium	General Reserve	Retained Earnings	Other Comprehensive Income Foreign Currency Translation Reserve	
<b>Balance as on January 1, 2018</b>	672.69	4,319.91	47.66	516.67	705.71	745.65	2,219.36	9,226.57
Profit for the year (A)	-	-	-	-	-	604.66	-	604.66
<b>Other comprehensive income (B)</b>	-	-	-	-	-	-	-	-
- Remeasurements of defined benefit plans (net of tax)	-	-	-	-	-	-	-	0.07
<b>Total Comprehensive Income for the year (A+B)</b>	-	-	-	-	-	604.66	-	604.73
Dividends including dividend distribution tax (Refer note 13(iii))	-	-	-	-	-	(672.69)	-	(672.69)
Transfer from retained earnings	-	-	-	-	60.47	(60.47)	-	-
<b>Balance as on December 31, 2018</b>	<b>672.69</b>	<b>4,319.91</b>	<b>47.66</b>	<b>516.67</b>	<b>766.18</b>	<b>617.15</b>	<b>2,219.36</b>	<b>9,158.61</b>

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Particulars	Other equity							Total
	Equity Share Capital	Capital Reserve	Capital Redemption Reserve	Securities Premium	General Reserve	Retained Earnings	Other Comprehensive Income Foreign Currency Translation Reserve	
<b>Balance as on January 1, 2017</b>	672.69	4,319.91	47.66	516.67	673.60	793.05	2,219.36	9,241.68
Profit for the year (A)	-	-	-	-	-	321.06	-	321.06
<b>Other comprehensive income (B)</b>	-	-	-	-	-	-	-	-
- Remeasurements of defined benefit plans (net of tax)	-	-	-	-	-	-	-	0.18
<b>Total Comprehensive Income for the year (A+B)</b>	-	-	-	-	-	321.06	-	321.24
Dividends including dividend distribution tax (Refer note 13(iii))	-	-	-	-	-	(336.35)	-	(336.35)
Transfer from retained earnings	-	-	-	-	32.11	(32.11)	-	-
<b>Balance as on December 31, 2017</b>	<b>672.69</b>	<b>4,319.91</b>	<b>47.66</b>	<b>516.67</b>	<b>705.71</b>	<b>745.65</b>	<b>2,219.36</b>	<b>9,226.57</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018 (CONTINUED)

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

### (III) DESCRIPTION OF THE PURPOSES OF EACH RESERVE WITHIN EQUITY:

#### Reserves and Surplus:

- (a) **Capital reserve:** It consists of pre-acquisition profits. During the previous year in certain common control transactions, the excess of net assets taken, over the cost of consideration paid were treated as capital reserve in accordance with previous GAAP.
- (b) **Securities premium:** The amount received in excess of face value of the equity shares is recognised in Securities Premium Reserve. It can be 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.
- (c) **Capital redemption reserve:** It consists of reserves on the buyback of equity shares from its retained earnings. The amount represents nominal amount of the equity shares bought back.
- (d) **General reserve:** It represents the portion of the net profit which the Company has transferred, before declaring dividend pursuant to the earlier provision of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.
- (e) **Retained earnings:** Retained earnings represents the net profits after all distributions and transfers to other reserves.

#### Items of Other Comprehensive Income:

- (a) **Foreign currency translation reserve (FCTR):** Represents the FCTR of Moonglow Company Business Inc. which was merged with the Company in the financial year ended December 31, 2015.
- (b) **Remeasurements of defined benefit liability(asset):** Remeasurements of defined benefit liability(asset) comprises actuarial gains and losses and return on plan assets (excluding interest income).

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

Place: Hyderabad

Date : February 27, 2019

**For and on behalf of the Board of Directors of  
Rain Industries Limited**

CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**

Managing Director

DIN: 00017633

**T. Srinivasa Rao**

Chief Financial Officer

Membership Number: F29080

**N. Sujith Kumar Reddy**

Director

DIN: 00022383

**S. Venkat Ramana Reddy**

Company Secretary

Membership Number: A14143

# NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE 1: CORPORATE OVERVIEW

Rain Industries Limited ('the Company') was incorporated on March 15, 1974 under the erstwhile Companies Act, 1956 and is domiciled in India with its registered office in Hyderabad. The Company is engaged in sale of products and providing shared support services to its group companies. The Company's equity shares are listed at BSE Limited and National Stock Exchange of India Limited in India.

### 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 (as amended from time to time) notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The standalone financial statements have been prepared on a going concern basis. Relevant Ind AS effective as on the Company's annual reporting date December 31, 2018 have been applied. The accounting policies are applied consistently to all the periods presented in the financial statements. The standalone financial statements were authorised for issue by the Company's Board of Directors on February 27, 2019.

##### (ii) Functional and presentation currency

These Standalone financial statements are presented in Indian Rupees (₹), 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:

Items	Measurement basis
Certain financial assets and liabilities (refer accounting policy regarding financial instruments)	Fair value
Net defined benefit asset/liability	Fair value of plan assets less present value of defined benefit plan
Borrowings	Amortised cost using effective interest rate method

#### (iv) Use of estimates

In preparing these Standalone 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 those 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 judgements 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 (refer note 29)
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (refer note 31)
- Recognition and recoverability of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used (refer note 26);
- Useful life of property, plant and equipment (refer note 2 (f))
- Impairment of financial assets and non-financial assets (refer note 27 and 2 (g))
- Expected Credit loss - provision for doubtful debts (refer note 27.3)
- Assessment of functional currency (refer note 2(a)(iii)).



## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

#### 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.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

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 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.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

**b) Business combinations**

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. Transaction costs related to acquisition 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 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 based on 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 and loss or other comprehensive income, 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at their carrying amounts. The identity of the reserves is preserved and they appear in the financial statements of the Company in the same form in which they appeared in the financial statements of the acquired entity. The difference, if any, between the value of net assets and the consequent reduction in value of investment held by the Company is transferred to the capital reserve or to the accumulated balance of profit and loss.

**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.

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (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 or Loss (FVTPL). This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial assets

##### Business model assessment

The Company 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 Company'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.

##### Financial assets: 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 Company 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 Company 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 Company'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.

##### Financial assets: Subsequent measurement and gains and losses

**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 profit and loss.

**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 and loss.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

**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.

**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. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

**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.

**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 is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excludes taxes or duties collected on behalf of the government.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, 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 trade discounts and allowances.

Revenue from sale of duty scripts is recognised when the significant risks and rewards of ownership have been passed to the buyer, consideration can be reliably measured and its recovery is probable.

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

In accordance with Indian Accounting Standard – 18 on Revenue and Schedule III of the Companies Act, 2013 unlike Excise Duties levies like GST are not part of revenue.

**e) Other income**

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

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### f) Property, plant and equipment

Property, plant and equipment are stated at cost/professional valuation 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.

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.

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 assets are determined as the difference between net sales proceeds and the carrying amount, and are presented in the Statement of Standalone 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.

Items	Years
Buildings	60
Furniture and Fixtures	0-10
Office equipment	3-5
Vehicles	1-10

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.

#### g) 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."

#### h) 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.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

**i) Equity investments in subsidiaries**

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

**j) 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 recognised 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.

**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. Remeasurements, 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. Remeasurements 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 Standalone statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and nonroutine 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 unutilised 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.

**k) 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.

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



## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. 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.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Standalone Profit and Loss on a straight-line basis over 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.

Profit or loss on sale and lease back arrangements resulting in operating leases are recognised, in case the transaction is established at fair value, else the excess over the fair value is deferred and amortised over the period for which the asset is expected to be used.

#### l) Borrowing Costs

Borrowing costs include interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction/development of the qualifying asset up to the date of capitalisation of such asset is added to the cost of the assets.

Deferred finance costs consists of loan financing fees, which are being amortised over the life of the loan. Amortisation of deferred finance cost is included in other borrowing costs of Statement of Profit and loss. Other borrowings costs are recognised in the period in which they are incurred.

#### m) Earnings Per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit after tax (and includes the post-tax 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.

#### n) Tax expense

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. 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.

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 Company 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.

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.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

**o) 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 Standalone 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.

**p) 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 Standalone 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.

**q) 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.

**r) Segment**

Based on the "management approach" as defined in Ind AS 108, "Operating Segments", the Chief Operating Decision Maker (CODM) evaluates the Company performance and allocates resources based on an analysis

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

of various performance indicators by business segments. Accordingly, information has been presented along the business segments of 'Carbon', 'Advanced Materials' and 'Cements' as its operating segments in the consolidated financial Statements

#### s) Standards issued but not yet effective

##### **Ind AS 115 – Revenue from Contracts with Customers**

In March, 2018 the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, Revenue from Contracts with Customers, which is effective for accounting periods beginning on or after April 1, 2018. This standard replaces existing revenue recognition rules with a single comprehensive model to use in accounting for revenue arising from contract with customers. Under Ind AS 115, revenue is recognised when the entity transfers control of promised goods or services to customers. 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, if any arising from contracts with customers. The Company intends to adopt the new standard effective January 1, 2019 using the modified retrospective method.

To identify the potential impact of the standard on the Company's financial statements, the Company has analysed contracts of its relevant revenue streams.

The impact of the new standard is identified to be not materially affecting the current recognition and measurement of revenues, though there would be significant additional disclosure requirements for the Company to comply with.

# 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

Description	Gross Block			Accumulated Depreciation			Net Block	
	As at January 1, 2018	Additions	Deletions	As at January 1, 2018	For the year	Deletions	As at December 31, 2018	As at December 31, 2017
<b>Tangible assets</b>								
Land - freehold	2.21	-	-	-	-	-	2.21	2.21
Buildings	66.67	-	-	2.69	1.35	-	62.63	63.98
Furniture and fixtures	10.22	-	-	10.22	-	-	-	-
Office equipment	13.30	7.76	-	8.14	3.63	-	9.29	5.16
Vehicles	1.06	-	-	0.24	0.12	-	0.70	0.82
<b>Total</b>	<b>93.46</b>	<b>7.76</b>	<b>-</b>	<b>21.29</b>	<b>5.10</b>	<b>-</b>	<b>74.83</b>	<b>72.17</b>

Description	Gross Block			Accumulated Depreciation			Net Block	
	As at January 1, 2017	Additions	Deletions	As at January 1, 2017	For the year	Deletions	As at December 31, 2017	As at December 31, 2016
<b>Tangible assets</b>								
Land - freehold	2.21	-	-	-	-	-	2.21	2.21
Buildings	66.67	-	-	1.34	1.35	-	63.98	65.33
Furniture and fixtures	10.22	-	-	8.76	1.46	-	-	1.46
Office equipment	11.02	2.28	-	5.07	3.07	-	5.16	5.95
Vehicles	1.05	0.01	-	0.12	0.12	-	0.82	0.93
<b>Total</b>	<b>91.17</b>	<b>2.29</b>	<b>-</b>	<b>15.29</b>	<b>6.00</b>	<b>-</b>	<b>72.17</b>	<b>75.88</b>

#### Note:

- Properties are pledged against borrowings availed from bank. Refer note 15 (iii) for the same.

## 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, 2018	Additions	Deletions	As at December 31, 2018	As at January 1, 2018	For the year	Deletions	As at December 31, 2018	As at December 31, 2017
Other Intangible assets:									
Software	-	1.40	-	1.40	-	0.10	-	1.30	-
<b>Total</b>	-	<b>1.40</b>	-	<b>1.40</b>	-	<b>0.10</b>	-	<b>1.30</b>	-

Description	Gross Block				Accumulated Amortisation			Net Block	
	As at January 1, 2017	Additions/ Adjustments	Deletions/ Adjustments	As at December 31, 2017	As at January 1, 2017	For the year	Deletions/ Adjustments	As at December 31, 2017	As at December 31, 2016
Other Intangible assets:									
Software	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 5: NON-CURRENT INVESTMENTS

	As at December 31, 2018	As at December 31, 2017
<b>Investment (unquoted, at cost)</b>		
<b>A. Equity shares</b>		
<b>(i) of subsidiaries</b>		
Rain Cements Limited	2,128.10	2,128.10
29,805,000 (December 31, 2017 : 29,805,000) Equity Shares of ₹ 10 each fully paid up		
<b>Rain Commodities (USA) Inc.</b>		
20 (December 31, 2017 : 20) Common Stock at par value of USD 0.01 per share fully paid up	4.45	4.45
200,000 (December 31, 2017 : 200,000) Class B Redeemable Common Stock at par value of USD 100 per share fully paid up	902.80	902.80
Rain CII Carbon (Vizag) Limited (refer note c below)	13.00	13.00
1,000,000 (December 31, 2017 : 1,000,000) Equity Shares of ₹ 10 each fully paid up		
<b>B. Preference shares</b>		
<b>(i) of subsidiaries</b>		
<b>Rain Commodities (USA) Inc.</b>		
97,800 (December 31, 2017 : 97,800) Convertible Redeemable Preferred Series - B at par value USD 1,000 per share fully paid up	6,121.30	6,121.30
<b>Total</b>	<b>9,169.65</b>	<b>9,169.65</b>
(a) Aggregate value of unquoted investments	9,169.65	9,169.65
(b) Aggregate value of quoted investments	-	-
(c) Investments are pledged with banks against borrowings availed from banks. Refer note 15 for the same.		

## NOTE 6: NON-CURRENT LOANS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Loans and advances		
- to related parties (Refer notes below and 30)	2,903.26	1,917.90
Electricity Deposit	1.06	0.95
<b>Total</b>	<b>2,904.32</b>	<b>1,918.85</b>

## Notes:

- A) The term loan of USD 20 Million, provided during the financial year ended December 31, 2015, carries interest of 3 months Libor plus 260 basis points. This loan has been repaid by Rain Commodities (USA) Inc. as bullet payment in November 2018. Balance as at December 31, 2018 is ₹ Nil (December 31, 2017: ₹ 926.99).
- B) The term loan of USD 30 Million, provided during the year 2016, carries interest of 3 months Libor plus 425 basis points. This loan is repayable by Rain Commodities (USA) Inc. in quarterly installments starting from December 2019. Balance as at December 31, 2018 is ₹ 1,674.96 (December 31, 2017: ₹ 1,917.90).
- C) The loan of USD 20 Million, provided during the financial year ended December 31, 2018, carries interest of 3 months Libor plus 240 basis points for year one and two and interest of 3 months Libor plus 315 basis points for year three. This loan is repayable by Rain Commodities (USA) Inc. as a bullet repayment on October 25, 2021. Balance as at December 31, 2018 is ₹ 1,395.80 (December 31, 2017: ₹ Nil).
- D) These loan were given for the purpose of making investment in subsidiaries outside India.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 7: OTHER NON-CURRENT ASSETS

	As at December 31, 2018	As at December 31, 2017
Excess contribution to Plan assets for Defined benefit plan (Refer note 29 (b))	0.72	-
<b>Total</b>	<b>0.72</b>	<b>-</b>

### NOTE 8: TRADE RECEIVABLES

	As at December 31, 2018	As at December 31, 2017
Trade receivables considered good - secured	-	-
Trade receivables considered good - unsecured	327.16	15.12
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
	<b>327.16</b>	<b>15.12</b>
Less: Allowance for doubtful trade receivables	-	-
<b>Total</b>	<b>327.16</b>	<b>15.12</b>

- (i) Trade receivables amounting to ₹ 327.16 (December 31, 2017: ₹ 15.12) are due from related parties. For the terms and conditions, Refer Note 30.
- (ii) The Company's exposure to credit and currency risk and loss allowances related to trade receivables are disclosed in Note 27.3 and 27.7.
- (iii) Receivables are pledged with banks against borrowings availed from banks. Refer note 15 for the same.

### NOTE 9: CASH AND BANK BALANCES

	As at December 31, 2018	As at December 31, 2017
<b>A. Cash and cash equivalents</b>		
Balances with banks:		
- in current accounts	18.17	28.53
	<b>18.17</b>	<b>28.53</b>
<b>B. Bank balances other than cash and cash equivalents</b>		
Unclaimed dividend accounts	42.82	39.48
	<b>42.82</b>	<b>39.48</b>
<b>Total [A+B]</b>	<b>60.99</b>	<b>68.01</b>

Cash and bank balances are pledged to fulfill collateral requirements against borrowings availed from banks. Refer note 15 for the same.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 10: CURRENT LOANS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Loans to related parties* (Refer note 30)	167.50	926.99
Advance to employees	3.48	0.01
<b>Total</b>	<b>170.98</b>	<b>927.00</b>

\* For details of loans to related parties refer note 6

## NOTE 11: OTHER CURRENT FINANCIAL ASSETS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Interest accrued on loans (Refer note 30)	36.53	35.81
Unbilled revenue	19.26	-
<b>Total</b>	<b>55.79</b>	<b>35.81</b>

## NOTE 12: OTHER CURRENT ASSETS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Prepaid expenses	0.06	0.14
Balances with Government authorities	0.85	-
Advance to supplier and service providers	1.43	0.87
<b>Total</b>	<b>2.34</b>	<b>1.01</b>

## NOTE 13: SHARE CAPITAL

	As at December 31, 2018		As at December 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised:</b>				
Equity Shares of ₹ 2 each	590,000,000	1,180.00	590,000,000	1,180.00
Redeemable preference shares of ₹ 100 each	4,900,000	490.00	4,900,000	490.00
<b>Total</b>	<b>594,900,000</b>	<b>1,670.00</b>	<b>594,900,000</b>	<b>1,670.00</b>
<b>Issued, subscribed and fully paid up</b>				
Equity Shares of ₹ 2 each	336,345,679	672.69	336,345,679	672.69
<b>Total</b>	<b>336,345,679</b>	<b>672.69</b>	<b>336,345,679</b>	<b>672.69</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 13: SHARE CAPITAL (CONTINUED)

Notes:

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

Particulars	December 31, 2018		December 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
As at beginning of the year	336,345,679	672.69	336,345,679	672.69
Less: Equity Shares bought back and extinguished during the year	-	-	-	-
<b>As at end of the year</b>	<b>336,345,679</b>	<b>672.69</b>	<b>336,345,679</b>	<b>672.69</b>

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

The Company has only one class of equity shares having a par value of ₹ 2 each per share. Each holder of equity shares is entitled to one vote per share. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. However, 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 at its meeting held on August 11, 2017 has declared an interim dividend of 50% (₹ 1 per equity share of par value of ₹ 2 each amounting to ₹ 336.35, including tax on dividend) for the half year ended June 30, 2017. Further, the Board of Directors at its meeting held on February 28, 2018 has recommended a final dividend of 50% (₹ 1 per equity share of par value ₹ 2 each amounting to ₹ 336.35, including tax on dividend) which was approved by shareholders on May 11, 2018. Accordingly, provision for proposed dividend and dividend distribution tax is recognised in the financial statements for the year ended December 31, 2018.

The Board of Directors at its meeting held on November 14, 2018 has declared an interim dividend of 50% (₹ 1 per equity share of par value of ₹ 2 each amounting to ₹ 336.35, including tax on dividend) for the financial year ended December 31, 2018 and no further dividend recommended during the year.

(iii) Particulars of shareholders holding more than 5% of the equity shares

Name of the Shareholder	As at December 31, 2018		As at December 31, 2017	
	Number of Shares	%	Number of Shares	%
Sujala Investments Private Limited	37,766,675	11.23	37,766,675	11.23
Rain Enterprises Private Limited	25,316,465	7.53	25,316,465	7.53
N. Anupama Reddy	27,152,351	8.07	27,152,351	8.07
Meghamala Enterprises Private Limited	17,400,610	5.17	17,402,110	5.17

(iv) 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.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 14: OTHER EQUITY

	As at December 31, 2018	As at December 31, 2017
<b>Reserves and Surplus:</b>		
(a) Capital reserve (Balance at the beginning and end of the year)	4,319.91	4,319.91
(b) Securities premium (Balance at the beginning and end of the year)	516.67	516.67
(c) Capital redemption reserve (Balance at the beginning and end of the year)	47.66	47.66
(d) General reserve		
Opening balance	705.71	673.60
Add: Transferred from surplus in Statement of Profit and Loss	60.47	32.11
<b>Closing balance</b>	<b>766.18</b>	<b>705.71</b>
(e) Retained earnings		
Opening balance	745.65	793.05
Add: Profit for the year	604.66	321.06
Less: Dividend (Refer note 13 (ii))	(672.69)	(336.35)
Transfer to General Reserve	(60.47)	(32.11)
<b>Closing balance</b>	<b>617.15</b>	<b>745.65</b>
Items of Other Comprehensive Income:		
(a) Foreign currency translation reserve (Balance at the beginning and end of the year)	2,219.36	2,219.36
(b) Remeasurements of defined benefit liability/(asset)		
Opening balance	(1.08)	(1.26)
Add: Remeasurements of defined benefit liability/(asset)	0.07	0.18
<b>Closing balance</b>	<b>(1.01)</b>	<b>(1.08)</b>
<b>Total</b>	<b>8,485.92</b>	<b>8,553.88</b>

## NOTE 15: NON-CURRENT BORROWINGS

	As at December 31, 2018	As at December 31, 2017
<b>A. Term loans</b>		
From banks		
- Secured	3,476.20	3,179.00
Less: Current portion of Non-current borrowings disclosed under Note 18 - Other current financial liabilities	167.50	1,278.60
<b>Total</b>	<b>3,308.70</b>	<b>1,900.40</b>

## Notes:

- (i) During the financial year ended December 31, 2015, the Company has borrowed Term loan of USD 20 Million from a bank and is secured by:
- (a) *Pari passu* first charge on movable assets of the Company including current assets of the Company.
  - (b) First Ranking exclusive charge and Hypothecation over its designated account.
  - (c) First ranking exclusive pledge on 1,000,000 equity shares held by the Company in Rain CII Carbon (Vizag) Limited, a wholly-owned step-down subsidiary Company.

It carries interest of 3 months Libor plus 235 basis points. The loan has been fully repaid in November 2018. Balance as at December 31, 2018 is ₹ Nil (December 31, 2017: ₹ 1,278.60).

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 15: NON-CURRENT BORROWINGS (CONTINUED)

- (ii) During the financial year ended December 31, 2016, the Company has borrowed Term loan of USD 30 Million from a bank and is secured by a *pari passu* first charge on all immovable and movable properties present and future of Rain Cements Limited, a wholly-owned subsidiary Company. The loan has been sanctioned vide credit facilities agreement dated February 20, 2016 between the Company, Rain Cements Limited and the bank. It carries interest of 3 months Libor plus 400 basis points. Balance as at December 31, 2018 is ₹ 2,093.70 (December 31, 2017: ₹ 1,917.90).
- (iii) During the financial year ended December 31, 2018, the Company has borrowed Term loan of USD 20 Million from a bank and is secured by :
- Parri passu first charge by way of hypothecation on all movable assets both present and future of the Company
  - Corporate guarantee of Rain CII Carbon (Vizag) Limited in favour of the bank
  - Pledge over 1,000,000 equity shares of ₹ 10 each held by the Company in Rain CII Carbon (Vizag) Limited, a wholly-owned step-down subsidiary
- The loan is repayable on October 29, 2021. It carries interest of 3 months USD Libor plus 215 basis points for year 1 and 2 and 3 month USD LIBOR plus 290 basis points for year 3 payable monthly. Balance as at December 31, 2018 is ₹ 1,395.80 (December 31, 2017: ₹ Nil)
- (iv) The term loans availed by the Company have been utilised for the purpose of investment in its wholly-owned subsidiary company which is engaged in the business of Calcined Petroleum Coke, in accordance with the sanctioned terms.
- (v) The scheduled maturity of non-current borrowings and total number of installments are summarised as below:

#### Borrowings Repayable

##### Outstanding Term Loans from Banks:

IDBI Bank Limited - USD 30.0 Million\*

Citibank - USD 20.0 Million\*\*

##### Total

As at  
December 31, 2018

2,093.70

1,395.80

**3,489.50**

\* USD 30 Million is repayable in 10 quarterly instalments starting from December 2019.

\*\* USD 20 Million is a bullet repayment on October 29, 2021

- (vi) The aggregate amount of loans outstanding (including current maturities of non-current borrowings) guaranteed by subsidiaries is ₹ 3,489.50 (December 31, 2017 : ₹ 3,196.50). (Refer note 30)
- (vii) Reconciliation of liabilities arising from financing activities\*

#### Particulars

As at  
December 31, 2018

As at  
December 31, 2017

Opening balance at the beginning of the year

3,179.00

4,732.45

Borrowings made during the year

1,472.80

-

Borrowings repaid during the year

(1,461.00)

(1,282.28)

Exchange (gain) loss on monetary items

281.20

(277.72)

Others - Amortisation of Deferred finance cost

4.20

6.55

##### Closing balance at the end of the year

**3,476.20**

**3,179.00**

\*Aforesaid reconciliation includes current maturities of non-current borrowings.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 16: NON-CURRENT PROVISIONS

	As at December 31, 2018	As at December 31, 2017
<b>Provision for employee benefits:</b>		
- Compensated absences (Refer note 29 (c))	4.97	3.82
- Gratuity(Refer note 29 (b))	-	0.63
<b>Total</b>	<b>4.97</b>	<b>4.45</b>

## NOTE 17: TRADE PAYABLES

	As at December 31, 2018	As at December 31, 2017
Trade payables - micro and small enterprises	-	-
Trade payables - other than micro and small enterprises	335.73	13.42
<b>Total</b>	<b>335.73</b>	<b>13.42</b>
<b>Disclosures under Micro, Small and Medium Enterprises Development Act, 2006:</b>		
(a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year.	-	-
(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.	-	-

The Company's exposure to liquidity risk related to trade payables is disclosed in note 27.4

The Management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at December 31, 2018 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

The above information 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.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 18: OTHER CURRENT FINANCIAL LIABILITIES

	As at December 31, 2018	As at December 31, 2017
Current maturities of non-current borrowings (Refer note 15)	167.50	1,278.60
Interest accrued but not due on borrowings	5.82	7.17
Employee payables	4.99	3.22
Payables to auditors	2.75	2.75
Unclaimed dividends*	42.82	39.48
Others	0.04	-
<b>Total</b>	<b>223.92</b>	<b>1,331.22</b>

\*There is no amount due and outstanding to be credited to Investor Education and Protection fund as at December 31, 2018.

The Company's exposure to liquidity risk related to currency, liquidity and interest rate risk is included in note 27.7, 27.4 and 27.6.

### NOTE 19: OTHER CURRENT LIABILITIES

	As at December 31, 2018	As at December 31, 2017
Other payables		
- Statutory liabilities	5.27	4.64
<b>Total</b>	<b>5.27</b>	<b>4.64</b>

### NOTE 20: CURRENT PROVISIONS

	As at December 31, 2018	As at December 31, 2017
<b>Provision for employee benefits:</b>		
- Compensated absences(Refer note 29(c))	1.41	0.83
<b>Total</b>	<b>1.41</b>	<b>0.83</b>

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 21: REVENUE FROM OPERATIONS

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sale of products and duty scrips	732.88	365.06
Sale of services (Refer note 30)	320.65	231.15
<b>Revenue from operations</b>	<b>1,053.53</b>	<b>596.21</b>

## NOTE 22: OTHER INCOME

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest income		
Interest from banks on deposits	2.59	0.77
Interest from others	-	0.18
Interest on loans and advances (Refer note 30)	178.40	163.69
Dividend income from non-current investments (Refer note 30)	846.26	393.70
Gain on foreign currency transactions and translations (net)	-	25.60
Other non-operating income		
Rental income from operating leases (Refer note 30)	10.57	7.37
Miscellaneous income	0.07	2.07
<b>Total</b>	<b>1,037.89</b>	<b>593.38</b>

## NOTE 23: EMPLOYEE BENEFITS EXPENSE

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries, wages and bonus	171.39	112.99
Contributions to provident and other funds (Refer note 29)	15.71	9.66
<b>Total</b>	<b>187.10</b>	<b>122.65</b>

## NOTE 24: FINANCE COSTS

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest expense	191.81	169.50
Other borrowing costs	4.27	7.40
<b>Total</b>	<b>196.08</b>	<b>176.90</b>

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 25: OTHER EXPENSES

	For the year ended December 31, 2018	For the year ended December 31, 2017
Repairs and maintenance	1.78	1.27
Insurance	1.24	0.95
Rent	3.69	3.36
Rates and taxes	8.16	4.62
Communication expenses	25.23	29.79
Travelling and conveyance	26.77	13.22
Printing and stationery	1.86	1.06
Advertisement expense	0.85	1.16
Corporate Social Responsibility and other donations (Refer note 33)	2.50	2.50
Consultancy charges	6.08	8.85
Payment to auditors (Refer note below)	4.24	4.53
Directors' sitting fees (Refer note 30)	3.92	4.28
Commission to directors (Refer note 30)	4.30	3.00
Loss on foreign currency transactions and translation (net)	34.28	-
IT infrastructure expenses and licenses	69.78	51.24
Miscellaneous expenses	9.50	9.16
<b>Total</b>	<b>204.18</b>	<b>138.99</b>
<b>Note:</b>		
<b>Payment to auditors comprises (excluding service tax/GST):</b>		
Statutory audit	2.60	2.60
Limited review	0.90	0.90
Other services	0.15	0.15
Reimbursement of expenses	0.59	0.88
<b>Total</b>	<b>4.24</b>	<b>4.53</b>

#### NOTE 26: INCOME TAXES

##### (i) Income tax expense/(benefit) recognised in statement of profit and loss:

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Current tax		
(i) Tax for current year	168.68	79.02
(ii) Tax relating to earlier years	-	1.18
(iii) Minimum alternate tax credit entitlement	-	(15.96)
Net current tax	168.68	64.24
Deferred tax	-	-
<b>Total</b>	<b>168.68</b>	<b>64.24</b>

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 26: INCOME TAXES (CONTINUED)

## (ii) Reconciliation of Effective tax rate:

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>Income tax expenses for the year to be reconciled to the accounting profit:</b>		
Profit before taxes	<b>773.34</b>	<b>385.30</b>
Enacted Income tax rate in India	34.94%	34.61%
Computed expected tax expense	270.24	133.35
<b>Effect off:</b>		
Effects of tax-exempt income and other deductions	(101.56)	(70.29)
Effects of additional taxes for prior years	-	1.18
<b>Total Income taxes expenses</b>	<b>168.68</b>	<b>64.24</b>
<b>Effective tax rate</b>	<b>21.8%</b>	<b>16.7%</b>

## (iii) Recognised deferred tax assets and liabilities:

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>Deferred tax assets</b>		
Employee benefits	1.98	1.79
Land indexation	1.45	1.45
Tax on losses carried forward	10.80	11.34
<b>Total deferred tax assets</b>	<b>14.23</b>	<b>14.58</b>
<b>Deferred tax liabilities</b>		
Basis difference of property, plant, and equipment	(12.78)	(13.13)
<b>Total deferred tax liabilities</b>	<b>(12.78)</b>	<b>(13.13)</b>
<b>Net deferred tax asset</b>	<b>1.45</b>	<b>1.45</b>

## (iv) Movement in temporary differences:

Particulars	Balance as at January 1, 2017	Recognised in profit or loss during the year	Recognised in OCI during the year	Any other adjustment	Balance as at December 31, 2017	Recognised in profit or loss during the year	Recognised in OCI during the year	Any other adjustment	Balance as at December 31, 2018
On account of depreciation and amortisation	(13.31)	0.18	-	-	(13.13)	0.35	-	-	(12.78)
On account of employee benefits	1.87	(0.08)	-	-	1.79	0.19	-	-	1.98
On account of land indexation	1.45	-	-	-	1.45	-	-	-	1.45
Tax on losses carried forward	11.44	(0.10)	-	-	11.34	(0.54)	-	-	10.80
<b>Total</b>	<b>1.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.45</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 26: INCOME TAXES (CONTINUED)

#### (v) Unrecognised Deferred tax liabilities and Unrecognised Deferred tax assets:

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom:

Particulars	As at December 31, 2018		As at December 31, 2017	
	Gross amount	Unrecognised tax effect	Gross amount	Unrecognised tax effect
Tax Losses	22783	79.61	225.39	78.01

#### (vi) Non-current tax assets and current tax liabilities

Particulars	As at December 31, 2018	As at December 31, 2017
Non-current tax assets (net of provision for tax ₹ 987.13 (December 31, 2017: ₹ 924.07))	311.21	302.27
Current tax liabilities (net of advance tax ₹ 487.03 (December 31, 2017: ₹ 330.66))	42.13	29.81

(vii) The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulations under Sections 92-92F of the Income tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company continuously updates its documents for the international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense for the year and that of provision for taxation.

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

**NOTE 27: FINANCIAL INSTRUMENTS DISCLOSURE:****Note 27.1: Fair Valuation Measurement Hierarchy**

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels of fair value hierarchy:

Sl. No.	Particulars	As at December 31, 2018				As at December 31, 2017			
		Carrying value	Level of inputs used in			Carrying value	Level of inputs used in		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
I]	<b>Financial Assets at amortised cost</b>								
	Non-current investments	9,169.65	-	-	-	9,169.65	-	-	-
	Non-current loans	2,904.32	-	-	-	1,918.85	-	-	-
	Trade receivables	327.16	-	-	-	15.12	-	-	-
	Cash and cash equivalents	18.17	-	-	-	28.53	-	-	-
	Other bank balances	42.82	-	-	-	39.48	-	-	-
	Current loans	170.98	-	-	-	927.00	-	-	-
	Other current financial assets	55.79	-	-	-	35.81	-	-	-
		<b>12,688.89</b>	-	-	-	<b>12,134.44</b>	-	-	-
II]	<b>Financial Liabilities at amortised cost</b>								
	Borrowings (including current maturities of non-current borrowings included in other current financial liabilities)	3,476.20	-	-	-	3,179.00	-	-	-
	Trade payables	335.73	-	-	-	13.42	-	-	-
	Other current financial liabilities	56.42	-	-	-	52.62	-	-	-
		<b>3,868.35</b>	-	-	-	<b>3,245.04</b>	-	-	-

**Note 27.2: 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 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.

**Note 27.3: 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. 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. Financial instruments that are subject to credit risk and concentration thereof principally consist of trade receivables, loans receivables, investments, cash and cash equivalents. None of the financial instruments of the Company result in material concentration of credit risk.

The carrying value of financial assets represents the maximum credit risk.



## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 27.3: Credit risk (Continued)

##### 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.

To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Company and changes in the operating results of the borrower

Based on the above analysis, the Company does not expect any credit risk from its trade receivables for any of the years reported in this financial statements.

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

Particulars	As at December 31, 2018	As at December 31, 2017
Financial assets that are neither past due nor impaired	327.16	15.12
<b>Total</b>	<b>327.16</b>	<b>15.12</b>

The Company's exposure to credit risk for trade receivables by geographic region is as follows:

Particulars	Carrying amount as at	
	December 31, 2018	December 31, 2017
United States	-	-
Europe	33.69	14.80
Asia	293.47	0.32
<b>Total</b>	<b>327.16</b>	<b>15.12</b>

At December 31, 2018, the carrying amount of the Company's most significant customer is ₹ 293.76 (December 31, 2017: ₹ 0.32).

The Company's exposure to credit risk for loans (both current and non-current) by geographic region is as follows:

Particulars	Carrying amount as at	
	December 31, 2018	December 31, 2017
United States	3,070.76	2,844.89
Asia	1.06	0.95
<b>Total</b>	<b>3,071.82</b>	<b>2,845.84</b>

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

**Note 27.3: Credit risk (Continued)****Investments**

The Company has investments in wholly owned and step down subsidiaries, thereby limiting the exposure to credit risk. All the counterparties have sound financial position with positive net worth. The Company does not expect any losses from non-performance by these counter parties.

**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 and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

**Other financial assets**

There is no significant loss allowance for other financial assets.

**Note 27.4: 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 corporate 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. As of December 31, 2018, cash and cash equivalents are held with major banks.

**Maturity of financial liabilities**

The table below provides details regarding the remaining contractual maturities of 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, 2018**

Contractual cash flows	Carrying value*	Less than 1 year	1-2 years	2-5 years	5-10 years	Later	Total
<b>Non-derivative financial liabilities</b>							
Borrowings (including current maturities of non-current borrowings included in other current financial liabilities)	3,476.20	167.50	669.98	2,652.02	-	-	3,489.50
Trade payables	335.73	335.73	-	-	-	-	335.73
Other current financial liabilities	56.42	56.42	-	-	-	-	56.42

**As at December 31, 2017**

Contractual cash flows	Carrying value*	Less than 1 year	1-2 years	2-5 years	5-10 years	Later	Total
<b>Non-derivative financial liabilities</b>							
Borrowings (including current maturities of non-current borrowings included in other current financial liabilities)	3,179.00	1,278.60	153.43	1,764.47	-	-	3,196.50
Trade payables	13.42	13.42	-	-	-	-	13.42
Other current financial liabilities	52.62	52.62	-	-	-	-	52.62

\* Carrying value of borrowings is shown as net of deferred finance cost

**Note 27.5: Market risk**

Market risk is the risk of loss of future earnings, fair value or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that effect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including deposits, foreign currency receivables, payables and borrowings.

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 27.6: 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 exposure to the risk of changes in market interest rates related primarily to the Company's current borrowing with floating interest rates.

#### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to management is as follows.

Particulars	Interest rate exposure as at	
	December 31, 2018	December 31, 2017
<b>Variable rate instruments</b>		
Financial assets	3,070.76	2,844.89
Financial liabilities	(3,489.50)	(3,196.50)

#### Interest rate Sensitivity:

Impact on Profit and loss due to net interest expense for the year on 1% change in interest rate

Particulars	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
<b>Impact on Profit and loss</b>				
Variable-rate instruments	(4.19)	4.19	(3.52)	3.52

#### Note 27.7 Foreign Currency risk

Foreign currency risk is the risk impact related to fair value or future cash flows of an exposure in foreign currency, which fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the foreign currency borrowings, import of raw materials, shared service arrangements with group entities, advance to group entity, and exports of finished goods. The currency in which these transaction are denominated as USD and EUR. There are no outstanding balances in any other currency apart from USD and EUR. The Company evaluates exchange rate exposure arising from foreign currency transactions.

#### The following table analyses foreign currency risk from non-derivative financial instruments as at December 31, 2018:

	USD	EUR	Total
<b>Assets:</b>			
Trade receivables (Refer note 30)	-	33.69	33.69
Interest accrued on loans to subsidiary	36.53	-	36.53
Loans to subsidiary	3,070.76	-	3,070.76
	<b>3,107.29</b>	<b>33.69</b>	<b>3,140.98</b>
<b>Liabilities:</b>			
Interest accrued but not due on borrowings	5.82	-	5.82
Borrowings	3,489.50	-	3,489.50
	<b>3,495.32</b>	-	<b>3,495.32</b>

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 27.7 Foreign Currency risk (Continued)

The following table analyses foreign currency risk from non-derivative financial instruments as at December 31, 2017:

	USD	EUR	Total
<b>Assets:</b>			
Trade receivables (Refer note 30)	-	14.80	14.80
Interest accrued on loans to subsidiary	35.81	-	35.81
Loans to subsidiary	2,844.89	-	2,844.89
	<b>2,880.70</b>	<b>14.80</b>	<b>2,895.50</b>
<b>Liabilities:</b>			
Interest accrued but not due on borrowings	7.17	-	7.17
Borrowings	3,196.50	-	3,196.50
	<b>3,203.67</b>	<b>-</b>	<b>3,203.67</b>

#### Sensitivity Analysis:

A reasonably possible strengthening (weakening) of the US dollar, Euro against all other currencies as at December 31, would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

#### Impact on Profit and loss due to foreign currency loss/(gain) for the year on 1% change in foreign currency rates:

Particulars	December 31, 2018		December 31, 2017	
	Strengthening	Weakening	Strengthening	Weakening
<b>Impact on profit and loss</b>				
EUR	0.34	(0.34)	0.15	(0.15)
USD	(3.88)	3.88	(3.23)	3.23

### NOTE 28: 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 maximise 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. Equity comprises all components of equity excluding non-controlling interest. The Company's Net debt to equity ratio is as follows.

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. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Company monitors capital on the basis of the following gearing ratio.

Particulars	As at December 31, 2018	As at December 31, 2017
Total borrowings, net of cash and cash equivalents	3,458.03	3,150.47
Equity	9,158.61	9,226.57
<b>Net debt to equity ratio</b>	<b>0.38</b>	<b>0.34</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 29: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS

#### a) Contribution plans:

Amounts towards defined contribution plans have been recognised under "Contributions to provident and other funds" in Note 23: ₹ 11.02 (December 31, 2017 - ₹ 8.35).

#### b) Benefit plans:

The Company operates the following defined benefit plans:

- (i) Gratuity
- (ii) Compensated Absences

The Group has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. It 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.

#### Inherent risk:

The plan is defined benefit in nature which is sponsored by the Company and hence it underwrites all the risk pertaining to the plan. In particular, this exposes the Company, to actuarial risk such as adverse salary growth, change in demographic experience, inadequate return on underlying plan assets. This may result in an increase in cost of providing these benefits to employees in future. Since the benefits are lump sum in nature, the plan is not subject to longevity risk.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018.

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.

#### (i) Amounts recognised in the Balance Sheet are as follows:

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of funded obligation	13.79	8.62
Less: Fair value of plan assets	14.51	7.99
<b>Net liability/(excess contribution to plan assets)</b>	<b>(0.72)</b>	<b>0.63</b>

#### (ii) Amounts recognised in the Statement of Profit and Loss are as follows:

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	1.63	1.21
Past service cost	3.04	-
Interest on net defined benefit liability/(asset)	0.01	0.10
<b>Total</b>	<b>4.68</b>	<b>1.31</b>

Amount recognised in other comprehensive income for the year ended December 31, 2018 is ₹ 0.07 (December 31, 2017 - ₹ 0.18).

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 29: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

## (iii) Reconciliation of opening and closing balances of the present value of the obligations:

Particulars	As at December 31, 2018	As at December 31, 2017
Opening defined benefit obligation	8.62	7.29
Current service cost	1.63	1.21
Past service cost	3.04	-
Interest cost	0.63	0.48
Remeasurements due to:		
Changes in financial assumptions	-	(0.68)
Experience adjustments	0.42	0.35
Benefits paid	(0.55)	(0.03)
<b>Closing defined benefit obligation</b>	<b>13.79</b>	<b>8.62</b>

## (iv) Reconciliation of opening and closing balances of the fair value of plan assets:

Particulars	As at December 31, 2018	As at December 31, 2017
Opening fair value of plan assets	7.99	5.30
Employer contributions	5.96	2.50
Interest on plan assets	0.62	0.38
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	0.49	(0.15)
Benefits paid	(0.55)	(0.04)
<b>Closing fair value of plan assets</b>	<b>14.51</b>	<b>7.99</b>
<b>Actual return on plan assets</b>	<b>1.11</b>	<b>0.23</b>

## (v) Major Category of plan assets as a percentage to fair value of plan assets:

Particulars	As at December 31, 2018	As at December 31, 2017
Insurer managed funds	100%	100%

## (vi) Principal Actuarial assumptions used:

Particulars	As at December 31, 2018	As at December 31, 2017
Discount rates on benefit obligations	7.55%	7.55%
Expected salary increase rates	7.00%	7.00%
Retirement Age	58 Years	58 Years

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.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 29: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

Assumptions regarding future mortality and experience are set in accordance with published rates under Indian assured lives mortality 2006-2008. The discount rate is based on the prevailing market yield in Indian government securities as at balance sheet date for estimated term of obligation.

#### (vii) 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, 2018 shown below:

Particulars	Increase	Decrease
Discount rate (0.5% movement)	(0.49)	0.53
Future salary growth (0.5% movement)	0.42	(0.39)

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 (0.5% movement)	(0.34)	0.36
Future salary growth (0.5% movement)	0.25	(0.24)

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

(viii) The expected contribution to be made by the Company during the financial year ending December 31, 2019 is ₹ 1.00.

(ix) As at December 31, 2018 the weighted average duration of the defined benefit obligation is 7.39 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 unutilised compensated absences and utilise it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded towards this benefit as at December 31, 2018 is ₹ 6.38 (December 31, 2017 ₹ 4.65).

The principal assumptions used for computation of defined benefit plan equally apply to the computation of compensated absences and are accordingly considered in the estimation of benefits.

### NOTE 30: RELATED PARTY DISCLOSURES

#### a) Names of related parties and description of relationship

Sl. No.	Relationship	Name
<b>(a) List of related parties where control exists</b>		
(i)	Subsidiaries	<ol style="list-style-type: none"> <li>1 Rain Cements Limited [RCL]</li> <li>2 Renuka Cement Limited [RenCL]</li> <li>3 Rain Commodities (USA) Inc. [RCUSA]</li> <li>4 Rain Global Services LLC [RGS]</li> <li>5 Rain Carbon Inc. [RCI]</li> <li>6 Rain Carbon Holdings, LLC [RCH]</li> <li>7 Rain CII Carbon (Vizag) Limited [RCCVL]</li> <li>8 Rain CII Carbon LLC [RCC]</li> <li>9 CII Carbon Corp [CIICC]</li> <li>10 Rain Carbon GmbH [RCG]</li> </ol>

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 30: RELATED PARTY DISCLOSURES (CONTINUED)

Sl. No.	Relationship	Name
<b>(a) List of related parties where control exists</b>		
		11 RÜTGERS Canada Inc. [RCan]
		12 RÜTGERS Polymers Limited [RPL]
		13 Handy Chemicals (USA) Ltd [HUSA]
		14 Rain Carbon BVBA
		15 VFT France SA [VFSA]
		16 RÜTGERS Holdings Germany GmbH [RHGmbH]
		17 RÜTGERS Wohnimmobilien GmbH & Co.KG
		18 RÜTGERS Gewerbeimmobilien GmbH & Co.KG
		19 RÜTGERS Germany GmbH [RGmbH]
		20 Rain RÜTGERS LLC
		21 RÜTGERS Poland SP Zoo [RPZ]
		22 RÜTGERS Resins BV [RRBV]
		23 OOO RÜTGERS Severtar [OOOSevertar]
		24 Severtar Holding Ltd [Severtar]
		25 Rumba Invest BVBA & Co. KG [Rumba]
		26 RÜTGERS (Shanghai) Trading Co. Ltd.
Sl. No.	Relationship	Name
<b>(b) Other related parties where transactions have taken place during the year/balances exists at year end</b>		
(ii)	Associates and joint ventures of subsidiaries	1 InfraTec Duisburg GmbH (IDGmbH) (Investment by RÜTGERS Germany GmbH)
		2 Rain Coke Limited (Rcoke) (Investment by Rain Cements Limited - disposed off in December 2018)
(iii)	Enterprise where key managerial personnel along with their relatives exercise significant influence	1 Pragnya Priya Foundation (PPF)
(iv)	Key Managerial Personnel (KMP)	1 Mr. Jagan Mohan Reddy Nellore Managing Director
		2 Mr. T. Srinivasa Rao Chief Financial Officer
		3 Mr. S. Venkat Ramana Reddy Company Secretary
(v)	Non-executive directors	1 Mr. Radha Krishna Reddy Nellore - Chairman
		2 Mr. N. Sujith Kumar Reddy - Director
		3 Mr. S.L. Rao - Independent Director
		4 Mr. H.L. Zutshi - Independent Director
		5 Mr. Varun Batra - Independent Director (since February 28, 2018)
		6 Ms. Radhika Vijay Haribhakti - Independent Director
		7 Ms. Nirmala Reddy - Independent Director

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 30: RELATED PARTY DISCLOSURES (CONTINUED)

##### b) Transactions with related parties for the year ended December 31, 2018

Nature of Transaction	Subsidiary Companies	Enterprise where key managerial personnel along with their relatives exercise significant control	Key Management Personnel	Non-executive Directors	Balance Outstanding To/(From)
<b>Sales</b>					
- RCCVL	732.88	-	-	-	(293.47)
<b>Revenue from Services</b>					
- RCCVL	51.27	-	-	-	-
- RCL	51.35	-	-	-	-
- RCC	83.55	-	-	-	-
- RHGmbH	115.23	-	-	-	(33.69)
<b>Loans Given</b>					
- RCUSA	1,472.90	-	-	-	(3,070.76)
<b>Loans Repaid</b>					
- RCUSA	1,492.74	-	-	-	-
<b>Interest Income</b>					
- RCUSA	178.40	-	-	-	(36.53)
<b>Rental Income</b>					
- RCCVL	5.28	-	-	-	-
- RCL	5.29	-	-	-	-
<b>Remuneration *</b>					
<b>(Short-term employee benefits)</b>					
- Jagan Mohan Reddy Nellore	-	-	16.84	-	-
- T Srinivasa Rao	-	-	15.35	-	-
- S Venkat Ramana Reddy	-	-	4.42	-	-
<b>Dividend Paid</b>	-	162.54	0.18	-	-
<b>Donations given</b>					
- PPF	-	2.50	-	-	-
<b>Dividend Income Received from</b>					
- RCL	-	-	-	-	-
- RCUSA	846.26	-	-	-	-
<b>Sitting Fee</b>	-	-	-	3.92	3.92
<b>Commission</b>	-	-	-	4.30	4.30
<b>Reimbursement of ocean freight &amp; Other Expenses</b>					
- RCC	-	-	-	-	-
<b>Reimbursement of payments made to Subsidiary</b>					
- RCCVL	0.81	-	-	-	-
<b>Customer Advances</b>					
RCCVL	22.28				-
<b>Reimbursements of payments made on behalf of</b>					
- RCCVL	0.39	-	-	-	-
<b>Corporate Guarantee (released)/ given on behalf of the Company by</b>					
- RCL	-	-	-	-	2,093.70
- RCCVL	6.00	-	-	-	1,395.80

## NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 30: RELATED PARTY DISCLOSURES (CONTINUED)

## c) Transactions with related parties for the year ended December 31, 2017

Nature of Transaction	Subsidiary Companies	Enterprise where key managerial personnel along with their relatives exercise significant control	Key Management Personnel	Non-executive Directors	Balance Outstanding To/(From)
<b>Sales</b>					
- RCCVL	365.06	-	-	-	-
<b>Revenue from Services</b>					
- RCCVL	58.16	-	-	-	(0.32)
- RCL	65.04	-	-	-	-
- RCC	54.19	-	-	-	-
- RHGmbH	53.76	-	-	-	(14.80)
<b>Loans Given</b>					
- RCUSA	-	-	-	-	(2,844.89)
<b>Loans Repaid</b>					
- RCUSA	1,314.29	-	-	-	-
<b>Interest Income</b>					
- RCUSA	163.69	-	-	-	(35.81)
<b>Rental Income</b>					
- RCCVL	3.68	-	-	-	-
- RCL	3.69	-	-	-	-
<b>Remuneration *</b>					
<b>(Short-term employee benefits)</b>					
- Jagan Mohan Reddy Nellore	-	-	16.84	-	-
- T Srinivasa Rao	-	-	13.54	-	-
- S Venkat Ramana Reddy	-	-	4.00	-	-
<b>Dividend Paid</b>	-	81.27	0.09	-	-
<b>Donations given</b>					
- PPF	-	2.50	-	-	-
<b>Dividend Income Received from</b>					
- RCL	12.22	-	-	-	-
- RCUSA	381.48	-	-	-	-
<b>Sitting Fee</b>	-	-	-	4.28	4.28
<b>Commission</b>	-	-	-	3.00	3.00
<b>Reimbursement of ocean freight &amp; Other Expenses</b>					
- RCC	28.72	-	-	-	-
<b>Reimbursement of payments made to Subsidiary</b>					
- RCCVL	4.61	-	-	-	-
<b>Reimbursements of payments made on behalf of</b>					
- RCCVL	0.18	-	-	-	-
<b>Corporate Guarantee (released)/ given on behalf of the Company by</b>					
- RCL	(1,284.34)	-	-	-	1,917.90
- RCCVL	-	-	-	-	1,278.60

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 30: RELATED PARTY DISCLOSURES (CONTINUED)

#### Long-term employee benefits paid to Key managerial personnel:

\* 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.

#### 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.

No trade or other receivables are due by directors or other officers of the Company or any of them either severally or jointly with any other persons or amounts due by firms or private limited companies respectively in which any director is a partner or a director or a member.

#### Reconciliation of opening and closing balances of loans to related parties as per the requirement of Section 186(4) of Companies Act, 2013:

##### a) Loans to Rain Commodities (USA) Inc.

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
As at the beginning of the year	2,844.89	4,416.75
Given during the year	1,472.90	-
Repaid during the year	1,492.74	1,314.29
Exchange differences	245.71	(257.57)
<b>As at the end of the year</b>	<b>3,070.76</b>	<b>2,844.89</b>

#### Information pursuant to Regulation 34 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Particulars	As at December 31, 2018	As at December 31, 2017
Loans to subsidiaries		
<b>Loan to Rain Commodities (USA) Inc.:</b>		
Amount outstanding as at the year ended	3,070.76	2,844.89
Maximum amount outstanding	4,317.79	4,416.75

### NOTE 31: CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Particulars	As at December 31, 2018	As at December 31, 2017
<b>(I) Contingent liabilities</b>		
(a) In respect of demands/claims arising on account of:		
- Income tax	170.74	170.74

The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that there are no material foreseeable losses on such long-term contracts which needs to be provided for in the books of account.

The Company has reviewed all its pending litigations including legal proceedings initiated in the ordinary course of business except as disclosed above. The Company does not expect the outcome of these proceedings to have a material and adverse effect on its financial position and accordingly no adjustment in respect thereof is expected.

## NOTES

### FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 32: EARNINGS PER SHARE (EPS)

Particulars	As at December 31, 2018	As at December 31, 2017
a) Profit for the year	604.66	321.06
b) Weighted average number of equity shares of ₹ 2/- each outstanding during the year(Nos.)	336,345,679	336,345,679
<b>Earnings per Share</b>		
c) Basic and Diluted - [a]/[b] - (₹)	1.80	0.95

#### NOTE 33: CORPORATE SOCIAL RESPONSIBILITY

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. Expenditure incurred under Section 135 of the Companies Act, 2013 on CSR activities are as below:

Gross amount required to be spent by the Company during the year ended December 31, 2018 is Nil (December 31, 2017: Nil)

Particulars	For the year ended December 31, 2018		
	In cash	Yet to be paid in cash	Total
Construction/acquisition of any asset	-	-	-
On purposes other than construction/acquisition of any asset – Donations for scholarship	2.50	-	2.50
<b>Total</b>	<b>2.50</b>	<b>-</b>	<b>2.50</b>

Particulars	For the year ended December 31, 2017		
	In cash	Yet to be paid in cash	Total
Construction/acquisition of any asset	-	-	-
On purposes other than construction/acquisition of any asset – Donations for scholarship	2.50	-	2.50
<b>Total</b>	<b>2.50</b>	<b>-</b>	<b>2.50</b>

**NOTE 34:** Previous year's figures have been regrouped/reclassified wherever necessary, to conform to current year's classification/disclosure.

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

Place: Hyderabad  
Date : February 27, 2019

**For and on behalf of the Board of Directors of  
Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143



## INDEPENDENT AUDITOR'S REPORT

### To the Members of Rain Industries Limited

### REPORT ON THE AUDIT OF CONSOLIDATED IND AS FINANCIAL STATEMENTS

We have audited the accompanying consolidated Ind AS financial statements of Rain Industries Limited (hereinafter referred to as "the Company" or "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its associates, which comprise the Consolidated Balance Sheet as at December 31, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement, for the year then ended, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED IND AS FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Board of Directors of the Companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates, are responsible for assessing the ability of the Group and of its associates, to continue as a going

concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and 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 the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group and of its associates to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Group and its associates to cease to continue as a going concern.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

reports referred to in paragraph (a) and (b) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### OPINION

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (financial position) of the Group and its associates as at December 31, 2018, and their consolidated profit (financial performance) including other comprehensive income, consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

### OTHER MATTERS

- (a) We did not audit the financial statements of certain subsidiaries incorporated outside India, whose financial statements reflect total assets of ₹ 79,974.39 as at December 31, 2018, total revenues of ₹ 83,215.66 and net cash outflows amounting to ₹ 1,562.29 for the year ended on that date, as considered in the consolidated financial statements. The above financial information is before giving effect to any intra group eliminations and consolidation adjustments. The consolidated financial statements also include the Group's share of net profit of ₹ 8.80 for the year ended December 31, 2018, as considered in the consolidated financial statements, in respect of associates, whose financial statements have not been audited by us. The financial statements of these subsidiaries and associates are drawn up in accordance with the generally accepted accounting principles of the respective countries ('local GAAP') and have been audited by other auditors qualified to act as auditors in such countries. The Company's management has converted the financial statements of such subsidiaries and associates from the local GAAP to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management.

Our opinion on the consolidated financial statements, in so far as it relates to the amount and disclosures included in respect of such subsidiaries and associates located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

- (b) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of ₹ 19,668.76 as at December 31, 2018, total revenues of ₹ Nil and net cash outflows amounting to ₹ 1.01 for the year ended on that date, as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditor whose reports have been furnished to us, and our opinion on the consolidated financial statements, to the extent they have been derived from such annual financial statements is based solely on the report of such other auditor.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and associates, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Group Companies incorporated in India as on December 31, 2018 taken on record by the

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Directors of the Group Companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on December 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements, as noted in the 'Other matter' paragraph:
  - i. The consolidated financial statements disclose the impact of pending litigations on the

consolidated financial position of the Group and its associates. Refer Note 44 to the consolidated financial statements.

- ii. The Group and its associates did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended December 31, 2018.
- iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company during the year ended December 31, 2018.

for **B S R & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

*Partner*

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019

## ANNEXURE A

### TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF RAIN INDUSTRIES LIMITED

#### REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ('THE ACT')

In conjunction with our Audit of the Consolidated Ind AS Financial Statements of the Holding Company as of and for the year ended December 31, 2018, we have audited the internal financial controls over financial reporting of the Holding Company and its subsidiary companies incorporated in India, as of that date.

#### MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The respective Board of Directors of the Holding company and its subsidiary companies, which are companies incorporated in

India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## ANNEXURE A

### TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF RAIN INDUSTRIES LIMITED (CONTINUED)

#### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the internal financial controls over financial reporting of Holding Company and its subsidiary companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and subsidiary companies incorporated in India.

#### MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

#### INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### OPINION

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note issued by ICAI.

for **B S R & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

*Partner*

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2018

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

	Note	As at December 31, 2018	As at December 31, 2017
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Property, plant and equipment	3	30,989.82	29,040.78
(b) Capital work-in-progress	3	7,947.90	4,412.47
(c) Goodwill	4	61,315.31	57,622.46
(d) Other intangible assets	4	304.93	233.41
(e) Equity accounted investments	5	83.08	138.95
(f) Financial assets			
(i) Investments	6	43.39	199.01
(ii) Loans	7	313.55	311.08
(iii) Other financial assets	8	10.14	-
(g) Deferred tax asset (net)	34	2,773.21	2,817.18
(h) Non-current tax assets (net)	34	661.27	824.22
(i) Other non-current assets	9	1,322.01	335.75
<b>2. Current assets</b>			
(a) Inventories	10	23,683.33	19,985.34
(b) Financial assets			
(i) Investments	11	-	10.00
(ii) Trade receivables	12	16,044.02	16,717.20
(iii) Cash and cash equivalents	13	7,734.16	7,241.69
(iv) Bank balances other than cash and cash equivalents	13	778.25	2,174.22
(v) Loans	14	21.99	23.67
(vi) Other financial assets	15	608.52	242.76
(c) Current tax assets (net)	34	273.6	-
(d) Other current assets	16	2,832.33	3,172.88
<b>Total</b>		<b>157,494.57</b>	<b>145,503.07</b>
<b>EQUITY AND LIABILITIES</b>			
<b>1. Equity</b>			
(a) Equity share capital	17	672.69	672.69
(b) Other equity	18	45,554.72	38,768.34
		<b>46,227.41</b>	<b>39,441.03</b>
(c) Non-controlling interests		1,433.25	1,013.24
<b>2. Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial liabilities	19	72,420.19	37,397.17
(i) Borrowings	20	138.86	400.10
(ii) Other financial liabilities	21	9,823.21	9,654.08
(b) Provisions	34	1,236.71	1,739.64
(c) Deferred tax liability (net)	34	420.44	484.92
(d) Non-current tax liabilities (net)	22	94.25	129.94
(e) Other non-current liabilities			
<b>Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	23	5,021.59	3,190.80
(ii) Trade payables	24		
(A) total outstanding dues of micro enterprises and small enterprises		16.34	12.13
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		13,459.99	11,463.60
(iii) Other financial liabilities	25	3,931.22	37,813.70
(b) Other current liabilities	26	872.20	906.55
(c) Provisions	27	1,609.07	788.94
(d) Current tax liabilities (net)	34	789.84	1,067.23
<b>Total</b>		<b>157,494.57</b>	<b>145,503.07</b>
Corporate information	1		
Significant accounting policies	2		
<b>The notes referred to above form an integral part of the consolidated financial statements</b>			

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

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>1 TOTAL INCOME</b>			
Revenue from operations	28	140,489.93	114,495.93
Other income	29	407.81	1,109.71
<b>Total income</b>		<b>140,897.74</b>	<b>115,605.64</b>
<b>2 EXPENSES</b>			
Cost of materials consumed		61,674.48	41,047.51
Purchases of stock-in-trade		18,095.78	16,425.66
Changes in inventories of finished goods, work-in-progress and stock-in-trade	30	(2,499.37)	(3,019.44)
Excise duty		-	1,464.04
Employee benefits expense	31	12,355.15	10,624.07
Finance costs	32	4,565.13	5,946.71
Depreciation and amortisation expense	3&4	5,550.86	5,256.27
Other expenses	33	31,207.98	25,227.05
<b>Total expenses</b>		<b>130,950.01</b>	<b>102,971.87</b>
<b>3 PROFIT BEFORE SHARE OF PROFIT OF ASSOCIATES, EXCEPTIONAL ITEMS AND TAX (1-2)</b>		<b>9,947.73</b>	<b>12,633.77</b>
Share of profit of associates (net of Income tax)		8.80	8.84
<b>5 PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (3+4)</b>		<b>9,956.53</b>	<b>12,642.61</b>
Exceptional items	50	-	1,803.30
<b>7 PROFIT BEFORE TAX (5-6)</b>		<b>9,956.53</b>	<b>10,839.31</b>
<b>8 TAX EXPENSE/(BENEFIT)</b>	34		
1. Current tax		4,216.90	4,330.49
2. Deferred tax			
(a) Deferred tax excluding (b) below		(573.68)	(581.65)
(b) Impact due to tax reforms in Belgium and US		-	(830.75)
<b>9 PROFIT FOR THE YEAR (7-8)</b>		<b>6,313.31</b>	<b>7,921.22</b>
<b>10 OTHER COMPREHENSIVE INCOME/(LOSS) (NET OF TAX)</b>			
A. (i) Items that will not be reclassified subsequently to profit or loss			
- Remeasurements of the defined benefit plans		455.72	(22.63)
(ii) Income tax relating to items that will not be reclassified to profit or loss		(155.18)	5.36
B. (i) Items that will be reclassified subsequently to profit or loss			
- Exchange differences in translating the financial statements of foreign operation		1,144.65	507.31
- Effective portion of cash flow hedge		150.97	(151.17)
(ii) Income tax relating to items that will be reclassified to profit or loss		(30.39)	74.23
<b>Other Comprehensive Income for the year</b>		<b>1,565.77</b>	<b>413.10</b>
<b>11 TOTAL COMPREHENSIVE INCOME FOR THE YEAR (9+10)</b>		<b>7,879.08</b>	<b>8,334.32</b>
Attributable to:			
- Owners of the Company		7,459.07	8,025.25
- Non-controlling interests		420.01	309.07
<b>12 OF THE TOTAL COMPREHENSIVE INCOME ABOVE:</b>			
Profit for the year attributable to:			
- Owners of the Company		5,816.26	7,635.87
- Non-controlling interests		497.05	285.35
Other comprehensive income (loss) attributable to:			
- Owners of the Company		1,642.81	389.38
- Non-controlling interests		(77.04)	23.72
<b>13 EARNINGS PER SHARE (FACE VALUE OF ₹ 2/- EACH)</b>			
Basic and Diluted (₹)	47	17.29	22.70
Corporate information	1		
Significant accounting policies	2		
<b>The notes referred to above form an integral part of the consolidated financial statements</b>			

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

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	9,956.53	10,839.31
<b>Adjustments for :</b>		
Depreciation and amortisation expense	5,550.86	5,256.27
Profit on sale of property, plant and equipment (net)	(10.82)	(30.21)
Gain on sale of investments in associate	(60.00)	-
Gain on redemption of senior secured notes	(3.49)	(23.30)
Interest and other borrowing costs	4,565.13	7,750.01
Interest income	(208.35)	(140.05)
Dividend income from current investments	(0.54)	(1.89)
Advances written off	-	58.96
Provision for inventories	115.89	97.57
Liabilities/provisions no longer required written back	(124.61)	(89.43)
Provision for doubtful debts and advances	783.27	3.80
Share of profit of associates	(8.80)	(8.84)
Foreign exchange (gain)/loss, net	266.75	(1,112.78)
	<b>10,865.29</b>	<b>11,760.11</b>
<b>Operating profit before working capital changes</b>	<b>20,821.82</b>	<b>22,599.42</b>
<b>Adjustments for changes in working capital:</b>		
Inventories	(2,975.23)	(7,332.10)
Trade receivables	(78.56)	(6,359.24)
Financial assets and other assets	(56.58)	(686.93)
Trade payables, other liabilities and provisions	3,895.79	4,462.04
	<b>785.42</b>	<b>(9,916.23)</b>
<b>Cash generated from operations</b>	<b>21,607.24</b>	<b>12,683.19</b>
Income taxes paid, net	(4,462.94)	(4,002.32)
<b>Net cash from operating activities</b>	<b>17,144.30</b>	<b>8,680.87</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and intangible assets, including capital advances	(11,630.54)	(4,565.93)
Proceeds from property, plant and equipment	95.21	167.53
Loans repaid during the year	16.09	133.70
Inter corporate deposits	(400.00)	-
Cash paid for acquisition of Tarlog GmbH	-	7.62
Purchase of current investments	-	(200.00)
Proceeds from sale of investments, net	10.00	182.38
Bank deposits and other bank balances	1,410.54	(874.94)
Interest received	174.41	112.93
Dividends received on current investments	0.54	1.89
<b>Net cash used in investing activities</b>	<b>(10,323.75)</b>	<b>(5,034.82)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2018 (CONTINUED)

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from non-current borrowings	31,767.92	38,589.56
Repayment of non-current borrowings	(33,416.18)	(38,482.61)
Proceeds/(Repayment) of current borrowings, net	1,601.87	1,450.74
Sales tax deferment paid	(58.98)	(35.94)
Interest and other borrowing costs paid	(5,407.90)	(6,387.73)
Dividend paid (including tax on dividend)	(672.69)	(338.84)
<b>Net cash used in financing activities</b>	<b>(6,185.96)</b>	<b>(5,204.82)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>634.59</b>	<b>(1,558.77)</b>
<b>Cash and cash equivalents - opening balance</b>	<b>7,241.69</b>	<b>9,157.35</b>
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	(142.12)	(356.89)
<b>Cash and cash equivalents - closing balance</b>	<b>7,734.16</b>	<b>7,241.69</b>
<b>Notes:</b>		
(i) The above consolidated cash flow statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard - 7 on Statement of Cash Flows.		
<b>(ii) Components of Cash and cash equivalents</b>		
Cash on hand	1.19	5.07
Cheques/ drafts on hand	1.26	0.71
Balances with banks:		
- in current accounts	5,289.80	6,923.04
- in exchange earners foreign currency (EEFC) accounts	2.73	16.57
- in deposit accounts (with original maturity of three months or less)	2,439.18	296.30
	<b>7,734.16</b>	<b>7,241.69</b>
(iii) 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: 116231W/ W-100024

**Sriram Mahalingam**  
Partner  
Membership Number: 049642

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

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Attributable to Owners of the Company

Particulars	Attributable to Owners of the Company										
	Equity Share Capital	Reserves and Surplus					Other Comprehensive Income (loss)			Attributable to Non-controlling interest	Total
		Capital reserve	Securities premium	Capital redemption reserve	General reserve	Retained earnings	Effective portion of cash flow hedge	Foreign currency translation reserve	Remeasurements of defined benefit plans		
<b>Balance as on January 1, 2017</b>	672.69	43.98	516.67	47.66	1,332.69	30,755.62	-	(995.67)	(725.51)	704.99	32,353.12
Profit for the year	-	-	-	-	-	7,635.87	-	-	-	285.35	7,921.22
<b>Other comprehensive income (loss) for the year</b>											
- Effective portion of cash flow hedge (net of tax)	-	-	-	-	-	-	(119.43)	-	-	-	(119.43)
- Foreign currency translation reserve (net of tax)	-	-	-	-	-	-	-	526.08	-	23.72	549.80
- Remeasurements of defined benefit plans (net of tax)	-	-	-	-	-	-	-	-	(172.7)	-	(172.7)
<b>Total Comprehensive Income (loss) for the year</b>											
Dividends including dividend distribution tax (Refer Note 17(iii))	-	-	-	-	-	(338.84)	-	-	-	-	(338.84)
Transfer to General reserve	-	-	-	-	32.11	(32.11)	-	-	-	-	-
Others	-	-	-	-	-	-	-	106.49	-	(0.82)	105.67
<b>Balance as on December 31, 2017</b>	<b>672.69</b>	<b>43.98</b>	<b>516.67</b>	<b>47.66</b>	<b>1,364.80</b>	<b>38,020.54</b>	<b>(119.43)</b>	<b>(363.10)</b>	<b>(742.78)</b>	<b>1,013.24</b>	<b>40,454.27</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018 (CONTINUED)

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

## (III) DESCRIPTION OF THE PURPOSES OF EACH RESERVE WITHIN EQUITY:

### (i) Reserves and Surplus

- (a) **Capital reserve:** It consists of pre-acquisition profits. During amalgamation, the excess of net assets taken, over the cost of consideration paid is treated as capital reserve.
- (b) **Securities 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.
- (c) **Capital redemption reserve:** It consists of reserves on the buyback of equity shares from its retained earnings. The amount represents nominal amount of the equity shares bought back.
- (d) **General reserve:** It represents the portion of the net profit which the Group has transferred, before declaring dividend pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.
- (e) **Retained earnings:** Retained earnings are the net profits after all distributions and transfers to other reserves.

### (ii) Items of Other Comprehensive income:

- (a) **Foreign Currency Translation Reserve (FCTR):** Represents the FCTR of a foreign subsidiary. For the purpose of consolidation of subsidiaries financial statements with the financial statement of the parent company, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. Use of such different rates for translation gives rise to exchange difference which is accumulated in Foreign Currency Translation Reserve. The movement in this reserve is due to fluctuation in exchange rates of currencies in the current year.
- (b) **Remeasurements of defined benefit plans:** Remeasurements of defined benefit plans comprises actuarial gains and losses and return on plan assets (excluding interest income).
- (c) **Effective portion of cash flow hedges:** The effective portion of cash flow hedge represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the designated portion of the hedging instruments that are recognised and accumulated under the heading of cash flow hedges reserve will be reclassified to consolidated statement of profit and loss only when the hedged transaction affects the consolidated profit or loss, or included as a basis adjustment to the non-financial hedged item.

As per our report of even date attached  
for **BSR & Associates LLP**  
Chartered Accountants  
Firm Registration Number: 116231W/ W-100024

**Sriram Mahalingam**  
Partner  
Membership Number: 049642

Place: Hyderabad  
Date : February 27, 2019

**For and on behalf of the Board of Directors of**  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1: CORPORATE INFORMATION

Rain Industries Limited ("RIL" or "the Company" or the "Parent Company" or the "Holding Company") was incorporated on March 15, 1974 under the Companies Act, 1956 ("the Act") domiciled in India and headquartered in Hyderabad. The Company along with its subsidiaries and associates ("the Group" or "Rain Group") is engaged in the business of manufacture and sale of Carbon, Advanced Materials and Cement. The Company's equity shares are listed at BSE Limited and National Stock Exchange of India Limited in India.

Carbon comprises of Calcined Petroleum Coke ("CPC"), Green Petroleum Coke ("GPC"), Coal Tar Pitch ("CTP"), Energy produced through Waste-heat recovery and other derivatives of Coal Tar distillation. Advanced Materials represent the downstream operations of Coal Tar distillation and comprises of Engineered Products, Petro Chemical Intermediaries, Naphthalene Derivates and Resins. The manufacture and sale of Cement has been classified as Cement.

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation of Consolidated Financial Statements

#### (i) Statement of Compliance

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

The consolidated financial statements have been prepared on a going concern basis. Relevant Ind AS effective as on Company's annual reporting date December 31, 2018 have been applied. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Company's Board of Directors on February 27, 2019

#### (ii) Functional and presentation currency

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

### (iii) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

Items	Measurement basis
Derivative financial instruments	Fair value
Certain financial assets and liabilities (refer accounting policy regarding financial instruments)	Fair value
Net defined benefit asset/liability	Fair value of plan assets less present value of defined benefit plan
Inventories	Lower of cost or net realisable value
Investment in Associates/ Joint Ventures	Equity method
Borrowings	Amortised cost using effective interest rate method

### (iv) Use of estimates

In preparing these Consolidated 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 those 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 judgements 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 used in measurement. (Refer note 41)

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. (Refer note 44 and 52)
- Recognition and recoverability of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used & utilisation of Minimum Alternate Tax. (Refer note 34)
- Useful life of property, plant and equipment. (Refer note 2(d))
- Impairment of financial & non-financial assets. (Refer note 35)
- Provision for inventories. (Refer note 10)
- Provision for loss allowance on trade receivables. (Refer note 35.4)
- Measurement of borrowings at amortised cost using effective interest rate method. (Refer note 19)
- Assessment of functional currency. (Refer note 2(a)(ii))

#### Current and Non-current classification

All the assets and liabilities have been classified as current or non-current as per the Group'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 Group'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 Group'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 Group 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.

**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 Group'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 Group. 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 year, the Group 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 year.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in Note 35.

- Disclosures for valuation methods, significant estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost).

#### (vi) Principles of Consolidation

##### Business Combination

In accordance with Ind AS 103 – “Business Combinations”, the Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in Other Comprehensive Income (“OCI”) and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in consolidated statement of profit and

loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in consolidated statement of profit and loss.

##### Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. Where goodwill has

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### **Subsidiaries**

Subsidiary entities are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that gives the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interest and other components of equity. Any interest retained in the

former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in consolidated statement of profit or loss.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

#### **Non-controlling interest ("NCI")**

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the reporting date and are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

#### **Equity accounted investees**

The Group's interests in equity accounted investees comprise interests in associates and joint ventures.

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group has joint control of the rights to the net assets of the arrangement along with the other joint venturer.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity- accounted investees until the date on which significant influence or joint control ceases.

Unrealised gains arising from the transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

#### **Foreign Currency Transactions**

For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

qualifies for recognition. However, for practical reasons, the group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in consolidated statement of profit and loss with the exception of the following:

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in statement of profit and loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g. consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to statement of profit and loss on disposal of the net investment or disposal of operations.
- Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit and loss.
- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences are recognised in consolidated statement of profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI.

- equity investments at fair value through OCI (FVOCI);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

#### *Foreign operations*

On consolidation, the assets and liabilities of foreign operations are translated into ₹ at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in statement of profit and loss.

Any goodwill arising in the acquisition/business combination of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation recognised in OCI is reclassified to statement of profit and loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-allocated to NCI. When the Group disposes of only a part of its interest in an associate or a joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to statement of profit and loss.

#### *Hedge of a net investment in a foreign operation*

The Group applies hedge accounting to exchange differences arising between the functional currency of the foreign operation and the Group's functional currency (₹). To the extent that the hedge is effective, exchange differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in OCI and accumulated under other equity. Any remaining differences are recognised in profit or loss.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Preparation of consolidated financial statements**

The Financial Statements of the subsidiaries and associates used in consolidation are drawn up to the same reporting date as that of the Parent Company i.e., year ended December 31, 2018 and are audited. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Ind AS12 – "Income taxes" applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions. Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Companies considered in the consolidated financial statements along with Rain Industries Limited are:

Sl. No.	Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest (%)	
				December 31, 2018	December 31, 2017
1.	Rain Cements Limited (RCL)	Subsidiary	India	100	100
2.	Rain Commodities (USA) Inc. (RCUSA)	Subsidiary	United States of America (USA)	100	100
3.	Renuka Cement Limited (RenCL)	Subsidiary of RCL	India	100	100
4.	Rain Carbon Inc. (RCI)	Subsidiary of RCUSA	USA	100	100
5.	Rain Carbon Holdings, LLC (RCH)	Subsidiary of RCI	USA	100	100
6.	Rain Global Services LLC (RGS)	Subsidiary of RCUSA	USA	100	100
7.	Rain CII Carbon (Vizag) Limited (RCCVL)	Subsidiary of RCH	India	100	100
8.	Rain CII Carbon LLC (RCC)	Subsidiary of RCH	USA	100	100
9.	CII Carbon Corp. (CIICC)	Subsidiary of RCC	USA	100	100
10.	Rain Carbon GmbH (RCG)	Subsidiary of RCC	Germany	100	100
11.	Handy Chemicals (USA) Ltd (HUSA)	Subsidiary of RCC	USA	100	100
12.	RÜTGERS Canada Inc (RCan)	Subsidiary of RCC	Canada	100	100
13.	RÜTGERS Polymers Limited (RPL)	Subsidiary of RCC	Canada	100	100
14.	Rain Carbon BVBA	Subsidiary of RCG	Belgium	100	100
15.	RÜTGERS Holding Germany GmbH (RHGmbH)	Subsidiary of RCG	Germany	100	100
16.	RÜTGERS Wohnimmobilien GmbH & Co. KG	Subsidiary of RGmbH	Germany	100	100
17.	RÜTGERS Gewerbeimmobilien GmbH & Co. KG	Subsidiary of RGmbH	Germany	100	100

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sl. No.	Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest (%)	
				December 31, 2018	December 31, 2017
18.	Rain RÜTGERS LLC	Subsidiary of RCBVBA	Russia	100	100
19.	VFT France S.A (VFSA)	Subsidiary of RCBVBA	France	100	100
20.	Rumba Invest BVBA & Co. KG (Rumba)	Subsidiary of RHGmbH	Germany	94.9	94.9
21.	RÜTGERS Germany GmbH (RGmbH)	Subsidiary of RHGmbH	Germany	99.7	99.7
22.	RÜTGERS Poland Sp. z o.o (RPZ)	Subsidiary of RGmbH	Poland	100	100
23.	Severtar Holding Ltd (Severtar)	Subsidiary of RHGmbH	Cyprus	65.3	65.3
24.	RÜTGERS Resins BV (RRBV)	Subsidiary of RGmbH	The Netherlands	100	100
25.	OOO RÜTGERS Severtar (OOOSevertar)	Subsidiary of Severtar	Russia	65.3	65.3
26.	RÜTGERS (Shanghai) Trading Co. Ltd	Subsidiary of RGmbH	China	100	100
27.	InfraTec Duisburg GmbH (IDGmbH)	Investment in Associates by RGmbH	Germany	30	30
28.	Rain Coke Limited*	Investment in Associates by RCL	India	51	51

\* Investment sold on December 15, 2018

#### b) Revenue recognition

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

Revenue from the sale of goods is recognised when there is no continuing involvement over the goods and the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The timing of transfers of risks and rewards varies depending on the individual terms of sale. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, taking into account the contractually defined terms of payment, net of returns and allowances, trade discounts and volume rebates, Goods and Service Tax (GST) and amounts collected on behalf of third parties. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Consequent to the introduction of Goods and Services Tax (GST) in India with effect from

July 1, 2017, Central Excise, Value Added Tax (VAT) for Indian subsidiaries etc. have been subsumed into GST.

Revenue from sale of carbon products also include sale of co-generated energy generated in the process which is sold to industrial consumers in accordance with the underlying contract terms and is recorded exclusive of electricity duty payable to Government authorities.

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

Revenues which arise from the Group's operating activities, principal or ancillary, but which are not arising from sale of products/services rendered are included as other operating revenues.

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

Rental income is recognised on a time-apportioned basis in accordance with the underlying substance of the relevant contract.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Dock revenue is accrued on completion of the service in line with terms of the contract.

#### c) Other income

Interest income is recognised using the time proportion method, based on the underlying interest rates.

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

#### d) 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.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under other non-current assets as capital advances.

Depreciation for companies in India are provided at the rates specified in the Schedule II to the Companies Act, 2013 for all blocks of assets except as mentioned below:

- a) In respect of Rain Cements Limited, Plant and machinery is depreciated based on the technical evaluation and assessment. The Management believes that the useful lives adopted (3-15 years) by it best represent the period over which an asset is expected to be available for use.
- b) In respect of Rain CII Carbon (Vizag) Limited, the Management is using the remaining leasehold period of land for calculating depreciation for plant and equipment and buildings, as the assets are constructed over leasehold land.

The estimated useful lives are as follows:

Items	Years
Buildings	3-77
Furniture and Fixtures	1-15
Land held under lease	22-125
Office equipment	3-20
Plant and equipment	2-60
Vehicles	4-20

Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

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

The cost of land used for mining is amortised over the estimated period of mining rights granted and leasehold land is amortised over the lease period.

Gains and losses on disposal of tangible assets are determined as the difference between net sales proceeds and the carrying amount, and are presented in the statement of profit and loss.

Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress. The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use such as costs of site preparation and remediation, and estimated costs of dismantling and removing/disposal of the item and restoring the site on which it is located.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major overhaul 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 present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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.

#### *Provision for site restoration*

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated site is recognised as and when as the site is used and related restoration or environmental obligations occur. The provision is measured at the present value of the best estimate of the cost of restoration or agreed redemption plan.



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### e) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit and loss in the period in which the expenditure is incurred.

The estimated useful lives are as follows:

Items	Years
License and franchise	3-20
Trade names	8-15
Other intangibles	2-20

Intangible assets which 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.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangibles, research expenditure and brands, is recognised in statement of profit and loss as incurred.

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 and loss when the asset is derecognised.

#### f) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying

amount and fair value less costs to sell. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held for sale, intangible assets, property, plant and equipment and investment properties are no longer amortised or depreciated.

#### g) Impairment of non-financial assets

The Group 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 Group 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 a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset). Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

The Group's corporate assets (e.g. central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss recognised in respect of Goodwill is not subsequently reversed. For other assets, 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".

#### h) Impairment of financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due over a reasonable period of credit
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than its credit period (21-180 days past due). The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset past due over its normal credit period

#### Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due

#### i) 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, goods in transit, 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.

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 including depreciation. 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.

#### j) Retirement and other employee benefits Defined contribution plans

Contributions paid/payable under defined contribution plans are recognised in the Statement of Consolidated Profit and Loss each year. The Group makes the contributions and has no further obligations under the plan beyond its contributions.

#### Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method,

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 statement of profit and loss in subsequent periods.

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated 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 when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in statement of profit and loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Other long-term employee benefits

The employees of the Group entitled to Compensated absences. The employees can carry forward the portion of unutilised accumulated compensated absences and utilise it in future periods or encash the leave balance during the period of employment or termination or retirement of the employment. The Group records an obligation for compensated absences in the period in which the employee renders services that increased this entitlement. The Group measures the expected cost of compensated absences as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the end of reporting year, based on actuarial valuation using projected unit credit method carried out in accordance with Ind AS-19 "Employee Benefits" at the end of the year.

#### 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.

#### k) Segment Reporting

An operating segment is the component of the Group that engages in business activities from which it may earn revenues and incur expenses, includes revenue and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess the performance. The business segments have been identified based on the nature of products, risks and return, organisation structure and internal financial reporting.

The group redesigned its product portfolio and resources to manage and align its internal reporting to the Chief Operating Decision Maker. Marketing of the products has been switched from a site and product-based model to a market specific approach, which allows the team to optimise the marketing efforts and segregate its products produced from value-added processes. This structural change reflects the business rationale of the Group by aligning products along their major value chains (raw material to end-product) in addition to increasing focus on value-added processes that are meaningful contributors to the Group's earnings. The resulting segments have been called Carbon, Advanced Materials and Cements. This change is effective from 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 its segment under new structure for the current year ended December 31, 2018 including the comparative periods.

The Group currently has the following reportable segments:

- Carbon
- Advanced Materials
- Cement

These have been defined as the operating segments of the Group because they are the segments that

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- engage in business activities from which revenue is earned and expenses are incurred;
- whose operating results are regularly reviewed by the Group's CODM to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

#### l) 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.

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group 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 a liability is created for an equivalent amount. 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.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of consolidated statement of profit and loss on a straight-line basis over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### m) 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.

##### Initial recognition and 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 Group commits to purchase or sell the asset.

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.

##### Financial assets: 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.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### Financial assets:

##### 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.

##### Financial assets: Subsequent measurement and gains and losses

**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 statement of profit and loss.

**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 statement of profit and loss.

**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 statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit and loss.

**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 Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

##### Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate method.



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Any changes in the terms of the borrowings or management estimates are considered in measurement of financial liability as on balance sheet date.

Financial liabilities carried at fair value through statement of profit and loss are measured at fair value with all changes in fair value recognised in the statement of profit and loss.

#### **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 Group 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.

#### **n) Derivative Financial Instruments and Hedge Accounting**

##### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivates are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivates are taken directly to statement of profit and loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to statement of profit and loss when the hedge item affects statement of profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the group's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group has designated certain foreign currency loans availed as a hedging instrument to hedge its net investment in non-integral foreign operations, with effect from January 1, 2009 which has been de-designated during the current year. Accordingly, the translation gain/(loss) on such foreign currency loans, determined as an effective net investment hedge through the designated period is recognised in Foreign Currency Translation Reserve (FCTR) included under OCI and would be transferred to the statement of consolidated profit and loss upon sale or disposal of the investment in the non-integral foreign operations.

#### **Cash flow hedge**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

#### o) Earnings Per Share

The earnings considered in ascertaining the Group's Earnings Per Share (EPS) comprise net profit after tax (and includes the post-tax 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.

#### p) Tax Expense

Income tax expenses comprises of current tax and deferred tax. It is recognised in consolidated statement of profit and loss to the extent that it relates to an item recognised directly in equity or other comprehensive income.

##### *Current Income tax*

Current Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Current Income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

##### *Deferred tax*

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 liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill.

The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised.

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.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 statement of profit and 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in statement of profit and loss.

**q) Borrowing Costs**

Borrowing costs include interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction/development of the qualifying asset up to the date of capitalisation of such asset is added to the cost of the assets.

Deferred finance consists of loan financing fees, which are being amortised over the estimated life of the loan. Such life of the loan is reviewed by management on an ongoing basis. The Group considers its plans to repay the borrowings in determining the life of the asset. Amortisation of deferred finance cost is included in other borrowing costs of statement of profit and loss. Other borrowings costs

including redemption premium are recognised in the period in which they are incurred.

**r) 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 Group are segregated.

For the purpose of the consolidated 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 Group's cash management.

Cash and cash equivalent in the consolidated balance sheet comprise cash at banks and on hand and short-term, highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**s) Provisions and Contingencies**

A provision is recognised when the Group has a present, legal and constructive 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. 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 the Group 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.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contingent liabilities are disclosed in the notes to the consolidated financial statements, when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

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 amount of income recognised in accordance with the requirements for revenue recognition.

#### t) Dividend declared

The Group 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 dividend is recorded as a liability on the date of declaration by the Board of Directors.

#### u) Standards issued but not yet effective

##### ● Ind AS 115 – Revenue from Contracts with Customers

In March, 2018 the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, Revenue from Contracts with Customers, which is effective for accounting periods beginning on or after April 1, 2018. This standard replaces existing revenue recognition rules with a single comprehensive model to use in accounting for revenue arising from contract with customers. Under IND AS 115, revenue is recognised when the entity transfers control

of promised goods or services to customers. 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, if any arising from contracts with customers. The Group intends to adopt the new standard effective January 1, 2019 using the modified retrospective method.

To identify the potential impact of the standard on the Group's consolidated financial statements, the Group has analysed contracts of the relevant revenue streams of the Group.

The impact of the new standard is identified to be not materially affecting the current recognition and measurement of revenues, though there would be significant additional disclosure requirements for the Group to comply with.

##### ● Other recently issued accounting pronouncements and not effective for the year ended December 31, 2018:

Amendments to Ind AS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Amendment to Ind AS 28: Investments in Associates and Joint Ventures

Amendment to Ind AS 112: Disclosure of Interests in Other Entities

Amendment to Ind AS 21: Foreign Currency Transactions and Advance Consideration

Application of above amendments are not expected to have any significant impact on the Group's financial statements.



## NOTES

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 (CONTINUED)

[illegible]

**Notes:**

- |       |  |
|-------|--|
| (i)   | Certain movable and immovable property, plant and equipment are hypothecated against the current and non-current borrowings availed by the Group. Refer note 19 and 23.  |
| (ii)  | Includes plant and equipment installed and buildings constructed on leasehold land and depreciated over lease period.  |
| (iii) | The carrying value of buildings held by the Group under finance lease as at December 31, 2018 is ₹ 2.92 (December 31, 2017 - ₹ 5.35). For details regarding future minimum lease payments at the end of the year, Refer note 46. |
| (iv)  | For contractual commitments relating to capital work-in-progress, Refer note 44.   |
| (v)   | Leasehold land pertains to mining in 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 4: GOODWILL AND OTHER INTANGIBLE ASSETS:

Description	Gross Block				Accumulated Depreciation				Net Block		
	As at January 1, 2018	Additions/ Adjustments	Deletions/ Adjustments	Exchange difference	As at December 31, 2018	As at January 1, 2018	For the year	Deletions/ Adjustments	Exchange difference	As at December 31, 2018	As at December 31, 2017
Goodwill (A)	57622.46	-	-	3,692.85	61,315.31	-	-	-	-	61,315.31	57622.46
Other Intangible assets:											
Licenses and franchise	156.65	147.05	3.16	5.43	305.97	(40.02)	70.74	(5.17)	(2.88)	272.96	196.67
Other intangible assets	3796	-	-	(3.38)	34.58	1.22	1.70	-	(0.31)	31.97	36.74
Total Other Intangible assets (B)	194.61	147.05	3.16	2.05	340.55	(38.80)	72.44	(5.17)	(3.19)	304.93	233.41
Total A+B	57817.07	147.05	3.16	3,694.90	61,655.86	(38.80)	72.44	(5.17)	(3.19)	61,620.24	57855.87

Description	Gross Block			Accumulated Depreciation			Net Block			
	As at January 1, 2017	Additions/ Adjustments	Deletions/ Adjustments	Exchange difference	As at December 31, 2017	For the year	Deletions/ Adjustments	Exchange difference	As at December 31, 2017	As at December 31, 2016
<b>Goodwill (A) (Refer note (iii))</b>	57581.30	33.65	-	751	57622.46	-	-	-	57622.46	57581.30
<b>Other Intangible assets:</b>										
Licenses and franchise	208.52	130.60	(193.71)	(376.18)	156.65	67.46	(180.07)	(359.85)	196.67	136.22
Other intangible assets	2.49	34.06	-	1.41	37.96	-	-	0.41	36.74	1.68
<b>Total Other Intangible assets (B)</b>	211.01	164.66	(193.71)	(374.77)	194.61	67.46	(180.07)	(359.44)	233.41	137.90
<b>Total A+B</b>	<b>57792.31</b>	<b>198.31</b>	<b>(193.71)</b>	<b>(367.25)</b>	<b>57817.07</b>	<b>67.46</b>	<b>(180.07)</b>	<b>(359.44)</b>	<b>57855.87</b>	<b>57719.20</b>

#### Notes:

- For impairment analysis performed for Goodwill on consolidation, Refer Note 39.
- On July 1, 2017, the Group made a step up acquisition in Tarlog GmbH, there by increasing the holding to 100% resulting in Goodwill of ₹ 33.65. In 2017, the entity has been merged with the Group. The acquisition is not material to the Group and hence additional disclosures under Ind AS 103- "Business Combinations" are not provided.



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 5: EQUITY ACCOUNTED INVESTMENTS

	As at December 31, 2018	As at December 31, 2017
<b>Associates (unquoted, at cost):</b>		
- InfraTec Duisburg GmbH – 7,500 (December 31, 2017: 7,500) ordinary shares with no par value	83.08	71.35
- Tarlog GmbH – Nil (December 31, 2017: Nil) ordinary shares with no par value*	-	-
- Rain Coke Limited - Nil (December 31, 2017: 6,762,600) equity shares of ₹ 10 each fully paid up) (Refer note 36)	-	67.60
<b>Total</b>	<b>83.08</b>	<b>138.95</b>

\*Considering the accumulated operating losses, the investment value was written down to zero during the year 2015. On July 1, 2017 the Group made a step up acquisition in Tarlog GmbH, there by increasing the holding to 100% resulting in Goodwill of ₹ 33.65. The entity has been merged with the Group. The acquisition is not material to the Group and hence additional disclosures under Ind AS 103- "Business Combinations" are not provided.

#### NOTE 6: NON-CURRENT INVESTMENTS

	As at December 31, 2018	As at December 31, 2017
<b>A. Investment in equity shares</b>		
(i) In other entities		
At FVTOCI (Fair value through Other comprehensive income)		
- Arsol Aromatics GmbH & Co. – 1,365,860 (December 31, 2017: 1,365,860) ordinary shares with no par value	27.19	26.05
At FVTPL (Fair value through Profit and loss)		
- Andhra Pradesh Gas Power Corporation Limited - 134,000 (December 31, 2017: 134,000) equity shares of ₹ 10 each fully paid up	16.00	16.00
<b>B. Investment in Compulsory Convertible Debentures (carried at amortised cost)</b>		
- Rain Coke Limited - Nil (December 31, 2017: 15,677,000) 12.5% Debentures of ₹ 10 each (Refer note 36)	-	156.77
<b>C. Investment in Government securities carried at FVTPL (Fair value through Profit and loss) (unquoted)</b>		
- National Savings Certificates	0.20	0.19
<b>Total</b>	<b>43.39</b>	<b>199.01</b>
(a) aggregate value of quoted investments	-	-
(b) aggregate value of unquoted investments	43.39	199.01

#### NOTE 7: NON-CURRENT LOANS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good unless otherwise stated)</b>		
Security deposits	109.98	108.01
Loans and advances		
- to employees	6.31	5.88
- to others	0.40	0.46
Electricity deposit	196.86	196.73
<b>Total</b>	<b>313.55</b>	<b>311.08</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 8: OTHER NON-CURRENT FINANCIAL ASSETS

	As at December 31, 2018	As at December 31, 2017
Bank deposits due to mature after 12 months of the reporting date* (Refer note 13)	10.00	-
Interest accrued on deposits	0.14	-
<b>Total</b>	<b>10.14</b>	<b>-</b>

\* Includes lien marked deposits with government authorities and customers.

## NOTE 9: OTHER NON-CURRENT ASSETS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good unless otherwise stated)</b>		
Capital advances	1,273.06	286.72
Advances other than capital advances:		
Prepaid expenses	1.11	1.57
Prepaid operating lease rentals*	15.65	19.90
Balances with Statutory authorities	31.47	27.56
Excess contribution to Plan assets for Defined benefit plan (Refer note 41)	0.72	-
<b>Total</b>	<b>1,322.01</b>	<b>335.75</b>

\* This includes operating lease rentals pertaining to land taken on lease from Visakhapatnam Port Trust till October 27, 2022, being amortised on straightline basis in accordance with Ind AS.

## NOTE 10: INVENTORIES

	As at December 31, 2018	As at December 31, 2017
<b>(At lower of cost and net realisable value)</b>		
a) Raw materials	9,437.19	8,942.40
b) Work-in-progress	2,340.23	1,520.83
c) Finished goods	8,229.73	5,794.53
d) Stock-in-trade	1,600.64	1,982.77
e) Stores and spares	1,702.00	1,472.00
f) Packing materials	115.39	112.54
g) Fuel	258.15	160.27
<b>Total</b>	<b>23,683.33</b>	<b>19,985.34</b>
<b>Goods-in-transit, included above</b>		
a) Raw materials	972.25	1,218.85
b) Stock-in-trade	347.71	236.89
c) Stores and spares	3.72	2.27
d) Fuel	1.81	3.17
<b>Total</b>	<b>1,325.49</b>	<b>1,461.18</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 10: INVENTORIES (CONTINUED)

The above inventories are net of provision for net realisable values of ₹ 516.99 and ₹ 401.10 as at December 31, 2018 and December 31, 2017 respectively. The write-down and reversal are included in cost of materials consumed or changes in inventories of finished goods, work-in-progress and stock-in-trade.

For details of inventories hypothecated against current borrowings, refer note 23.

#### NOTE 11: CURRENT INVESTMENTS

	As at December 31, 2018	As at December 31, 2017
<b>Investment in mutual funds of (unquoted, at Fair value through Profit and loss):</b>		
Reliance Liquid Fund-Treasury Plan-Direct Growth Plan - Growth Option	-	10.00
<b>Total</b>	<b>-</b>	<b>10.00</b>
(a) Aggregate value of quoted investments	-	10.00
(b) Aggregate amount of unquoted investments	-	-

#### NOTE 12: TRADE RECEIVABLES

	As at December 31, 2018	As at December 31, 2017
Trade receivables considered good - secured	1,379.64	3,628.97
Trade receivables considered good - unsecured	14,664.38	13,088.23
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	821.74	63.06
	<b>16,865.76</b>	<b>16,780.26</b>
Less: Allowance for doubtful trade receivables	821.74	63.06
<b>Total</b>	<b>16,044.02</b>	<b>16,717.20</b>

- For details of trade receivables hypothecated against current borrowings, refer note 23.
- The Group's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in note 35.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 13: CASH AND BANK BALANCES

	As at December 31, 2018	As at December 31, 2017
<b>A. Cash and cash equivalents</b>		
Cash on hand	1.19	5.07
Cheques/ drafts on hand	1.26	0.71
Balances with banks:		
- in current accounts	5,289.80	6,923.04
- in exchange earners foreign currency (EEFC) accounts	2.73	16.57
- in deposit accounts (with original maturity of three months or less)	2,439.18	296.30
	<b>7,734.16</b>	<b>7,241.69</b>
<b>B. Bank balances other than cash and cash equivalents</b>		
Balances held as margin money against guarantees and other commitments	283.13	418.18
Unclaimed dividend accounts	42.82	39.48
Bank deposits due to mature after three months of the reporting date	462.30	1,716.56
Less: Bank deposits due to mature after 12 months of the reporting date (Refer note 8)	10.00	-
<b>Total [A+B]</b>	<b>778.25</b>	<b>2,174.22</b>
	<b>8,512.41</b>	<b>9,415.91</b>
<b>Notes:</b>		
Balances with banks available in term deposits with original maturity of less than three months or less included under 'Cash and cash equivalents'	2,439.18	296.30
Bank deposits due to maturity within twelve months of the reporting date included under 'Other Bank balances'	452.30	1,716.56
Bank deposits due to maturity after twelve months of the reporting date included under 'Other non-current financial assets (Refer note 8)	10.00	-

## NOTE 14: CURRENT LOANS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good unless otherwise stated)</b>		
Advances to related parties		
- Pragnya Priya Foundation	10.00	-
Security deposits	3.28	2.59
Advance to employees	8.48	5.07
Others	0.23	16.01
<b>Total</b>	<b>21.99</b>	<b>23.67</b>

- The Group's exposure to credit and currency risks related to current loans are disclosed in note 35.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 15: OTHER CURRENT FINANCIAL ASSETS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good unless otherwise stated)</b>		
Derivative financial asset, net	-	7.33
Interest accrued on deposits	52.18	39.46
Unbilled revenue	129.31	185.20
Inter-corporate deposits with financial institutions	400.00	-
Advance to employees	4.44	3.99
Other receivables	22.59	6.78
<b>Total</b>	<b>608.52</b>	<b>242.76</b>

#### NOTE 16: OTHER CURRENT ASSETS

	As at December 31, 2018	As at December 31, 2017
<b>(Unsecured, considered good unless otherwise stated)</b>		
Prepaid expenses	489.05	235.79
Balances with statutory authorities	1,886.43	1,686.37
Advance to suppliers and service providers	414.80	1,214.55
Advance to employees	13.60	14.04
Others	28.45	22.13
<b>Total</b>	<b>2,832.33</b>	<b>3,172.88</b>

#### NOTE 17: EQUITY SHARE CAPITAL

	As at December 31, 2018		As at December 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised:</b>				
Equity shares of ₹ 2 each	590,000,000	1,180.00	590,000,000	1,180.00
Redeemable preference shares of ₹ 100 each	4,900,000	490.00	4,900,000	490.00
<b>Total</b>	<b>594,900,000</b>	<b>1,670.00</b>	<b>594,900,000</b>	<b>1,670.00</b>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 2 each	336,345,679	672.69	336,345,679	672.69
<b>Total</b>	<b>336,345,679</b>	<b>672.69</b>	<b>336,345,679</b>	<b>672.69</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## Notes:

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

Particulars	December 31, 2018		December 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
As at beginning of the year	336,345,679	672.69	336,345,679	672.69
Less: Equity Shares bought back and extinguished during the year	-	-	-	-
<b>As at end of the year</b>	<b>336,345,679</b>	<b>672.69</b>	<b>336,345,679</b>	<b>672.69</b>

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

The Company has one class of equity shares having a par value of ₹ 2 each per share. Each holder of equity shares is entitled to one vote per share. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. However, 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 at its meeting held on August 11, 2017 has declared an interim dividend of 50% (₹ 1 per equity share of par value of ₹ 2 each amounting to ₹ 336.35, including tax on dividend) for the half year ended June 30, 2017. Further, the Board of Directors at its meeting held on February 28, 2018 has recommended a final dividend of 50% (₹ 1 per equity share of par value ₹ 2 each amounting to ₹ 336.35, including tax on dividend) which was approved by shareholders on May 11, 2018. Accordingly, provision for proposed dividend and dividend distribution tax is recognised in the financial statements for the year ended December 31, 2018.

The Board of Directors at its meeting held on November 14, 2018 has declared an interim dividend of 50% (INR 1 per equity share of par value of INR 2 each amounting to INR 336.35, including tax on dividend) for the financial year ended December 31, 2018 and no further dividend recommended during the year.

## (iii) Shareholders holding more than 5% of the equity shares

Name of the Shareholder	As at December 31, 2018		As at December 31, 2017	
	Number of Shares	%	Number of Shares	%
Sujala Investments Private Limited	37,766,675	11.23	37,766,675	11.23
Rain Enterprises Private Limited	25,316,465	7.53	25,316,465	7.53
N. Anupama Reddy	27,152,351	8.07	27,152,351	8.07
Meghamala Enterprises Private Limited	17,400,610	5.17	17,402,110	5.17

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



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 18: OTHER EQUITY

	As at December 31, 2018	As at December 31, 2017
<b>(i) Reserves and Surplus</b>		
(a) Capital Reserve (Balance at the beginning and end of the year)	<b>43.98</b>	<b>43.98</b>
(b) Securities premium (Balance at the beginning and end of the year)	<b>516.67</b>	<b>516.67</b>
(c) Capital redemption reserve (Balance at the beginning and end of the year)	<b>47.66</b>	<b>47.66</b>
(d) General reserve		
Opening balance	1,364.80	1,332.69
Add: Transferred from retained earnings	60.47	32.11
Closing balance	<b>1,425.27</b>	<b>1,364.80</b>
(e) Retained earnings		
Opening balance	38,020.54	30,755.62
Add: Profit for the year	5,816.26	7,635.87
Less: Dividend for the year (including tax on dividend)	672.69	338.84
Less: Transfer to general reserve	60.47	32.11
Closing balance	<b>43,103.64</b>	<b>38,020.54</b>
<b>(ii) Items of other comprehensive income:</b>		
(a) Foreign currency translation reserve		
Opening balance	(363.10)	(995.67)
Add: Translation Adjustments	1,222.84	526.08
Add: Others	-	106.49
Closing balance	<b>859.74</b>	<b>(363.10)</b>
(b) Remeasurements of defined benefit plans		
Opening balance	(742.78)	(725.51)
Add: Actuarial gain/(loss) on remeasurements of defined benefit plans	300.54	(17.27)
Closing balance	<b>(442.24)</b>	<b>(742.78)</b>
(c) Effective portion of cash flow hedges		
Opening balance	(119.43)	-
Add: Effective portion of cash flow hedges	119.43	(119.43)
Closing balance	<b>-</b>	<b>(119.43)</b>
<b>Total</b>	<b>45,554.72</b>	<b>38,768.34</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 19: NON-CURRENT BORROWINGS

	As at December 31, 2018	As at December 31, 2017
<b>A. Bonds (Refer note (i))</b>		
- Secured banks		
7.25% Senior secured notes (due for repayment in April 2025)	37,636.73	34,399.88
8.25% Senior secured notes (due for repayment in January 2021)	-	15,767.02
8.50% Senior secured notes (due for repayment in January 2021)	-	15,480.49
Less: Current maturities of non-current borrowings disclosed under Note 25 - Other current financial liabilities	-	31,247.51
	<b>37,636.73</b>	<b>34,399.88</b>
<b>B. Term loans</b>		
From banks (Refer note (ii) to (vi))		
- Secured banks	34,134.85	3,179.00
From other parties (Refer note (vii))		
- Unsecured	-	139.34
Less: Current maturities of non-current borrowings disclosed under Note 25 - Other current financial liabilities	167.50	1,307.86
	<b>33,967.35</b>	<b>2,010.48</b>
<b>C. Deferred payment liabilities</b>		
- Unsecured (Refer note (viii))	663.00	721.98
Less: Current maturities of non-current borrowings disclosed under Note 25 - Other current financial liabilities	54.29	59.52
	<b>608.71</b>	<b>662.46</b>
<b>D. Non-current maturities of finance lease obligations</b>		
- Secured (Refer note (ix))	338.76	444.51
Less: Current maturities of non-current borrowings disclosed under Note 25 - Other current financial liabilities	131.36	120.16
	<b>207.40</b>	<b>324.35</b>
<b>Total [A+B+C+D]</b>	<b>72,420.19</b>	<b>37,397.17</b>

## Notes:

- (i) On December 31, 2012, one of the Group Companies in United States issued USD 400 Million of 8.25% and EUR 210 Million of 8.50% senior secured notes due January 2021 (the "2021 Notes"). The 2021 Notes contain covenants and conditions that limit the Group's ability to, among other things, pay cash dividends, incur indebtedness and make investments. Based on the agreement, the Group Company has an option to 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 Group Company and are guaranteed by the Group Company's domestic subsidiaries on a joint and several basis. During the year 2015, the Group Company repurchased bonds worth USD 39.22 Million. During the year 2016, the Group Company repurchased bonds worth EUR 11.55 Million. On April 4, 2017, the Group Company repurchased bonds worth USD 115 Million of its 2021 Notes at a premium of 3.875%.

On January 16, 2018, the Group Company repaid all the aforementioned 2021 Notes at a premium financed by a new Term Loan B of EUR 390 Million borrowed in the Wholly-owned Subsidiary in Germany (refer note (vi)). Balance as at December 31, 2018 is ₹ Nil (December 31, 2017: ₹ 31,247.51).

On March 31, 2017, one of the Group Companies in United States issued USD 550 Million 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 USD 115 Million of 2021 Notes. The 2025 Notes contain covenants and conditions that limit the Group Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The Group Company's may

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 19: NON-CURRENT BORROWINGS (CONTINUED)

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 Group Company and are guaranteed by the Group Company's domestic subsidiaries on a joint and several basis. Balance (gross of transaction costs) as at December 31, 2018 is ₹ 38,384.50 (December 31, 2017: ₹ 35,161.50).

- (ii) During the financial year ended December 31, 2015, the Company has borrowed Term loan of USD 20 Million from a bank and is secured by:

- (a) *Pari passu* first charge on movable assets of the Company including current assets of the Company.
- (b) First Ranking exclusive charge and Hypothecation over its designated account.
- (c) First ranking exclusive pledge on 1,000,000 equity shares held by the Company in Rain CII Carbon (Vizag) Limited, a wholly-owned step-down subsidiary company.

It carries interest of 3 months Libor plus 235 basis points. The loan has been fully repaid in November 2018. Balance (gross of transaction costs) as at December 31, 2018 is ₹ Nil (December 31, 2017: ₹ 1,278.60).

- (iii) During the financial year ended December 31, 2016, the Company has borrowed Term loan of USD 30 Million from a bank and is secured by a *pari passu* first charge on all immovable and movable properties present and future of Rain Cements Limited, a wholly-owned subsidiary Company. The loan has been sanctioned vide credit facilities agreement dated February 20, 2016 between the Company, Rain Cements Limited and the bank. It carries interest of 3 months Libor plus 400 basis points. Balance (gross of transaction costs) as at December 31, 2018 is ₹ 2,093.70 (December 31, 2017: ₹ 1,917.90).

- (iv) During the financial year ended December 31, 2018, the Company has borrowed Term loan of USD 20 Million from a bank and is secured by :

- a) *Parri passu* first charge by way of hypothecation on all movable assets both present and future of the Company
- b) Corporate guarantee of Rain CII Carbon (Vizag) Limited in favour of the bank
- c) Pledge over 1,000,000 equity shares of ₹ 10 each held by the Company in Rain CII Carbon (Vizag) Limited, a wholly-owned step-down subsidiary.

The loan is repayable on October 29, 2021. It carries interest of 3 months USD LIBOR plus 215 basis points for year 1 and 2 and 3 month USD LIBOR plus 290 basis points for year 3 payable monthly. Balance (gross of transaction costs) as at December 31, 2018 is ₹ 1,395.80 (December 31, 2017: ₹ Nil).

- (v) The term loans availed by the Company have been utilised for the purpose of investment in its wholly-owned subsidiary company which is engaged in the business of Calcined Petroleum Coke, in accordance with the sanctioned terms.
- (vi) On January 16, 2018, one of the Group Companies in United States repaid all the aforementioned 2021 Notes financed by a new Term Loan B of EUR 390 Million ("TLB") borrowed in the Wholly-owned Subsidiary in Germany. Interest rate on the TLB is EURIBOR (subject to a 0.0% floor) plus 3%. The TLB is First Lien Debt having priority over 2025 Notes. The TLB contain covenants and conditions that limit the Group Company's ability to, among other things, pay cash dividends, incur indebtedness and make investments. The TLB is secured by substantially all of the assets of the Company and are guaranteed by the Group Company's domestic subsidiaries on a joint and several basis. The TLB will mature in 7 years after the closing date i.e., in January 2025. The TLB is repayable after December 31, 2019 in the manner specified under the provisions for mandatory and voluntary prepayment in the credit agreement. The prepayment is determined at the percentage on excess cash flows at specified financial leverages in the credit agreement. Balance (gross of transaction costs) as at December 31, 2018 is ₹ 31,114.70 (December 31, 2017: ₹ Nil).
- (vii) RUB 100 Million loan provided by JSC Karelsky Okatysh (subsidiary company of JV partner). On April 20, 2018 the entire loan was repaid along with accrued interests. Balance as at December 31, 2018 is ₹ Nil (December 31, 2017: ₹ 139.34).

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 19: NON-CURRENT BORROWINGS (CONTINUED)

(viii) Sales tax deferment represents interest free liability in Rain Cements Limited. Balance outstanding is repayable in 79 monthly installments based on deferment schedule.

(ix) Finance leases are secured by assets financed under the leasing agreement. (Refer note 46)

(x) Reconciliation of liabilities arising from financing activities

Particulars	As at December 31, 2018	As at December 31, 2017
Opening balance at the beginning of the year	70,132.22	71,442.44
Borrowings made during the year	31,767.92	38,589.56
Borrowings repaid during the year	(33,475.16)	(38,518.55)
Effect of changes in foreign exchange rates	4,296.98	(807.79)
Others	51.38	(573.44)
<b>Closing balance at the end of the year</b>	<b>72,773.34</b>	<b>70,132.22</b>

## NOTE 20: OTHER NON-CURRENT FINANCIAL LIABILITIES

	As at December 31, 2018	As at December 31, 2017
Lease rentals straightlining	55.13	54.30
Payables on purchase of property, plant and equipment	17.03	3.97
Employee payables	66.70	58.43
Advance from others	-	283.40
<b>Total</b>	<b>138.86</b>	<b>400.10</b>

## NOTE 21: NON-CURRENT PROVISIONS

	As at December 31, 2018	As at December 31, 2017
<b>Provision for employee benefits:</b>		
- Compensated absences (Refer note 41)	121.44	184.89
- Defined benefit plans (net) (Refer note 41)	9,076.62	8,696.76
<b>Provision - others</b>		
- Provision for environment liabilities (Refer note 52)	584.06	732.24
- Other provisions (Refer note 53)	41.09	40.19
<b>Total</b>	<b>9,823.21</b>	<b>9,654.08</b>

## NOTE 22: OTHER NON-CURRENT LIABILITIES

	As at December 31, 2018	As at December 31, 2017
Advances from customers	94.25	129.94
<b>Total</b>	<b>94.25</b>	<b>129.94</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 23: CURRENT BORROWINGS

	As at December 31, 2018	As at December 31, 2017
<b>Loans repayable on demand</b>		
<b>From banks - Secured</b>		
- Packing credit foreign currency loan (Refer note (i) & (ii))	1,841.59	3,190.80
- Supplier's credit facility (Refer note (ii))	756.77	-
- Revolver Credit facility (Refer note (iii))	2,423.23	-
<b>Total</b>	<b>5,021.59</b>	<b>3,190.80</b>

#### Notes:

- (i) During 2013, one of the Group Companies incorporated in India, entered into agreements with two banks for an aggregated facility amount of USD 74.12 Million which can be utilised for issuance of letter of credits, bank guarantees, suppliers credit facility and cash drawings. Outstanding letters of credit issued under these facilities are subject to a fee of 0.75% per annum. The Group 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 of LIBOR plus 120 basis points and LIBOR plus 150 basis points per annum for each bank.

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.

At December 31, 2018, cash drawings outstanding under the facility aggregated to ₹ 2,598.36 (USD 37.23 Million), of which ₹ 1,841.59 (USD 26.39 Million) were towards Packing Credit and ₹ 756.77 (USD 10.84 Million) were towards supplier credit facility. At December 31, 2017, cash drawings outstanding under the facility aggregated to ₹ 2,620.72 (USD 40.99 Million), of which ₹ 2,620.72 (USD 40.99 Million) were towards Packing Credit with no supplier credit facility.

At December 31, 2018, letters of credit outstanding were USD 8.65 Million and bank guarantees outstanding was USD 0.56 Million under the facility. At December 31, 2017, letters of credit outstanding were USD 7.42 Million and bank guarantees outstanding was USD 0.29 Million under the facility.

Available limit under both facilities amounts to USD 27.68 Million as at December 31, 2018.

- (ii) During 2013, one of the Group Companies incorporated in India, entered into an agreement with a bank for a cash credit facility. The facility was renewed in 2017 with a reduced limit of USD 11.61 Million. The facility can be utilised by drawing on working capital loans from the lender up to USD 2.01 Million and by issuance of letters of credit, bank guarantees up to maximum facility.

Outstanding letters of credit issued under these facilities are subject to a fee of 0.75% per annum. The Group Company is not obliged to pay a commitment fee on the 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 LIBOR plus 120 basis points per annum.

As of December 31, 2018 bank guarantees outstanding was USD 2.50 Million with no cash drawings under the facility. As of December 31, 2017 bank guarantees outstanding was USD 2.73 Million with cash drawings outstanding ₹ 570.08 (USD 8.92 Million) under the facility.

Available limits as at December 31, 2018 were USD 9.11 Million.

- (iii) On January 16, 2018, the Group Companies Rain Carbon Inc, Rain CII Carbon LLC, RÜTGERS Canada Inc, Rain Carbon GmbH, RÜTGERS Germany GmbH and Rain Carbon BVBA entered into a Revolver Credit Facility (RCF) Agreement with three banks. The agreement provides for a USD 150 Million RCF loan commitment of which USD 40 Million were separated in an Ancillary facility for documentary business needs for the aforesaid companies. Allocation of limit for the Ancillary facility between the aforesaid companies is flexible. The interest rates are variable and depend on currency of the borrowing. At December 31, 2018 rate for USD borrowings was LIBOR plus 250 basis points and for EUR borrowings EURIBOR plus 250 basis points.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 23: CURRENT BORROWINGS (CONTINUED)

The RCF is secured by substantially all of the assets of the Group Company and are guaranteed by the Group Company's domestic subsidiaries on a joint and several basis.

At December 31, 2018 cash drawings outstanding under the RCF aggregated to ₹ 2,423.23 (USD 34.72 Million) of which ₹ 348.95 (USD 5.00 Million) were drawn by Rain CII Carbon LLC and ₹ 2,074.28 (EUR 26.00 Million) by RÜTGERS Germany GmbH. Variable interest rate depends on the type of borrowing.

At December 31, 2018, letters of credit outstanding aggregated USD 5.15 Million under the North-America facility and EUR 9.7 Million under the European Ancillary facility.

Available limit under both the facilities amounts to USD 99.07 Million as at December 31, 2018.

(iv) Reconciliation of liabilities arising from financing activities

	As at December 31, 2018	As at December 31, 2017
Opening balance at the beginning of the year	3,190.80	1,700.57
Borrowings made during the year	14,254.75	7,474.56
Borrowings repaid during the year	(12,652.88)	(6,023.82)
Effect of changes in foreign exchange rates	228.92	39.49
<b>Closing balance at the end of the year</b>	<b>5,021.59</b>	<b>3,190.80</b>

The Group's exposure to currency, liquidity risks and interest risks related to borrowings is disclosed in note 35.

## NOTE 24: TRADE PAYABLES

	For the year ended December 31, 2018	For the year ended December 31, 2017
Trade payables - micro enterprises and small enterprises	16.34	12.13
Trade payables - other than above	13,459.99	11,463.60
<b>Total</b>	<b>13,476.33</b>	<b>11,475.73</b>

The Group's exposure to currency and liquidity risks related to trade payables is disclosed in note 35.



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 25: OTHER CURRENT FINANCIAL LIABILITIES

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current maturities of non-current borrowings (Refer note 19)	353.15	32,735.05
Interest accrued but not due on borrowings	886.26	1,830.46
Trade and security deposits	83.59	17.22
Employee payables	588.78	771.84
Deposits from contractors	363.65	345.69
Unclaimed dividends*	42.82	39.48
Derivative financial liability	3.40	151.17
Others		
- Payables on purchase of property, plant and equipment	1,015.70	1,750.03
- Lease rentals straightlining	0.21	-
- Retention money	16.09	31.33
- Others	577.57	141.43
<b>Total</b>	<b>3,931.22</b>	<b>37,813.70</b>

\*There is no amount due and outstanding to be credited to Investor Education and Protection fund as at December 31, 2018.

The Group's exposure to currency and liquidity risks related to other current financial liabilities is disclosed in note 35.

#### NOTE 26: OTHER CURRENT LIABILITIES

	For the year ended December 31, 2018	For the year ended December 31, 2017
Other payables		
- Statutory liabilities	537.89	517.57
- Advances from customers	220.76	302.08
- Discounts payable	6.13	53.71
- Others	107.42	33.19
<b>Total</b>	<b>872.20</b>	<b>906.55</b>

#### NOTE 27: CURRENT PROVISIONS

	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>Provision for employee benefits:</b>		
- Compensated absences (Refer note 41)	62.97	47.65
- Defined benefit plans (net) (Refer note 41)	6.22	-
- Other provisions (Refer note 53)	367.33	48.51
<b>Provision - Others:</b>		
- Provision for environment liabilities (Refer note 52)	1,172.55	663.32
- Other provisions (Refer note 53)	-	29.46
<b>Total</b>	<b>1,609.07</b>	<b>788.94</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 28: REVENUE FROM OPERATIONS

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sale of products	139,428.49	113,767.96
Sale of services	179.63	151.47
Other operating revenues [Refer note below]	881.81	576.50
<b>Revenue from operations</b>	<b>140,489.93</b>	<b>114,495.93</b>
<b>Note: Other operating revenues comprises:</b>		
Scrap sales	29.97	42.62
Duty drawback on exports	49.25	24.57
Income from sale of certified emission reductions	-	18.14
Rental income	206.48	221.26
Insurance claims	270.05	6.01
Dock revenue	101.75	119.31
Others	224.31	144.59
<b>Total</b>	<b>881.81</b>	<b>576.50</b>

## NOTE 29: OTHER INCOME

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest income		
Interest from banks on deposits	203.97	131.18
Interest income from current investments	0.62	3.23
Other interest	3.76	5.64
Dividend income from current investments	0.54	1.89
Gain on foreign currency transactions and translations (net)	-	797.88
Other non-operating income		
Gain on sale of investments in associate	60.00	-
Liabilities/provisions no longer required written back	124.61	89.43
Gain on redemption of senior secured notes	3.49	23.30
Profit on sale of property, plant and equipment (net)	10.82	30.21
Miscellaneous income	-	26.95
<b>Total</b>	<b>407.81</b>	<b>1,109.71</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 30: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>Opening Stock</b>		
Finished goods	5,794.53	3,804.94
Work-in-progress	1,520.83	1,196.53
Stock-in-trade	1,982.77	1,156.28
	<b>9,298.13</b>	<b>6,157.75</b>
<b>Closing Stock</b>		
Finished goods	8,229.73	5,794.53
Work-in-progress	2,340.23	1,520.83
Stock-in-trade	1,600.64	1,982.77
	<b>12,170.60</b>	<b>9,298.13</b>
<b>(Increase)/decrease in stock</b>	<b>(2,872.47)</b>	<b>(3,140.38)</b>
Foreign currency translation adjustment	373.10	120.94
<b>Net (increase)/decrease</b>	<b>(2,499.37)</b>	<b>(3,019.44)</b>

#### NOTE 31: EMPLOYEE BENEFITS EXPENSE

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries, wages and bonus	10,968.28	9,346.05
Contributions to provident and other funds (Refer note 41)	861.99	805.10
Staff welfare expenses	524.88	472.92
<b>Total</b>	<b>12,355.15</b>	<b>10,624.07</b>

#### NOTE 32: FINANCE COSTS

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest expense	4,226.67	5,539.05
Interest on Income tax	24.84	3.70
Other borrowing costs	313.62	403.96
<b>Total</b>	<b>4,565.13</b>	<b>5,946.71</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 33: OTHER EXPENSES

	For the year ended December 31, 2018	For the year ended December 31, 2017
Consumption of stores and spares	1,768.36	1,498.41
Consumption of packing materials	808.12	747.27
Change in excise duty on finished goods	-	(6.35)
Power and fuel	6,682.38	5,584.64
Repairs and maintenance		
- Plant and machinery	2,496.83	2,074.48
- Buildings	131.37	142.60
- Others	685.81	489.69
Insurance	477.16	413.38
Rent (Refer note 45)	1,214.89	833.96
Rates and taxes	473.90	359.59
Travelling and conveyance	471.69	322.94
Selling and distribution expense	2,982.87	937.11
Freight expense	6,260.31	7,241.91
Corporate Social Responsibility and other donations (Refer note 51)	198.25	170.65
Consultancy charges	2,504.65	1,611.06
Payment to auditors [Refer note below]	80.21	85.29
Directors' sitting fees	34.03	26.09
Commission to directors	4.30	8.00
Provision for loss allowance on trade receivables (Refer note 35)	783.27	3.80
Loss on foreign currency transactions and translation (net)	213.66	-
Miscellaneous expenses	3,028.56	2,755.65
	<b>31,300.62</b>	<b>25,300.17</b>
Less: Expenses capitalised	92.64	73.12
<b>Total</b>	<b>31,207.98</b>	<b>25,227.05</b>
<b>Note:</b>		
<b>Payments to the auditors comprise (excluding taxes):</b>		
Statutory Audit	5.75	5.75
Limited review	8.20	8.20
Other audit fees	52.31	48.55
Other services	6.74	16.56
Reimbursement of expenses	7.21	6.23
<b>Total</b>	<b>80.21</b>	<b>85.29</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 34: INCOME TAXES

##### (i) Income tax expense/(benefit) recognised in consolidated statement of profit and loss:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
<b>Current tax:</b>		
Tax for current year	4,241.69	4,399.16
Tax relating to earlier years	(12.42)	13.58
Minimum alternate tax credit entitlement	(12.37)	(82.25)
<b>Net current tax</b>	<b>4,216.90</b>	<b>4,330.49</b>
<b>Deferred tax:</b>		
Attributable to the origination and reversal of temporary differences	(573.68)	(581.65)
Tax rate change (Refer (iii) below)	-	(830.75)
<b>Total</b>	<b>3,643.22</b>	<b>2,918.09</b>

##### (ii) Income tax expense/(benefit) recognised in other comprehensive income:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
a) Remeasurements of defined benefit plans	155.18	(5.36)
b) Exchange differences in translating the financial statements of foreign operation	(1.15)	(42.48)
c) Effective portion of cash flow hedge	31.54	(31.75)
	<b>185.57</b>	<b>(79.59)</b>

##### (iii) Reconciliation of Effective tax rate:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
<b>Income tax expense for the year to be reconciled to the accounting profit:</b>		
Profit before tax	9,956.53	10,839.31
Enacted Income tax rate in India	34.94%	34.61%
Computed expected tax expense	3,478.81	3,751.49
<b>Effect off:</b>		
Transition tax	215.03	-
Global Intangible Low Taxed Income (GILTI)	242.51	-
Tax-exempt income and other deductions	978.67	196.39
Tax rate changes	12.50	(830.75)
Tax related to prior years	(12.42)	13.58
Permanent differences and non-deductible expenses	138.55	(97.26)
Change in valuation allowance	807.77	42.44
Deferred tax benefit on Foreign tax credit	(2,046.30)	-
Unutilised Net Operating Losses written off	1,081.58	-
Difference in tax rates due to foreign jurisdictions	(1,043.22)	(304.65)
Tax effects on tax base transfers	(31.46)	(1.99)
Others, net	(178.80)	148.84
<b>Total Income tax expense</b>	<b>3,643.22</b>	<b>2,918.09</b>
<b>Effective tax rate</b>	<b>36.59%</b>	<b>26.92%</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 34: INCOME TAXES (CONTINUED)

## (iv) Recognised deferred tax assets and liabilities:

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at December 31, 2018	As at December 31, 2017
Property, plant and equipment and Intangible assets	(3,170.49)	(2,943.78)
Employee benefits	2,015.18	1,953.02
Inventories	187.09	292.84
Interest carried forward	968.75	365.71
Tax losses carry forward	241.78	1,005.43
Foreign tax credit	1,354.88	-
Taxes on unremitted foreign earnings	(54.83)	(54.83)
Other	(5.86)	459.15
<b>Net Deferred tax asset/(liability)</b>	<b>1,536.50</b>	<b>1,077.54</b>
Deferred tax asset	2,773.21	2,817.18
Deferred tax liability	(1,236.71)	(1,739.64)
<b>Net Deferred tax asset/(liability)</b>	<b>1,536.50</b>	<b>1,077.54</b>

## (v) Movement in temporary differences:

Particulars	Balance as at January 1, 2017	Recognised in consolidated statement of profit and loss during 2017	Recognised in other comprehensive income during 2017	Exchange differences on translation/ other adjustment	Balance as at December 31, 2017	Recognised in consolidated statement of profit and loss during 2018	Recognised in other comprehensive income during 2018	Exchange differences on translation/ other adjustment	Balance as at December 31, 2018
Property, plant and equipment and Intangible assets	(5,045.55)	1,937.35	-	164.42	(2,943.78)	(75.24)	-	(151.47)	(3,170.49)
Employee benefits	1,819.80	(5.56)	5.36	133.42	1,953.02	123.74	(155.18)	93.60	2,015.18
Inventories	183.23	97.61	-	12.00	292.84	(111.42)	-	5.67	187.09
Interest carried forward	-	372.60	-	(6.89)	365.71	575.09	-	27.95	968.75
Tax losses carry forward	2,473.72	(1,390.57)	-	(77.72)	1,005.43	(790.30)	-	26.65	241.78
Foreign tax credit	-	-	-	-	-	1,327.31	-	27.57	1,354.88
Taxes on unremitted foreign earnings	(183.75)	140.10	-	(11.18)	(54.83)	-	-	-	(54.83)
Others	446.88	260.87	74.23	(322.83)	459.15	(475.50)	(30.39)	40.88	(5.86)
<b>Total</b>	<b>(305.67)</b>	<b>1,412.40</b>	<b>79.59</b>	<b>(108.78)</b>	<b>1,077.54</b>	<b>573.68</b>	<b>(185.57)</b>	<b>70.85</b>	<b>1,536.50</b>



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 34: INCOME TAXES (CONTINUED)

##### (vi) Unrecognised deferred tax liabilities and Unrecognised deferred tax assets:

Particulars	As at December 31, 2018		As at December 31, 2017	
	Gross amount	Unrecognised tax effect	Gross amount	Unrecognised tax effect
Tax losses carry forward	1,971.26	516.97	1,839.43	492.16
Interest losses carry forward	1,968.06	571.97	211.51	61.47
<b>Total</b>	<b>3,939.32</b>	<b>1,088.94</b>	<b>2,050.94</b>	<b>553.63</b>

Particulars	December 31, 2018	Expiry date	December 31, 2017	Expiry date
To expire under current tax legislation	1,870.34	2019-2027	1,720.38	2018-2026
Not to expire under current tax legislation	100.95	-	330.56	-

##### (vii) Non-current and current tax assets and liabilities

Particulars	As at December 31, 2018	As at December 31, 2017
Non-current tax assets (net)	661.27	824.22
Non-current tax liabilities (net)	420.44	484.92
Current tax assets (net)	27.36	-
Current tax liabilities (net)	789.84	1,067.23

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

**NOTE 34: INCOMETAXES (CONTINUED)**

(viii) As of December 31, 2017, there has been reforms in Income tax acts of 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 ₹ 830.75 for the year ended December 31, 2017, on account of reduction in the net deferred tax liability by ₹ 787.93 (USD 12.17 Million) for Federal Income tax and ₹ 42.82 (EUR 0.59 Million) in Belgium.

The Group continues to assess the impact of the changes in above tax reforms during the year. The Company's US Subsidiary has filed its 2017 U.S. tax return on due date of October 15, 2018. Due to deemed repatriation of accumulated foreign earnings as of December 31, 2017 under amended Section 965 for tax year 2017, the transition tax liability stood as ₹ 215.03 (USD 2.98 Million). However there are foreign tax credits identified and available for utilisation in future years which have been recognised as a tax asset to the extent there is future taxable income and foreign sourced income based on prudent, feasible and sustainable tax planning strategies. Also for the year 2018, at the time of finalising consolidated financial results the Company's US Subsidiary has undistributed current earnings generated from its foreign subsidiaries which are subject to GILTI required by the 2017 Tax Act. Based on currently available information, the Group's GILTI tax for the year 2018 is estimated to be ₹ 242.51 (USD 3.36 Million) approximately. Management has remeasured its US tax assets and liabilities and recorded the impact of the new taxes as an Income tax expense in the consolidated financial results for the year ended December 31, 2018. Any consequential impact of the Company's US Subsidiary continued assessment of the estimates will be recorded in the period in which the estimates are revised. Management expects to complete its assessment by December 31, 2019."

- (ix) Deferred Income taxes are not provided on undistributed earnings of subsidiaries outside India where it is expected that earnings of the subsidiaries will not be distributed in the foreseeable future. As on December 31, 2018, the Group has recorded a deferred tax liability of ₹ 54.83 towards dividend expected to be repatriated out of profits from its US subsidiaries to India.
- (x) The Group has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulations under Sections 92-92F of the Income tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Group continuously updates its documents for the international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense for the year and that of provision for taxation.

**NOTE 35: FINANCIAL INSTRUMENTS DISCLOSURE****Note 35.1: Fair Valuation measurement hierarchy**

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

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

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 35.1: Fair Valuation measurement hierarchy (Continued)

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels of fair value hierarchy:

Particulars	As at December 31, 2018				As at December 31, 2017			
	Carrying value	Level of inputs used in			Carrying value	Level of inputs used in		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Financial Assets</b>								
<b>At Amortised cost</b>								
Non-current investments	-	-	-	-	156.77	-	-	-
Trade receivables	16,044.02	-	-	-	16,717.20	-	-	-
Cash and cash equivalents	7,734.16	-	-	-	7,241.69	-	-	-
Bank balances other than cash and cash equivalents	778.25	-	-	-	2,174.22	-	-	-
Non-current loans	313.55	-	-	-	311.08	-	-	-
Current loans	21.99	-	-	-	23.67	-	-	-
Other non-current financial assets	10.14	-	-	-	-	-	-	-
Other current financial assets	608.52	-	-	-	235.43	-	-	-
<b>At Fair Value Through Profit and Loss (FVTPL)</b>								
Non-current investments	16.20	-	0.20	16.00	16.19	-	0.19	16.00
Current investments	-	-	-	-	10.00	10.00	-	-
Derivates (included in other current financial assets)	-	-	-	-	7.33	-	7.33	-
<b>At Fair Value Through Other Comprehensive Income (FVTOCI)</b>								
Non-current investments	27.19	-	27.19	-	26.05	-	26.05	-
<b>Financial Liabilities</b>								
<b>At Amortised cost</b>								
Borrowings (including current maturities of non-current borrowings included in other current financial liabilities) excluding finance lease obligations	77,456.17	-	-	-	72,878.51	-	-	-
Finance lease obligations (including current maturities included in other current financial liabilities)	338.76	-	-	-	444.51	-	-	-
Other non-current financial liabilities	138.86	-	-	-	400.10	-	-	-
Trade payables	13,476.33	-	-	-	11,475.73	-	-	-
Other current financial liabilities	3,574.67	-	-	-	4,927.48	-	-	-
<b>At Fair Value Through Profit and Loss (FVTPL)</b>								
Derivates (included in other current financial liabilities)	3.40	-	3.40	-	-	-	-	-
<b>At Fair Value Through Other Comprehensive Income (FVTOCI)</b>								
Derivates (included in other current financial liabilities)	-	-	-	-	151.17	-	151.17	-

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 35.2: Valuation Techniques

- (a) **Investments at FVTPL/FVTOCI:** The Group measures the fair values of such investments using expected cash flow model.
- (b) **Forward exchange contracts:** The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective instruments.
- (c) **Borrowings (at amortised cost):** The valuation model considers the present value of expected receipt/payment discounted using risk-adjusted or appropriate discounting rates.

#### Note 35.3: Financial risk management

The Group has put in place risk management systems as applicable to the respective operations. The following explains the objective and processes of the Group. The Group 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 Group'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.

#### Note 35.4: 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. The entities within the Group have 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. Financial instruments that are subject to credit risk and concentration thereof principally consist of trade receivables, loans receivables, investments, cash and cash equivalents, derivatives provided by the Group. None of the financial instruments of the Group result in material concentration of credit risk.

The carrying value of financial assets represents the maximum credit risk.

#### Trade receivables:

The Group'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 Group grants credit terms in the normal course of business.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

Based on the above analysis, the Group does not expect any credit risk from its trade receivables for any of the years reported in this financial statements expect for the amounts disclosed as credit impaired in the below table.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 35.4: Credit Risk (Continued)

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

Particulars	As at December 31, 2018	As at December 31, 2017
<b>Financial assets that are neither past due nor impaired</b>	13,268.19	12,693.25
<b>Financial assets that are past due but not impaired</b>		
Past due 0-30 days	2,375.25	3,514.35
Past due 31-60 days	133.12	306.42
Past due 61-90 days	51.70	102.52
Past due over 90 days	215.76	100.66
<b>Total past due but not impaired</b>	<b>2,775.83</b>	<b>4,023.95</b>
Credit impaired	821.74	63.06
Less: Loss allowance	821.74	63.06
<b>Total</b>	<b>16,044.02</b>	<b>16,717.20</b>

#### Movement in loss allowance for doubtful trade receivables:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
<b>Balance at the beginning of the year</b>	63.06	65.89
Additional provision	783.27	3.80
Foreign exchange fluctuation	(24.59)	(6.63)
<b>Balance at the end of the year</b>	<b>821.74</b>	<b>63.06</b>

The Group's exposure to credit risk for trade receivables by geographic region is as follows:

Carrying amount		
Particulars	As at December 31, 2018	As at December 31, 2017
United States	3,640.25	1,709.46
North America excluding United States	1,768.29	2,248.78
South America	150.14	803.63
Europe including CIS	4,629.98	5,053.77
Middle East	908.49	1,595.24
Africa	900.84	19.62
Australia	22.87	144.56
Asia excluding Middle East	4,023.16	5,142.14
<b>Total</b>	<b>16,044.02</b>	<b>16,717.20</b>

At December 31, 2018, the carrying amount of trade receivable of the Group's most significant customer is ₹ 2,265.10 (December 31, 2017: ₹ 2,392.32).

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

**Note 35.4: Credit Risk (Continued)**

The Group's exposure to credit risk for loans (both current and non-current) by geographic region is as follows:

Particulars	Carrying amount	
	As at December 31, 2018	As at December 31, 2017
United States	4.88	4.66
North America excluding United States	0.23	-
Europe including CIS	6.71	6.34
Africa	-	15.99
Asia excluding Middle East	320.24	307.75
<b>Total</b>	<b>332.06</b>	<b>334.74</b>

**Investments:**

The Group limits its exposure to credit risk by generally investing in liquid securities and only with counter-parties that have a good credit rating. The Group 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.

**Cash and bank balances:**

Credit risk on cash and bank balances is limited as the Group generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

**Other financial assets:**

There is no significant loss allowance for other financial assets.

**Note 35.5: Liquidity risk:**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group 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 Group's reputation. The Group's corporate 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 Group's net liquidity position through rolling forecasts on the basis of expected cash flows. As of December 31, 2018, cash and cash equivalents are held with major banks.

**Maturity of 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, 2018**

Contractual cash flows	Carrying value*	Less than 1 year	1-2 years	2-5 years	5-10 years	Later	Total
<b>Non-derivative financial liabilities:</b>							
Borrowings (including current maturities of non-current borrowings included in other current financial liabilities)	77,794.93	5,374.74	975.74	2,974.88	69,686.19	-	79,011.55
Other non-current financial liabilities	138.86	-	20.99	43.68	37.25	36.94	138.86
Trade payables	13,476.33	13,476.33	-	-	-	-	13,476.33
Other current financial liabilities	3,574.67	3,574.67	-	-	-	-	3,574.67
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging:							
Outflow	(22.32)	(22.32)	-	-	-	-	(22.32)
Inflow	25.72	25.72	-	-	-	-	25.72

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 35.5: Liquidity risk: (Continued) As at December 31, 2017

Contractual cash flows	Carrying value*	Less than 1 year	1-2 years	2-5 years	5-10 years	Later	Total
<b>Non-derivative financial liabilities:</b>							
Borrowings (including current maturities of non-current borrowings included in other current financial liabilities)	73,323.02	35,925.85	443.40	2,283.40	35,449.49	-	74,102.14
Other non-current financial liabilities	400.10	-	287.58	39.19	32.79	40.54	400.10
Trade payables	11,475.73	11,475.73	-	-	-	-	11,475.73
Other current financial liabilities	4,927.48	4,927.48	-	-	-	-	4,927.48
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging:							
Outflow	151.17	151.17	-	-	-	-	151.17
Inflow	-	-	-	-	-	-	-

\* Carrying value of borrowings is shown as net of deferred finance cost

#### Note 35.6: Market risk:

Market risk is the risk of loss of future earnings, fair value or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that effect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including deposits, foreign currency receivables, payables and borrowings.

#### Note 35.7: 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 change in market interest rates. The Group adopts a policy of ensuring an optimal mix of its interest rate risk exposure.

#### Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management is as follows:

Particulars	Interest rate exposure as at	
	December 31, 2018	December 31, 2017
<b>Fixed rate instruments</b>		
Financial assets	406.31	5.88
Financial liabilities	(38,384.50)	(65,763.96)
	<b>(37,978.19)</b>	<b>(65,758.08)</b>
<b>Variable rate instruments</b>		
Financial assets	(40,130.74)	(6,641.04)
Financial liabilities	<b>(40,130.74)</b>	<b>(6,641.04)</b>

#### Interest rate Sensitivity:

**Impact on Profit and loss due to net interest expense for the year on 1% change in interest rates:** A reasonably possible change of 1% in interest rates at the reporting date would have increased/(decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Particulars	December 31, 2018		December 31, 2017	
	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
<b>Impact on profit and loss</b>				
Variable-rate instruments	(401.31)	401.31	(66.41)	66.41
<b>Total Impact</b>	<b>(401.31)</b>	<b>401.31</b>	<b>(66.41)</b>	<b>66.41</b>



## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

**Note 35.8 Currency risk:**

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of individual entities in the Group.

**The following table analyses foreign currency risk from non-derivative financial instruments as at December 31, 2018:**

Particulars*	USD	EUR	CAD	RUB	Others**	Total
<b>Assets:</b>						
Cash and bank balances	1,153.46	39.63	0.05	-	4.77	1,197.91
EEFC balance	2.73	-	-	-	-	2.73
Trade receivables	7,175.08	108.23	-	-	46.06	7,329.37
Loans	464.39	-	22.25	-	-	486.64
Loans and advances to subsidiary	3,070.76	-	-	-	-	3,070.76
Other financial assets	36.53	-	-	-	-	36.53
Capital Advances	163.63	-	-	-	-	163.63
	<b>12,066.58</b>	<b>147.86</b>	<b>22.30</b>	<b>-</b>	<b>50.83</b>	<b>12,287.57</b>
<b>Liabilities:</b>						
Trade payables	5,479.59	1,618.00	-	-	45.11	7,142.70
Borrowings	6,511.87	1,209.57	-	-	-	7,721.44
Other financial liabilities	122.42	11.66	-	-	-	134.08
	<b>12,113.88</b>	<b>2,839.23</b>	<b>-</b>	<b>-</b>	<b>45.11</b>	<b>14,998.22</b>

\*Includes intercompany balances

\*\*Others include GBP, CHF and others

**The following table analyses foreign currency risk from non-derivative financial instruments as at December 31, 2017:**

Particulars*	USD	EUR	CAD	RUB	Others**	Total
<b>Assets:</b>						
Cash and bank balances	1,259.43	62.96	0.04	7.71	137.44	1,467.58
EEFC balance	16.57	-	-	-	-	16.57
Trade receivables	6,333.89	107.99	-	-	17.10	6,458.98
Loans	338.02	-	43.51	270.70	-	652.23
Loans and advances to subsidiary	2,853.00	32,975.51	-	-	-	35,828.51
Other financial assets	35.81	-	-	-	-	35.81
	<b>10,800.91</b>	<b>33,146.46</b>	<b>43.55</b>	<b>278.41</b>	<b>154.54</b>	<b>44,423.87</b>
<b>Liabilities:</b>						
Trade payables	3,367.71	164.02	253.92	-	20.23	3,805.88
Borrowings	6,633.30	17,167.39	-	-	-	23,800.69
Other financial liabilities	93.66	-	-	-	-	93.66
	<b>10,094.67</b>	<b>17,331.41</b>	<b>253.92</b>	<b>-</b>	<b>20.23</b>	<b>27,700.23</b>

\*Includes intercompany balances

\*\*Others include GBP, CHF and others

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 35.8 Currency risk: (Continued)

##### Sensitivity Analysis:

A reasonably possible strengthening (weakening) of the US dollar (USD), Euro (EUR), Canadian Dollar (CAD), Ruble (RUB) against all other currencies as at December 31, would have affected the measurement of financial instruments denominated in a foreign currency and affected consolidated statement of profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

##### Impact on Profit and loss due to foreign currency loss/(gain) for the year on 1% change in foreign currency rates:

Particulars	December 31, 2018		December 31, 2017	
	Strengthening	Weakening	Strengthening	Weakening
USD	(0.47)	0.47	7.06	(7.06)
EUR	(26.91)	26.91	158.15	(158.15)
CAD	0.22	(0.22)	(2.10)	2.10
RUB	-	-	2.78	(2.78)
Others*	0.06	(0.06)	1.34	(1.34)

\*Others include GBP, CHF and others

#### Note 35.9: The Group has the following outstanding foreign exchange forward derivative contracts:

##### As at December 31, 2018

Category	Currency	Cross Currency	Amounts in Millions	Buy/Sell	Purpose
Forward contract	USD	CAD	USD 5.00	Buy	Hedging
Forward contract	USD	CAD	USD 10.00	Sell	Hedging
Forward contract	USD	EUR	USD 5.00	Buy	Hedging
Forward contract	USD	EUR	USD 5.00	Sell	Hedging

##### As at December 31, 2017

Category	Currency	Cross Currency	Amounts in Millions	Buy/Sell	Purpose
Forward contract	USD	CAD	USD 10.00	Buy	Hedging
Forward contract	USD	CAD	USD 10.00	Sell	Hedging
Forward contract	USD	EUR	USD 5.00	Buy	Hedging
Forward contract	USD	EUR	USD 5.00	Sell	Hedging
Forward contract	JPY	EUR	JPY31.68	Buy	Hedging
Forward contract	EUR	USD	EUR180.00	Sell	Hedging

#### Note 35.10: Cashflow hedges

The amounts as at December 31, 2018 relating to items designated as hedged items are as follows:

Change in value used for calculating hedge ineffectiveness	Effective portion of cash flow hedges	Costs of hedging	Balances remaining in equity head 'effective portion of cash flow hedges' from hedging relationships for which hedge accounting is no longer applied
<b>Foreign currency risk</b>			
Repayment of inter-company debt	-	-	-

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

**Note 35.10: Cashflow hedges (Continued)**

The amounts as at December 31, 2017 relating to items designated as hedged items are as follows:

Change in value used for calculating hedge ineffectiveness	Effective portion of cash flow hedges	Costs of hedging	Balances remaining in equity head 'effective portion of cash flow hedges' from hedging relationships for which hedge accounting is no longer applied
<b>Foreign currency risk</b>			
Repayment of inter-company debt	(151.17)	-	-

The following table provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting:

Particulars	December 31, 2018	
	Equity head 'Effective portion of cash flow' hedges	Equity head 'Cost of hedging'
Balance as at January 1, 2018	(119.43)	-
<b>Cash flow hedges</b>		
Changes in fair value:		
Foreign currency risk – inter-company debt	150.97	-
Tax on movements in relevant items of Other comprehensive income during the year	(31.54)	-
<b>Balance as at December 31, 2018</b>	-	-

Particulars	December 31, 2017	
	Equity head 'Effective portion of cash flow' hedges	Equity head 'Cost of hedging'
Balance as at January 1, 2017	-	-
<b>Cash flow hedges</b>		
Changes in fair value:		
Foreign currency risk – inter-company debt	(151.17)	-
Tax on movements in relevant items of Other comprehensive income during the year	31.74	-
<b>Balance as at December 31, 2017</b>	(119.43)	-

The table below summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

Particulars	December 31, 2018	December 31, 2017
Cash flows in Euro		
< 1month	-	13,750.20

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### Note 35.10: Cashflow hedges (Continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness as at and for the year ended December 31, 2018 are as follows:

Particulars	Carrying amount as at December 31, 2018			During the CY 2018		
	Nominal amount	Asset/ (Liabilities)	Line item in the balance sheet where the hedging instrument is included	Change in the value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in profit and loss	Line item in profit or loss that includes hedge ineffectiveness
<b>Foreign currency risk</b>						
Foreign exchange contracts - forward exchange contracts - repayment of inter-company debt	-	-	-	(119.43)	-	-
Settlement of foreign currency receivables and payables	-	(3.40)	Other current financial liabilities	-	10.73	Loss on foreign currency transactions and translations (net)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness as at and for the year ended December 31, 2017 are as follows:

Particulars	Carrying amount as at December 31, 2017			During the CY 2017		
	Nominal amount	Asset/ (Liabilities)	Line item in the balance sheet where the hedging instrument is included	Change in the value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in profit and loss	Line item in profit or loss that includes hedge ineffectiveness
<b>Foreign currency risk</b>						
Foreign exchange contracts - forward exchange contracts - repayment of inter-company debt	13,670.79	(151.17)	Other current financial liabilities	119.43	-	-
Settlement of foreign currency receivables and payables	-	7.33	Other current financial assets	-	(22.30)	Gain on foreign currency transactions and translations (net)

#### NOTE 36: INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

The Group holds investments in the following unconsolidated companies:

1. Infratec Duisburg GmbH (IDGmbH) is a 30% owned company which is involved in infrastructure services located in Germany.
2. Tarlog GmbH is a 50% owned company which is involved in logistic services located in Germany. On July 1, 2017, the Group acquired the balance 50% resulting to 100% subsidiary for a consideration of ₹ 7.62.
3. Rain Coke Limited is a 51% owned company which is involved in generation of Solar power. As the Group does not control Board and other partners have significant participating rights, the Group's interest in Rain Coke Limited has been accounted for under the equity method of accounting under Ind AS 111- "Joint arrangements". The investment in Rain Coke Limited has been sold to GreenKo Group on December 15, 2018.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 36: INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (CONTINUED)

Summary financial information of the equity accounted investees and not adjusted for the percentage of ownership held by the Group, is as follows:

Particulars	As at/For the year ended December 31,	
	2018	2017
Total current assets	1,197.58	1,084.18
Total non-current assets	505.07	2,107.58
<b>Total assets</b>	<b>1,702.65</b>	<b>3,191.76</b>
Equity	276.93	354.87
Total current liabilities	300.50	888.86
Total non-current liabilities	1,125.22	1,948.03
<b>Total equity and liabilities</b>	<b>1,702.65</b>	<b>3,191.76</b>
Revenue	1,877.32	1,714.88
Expenses	1,847.97	1,695.56
<b>Profit for the year, net</b>	<b>29.35</b>	<b>19.32</b>

## NOTE 37: CAPITAL MANAGEMENT

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

The Group'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 Group monitors capital using a ratio of 'Net debt' to 'equity'. For this purpose, adjusted net debt is defined as total interest-bearing borrowings less cash and cash equivalents. Equity comprises all components of equity excluding non-controlling interest. The Group's Net debt to equity ratio is given below.

In order to achieve this overall objective, the Group'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. There have been no breaches in the financial covenants of any interest-bearing borrowing in the current period.

Particulars	As at December 31,	
	2018	2017
Total borrowings, net of cash and cash equivalents	70,060.77	66,081.33
Equity	46,227.41	39,441.03
<b>Net debt to equity ratio</b>	<b>1.52</b>	<b>1.68</b>

## NOTE 38: SEGMENTAL INFORMATION

Ind AS 108 "Operating segment" establishes standard for the way public businesses report information about operating segment and related disclosures on product and services, geographic areas and major customers. Based on "management approach" as defined in Ind AS 108, operating segments are to be reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM evaluates the Group's performance and allocates resources on an overall basis.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 38: SEGMENTAL INFORMATION (CONTINUED)

Consequent to the functional integration of RAIN businesses over past years, the Group decided to redesign the way the Group's product portfolio and resources are managed and aligned its internal reporting to the CODM. Marketing of the products has been switched from a site and product-based model to a market specific approach, which allows the team to optimise the marketing efforts and segregate its products produced from value-added processes. This structural change reflects the business rationale of the Group by aligning products along their major value chains (raw material to end-product) in addition to increasing focus on value-added processes that are meaningful contributors to the Group's earnings. The resulting segments have been called Carbon, Advanced Materials and Cement. This change is effective from 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 Group. Accordingly, Management has presented its segment under new structure for the current year ended December 31, 2018 including the comparative periods.

The accounting principles used in the preparation of the consolidated financial statements are consistently applied to record revenue and expenditures in individual segment, and are set out in significant accounting policies.

The Group evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating profit. Operating profit does not include depreciation and amortisation expense, finance costs, share of profit of associates, other income, gain/loss on foreign currency transactions, exceptional items and Income taxes. All inter segment transactions are accounted for at agreed upon rates based on transfer pricing agreements.

Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as unallocated.

#### a) Business Segment

Particulars	Year ended December 31, 2018				Year ended December 31, 2017			
	Carbon	Advanced Materials	Cement	Total	Carbon	Advanced Materials	Cement	Total
<b>Revenue</b>								
External Sales	95,681.64	34,843.60	9,082.88	139,608.12	72,205.98	32,035.86	9,677.59	113,919.43
Inter-Segment Sales	1,169.10	2,572.29	46.07	3,787.46	481.41	2,265.77	5.60	2,752.78
<b>Total</b>	<b>96,850.74</b>	<b>37,415.89</b>	<b>9,128.95</b>	<b>143,395.58</b>	<b>72,687.39</b>	<b>34,301.63</b>	<b>9,683.19</b>	<b>116,672.21</b>
Less: Eliminations	(1,169.10)	(2,572.29)	(46.07)	(3,787.46)	(481.41)	(2,265.77)	(5.60)	(2,752.78)
<b>Total Revenue from sale of products and from services provided</b>	<b>95,681.64</b>	<b>34,843.60</b>	<b>9,082.88</b>	<b>139,608.12</b>	<b>72,205.98</b>	<b>32,035.86</b>	<b>9,677.59</b>	<b>113,919.43</b>
Other operating income	443.23	429.66	8.92	881.81	325.45	228.51	22.54	576.50
<b>Total Revenue from operations</b>	<b>96,124.87</b>	<b>35,273.26</b>	<b>9,091.80</b>	<b>140,489.93</b>	<b>72,531.43</b>	<b>32,264.37</b>	<b>9,700.13</b>	<b>114,495.93</b>
<b>Result</b>								
<b>Operating Profit</b>	<b>15,688.70</b>	<b>3,471.54</b>	<b>709.33</b>	<b>19,869.57</b>	<b>16,476.73</b>	<b>5,384.70</b>	<b>865.61</b>	<b>22,727.04</b>
<b>Unallocable (income)/expense</b>								
Depreciation and amortisation expense				5,550.86				5,256.27
Finance costs				4,565.13				5,946.71
Other Income (excluding forex gain)				(407.81)				(311.83)
Forex loss/(gain)				213.66				(797.88)
Exceptional items				-				1,803.30
Share of profit of associates				(8.80)				(8.84)
<b>Profit before taxation</b>				<b>9,956.53</b>				<b>10,839.31</b>
Tax expense, net				3,643.22				2,918.09
<b>Profit after tax and before minority interest</b>				<b>6,313.31</b>				<b>7,921.22</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 38: SEGMENTAL INFORMATION (CONTINUED)

**Segmental assets and liabilities:**

As certain assets of the Company are often deployed interchangeably between segments, it is impractical to allocate these assets and liabilities to each segment. Hence, the details for segment assets and liabilities have not been disclosed in the above table.

Since the information about material items of income and expense are not reviewed by Chief Operating Decision Maker (CODM), the Group has not presented such information as part of its segment disclosures which is in accordance with requirements of Ind AS 108 - "Operating Segments".

**b) Geographical Segment (secondary segment information)**

Particulars	Revenue from operations		Non-current assets as at*	
	Year ended December 31, 2018	Year ended December 31, 2017	December 31, 2018	December 31, 2017
India	25,035.92	25,804.82	8,012.10	6,458.76
Outside India	115,454.01	88,691.11	94,528.42	86,010.33
	<b>140,489.93</b>	<b>114,495.93</b>	<b>102,540.52</b>	<b>92,469.09</b>

\*Non-current assets exclude financial instruments, equity accounted investments, deferred tax assets and post-employment benefit assets.

Particulars	Revenue from operations		Non-current assets as at*	
	Year ended December 31, 2018	Year ended December 31, 2017	December 31, 2018	December 31, 2017
Europe including CIS	53,340.15	43,273.71	45,928.81	42,722.21
Asia excluding Middle East (Including India)	29,111.34	28,749.44	8,012.83	6,458.76
United States	23,488.57	16,679.41	42,365.70	39,189.01
North America excluding United States	17,273.27	12,196.31	6,233.90	4,099.11
Others	17,276.60	13,597.06	-	-
<b>Total</b>	<b>140,489.93</b>	<b>114,495.93</b>	<b>102,541.24</b>	<b>92,469.09</b>

\*Non-current assets exclude financial instruments, equity accounted investments, deferred tax assets and post-employment benefit assets.

**Note:** Revenue by geographic area in the above table are attributed by the destination country of sale.

**Revenue from major products:**

Major product	Year ended December 31,	
	2018	2017
Calcined petroleum coke	45,745.82	37,265.04
Coal tar pitch	28,354.28	21,976.03
Other carbon products	19,260.16	10,780.33
Resins	14,094.58	11,734.87
Cement	9,082.88	9,679.03

**Revenue from major customer:**

The Group is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 39: IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments. The aggregate carrying amount of goodwill allocated to each unit are as follows:

	As at December 31, 2018	As at December 31, 2017
a) Carbon	57,289.39	54,130.42
b) Advanced Materials	3,824.55	3,290.67
c) Cement	201.37	201.37
	<b>61,315.31</b>	<b>57,622.46</b>

The recoverable amount of the respective CGU is based on fair value less costs to sell, by using discounted cash flows. The fair value measurement has been categorised as Level 3.

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value in use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows.

#### Key assumptions on which the Group has based its determination of value-in-use include:

- Estimated cash flows for five years based on management's budgets and estimates.
- Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate ranging from 0.75% to 2.00% for various cash generating units. This long-term growth rate takes into consideration external macro-economic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.
- The post-tax discount rates used are based on the Group's weighted average cost of capital.
- Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used range from 7.80% to 11.00% for various cash generating units.

The Group believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 40: NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations

December 31, 2018	OOO RÜTGERS Severtar	Severtar Holdings Limited	Total
Non-controlling interest percentage	34.7%	34.7%	
Non-current assets	2,314.89	1,957.17	4,272.06
Current assets	2,171.97	812.52	2,984.49
Non-current liabilities	(40.09)	-	(40.09)
Current liabilities	(1,536.35)	(1.37)	(1,537.72)
<b>Net assets</b>	<b>2,910.42</b>	<b>2,768.32</b>	<b>5,678.74</b>
Net assets attributable to non-controlling interests	1,009.92	960.61	1,970.53
Revenue	6,680.15	-	6,680.15
Profit for the year	1,408.05	21.20	1,429.25
Other comprehensive income (loss)	(350.59)	-	(350.59)
<b>Total comprehensive income</b>	<b>1,057.46</b>	<b>21.20</b>	<b>1,078.66</b>
Profit allocated to non-controlling interests	489.69	7.36	497.05
Other comprehensive income (loss) allocated to non-controlling interests	(77.04)	-	(77.04)
<b>Total comprehensive income allocated to non-controlling interests</b>	<b>412.65</b>	<b>7.36</b>	<b>420.01</b>
Cash flows from (used in) operating activities	1,529.63	(3.94)	1,525.69
Cash flows from (used in) investing activities	(393.90)	-	(393.90)
Cash flows from (used in) financing activities (dividends to NCI: Nil)	(496.81)	4.40	(492.41)
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	(121.13)	-	(121.13)
Net increase (decrease) in cash and cash equivalents	517.79	0.46	518.25
<b>December 31, 2017</b>	<b>OOO RÜTGERS Severtar</b>	<b>Severtar Holdings Limited</b>	<b>Total</b>
Non-controlling interest percentage	34.7%	34.7%	
Non-current assets	2,526.16	2,587.02	5,113.18
Current assets	1,335.28	45.24	1,380.52
Non-current liabilities	(1,643.28)	-	(1,643.28)
Current liabilities	(432.88)	(1.64)	(434.52)
<b>Net assets</b>	<b>1,785.28</b>	<b>2,630.62</b>	<b>4,415.90</b>
Net assets attributable to non-controlling interests	619.49	912.83	1,532.32
Revenue	4,402.45	-	4,402.45
Profit for the year	850.36	6.65	857.01
Other comprehensive income (loss)	(103.78)	-	(103.78)
<b>Total comprehensive income</b>	<b>746.58</b>	<b>6.65</b>	<b>753.23</b>
Profit allocated to non-controlling interests	283.04	2.31	285.35
Other comprehensive income (loss) allocated to non-controlling interests	23.72	-	23.72
<b>Total comprehensive income allocated to non-controlling interests</b>	<b>306.76</b>	<b>2.31</b>	<b>309.07</b>
Cash flows from (used in) operating activities	1,333.03	(4.49)	1,328.54
Cash flows from (used in) investing activities	(285.15)	-	(285.15)
Cash flows from (used in) financing activities (dividends to NCI: Nil)	(966.80)	3.95	(962.85)
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	(40.56)	-	(40.56)
Net increase/(decrease) in cash and cash equivalents	40.52	(0.54)	39.98

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS

The Group has various employee benefit schemes covering different categories of employees based on their location of employment.

##### a) Contribution plans:

Amounts towards defined contribution plans have been recognised under "Contributions to provident and other funds" in Note 31 of ₹ 191.77 for the year ended December 31, 2018 (December 31, 2017 - ₹ 172.92).

##### b) Compensated absences:

The Group provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise it in future periods or receive cash in lieu thereof as per the Group's policy. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded towards this benefit as at December 31, 2018 is ₹ 184.41 (December 31, 2017 ₹ 232.54).

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

Particulars	As at December 31, 2018	As at December 31, 2017
<b>Net Liability</b>		
- Current	62.97	47.65
- Non-current	121.44	184.89
<b>Total</b>	<b>184.41</b>	<b>232.54</b>

##### c) Benefit plans:

The Group has various employee benefit plans covering different categories of employees based on their location of employment.

The various benefit plans are as follows:

- (A) Gratuity plan in India
- (B) Pension plan in USA
- (C) Pension plan in Germany
- (D) Pension plan in Belgium
- (E) Pension plan in Canada
- (F) Health care plan in Canada

##### Inherent risk:

The plans are defined benefit in nature which is sponsored by the Group and hence it underwrites all the risk pertaining to the plans. In particular, this exposes the Group, to actuarial risk such as adverse salary growth, change in demographic experience, inadequate return on underlying plan assets. This may result in an increase in cost of providing these benefits to employees in future. Since the benefits are lump sum in nature, the plans are not subject to longevity risk.

##### A. Gratuity plan in India:

In accordance with applicable Indian laws, the Company and its Indian Subsidiaries have a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Vesting occurs on completion of 5 years of service. The Group makes annual contributions in Gratuity funds of Insurance companies. The Parent and its Indian subsidiaries account for the liability for gratuity benefits payable in the future based on

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

an actuarial valuation. The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018. The following table sets forth the status of the various defined benefit plans of the Group and the amounts recognised in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss.

## (i) Amounts recognised in the Consolidated Balance Sheet are as follows:

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of funded obligation	169.68	136.64
Less: Fair value of plan assets	46.69	38.72
<b>Net liability</b>	<b>122.99</b>	<b>97.92</b>

## (ii) Net employee benefits expense (recognised in employee benefits expense):

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	10.62	10.72
Past service cost	14.38	-
Interest cost	6.94	6.49
<b>Total</b>	<b>31.94</b>	<b>17.21</b>

## (iii) Net employee benefits expense (recognised in other comprehensive income):

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurements of defined benefit plans	9.01	(11.81)

## (iv) Reconciliation of opening and closing balances of the present value of the obligations:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening defined benefit obligation	136.64	137.19
Current service cost	10.62	10.72
Past service cost	14.38	-
Interest Cost	9.63	8.62
Actuarial loss/(gain)	9.56	(13.09)
Amount paid to employees	(11.15)	(6.80)
<b>Closing defined benefit obligation</b>	<b>169.68</b>	<b>136.64</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

**(v) Reconciliation of opening and closing balances of the fair value of plan assets:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening fair value of plan assets	38.72	33.62
Interest on plan assets	2.69	2.13
Actuarial (loss)/gain	0.55	(1.28)
Contribution by employer	15.88	11.05
Amount paid to employees	(11.15)	(6.80)
<b>Closing fair value of plan assets</b>	<b>46.69</b>	<b>38.72</b>
<b>Actual return on plan assets</b>	<b>1.20</b>	<b>(0.52)</b>

**(vi) Major Category of plan assets as a percentage to fair value of plan assets:**

Particulars	As at December 31, 2018	As at December 31, 2017
Insurer managed funds	100%	100%

**(vii) Principal Actuarial assumptions used:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Discount rates on benefit obligations	7.55%	7.55%
Expected rate of return on plan assets	7.50%	7.50%
Expected salary increase rates	6.00% - 7.00%	6.00% - 7.00%

**(viii) 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, 2018 shown below.

Particulars	Increase	Decrease
Discount rate (0.5% movement)	(5.11)	5.44
Future salary growth (0.5% movement)	5.24	(4.97)

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 (0.5% movement)	(4.58)	4.89
Future salary growth (0.5% movement)	4.38	(4.18)

**(ix)** The expected contribution to be made by the Group during the financial year ending December 31, 2019 is ₹ 18.98.

**(x)** As at December 31, 2018, the weighted average duration of the defined benefit obligation is in the range of 5.59 to 7.39 years.

**(xi)** 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.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

**B. Pension plan in USA:**

The subsidiaries in the United States of America (USA) have a non-contributory defined benefit pension plan covering hourly employees in the USA. Benefits under the hourly employees' plan are based on years of service and age. Their funding policy is to contribute amounts to meet minimum funding requirements, plus additional amounts as the subsidiary companies may determine to be appropriate.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018. The following table sets forth the status of the various defined benefit plans of the Group and the amounts recognised in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss.

**(i) Amounts recognised in the Consolidated Balance Sheet are as follows:**

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of funded obligation	705.02	684.33
Less: Fair value of plan assets	515.74	508.71
<b>Net liability</b>	<b>189.28</b>	<b>175.62</b>

**(ii) Net employee benefits expense (recognised in employee benefits expense):**

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	23.61	20.28
Past service cost	15.86	36.00
Interest cost	24.16	24.55
Expected return on plan assets	(36.06)	(30.92)
<b>Total</b>	<b>27.57</b>	<b>49.91</b>

**(iii) Net employee benefits expense (recognised in other comprehensive income):**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurements of Defined Benefit Plans	(14.91)	(24.81)

**(iv) Reconciliation of opening and closing balances of the present value of the obligations:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening defined benefit obligation	684.33	655.22
Current service cost	23.61	20.28
Past service cost	15.86	36.00
Interest Cost	24.16	24.55
Actuarial loss/(gain)	(90.80)	10.21
Amount paid to employees	(20.70)	(20.67)
Exchange differences	68.56	(41.26)
<b>Closing defined benefit obligation</b>	<b>705.02</b>	<b>684.33</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

**(v) Reconciliation of opening and closing balances of the fair value of plan assets:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening fair value of plan assets	508.71	476.22
Interest on plan assets	36.06	30.92
Actuarial (loss)/gain	(75.89)	35.02
Contribution by employer	16.34	16.21
Amount paid to employees	(20.70)	(20.67)
Exchange differences	51.22	(28.99)
<b>Closing fair value of plan assets</b>	<b>515.74</b>	<b>508.71</b>
<b>Actual return on plan assets</b>	<b>(32.74)</b>	<b>65.99</b>

**(vi) Major Category of plan assets as a percentage to fair value of plan assets:**

Particulars	As at December 31, 2018	As at December 31, 2017
Equity securities	50%	51%
Debt securities	48%	47%
Others	2%	2%

**(vii) Principal Actuarial assumptions used:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Discount rates on benefit obligations	4.16%	3.52%
Expected rate of return on plan assets	7.00%	7.00%

**(viii) 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, 2018 shown below.

Particulars	Increase	Decrease
Discount rate (0.5% movement)	285.61	(387.52)
Attrition rate (0.5% movement)	328.64	(331.87)
Future mortality (0.5% movement)	338.22	(322.19)

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 (0.5% movement)	293.86	(404.80)
Attrition rate (0.5% movement)	340.61	(343.85)
Future mortality (0.5% movement)	352.79	(331.54)

**(ix)** The expected contribution to be made by the Group during the financial year ending December 31, 2019 is ₹ 17.45.



## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

- (x) 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.

**C. Pension plan in Germany:**

In respect of subsidiary companies in Germany, the Group has defined benefit retirement plans covering its employees. Pension provisions are recognised for obligations due to benefit plans for old age, invalidity, and surviving dependent's 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.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018. The following table sets forth the status of the various defined benefit plans of the Group and the amounts recognised in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss.

**(i) Amounts recognised in the Consolidated Balance Sheet are as follows:**

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of unfunded obligation	8,068.15	7,759.91
Less: Fair value of plan assets	-	-
<b>Net liability</b>	<b>8,068.15</b>	<b>7,759.91</b>

**(ii) Net employee benefits expense (recognised in employee benefits expense):**

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	358.62	301.61
Interest cost	106.05	90.76
<b>Total</b>	<b>464.67</b>	<b>392.37</b>

**(iii) Net employee benefits expense (recognised in other comprehensive income):**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurements of Defined Benefit Plans	(502.69)	15.38

**(iv) Reconciliation of opening and closing balances of the present value of the obligations:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening defined benefit obligation	7,759.91	6,652.71
Current service cost	358.62	301.61
Interest Cost	106.05	90.76
Actuarial loss/(gain)	(502.69)	15.38
Other significant events	-	243.34
Plan participant contributions	64.23	57.79
Amount paid to employees	(72.60)	(61.30)
Exchange differences	354.63	459.62
<b>Closing defined benefit obligation</b>	<b>8,068.15</b>	<b>7,759.91</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

##### (v) Principal Actuarial assumptions used:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Discount rates on benefit obligations	1.54%	1.30%
Expected salary increase rates	3.00%	2.00%

##### (vi) 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, 2018 shown below.

Particulars	Increase	Decrease
Discount rate (0.5% movement)	(913.44)	1,086.22
Future salary growth (0.5% movement)	71.99	(70.34)
Weighted average duration	NA	25.27 years

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 (0.5% movement)	(898.31)	1,070.57
Future salary growth (0.5% movement)	75.54	(73.64)
Weighted average duration	NA	25.85 years

(vii) The expected contribution to be made by the Group during the financial year ending December 31, 2019 is ₹ 22.99.

(viii) 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.

#### D. Pension plan in Belgium:

In respect of subsidiary companies in Belgium, the Group has defined benefit retirement plans covering its employees. Pension provisions are recognised 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.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018. The following table sets forth the status of the various defined benefit plans of the Group and the amounts recognised in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss.

##### (i) Amounts recognised in the Consolidated Balance Sheet are as follows:

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of funded obligation	1,143.69	979.06
Less: Fair value of plan assets	781.02	660.68
<b>Net liability</b>	<b>362.67</b>	<b>318.38</b>

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

## (ii) Net employee benefits expense (recognised in employee benefits expense):

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	82.65	66.85
Interest cost	13.24	10.74
Expected return on plan assets	(9.46)	(7.74)
<b>Total</b>	<b>86.43</b>	<b>69.85</b>

## (iii) Net employee benefits expense (recognised in other comprehensive income):

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurements of Defined Benefit Plans	51.73	84.55

## (iv) Reconciliation of opening and closing balances of the present value of the obligations:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening defined benefit obligation	979.06	792.47
Current service cost	82.65	66.85
Interest Cost	13.24	10.74
Actuarial loss/(gain)	63.07	102.85
Administrative expenses, taxes and insurance premiums	(33.78)	(28.68)
Plan participant contributions	18.58	15.38
Amount paid to employees	(19.97)	(45.48)
Exchange differences	40.84	64.93
<b>Closing defined benefit obligation</b>	<b>1,143.69</b>	<b>979.06</b>

## (v) Reconciliation of opening and closing balances of the fair value of plan assets:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening fair value of plan assets	660.68	541.65
Interest on plan assets	9.46	7.74
Actuarial (loss)/gain	11.34	18.30
Contribution by employer	106.62	88.35
Plan participant contributions	18.58	15.38
Administrative expenses, taxes and insurance premiums	(33.78)	(28.68)
Amount paid to employees	(19.97)	(45.48)
Exchange differences	28.09	63.42
<b>Closing fair value of plan assets</b>	<b>781.02</b>	<b>660.68</b>
<b>Actual return on plan assets</b>	<b>20.80</b>	<b>26.04</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

**(vi) Major Category of plan assets as a percentage to fair value of plan assets:**

Particulars	As at December 31, 2018	As at December 31, 2017
Insurer managed funds	100%	100%

**(vii) Principal Actuarial assumptions used:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Discount rates on benefit obligations	1.54%	1.30%
Expected rate of return on plan assets	2.20%	2.20%
Expected salary increase rates	2.50%	2.50%

**(viii) 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, 2018 shown below.

Particulars	Increase	Decrease
Discount rate (0.5% movement)	(82.64)	90.65
Weighted average duration	NA	15.26 years

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 (0.5% movement)	(51.20)	55.11
Weighted average duration	NA	10.95 years

**(ix)** The expected contribution to be made by the Group during the financial year ending December 31, 2019 is ₹ 105.16.

**(x)** 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.

#### E. Pension plan in Canada:

In respect of subsidiary companies in Canada, the Group has defined benefit retirement plans covering its employees. Pension provisions are recognised 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.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018. The following table sets forth the status of the various defined benefit plans of the Group and the amounts recognised in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

(i) Amounts recognised in the Consolidated Balance Sheet are as follows:

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of funded obligation	1,622.47	1,660.02
Less: Fair value of plan assets	1,585.73	1,625.62
<b>Net liability</b>	<b>36.74</b>	<b>34.40</b>

(ii) Net employee benefits expense (recognised in employee benefits expense):

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	33.88	31.67
Past service cost	-	41.15
Interest cost	59.04	57.62
Expected return on plan assets	(58.52)	(58.19)
Administrative expenses	5.28	4.99
<b>Total</b>	<b>39.68</b>	<b>77.24</b>

(iii) Net employee benefits expense (recognised in other comprehensive income):

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurements of Defined Benefit Plans	20.48	(6.32)

(iv) Reconciliation of opening and closing balances of the present value of the obligations:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening defined benefit obligation	1,660.02	1,515.27
Current service cost	33.88	31.67
Past service cost	-	41.15
Interest Cost	59.04	57.62
Actuarial loss/(gain)	(92.88)	69.14
Plan participant contributions	5.36	5.20
Amount paid to employees	(57.02)	(72.53)
Exchange differences	14.07	12.50
<b>Closing defined benefit obligation</b>	<b>1,622.47</b>	<b>1,660.02</b>

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

**(v) Reconciliation of opening and closing balances of the fair value of plan assets:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening fair value of plan assets	1,625.62	1,511.38
Interest on plan assets	58.52	58.19
Actuarial (loss)/gain	(113.36)	75.46
Contribution by employer	57.52	42.34
Plan participant contributions	5.36	5.20
Administrative expenses, taxes and insurance premiums	(5.28)	(4.99)
Amount paid to employees	(57.02)	(72.53)
Exchange differences	14.37	10.57
<b>Closing fair value of plan assets</b>	<b>1,585.73</b>	<b>1,625.62</b>
<b>Actual return on plan assets</b>	<b>(54.84)</b>	<b>133.65</b>

**(vi) Major Category of plan assets as a percentage to fair value of plan assets:**

Particulars	As at December 31, 2018	As at December 31, 2017
Equity securities	50%	50%
Debt securities	49%	49%
Others	1%	1%

**(vii) Principal Actuarial assumptions used:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Discount rates on benefit obligations	3.85%	3.50%
Expected rate of return on plan assets	4.40%	4.70%
Expected salary increase rates	3.00%	3.25%

**(viii) 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, 2018 shown below.

Particulars	Increase	Decrease
Discount rate (0.5% movement)	(119.40)	132.61
Future salary growth (0.5% movement)	5.86	(5.81)
Weighted average duration	NA	13.33 years

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

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 (0.5% movement)	(129.15)	144.13
Future salary growth (0.5% movement)	6.87	(7.87)
Weighted average duration	NA	14.12 years

(ix) The expected contribution to be made by the Group during the financial year ending December 31, 2019 is ₹ 59.52.

(x) 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.

## F. Health care plan in Canada:

One of the subsidiaries in Canada have non-pension post-employment benefit plans funded on a cash basis by contribution from the subsidiaries. The plan is for the purpose of providing medical and dental benefits for retirees and eligible dependents and life insurance for retirees. The plan is funded on a pay-as-you-go basis. The subsidiary funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for the plan. The actuarial valuation of the present value of the defined benefit obligation has been carried out as at December 31, 2018. The following table sets forth the status of the various defined benefit plans of the Group and the amounts recognised in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss.

## (i) Amounts recognised in the Consolidated Balance Sheet are as follows:

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of funded obligation	302.29	310.53
Less: Fair value of plan assets	-	-
<b>Net liability</b>	<b>302.29</b>	<b>310.53</b>

## (ii) Net employee benefits expense (recognised in employee benefits expense):

Particulars	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Current service cost	8.79	13.38
Interest cost	11.14	12.22
<b>Total</b>	<b>19.93</b>	<b>25.60</b>

## (iii) Net employee benefits expense (recognised in other comprehensive income):

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurements of Defined Benefit Plans	(19.34)	(34.36)



## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 41: ASSETS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (CONTINUED)

**(iv) Reconciliation of opening and closing balances of the present value of the obligations:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Opening defined benefit obligation	310.53	320.07
Current service cost	8.79	13.38
Interest Cost	11.14	12.22
Actuarial loss/(gain)	(19.34)	(34.36)
Amount paid to employees	(11.62)	(11.95)
Exchange differences	2.79	11.17
<b>Closing defined benefit obligation</b>	<b>302.29</b>	<b>310.53</b>

**(v) Principal Actuarial assumptions used:**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Discount rates on benefit obligations	3.85%	3.50%
Annual increase in health cost		
Initial trend rate	6.00%	6.28%
Ultimate trend rate	4.00%	4.50%
Year ultimate trend rate is reached	2040	2031

**(vi) 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, 2018 shown below.

Particulars	Increase	Decrease
Health care cost trend rates (0.5% movement)	16.28	(13.14)

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
Health care cost trend rates (0.5% movement)	17.58	(14.14)

- (vii)** 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.

## 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

Key Managerial Personnel (KMP) and their relatives	<ol style="list-style-type: none"> <li>1. Mr Jagan Mohan Reddy Nellore Managing Director</li> <li>2. Mr Radha Krishna Reddy Nellore Relative of Managing Director</li> <li>3. Mr N. Sujith Kumar Reddy Relative of Managing Director</li> <li>4. Mr Venkata Pranav Reddy Nellore Relative of Managing Director</li> <li>5. Mr T Srinivasa Rao Chief Financial Officer</li> <li>6. Mr S Venkat Ramana Reddy Company Secretary</li> </ol>
Enterprise where key managerial personnel along with their relatives exercise significant influence	<ol style="list-style-type: none"> <li>1. Rain Enterprises Private Limited (REnPL)</li> <li>2. Rain Entertainments Private Limited (REPL)</li> <li>3. Nivee Property Developers Private Limited (NPDDL)</li> <li>4. Pragnya Priya Foundation (PPF)</li> <li>5. Arunachala Logistics Private Limited</li> </ol>
Non-executive directors	<ol style="list-style-type: none"> <li>1. Mr Radha Krishna Reddy Nellore - Chairman</li> <li>2. Mr N. Sujith Kumar Reddy - Director</li> <li>3. Mr S L Rao - Independent Director</li> <li>4. Mr H L Zutshi - Independent Director</li> <li>5. Mr Varun Batra - Independent Director (since February 28, 2018)</li> <li>6. Ms Radhika Vijay Haribhakti - Independent Director</li> <li>7. Ms Nirmala Reddy - Independent Director</li> </ol>
Equity accounted investees	<ol style="list-style-type: none"> <li>1. InfraTec Duisburg GmbH (IDGmbH) (Investment by RÜTGERS Germany GmbH)</li> <li>2. Tarlog GmbH (Tarlog) (Acquired balance 50% and merged with Group during 2017)</li> <li>3. Rain Coke Limited (Rcoke) (Investment by Rain Cements Limited - disposed off in December 2018)</li> </ol>

## 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 (CONTINUED)

##### b) Transactions with related parties:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Purchases and services (net of reimbursements) from :		
a) Tarlog GmbH	-	105.80
b) InfraTec Duisburg GmbH	650.34	502.88
c) Arunachala Logistics Private Limited	3,494.85	3,172.55
d) Rain Enterprises Private Limited	-	478.58
Sale of cement:		
a) Rain Entertainments Private Limited	-	0.70
b) Pragnya Priya Foundation	3.79	3.94
c) Nivee Property Developers Private Limited	12.14	28.21
d) Arunachala Logistics Private Limited	1.60	1.44
Other operating income		
a) Tarlog GmbH	-	4.53
b) InfraTec Duisburg GmbH	71.67	63.71
c) Arunachala Logistics Private Limited - Rental Income	0.35	0.30
d) Arunachla Logistics Pvt Ltd - Sale of Scrap	1.56	-
Other income		
a) Pragnya Priya Foundation	0.25	-
Reimbursement of ocean freight, and other expenses		
a) Rain Enterprises Private Limited	-	52.49
b) Pragnya Priya Foundation	-	0.86
c) Arunachal Logistics Private Limited	1.55	-
Advances to suppliers		
a) Rain Enterprises Private Limited	2,303.40	4,439.50
Refund of advances		
a) Rain Enterprises Private Limited	2,303.40	3,960.92
Managerial remuneration (Short-term employee benefits) (See Note (iii) below)		
a) Jagan Mohan Reddy Nellore	16.84	16.84
b) T Srinivasa Rao	15.35	13.54
c) S Venkat Ramana Reddy	4.42	4.00
Remuneration to relatives of KMP		
a) Sujith Kumar Reddy Nellore (managing director of a wholly-owned subsidiary)	27.16	26.22
b) Venkata Pranav Reddy Nellore (son of managing director of a wholly-owned subsidiary)	0.56	-
Sitting fees to Non-executive directors of the Company	3.92	4.28
Commission to Non-executive directors of the Company	4.30	3.00
Dividend paid		
a) Enterprise where key managerial personnel along with their relatives exercise significant influence	162.54	81.27
b) Key Managerial Personnel T Srinivasa Rao	0.18	0.09
Donations given		
a) Pragnya Priya Foundation	67.50	41.88
Loans given		
a) Pragnya Priya Foundation	10.00	-

## 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 (CONTINUED)

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

Particulars	As at December 31, 2018	As at December 31, 2017
<b>Amounts receivable from</b>		
a) InfraTec Duisburg GmbH	88.87	122.71
b) Rain Entertainments Private Limited	-	0.11
c) Pragnya Priya Foundation	10.31	0.29
d) Nivee Property Developers Private Limited	-	7.90
<b>Amounts payable to</b>		
a) Arunachala Logistics Private Limited	31.31	9.68
b) InfraTec Duisburg GmbH	87.48	2.73
c) Sitting fees payable to Non-executive directors	3.92	4.28
d) Commission payable to Non-executive directors	4.30	3.00
e) N. Sujith Kumar Reddy (managing director of a wholly-owned subsidiary)	5.00	5.00

- (i) No trade or other receivables are due by directors or other officers of the Group or any of them either severally or jointly with any other persons or amounts due by firms or private limited companies respectively in which any director is a partner or a director or a member.
- (ii) The transactions with related parties are made in the ordinary course of business and on terms equivalent to those that prevail in arm's length transactions with other vendors. Outstanding balances at the year-end is unsecured and settlement occurs in cash.
- (iii) **Long-term employee benefits for Key Managerial Personnel:**  
The managerial personnel are covered by Company's gratuity policy and are eligible for compensated absences along with the employees of the Company. The proportionate amount of gratuity and compensated absences cost pertaining to managerial remuneration have not been included in aforementioned disclosures as these are not determined on individual basis.

# NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 43: ADDITIONAL INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS

Sl. No.	Name of the Company	As at December 31, 2018		For the year ended December 31, 2018					
		Net Assets i.e., Total Assets minus Total Liabilities		Share in Profit or Loss		Other Comprehensive Income (OCI)		Total Comprehensive Income (TCI)	
		As a % of Consolidated Net Assets	Amount	As a % of Consolidated Profit or Loss	Amount	As a % of Consolidated OCI	Amount	As a % of Consolidated TCI	Amount
	<b>Parent</b>								
	Rain Industries Limited	5.13	9,158.61	3.77	604.66	-	0.07	2.38	604.73
	<b>Subsidiaries</b>								
	<b>Indian</b>								
1.	Rain Cements Limited	2.31	4,127.07	1.69	271.20	(0.05)	(4.60)	1.05	266.60
2.	Renuka Cement Limited	0.16	288.34	(0.04)	(6.30)	-	-	(0.02)	(6.30)
3.	Rain CII Carbon (Vizag) Limited	6.73	12,006.74	10.53	1,690.16	(0.01)	(1.30)	6.64	1,688.86
	<b>Foreign</b>								
4.	Rain Commodities (USA) Inc	11.06	19,724.20	25.26	4,056.52	8.01	749.73	18.90	4,806.25
5.	Rain Carbon Inc	10.87	19,393.65	9.83	1,578.01	18.18	1,703.10	12.91	3,281.11
6.	Rain Carbon Holdings, LLC	11.02	19,666.63	7.36	1,181.41	18.27	1,710.83	11.38	2,892.24
7.	Rain Global Services LLC	(0.13)	(231.56)	(0.01)	(1.38)	(0.21)	(19.38)	(0.08)	(20.76)
8.	Rain CII Carbon LLC	15.42	27,512.23	(0.86)	(137.92)	28.30	2,650.07	9.88	2,512.15
9.	CII Carbon Corp.	-	-	-	-	-	-	-	-
10.	RÜTGERS Polymers Ltd	1.32	2,355.95	2.13	342.73	0.03	3.10	1.36	345.83
11.	RÜTGERS Canada Inc	2.90	5,167.59	13.73	2,204.72	(0.43)	(40.00)	8.51	2,164.72
12.	Handy Chemicals (USA) Ltd	0.05	86.22	0.19	29.81	0.05	4.90	0.14	34.71
13.	Rain Carbon BVBA	9.92	17,702.20	11.96	1,920.22	12.35	1,156.38	12.10	3,076.60
14.	VFT France SA	0.62	1,100.68	0.14	23.18	0.07	6.09	0.12	29.27
15.	Rumba Invest BVBA & Co. KG	(0.00)	(1.86)	0.54	87.43	0.01	0.59	0.35	88.02
16.	RÜTGERS Holding Germany GmbH	7.81	13,934.40	(2.51)	(403.65)	7.15	669.72	1.05	266.07
17.	RÜTGERS Germany GmbH	4.00	7,141.39	5.29	850.15	6.07	568.53	5.58	1,418.68
18.	RÜTGERS Resins BV	0.01	14.50	(2.16)	(346.80)	(0.18)	(16.48)	(1.43)	(363.28)
19.	Severtar Holding Ltd	1.55	2,768.33	0.13	21.01	1.24	115.95	0.54	136.96
20.	OOO RÜTGERS Severtar	1.63	2,910.42	8.69	1,395.48	(3.99)	(373.46)	4.02	1,022.02
21.	Rain RÜTGERS LLC	0.01	23.97	(0.10)	(15.85)	(0.05)	(4.31)	(0.08)	(20.16)
22.	RÜTGERS Poland Spzoo	0.20	357.82	0.45	73.06	(0.09)	(7.97)	0.26	65.09
23.	RÜTGERS (Shanghai) Trading Co. Ltd	0.04	77.57	0.05	7.81	0.01	0.69	0.03	8.50
24.	RÜTGERS Wohnimmobilien GmbH & Co	0.11	202.05	(0.10)	(16.60)	0.10	9.52	(0.03)	(7.08)
25.	RÜTGERS Gewerbeimmobilien GmbH & Co	0.25	452.36	0.17	28.05	0.19	17.40	0.18	45.45
26.	Rain Carbon GmbH	6.99	12,474.56	3.87	620.66	4.98	466.60	4.28	1,087.26
	<b>Sub-total</b>	<b>100.00</b>	<b>178,414.06</b>	<b>100.00</b>	<b>16,057.77</b>	<b>100.00</b>	<b>9,365.77</b>	<b>100.00</b>	<b>25,423.54</b>
	Less: Inter company adjustments/eliminations		(132,186.65)		(9,753.26)		(7,800.00)		(17,553.26)
	Non-controlling interests		-		(497.05)		77.04		(420.01)
	<b>Share of profit/(loss) of associates:</b>								
	InfraTec Duisburg GmbH		-		8.80		-		8.80
	Rain Coke Limited (Refer note 36)		-		-		-		-
	<b>TOTAL</b>		<b>46,227.41</b>		<b>5,816.26</b>		<b>1,642.81</b>		<b>7,459.07</b>

Net assets and share in profit or loss, other comprehensive income and total comprehensive income for parent company, subsidiaries and associates are as per the standalone financial statements of the respective entities.

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 43: ADDITIONAL INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sl. No.	Name of the Company	As at December 31, 2017		For the year ended December 31, 2017					
		Net Assets i.e., Total Assets minus Total Liabilities		Share in Profit or Loss		Other comprehensive income (OCI)		Total comprehensive income (TCI)	
		As a % of Consolidated Net Assets	Amount	As a % of Consolidated Profit or Loss	Amount	As a % of Consolidated OCI	Amount	As a % of Consolidated TCI	Amount
	<b>Parent</b>								
	Rain Industries Limited	5.75	9,226.57	2.48	321.06	-	0.18	191.09	321.24
	<b>Subsidiaries</b>								
	<b>Indian</b>								
1.	Rain Cements Limited	2.40	3,860.47	2.89	374.89	0.17	6.24	226.71	381.13
2.	Renuka Cement Limited	0.01	11.30	-	(0.55)	-	-	(0.33)	(0.55)
3.	Rain CII Carbon (Vizag) Limited	6.43	10,317.88	27.10	3,511.86	0.04	1.36	2,089.83	3,513.22
	<b>Foreign</b>								
4.	Rain Commodities (USA) Inc	9.46	15,179.74	3.74	484.18	(15.35)	(555.44)	(42.39)	(71.26)
5.	Rain Carbon Inc	11.49	18,443.02	0.38	49.07	(32.26)	(1,167.59)	(665.35)	(1,118.52)
6.	Rain RÜTGERS CTP LLC (RRCTP) (See note 4 below)	-	-	-	-	-	-	-	-
7.	Rain Carbon Holdings, LLC	11.51	18,480.22	1.46	189.66	(32.13)	(1,162.97)	(578.97)	(973.31)
8.	Rain Global Services LLC	(0.13)	(210.82)	(0.62)	(80.09)	0.25	8.94	(42.32)	(71.15)
9.	RGS Egypt Limited Company L.L.C (See note 3 below)	-	-	-	-	-	-	-	-
10.	Rain CII Carbon LLC	16.30	26,181.49	9.36	1,213.77	(46.18)	(1,671.69)	(272.39)	(457.92)
11.	CII Carbon Corp.	-	-	-	-	-	-	-	-
12.	RÜTGERS BVBA (See note 1 below)	-	-	-	-	-	-	-	-
13.	RÜTGERS Polymers Ltd	1.25	2,008.03	3.00	388.46	3.75	135.67	311.78	524.13
14.	RÜTGERS Canada Inc	1.86	2,991.84	6.82	884.15	1.49	53.87	557.98	938.02
15.	Handy Chemicals (USA) Ltd	0.03	51.08	0.19	24.01	-	0.06	14.32	24.07
16.	RÜTGERS Holding Belgium BVBA (See note 1 below)	-	-	-	-	-	-	-	-
17.	Rain Carbon BVBA (formerly known as RÜTGERS Belgium BVBA)	10.87	17,442.52	17.54	2,273.38	120.06	4,345.67	3,937.33	6,619.05
18.	VFT France S.A	0.64	1,031.76	0.16	21.09	0.34	12.13	19.76	33.22
19.	VFT Trading BVBA (See note 1 below)	-	-	-	-	-	-	-	-
20.	Rumba Invest BVBA & Co. KG	-	(1.79)	0.61	79.69	(0.02)	(0.85)	46.90	78.84
21.	RÜTGERS Holding Germany GmbH	8.27	13,277.62	16.94	2,195.48	41.89	1,516.28	2,207.94	3,711.76
22.	RÜTGERS Germany GmbH	3.38	5,417.90	8.14	1,054.35	31.64	1,145.28	1,308.45	2,199.63
23.	RÜTGERS Aromatic Chemicals GmbH (See note 2 below)	-	-	-	-	-	-	-	-
24.	RÜTGERS InfraTec GmbH (See note 2 below)	-	-	-	-	-	-	-	-
25.	RÜTGERS ChemTrade GmbH (See note 2 below)	-	-	-	-	-	-	-	-
26.	RÜTGERS Basic Aromatics GmbH (See note 2 below)	-	-	-	-	-	-	-	-
27.	RÜTGERS Novares GmbH (See note 2 below)	-	-	-	-	-	-	-	-
28.	RÜTGERS Resins BV	(0.19)	(304.10)	0.31	40.48	(5.71)	(206.60)	(1.00)	(166.12)
29.	Severtar Holding Ltd	1.64	2,630.62	0.05	6.64	4.46	161.47	1.01	168.11
30.	OOO RÜTGERS Severtar	1.11	1,785.28	6.57	850.92	(5.54)	(200.53)	3.92	650.39
31.	Rain RÜTGERS LLC	0.01	11.53	(0.01)	(1.92)	-	-	(0.01)	(1.92)
32.	RÜTGERS Poland Spzoo	0.20	314.94	0.49	63.62	0.51	18.40	0.49	82.02
33.	RÜTGERS (Shanghai) Trading Co. Ltd	0.04	67.40	0.13	16.65	(0.02)	(0.55)	0.10	16.10

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 43: ADDITIONAL INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sl. No.	Name of the Company	As at December 31, 2017		For the year ended December 31, 2017					
		Net Assets i.e., Total Assets minus Total Liabilities		Share in Profit or Loss		Other comprehensive income (OCI)		Total comprehensive income (TCI)	
		As a % of Consolidated Net Assets	Amount	As a % of Consolidated Profit or Loss	Amount	As a % of Consolidated OCI	Amount	As a % of Consolidated TCI	Amount
34.	RUTGERS Wohnimmobilien GmbH & Co	0.13	209.32	0.21	27.05	0.83	30.16	0.35	57.21
35.	RUTGERS Gewerbeimmobilien GmbH & Co	0.25	406.33	0.11	14.34	0.91	32.81	0.28	47.15
36.	Rain Carbon GmbH	7.29	11,696.15	(8.05)	(1,042.83)	30.87	1,117.21	0.45	74.38
	<b>Sub-total</b>	<b>100.00</b>	<b>160,526.30</b>	<b>100.00</b>	<b>12,959.41</b>	<b>100.00</b>	<b>3,619.51</b>	<b>9,315.92</b>	<b>16,578.92</b>
	Less: Inter company adjustments/eliminations		(121,085.27)		(5,047.03)		(3,206.41)		(8,253.44)
	Non-controlling interests		-		(285.35)		(23.72)		(309.07)
	<b>Share of profit/(loss) of associates:</b>								
	InfraTec Duisburg GmbH				8.84		-		8.84
	Rain Coke Limited				-		-		-
	<b>Total</b>		<b>39,441.03</b>		<b>7,635.87</b>		<b>389.38</b>		<b>8,025.25</b>

Net assets and share in profit or loss, other comprehensive income and total comprehensive income for parent company, subsidiaries and associates are as per the standalone financial statements of the respective entities.

#### Notes:

1. Merged into Rain Carbon BVBA, retrospectively with effect from January 1, 2017
2. Merged to RUTGERS Germany GmbH, retrospectively with effect from January 1, 2017
3. Sold during the year
4. Dissolved during the year

#### NOTE 44: CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Particulars	As at December 31, 2018	As at December 31, 2017
<b>(I) Contingent liabilities</b>		
<b>(a) In respect of demands/ claims arising on account of:</b>		
- Income tax	365.72	367.03
- Wheeling charges [Refer note below]	191.94	232.48
- Operating charges of state load dispatch centre and minimum energy/ demand	12.53	12.53
- Customs Duty, Sales Tax, Service Tax and Excise Duty related matters under dispute	601.17	504.91
- Fuel Surcharge Adjustment levied by Electricity Distributing Companies	34.57	34.57
<b>Note:</b> During 2002, the erstwhile Rain Calcining Limited had disputed the order of Andhra Pradesh Electricity Regulatory Commission ('APERC') in respect of wheeling charges before the Honourable High Court of Andhra Pradesh and Telangana. The Honourable High Court of Andhra Pradesh had set aside the order of APERC. Transmission Corporation of Andhra Pradesh ('AP Transco') filed a Special Leave Petition in the Supreme Court of India against the order of the Honourable High Court of Andhra Pradesh. The final verdict of the Honourable Supreme Court of India is awaited. The contingent liability has been computed on the basis of imputed cost till December 31, 2018 per the terms of the said APERC order.		
<b>(b) Claims against the Group not acknowledged as debt</b>	233.01	1,306.01



## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

**NOTE 44: CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR) (CONTINUED)****(c) Other contingencies:**

- (i) During December 2018, several Group Companies, along with four other third party defendants, was named in a lawsuit filed in federal court in Minnesota. The Plaintiffs, comprised of 9 municipalities in the Minneapolis and St. Paul metropolitan area, and sought a court order directing the defendants to remove sediment contaminated with Polycyclic Aromatic Hydrocarbons (PAHs) from their municipal storm water drainage ponds which they claimed was caused by runoff from the defendants' products.

The Group believes this law suit is currently in an early stage as the plaintiffs have been granted time to file amended complaints post which the Group will respond to the amended complaints. The Group has not provided a reserve for this lawsuit. The timing of resolution of this case cannot be reasonably determined given that the complaints seeking damages are at a very early stage and court hearings have not commenced.

- (ii) 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 ₹ 139.58 - 209.37 (USD 2-3 Million). Additionally, the Contractor is making claim for approximately ₹ 69.79 (USD 1 Million) 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.
- (iii) 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 ₹ 307.08 (USD 4.4 Million), plus costs and expenses. The Group Company is moving to confirm the arbitration award in court. In the event 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.
- (iv) 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 ₹ 348.95 (USD 5 Million) 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 September 2019.
- (v) 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 ₹ 139.58-209.37 (USD 2-3 Million). Mediation is currently scheduled for March 13, 2019.
- (vi) One of the Group Companies in Canada may face certain fines or penalties under Section 14 of the Environmental Protection Act arising from an investigation by the Ministry of the Environment, Conservation and Parks into incidents involving product discharge and release of vapor emissions at one of our facilities during 2017. The Company has complied with all aspects of the investigation and during 2018, has accrued penalties amounting to ₹ 154.24 (USD 2.21 Million), based on its current estimate of the penalty that could be levied under similar circumstances by the authority.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 44: CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR) (CONTINUED)

Particulars	As at December 31, 2018	As at December 31, 2017
<b>(II) Commitments</b>		
Estimated amounts of contracts remaining to be executed on capital account [net of Capital advances ₹ 1,273.06 (December 31, 2017: ₹ 286.72)]	3,483.78	567.48

The Group has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that there are no material foreseeable losses on such long-term contracts which needs to be provided for in the books of account.

#### NOTE 45: OPERATING LEASES

The Group has entered into various operating lease agreements for assets comprising of storage and other facilities and amounts aggregating ₹ 1,214.89 (December 31, 2017 - ₹ 833.96) paid under such agreements have been charged off in the Consolidated Statement of Profit and Loss. The minimum lease payments are as follows:

Particulars	As at December 31, 2018	As at December 31, 2017
- Not later than 1 year	1,078.80	819.43
- Later than 1 year and not later than 5 years	2,670.61	2,275.62
- Beyond 5 years	322.30	610.92

#### NOTE 46: FINANCE LEASES

The Group has taken buildings, plant and equipment and other assets under finance leases.

The future minimum lease payments and their present values as at December 31, 2018 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
- Not later than 1 year	131.36	15.59	146.95
- Later than 1 year and not later than 5 years	207.40	9.26	216.66
- Beyond 5 years	-	-	-

The future minimum lease payments and their present values as at December 31, 2017 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
- Not later than 1 year	120.16	20.70	140.86
- Later than 1 year and not later than 5 years	324.35	23.79	348.14
- Beyond 5 years	-	-	-

## NOTES

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

## NOTE 47: EARNINGS PER SHARE (EPS)

Particulars	As at December 31, 2018	As at December 31, 2017
a) Profit for the year	5,816.26	7,635.87
b) Weighted average number of equity shares of ₹ 2/- each outstanding during the year(Nos.)	336,345,679	336,345,679
<b>Earnings per Share</b>		
c) Basic and Diluted - [a]/[b] - (₹)	17.29	22.70

## NOTE 48: NET INVESTMENT HEDGE

The Group has designated the 'foreign currency loan' as a hedging instrument to hedge its net investment in a non-integral foreign operation, with effect from January 1, 2009. The translation loss/(gain) for the year ended December 31, 2018 on such foreign currency loan, determined as an effective net investment hedge, recognised in the foreign currency translation reserve included in Note 18 - Other equity is ₹ 35.16 (December 31, 2017: ₹ (20.51)).

## NOTE 49: NET INVESTMENT IN FOREIGN OPERATIONS

The Group supports its overseas subsidiaries through non-current loans wherever required and in respect of any loan, which is considered in substance a part of the net investment in a non-integral foreign operation, the exchange difference arising on translation of such loans will be accumulated in foreign currency translation reserve as per Ind AS 21 - "The Effects of Changes in Foreign Exchange Rates". The Group has designated certain non-current loans effective July 1, 2015. During the year, the Group had exchange differences amounting to ₹ (3.34) (December 31, 2017: ₹ (121.81)) (net of non-controlling interests) has been transferred to foreign currency translation reserve. However, the non-current loans have been de-designated during the current year.

## NOTE 50: EXCEPTIONAL ITEMS

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Unamortised deferred financing cost including redemption premium (Refer note (a & b))	-	1,803.30

## Notes:

- In March 2017, the Company's wholly-owned step-down subsidiary in the USA issued Senior Secured Notes ("the 2025 Notes") for USD 550 Million. Interest is payable on the 2025 Notes at 7.25% per annum on a semi annual basis and the principle is repayable on April 1, 2025. The 2025 Notes are guaranteed by certain subsidiary companies of the Company in the USA. The proceeds of the 2025 Notes have been used to repay 8.00% 2018 Notes of USD 378 Million; 8.25% 2021 Notes of USD 115 Million and repay senior bank debt. All unamortised deferred financing cost pertaining to the 2018 Notes and the 2021 Notes of ₹ 670.30 (USD 10 Million, including redemption premium of USD 5.4 Million) have been expensed during the quarter ended March 31, 2017 and disclosed as exceptional item in consolidated statement of profit and loss.
- On 15 December 2017, the Company's wholly-owned subsidiary in USA issued a conditional repayment notice to its 2021 bondholders with US Dollar denominated Notes of USD 246 Million and 2021 Euro denominated Notes of USD 237 Million (Face Value of EUR198 Million) together called as 2021 Notes. As on December 31, 2017, the Company, in accordance with the Ind-AS 109 - "Financial Instruments", has recorded the changes in the carrying value of the 2021 Notes at its expected future cash outflows with a corresponding expense of ₹ 1,133.00 (USD 17.5 Million) arising on account of the early repayment premium and deferred financing cost in the consolidated Statement of Profit and loss. The same is disclosed as the exceptional item in the consolidated statement of profit and loss for the year ended December 31, 2017. Subsequently, On January 16, 2018 the Company repaid all the aforementioned 2021 Notes financed by a new Term Loan B of EUR 390 Million borrowed in the wholly-owned subsidiary in Germany.

## NOTES

### FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### NOTE 51: CORPORATE SOCIAL RESPONSIBILITY

As per Section 135 of the Companies Act, 2013, a Corporate Social responsibility (CSR) Committee has been formed by the Company and its Indian subsidiaries. The proposed areas for CSR activities, as per the CSR policy of the Group 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. Expenditure incurred under Section 135 of the Companies Act, 2013 on CSR activities by the Company and its Indian subsidiaries are as below:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Amount to be spent	78.81	49.80
Amount paid in cash - on purposes other than construction/acquisition of any asset – donations for scholarship	81.31	52.60
Amount yet to be paid in cash	-	-

#### NOTE 52: PROVISION FOR ENVIRONMENT LIABILITIES INCLUDING SITE RESTORATION

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
<b>Balance at beginning of year</b>	1,395.56	1,403.61
Additional provision made	526.87	291.24
Provisions utilised/reversed	(211.36)	(353.78)
Changes in estimates, including timing	(8.59)	(26.33)
Accretion expense	1.16	0.80
Unused amounts reversed during the year	(1.19)	-
Foreign currency exchange rate changes	54.16	80.02
<b>Balance at end of year</b>	<b>1,756.61</b>	<b>1,395.56</b>
Non-current provision	584.06	732.24
Current provision	1,172.55	663.32
<b>Total</b>	<b>1,756.61</b>	<b>1,395.56</b>

#### NOTE 53: OTHER PROVISIONS

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
<b>Balance at beginning of year</b>	118.16	130.65
Additional provision made	412.68	61.58
Provisions utilised/reversed	(122.42)	(74.07)
<b>Balance at end of year</b>	<b>408.42</b>	<b>118.16</b>

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

Place: Hyderabad  
Date : February 27, 2019

For and on behalf of the Board of Directors of  
**Rain Industries Limited**  
CIN: L26942TG1974PLC001693

**Jagan Mohan Reddy Nellore**  
Managing Director  
DIN: 00017633

**T. Srinivasa Rao**  
Chief Financial Officer  
Membership Number: F29080

**N. Sujith Kumar Reddy**  
Director  
DIN: 00022383

**S. Venkat Ramana Reddy**  
Company Secretary  
Membership Number: A14143

# ELECTRONIC CLEARING SERVICE (CREDIT CLEARING)

## MANDATE FORM FOR PAYMENT OF DIVIDEND

To,  
Karvy Fintech Private Limited  
(Unit: Rain Industries Limited)  
Karvy Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District, Nanakramguda,  
Hyderabad – 500 032, Telangana State, India.  
Fax: +91 040 23420814; Phone: +91 040 67161566

Shareholder's authorisation to receive dividends through Electronic Credit Clearing Mechanism.

<b>Registered Folio No. :</b>	<b>ECS Ref. No. : (for Office use only)</b>
Name of the first/sole shareholder	
Bank Name	
Branch Address & Telephone No. of Branch	
Bank Account Number (As appearing on the Cheque Books)	
9 digit code number of the Bank and Branch appearing on the MICR cheque issued by the Bank. (Please attach a blank cancelled cheque, or a photocopy (xerox copy) of a cheque issued to you by your Bank, for verification of the above particulars)	
Account Type (Please tick the option)	Savings Current Cash Credit
Bank Account Ledger Folio No. (If any)	
Effective date of this mandate	

I hereby, declare that the particulars given above are correct and complete. If the payment transaction is delayed or not effected at all for any reasons, including but not limited to incomplete or incorrect information, I will not hold M/s. Rain Industries Limited responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

I, further undertake to inform the Company of any subsequent change(s) in the above particulars.

Place: \_\_\_\_\_ Name of First Holder: \_\_\_\_\_

Date: \_\_\_\_\_ Signature of First Holder: \_\_\_\_\_

### Notes:

- Please fill in the information in CAPITAL LETTERS in ENGLISH ONLY.**
- In case of shareholders holding the equity shares in demat form, the shareholders are requested to provide details to their respective Depository participants. Shareholders are also requested to note that changes, if any, intimated by the Demat Account holders directly to the Company will not be considered.**

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## RAIN INDUSTRIES LIMITED

**Regd. Office:** Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India

CIN: L26942TG1974PLC001693

### ATTENDANCE SLIP

**44th Annual General Meeting on Wednesday, the May 8, 2019 at 3.00 pm.**

Registered Folio Number		*DP ID:	
Number of Equity Shares held		* Client ID:	

Name of the Shareholder	
Name of Proxy	

I/We hereby record my/our presence at the 44th Annual General Meeting of the members of the Company held on Wednesday, the May 8, 2019 at 3.00 pm at K L N Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI), Red Hills, Hyderabad – 500 004, Telangana State, India.

#### SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

\_\_\_\_\_  
**If Member, Please sign here**

\_\_\_\_\_  
**If Proxy, Please sign here**

**Note:** This form should be signed and handed over at the Meeting Venue.

\* Applicable for investors holding shares in electronic form.



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# RAIN INDUSTRIES LIMITED

**Regd. Office:** Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State India

## FORM NO. MGT-11

### PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies  
(Management and Administration) Rules, 2014]

CIN: L26942TG1974PLC001693

Name of the Company: Rain Industries Limited

Registered office: Rain Center, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India

Name of the member(s): \_\_\_\_\_

Registered address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_

Folio Number/Client ID: \_\_\_\_\_

DP ID: \_\_\_\_\_

I/We, being the member (s) of \_\_\_\_\_ shares of the above-named company, hereby appoint:

1. Name: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_ Signature: \_\_\_\_\_

or failing him/her

2. Name: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_ Signature: \_\_\_\_\_

or failing him/her

3. Name: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_ Signature: \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 44th Annual General Meeting of the Company, to be held on Wednesday, the May 8, 2019 at 3.00 pm at KLN Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce & Industry (FTAPCCI), Red Hills, Hyderabad-500 004, Telangana State, India and at any adjournment thereof in respect of such Resolutions as are indicated below:

Resolution No.	Particulars
----------------	-------------

#### ORDINARY BUSINESS

- |    |   |
|----|---|
| 1. | To receive, consider and adopt the Standalone Audited Financial Statements of the Company for the Financial Year ended December 31, 2018 and reports of Board and Auditors thereon. |
| 2. | To receive, consider and adopt the Consolidated Audited Financial Statements of the Company for the Financial Year ended December 31, 2018 and Report of Auditors thereon.          |
| 3. | To approve and ratify interim dividend.   |
| 4. | To appoint a Director in place of Mr N Sujith Kumar Reddy (DIN: 00022383) who retires by rotation and being eligible offers himself for re-appointment.                             |
| 5. | To appoint a Director in place of Mr Jagan Mohan Reddy Nellore (DIN: 00017633) who retires by rotation and being eligible offers himself for re-appointment.                        |

#### SPECIAL BUSINESS

- |    |   |
|----|---|
| 6. | To re-appoint Ms Nirmala Reddy (DIN: 01673128) as an Independent Director.  |
| 7. | To appoint Mr Brian Jude McNamara (DIN: 08339667) as an Independent Director.   |
| 8. | To appoint Mr N Radhakrishna Reddy (DIN: 00021052) as Managing Director of the Company.   |
| 9. | Authorisation to the Board of Directors to pay Commission to the Non-Executive Directors of the Company under Section 197 and 198 of the Companies Act, 2013. |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

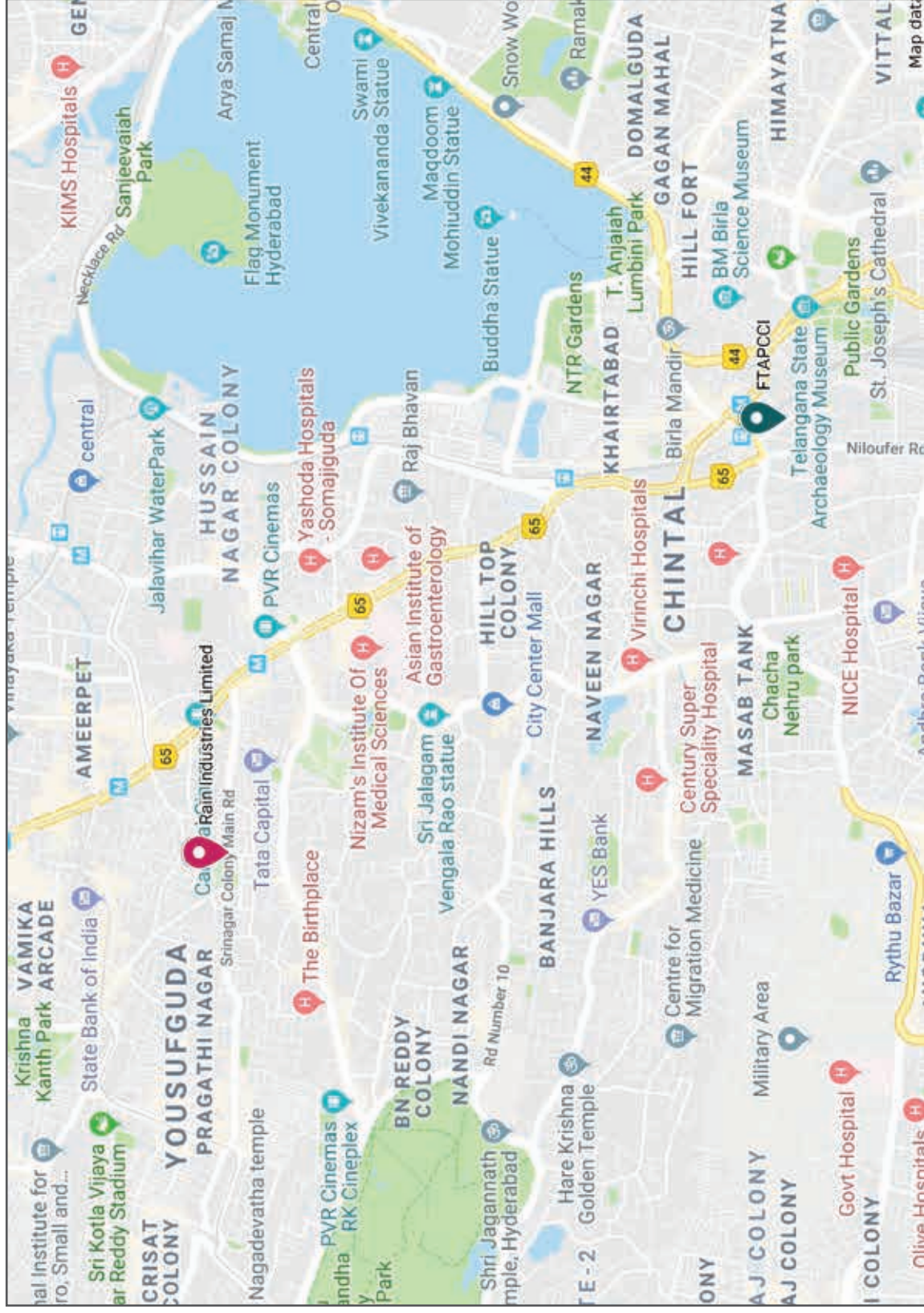
\_\_\_\_\_  
Signature of shareholder

\_\_\_\_\_  
Signature of Proxy holder(s)

Please Affix  
Re.1/- Revenue  
Stamp and sign  
across

*Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.*

Route Map for venue of the Meeting



## NOTES

[illegible]





Regd. Office: "Rain Center", 34, Srinagar Colony,  
Hyderabad - 500 073, Telangana State, India.