



RAIN INDUSTRIES LIMITED

RIL/SEs/2020

May 28, 2020

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

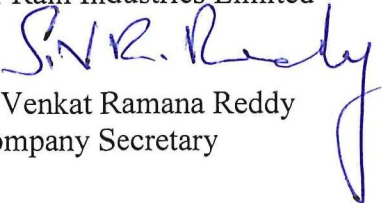
Sub: Rain Industries Limited - Press Release –Reg.
Ref : Scrip Code: 500339 (BSE) and Scrip code : RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith the Press Release on the Unaudited Financial Results (Standalone, Consolidated and Segment) for the first quarter ended on March 31, 2020.

This is for your kind information and record.

Thanking you,

Yours faithfully,
for Rain Industries Limited


S. Venkat Ramana Reddy
Company Secretary



RAIN INDUSTRIES LIMITED

Press Release

May 28, 2020

Results for the first quarter ended March 31, 2020

RAIN INDUSTRIES LIMITED ("RAIN" / "the Company") reported its unaudited financial results for the first quarter ended March 31, 2020.

Financial Highlights for Q1 CY 20

- Revenue from Operations was ₹28.98 billion and Adjusted EBITDA was ₹5.58 billion.
- Adjusted Net Profit After Tax was ₹2.04 billion and Adjusted EPS was ₹6.08.

Selected Financial Data

₹ in Millions

Particulars	Q1 2020	Q4 2019	Q1 2019	CY 2019
Net Revenue	28,816	28,090	31,776	122,873
Other Operating Income	160	214	189	735
Revenue from Operations	28,976	28,304	31,965	123,608
Adjusted EBITDA (1)	5,579	4,535	3,664	17,427
Adjusted EBITDA Margin	19.3%	16.0%	11.5%	14.1%
Profit Before Tax	1,614	1,492	1,304	5,907
Tax Expense, net	475	275	372	1,283
Non-controlling Interest	74	69	244	710
Net Profit After Tax	1,065	1,148	688	3,914
Adjusted Net Profit After Tax	2,044	1,325	724	5,211
Adjusted Earnings Per Share in ₹*	6.08	3.94	2.15	15.49

* Quarterly Earnings Per Share is not annualised.

Notes:

1. The Group adopted Ind AS 116 – Leases, from January 1, 2020. Accordingly, the nature of expenses with respect to operating leases has changed from lease rent in previous periods to depreciation and interest expense in the current quarter. Hence, prior-period numbers are not comparable.



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Corporate updates:

1. COVID-19 impact

Due to the nationwide lockdown announced by the Government of India in the month of March 2020 to respond to the COVID-19 outbreak, the operations of the Group were impacted in India due to the temporary shutdown of all plants. The management started operating its plants in India, in a phased manner, from first week of April 2020. Meanwhile, the Group's plants in Europe and North America continued to operate, without any break during the current quarter. However, there were certain disruptions in supply chain, causing delays in the completion of expansion projects. The Group has evaluated the impact of this pandemic on its business operations, liquidity and financial position, and based on management's review of current indicators and economic conditions, there is no material impact on its financial results as at March 31, 2020, and carrying value of its assets except certain inventory-related write-downs amounting to ₹900 million.

However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. Accordingly, the impact may be different from that estimated as at the date of approval of the financial results as at March 31, 2020. The Group will continue to monitor any material changes to future economic conditions.

2. Hydrogenated hydrocarbon resins (HHCR) plant, Germany

The commercial operations of the HHCR plant started on May 18, 2020. The quality of resins produced is within expectations. Total cost of the project was US\$112 million. These "white-water" resins will be key raw materials for adhesives in food packaging and hygiene products. This facility, with its patented process technology and product innovations, will enable us to produce 'materials for tomorrow' — including our new NOVARES® pure resins — that will help customers meet changing regulatory requirements and satisfy growing societal demand for cleaner, faster and lighter products. These advanced resins will match the purity of any competing products available, and they will provide customers with a better alternative for such applications as food packaging and hygiene products.



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Set forth below is selected Segment information:

Carbon

Particulars	Q1 CY20	Q4 CY19	Q1 CY19	CY 2019	Variance Q1 CY20 vs Q4 CY19	Variance Q1 CY20 vs Q1 CY19
(a) Sales Volumes ⁽¹⁾ (In '000 MTs)						
- Calcined Petroleum Coke (CPC)	418	412	356	1,521	1.5%	17.4%
- Coal Tar Pitch (CTP)	148	134	132	557	10.4%	12.1%
- Other Carbon Products	126	123	135	538	2.4%	(6.7)%
TOTAL	692	669	623	2,616	3.4%	11.1%
(b) Net Revenue ⁽¹⁾ (₹ in Millions)						
- Calcined Petroleum Coke (CPC)	7,114	7,806	8,727	32,083	(8.9)%	(18.5)%
- Coal Tar Pitch (CTP)	7,179	6,576	7,565	28,901	9.2%	(5.1)%
- Other Carbon Products	4,310	4,095	4,457	18,002	5.3%	(3.3)%
- Energy	551	579	577	2,239	(4.8)%	(4.5)%
TOTAL	19,154	19,056	21,326	81,225	0.5%	(10.2)%
(c) Adjusted EBITDA ⁽²⁾ (₹ in Millions)	4,382	3,848	2,581	12,758	13.9%	69.8%
(d) Adjusted EBITDA Margin (%)	22.9%	20.2%	12.1%	15.7%	2.7%	10.8%

Notes:

- (1) Net of inter-company and inter-segment sales.
(2) Adjusted EBITDA is profit before Depreciation & Amortisation, Impairment Loss, Interest and Tax adjusted with exceptional items, if any.



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Advanced Materials

Particulars	Q1 CY20	Q4 CY19	Q1 CY19	CY 2019	Variance Q1 CY20 vs Q4 CY19	Variance Q1 CY20 vs Q1 CY19
(a) Sales Volumes ⁽¹⁾ (In '000 MTs)						
- Engineered Products	13	13	12	85	0.0%	8.3%
- Petro Chemical Intermediates	27	27	31	122	0.0%	(12.9)%
- Naphthalene Derivates	29	27	30	118	7.4%	(3.3)%
- Resins	28	25	31	117	12.0%	(9.7)%
TOTAL	97	92	104	442	5.4%	(6.7)%
(b) Net Revenue ⁽¹⁾ (₹ in Millions)						
- Engineered Products	1,072	941	974	5,417	13.9%	10.1%
- Petro Chemical Intermediates	1,239	1,176	1,297	5,482	5.4%	(4.5)%
- Naphthalene Derivates	1,919	1,839	2,075	7,951	4.4%	(7.5)%
- Resins	3,006	2,867	3,331	12,498	4.8%	(9.8)%
TOTAL	7,236	6,823	7,677	31,348	6.1%	(5.7)%
(c) Adjusted EBITDA ⁽²⁾ (₹ in Millions)	944	432	657	3,107	118.5%	43.7%
(d) Adjusted EBITDA Margin (%)	13.0%	6.3%	8.6%	9.9%	6.7%	4.4%

Cement

Particulars	Q1 CY20	Q4 CY19	Q1 CY19	CY 2019	Variance Q1 CY20 vs	Variance Q1 CY20 vs
					Q4 CY19	Q1 CY19
(a) Sales Volumes (In '000 MTs)	627	568	669	2,468	10.4%	(6.3)%
(b) Net Revenue (₹ in Millions)	2,426	2,211	2,773	10,300	9.7%	(12.5)%
(c) Adjusted EBITDA ⁽²⁾ (₹ in Millions)	253	255	426	1,562	(0.8)%	(40.6)%
(d) Adjusted EBITDA Margin (%)	10.4%	11.5%	15.4%	15.2%	(1.1)%	(5.0)%

Notes:

(1) Net of inter-company and inter-segment sales.

(2) Adjusted EBITDA is profit before Depreciation & Amortisation, Impairment Loss, Interest and Tax adjusted with exceptional items, if any.



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Results of Operations

Quarter Ended March 31, 2020 Compared to Quarter Ended March 31, 2019

- Net Revenue of ₹28.82 billion during Q1 CY20 was a decrease of ~9.3% compared to ₹31.78 billion during Q1 CY19.
 - Carbon sales volumes during Q1 CY20 were 692 thousand metric tonnes, an increase of ~11.1% compared to 623 thousand metric tonnes in Q1 CY19. During Q1 CY20, the average blended realisation decreased by ~19.1% due to changes in industry-related dynamics, which was offset by the favourable increase in volumes due to the timing of shipments and impact from the appreciation of USD against Indian Rupee by ~2.9%. Overall, due to the aforesaid reasons, revenue from the Carbon segment decreased by ~10.2% in Q1 CY20 as compared to Q1 CY19.
 - Advanced Materials sales volumes during Q1 CY20 were 97 thousand metric tons, a decrease of ~6.7% as compared to 104 thousand metric tons in Q1 CY19. The decrease in volumes was driven by reduced production due to scheduled maintenance, weak demand from the North American construction industry, European automotive and adhesive industries, and as a result of the closure of our Uithoorn facility in the Netherlands. During Q1 CY20, the average blended realisation increased by ~1.1%. Due to the aforesaid reasons, revenue from the Advanced Materials segment decreased by ~5.7% during Q1 CY20 as compared to Q1 CY19.
 - Cement revenue decreased by ~12.5% compared to Q1 CY19 due to a decrease in realisations by ~6.6% and decrease in volumes by ~6.3%.
- During Q1 CY20, Adjusted EBITDA was ₹5,579 million, an increase of ₹1,915 million compared to Adjusted EBITDA of ₹3,664 million achieved during Q1 CY19. Adjusted EBITDA increased by ₹1,801 million and ₹287 million in the Carbon and Advanced Materials segments, respectively, due to increased margins resulting from working through of high-cost raw material compared to Q1 CY19 and appreciation of USD against Indian Rupee. Adjusted EBITDA decreased by ₹173 million in the Cement segment due to a decline in volumes as well as margins.
- Reconciliation of reported EBITDA and Adjusted EBITDA for Q1 CY20 is as follows:

Particulars	₹ in Millions
A. Reported EBITDA	4,520
<i>B. Adjustments:</i>	
• Inventory adjustments due to substantial fall in commodity prices	900
• Expenses towards strategic projects and other non-recurring items	159
C. Adjusted EBITDA (A + B)	5,579

- Finance costs was ₹1.20 billion during Q1 CY20, as compared to finance costs of ₹1.13 billion during Q1 CY19. Increase in cost was on account of implementation of new lease standard and increase in working capital borrowings.
- The Company recorded an income tax expense of ₹0.48 billion for Q1 CY20, compared to ₹0.37 billion for Q1 CY19.
- The Adjusted Net Profit during Q1 CY20 was ₹2.04 billion as compared to Adjusted Net Profit of ₹0.72 billion during Q1 CY19. The increase was mainly due to improved operating performance.



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- The Company achieved an Adjusted Earnings per Share of ₹6.08 during Q1 CY20 as compared to Adjusted Earnings per Share of ₹2.15 during Q1 CY19.
- Reconciliation of reported net profit after tax and adjusted net profit after tax for Q1 CY20 is as follows:

Particulars	₹ in Millions
A. Reported Net Profit After Tax	1,065
<i>B. Adjustments:</i>	
• Inventory adjustments due to substantial fall in commodity prices	708
• Accelerated depreciation due to plant closure in the Netherlands	139
• Expenses towards strategic projects and other non-recurring items	132
C. Adjusted Net Profit After Tax (A + B)	2,044



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Debt Summary

As at March 31, 2020, the Company had a Gross Debt of US\$1,182 million (including Working Capital Debt of US\$72 million), Cash and cash equivalents of US\$165 million (including restricted cash), Unamortised Deferred Finance Cost of US\$14 million and Net Debt of US\$1,003 million.

(\$* in Millions)

Particulars	As on Mar. 31, 2020	As on Dec. 31, 2019	Repayment Terms
7.25% USD-denominated Senior Secured Notes	550	550	Matures in April 2025
Euro-denominated Senior Secured Term Loan B	430	437	Matures in January 2025
Senior Bank Debt	48	48	Floating Rate - Instalments up to March 2022
Sales Tax Deferment	8	9	Interest Free - Instalments up to 2025
Finance Lease Liability #	74	16	Fixed Rates - Finance leases
Gross Term Debt	1,110	1,060	
Add: Working Capital Debt	72	55	
Less: Deferred Finance Cost	14	14	
Total Debt	1,168	1,101	
Less: Cash and cash equivalents	165	164	
Net Debt	1,003	937	

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

includes lease liability of ~ US\$60 million recognised on account of implementation of new lease standard Ind AS 116 – Leases.

During the quarter ended March 31, 2020, the Company incurred capital expenditures of US\$60 million, including expansion CAPEX for the hydrogenated hydrocarbon resins project in Castrop-Rauxel, Germany, vertical-shaft kiln project in Vizag, India, waste-heat recovery power plant in Kodad, India, and other maintenance projects across all locations.

With the existing Cash and cash equivalents and undrawn working capital loan facilities, the Company is well placed to fund CAPEX projects and meet debt-servicing obligations in the near-term. The major debt repayments are scheduled to start in January 2025.



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Foreign Exchange Rates

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

Average Rate of Exchange	Q1 CY20	Q4 CY19	Q1 CY19	CY 2019	Variance Q1 CY20 vs Q4 CY19	Variance Q1 CY20 vs Q1 CY19
Indian Rupee / US Dollar	72.38	71.23	70.33	70.37	(1.6)%	(2.9)%
Indian Rupee / Euro	79.88	78.87	79.85	78.83	(1.3)%	0.0%
Russian Ruble / US Dollar	66.92	63.72	65.95	64.71	(5.0)%	(1.5)%
Canadian Dollar / Euro	1.48	1.46	1.51	1.49	(1.4)%	2.0%

Closing Rate of Exchange	Q1 CY20	Q4CY19	Q1 CY19	CY 2019	Variance Q1 CY20 vs Q4 CY19	Variance Q1 CY20 vs Q1 CY19
Indian Rupee / US Dollar	75.39	71.27	69.17	71.27	(5.8)%	(9.0)%
Indian Rupee / Euro	83.05	79.88	77.70	79.88	(4.0)%	(6.9)%
Russian Ruble / US Dollar	78.45	62.27	64.85	62.27	(26.0)%	(21.0)%
Canadian Dollar / Euro	1.56	1.46	1.50	1.46	(6.8)%	(4.0)%



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About RAIN:

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

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