RAIN INDUSTRIES LIMITED

Press Release **July 30, 2020**

Results for the second quarter ended June 30, 2020

RAIN INDUSTRIES LIMITED (“RAIN” / “the Company”) reported its unaudited financial results for the second quarter ended June 30, 2020.

Financial Highlights for Q2 CY 20

- Revenue from Operations was ₹23.61 billion and Adjusted EBITDA was ₹4.34 billion.
- Adjusted Net Profit After Tax was ₹0.82 billion and Adjusted EPS was ₹2.44.

Selected Financial Data

₹ in Millions

Particulars	Q2 2020	Q1 2020	Q2 2019	CY 2019
Net Revenue	23,427	28,816	33,231	122,873
Other Operating Income	182	160	185	735
Revenue from Operations	**23,609**	**28,976**	**33,416**	**123,608**
Adjusted EBITDA (1)	**4,344**	**5,579**	**4,509**	**17,427**
Adjusted EBITDA Margin	*18.4%*	*19.3%*	*13.5%*	*14.1%*
Profit Before Tax	**659**	**1,614**	**2,027**	**5,907**
Tax Expense, Net	315	475	559	1,283
Non-controlling Interest	78	74	211	710
Net Profit After Tax	**266**	**1,065**	**1,257**	**3,914**
Adjusted Net Profit After Tax	**821**	**2,044**	**1,413**	**5,211**
Adjusted Earnings Per Share in (₹)*	2.44	6.08	4.20	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 from FY 2020. Hence, prior-period numbers are not comparable.

Set forth below is selected Segment information:

Carbon

Particulars	Q2 CY20	Q1 CY20	Q2 CY19	CY 2019	Variance Q2 CY20 vs Q1 CY20	Variance Q2 CY20 vs Q2 CY19
(a) Sales Volumes [1] (In '000 MTs)						
- Calcined Petroleum Coke (CPC)	335	418	416	1,521	(19.9)%	(19.5)%
- Coal Tar Pitch (CTP)	127	148	144	557	(14.2)%	(11.8)%
- Other Carbon Products	110	126	140	538	(12.7)%	(21.4)%
TOTAL	**572**	**692**	**700**	**2,616**	**(17.3)%**	**(18.3)%**
(b) Net Revenue [1] (₹ in Millions)						
- Calcined Petroleum Coke (CPC)	5,883	7,114	8,736	32,083	(17.3)%	(32.7)%
- Coal Tar Pitch (CTP)	6,049	7,179	7,495	28,901	(15.7)%	(19.3)%
- Other Carbon Products	2,907	4,310	4,860	18,002	(32.6)%	(40.2)%
- Energy	512	551	513	2,239	(7.1)%	(0.2)%
TOTAL	**15,351**	**19,154**	**21,604**	**81,225**	**(19.9)%**	**(28.9)%**
(c) Adjusted EBITDA [2] (₹ in Millions)	**2,982**	**4,382**	**2,725**	**12,758**	**(31.9)%**	**9.4%**
(d) Adjusted EBITDA Margin (%)	**19.4%**	**22.9%**	**12.6%**	**15.7%**	**(3.5)%**	**6.8%**

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.*

Advanced Materials

Particulars	Q2 CY20	Q1 CY20	Q2 CY19	CY 2019	Variance Q2 CY20 vs Q1 CY20	Variance Q2 CY20 vs Q2 CY19
(a) Sales Volumes [1] (In '000 MTs)						
- Engineered Products	24	13	26	85	84.6%	(7.7)%
- Petro Chemical Intermediates	27	27	32	122	0.0%	(15.6)%
- Naphthalene Derivates	24	29	31	118	(17.2)%	(22.6)%
- Resins	22	28	33	117	(21.4)%	(33.3)%
TOTAL	**97**	**97**	**122**	**442**	**0.0%**	**(20.5)%**
(b) Net Revenue [1] (₹ in Millions)						
- Engineered Products	1,642	1,072	1,579	5,417	53.2%	4.0%
- Petro Chemical Intermediates	540	1,239	1,488	5,482	(56.4)%	(63.7)%
- Naphthalene Derivates	1,513	1,919	2,086	7,951	(21.2)%	(27.5)%
- Resins	2,318	3,006	3,519	12,498	(22.9)%	(34.1)%
TOTAL	**6,013**	**7,236**	**8,672**	**31,348**	**(16.9)%**	**(30.7)%**
(c) Adjusted EBITDA [2] (₹ in Millions)	**984**	**944**	**1,230**	**3,107**	**4.2%**	**(20.0)%**
(d) Adjusted EBITDA Margin (%)	**16.4%**	**13.0%**	**14.2%**	**9.9%**	**3.4%**	**2.2%**

Cement

Particulars	Q2 CY20	Q1 CY20	Q2 CY19	CY 2019	Variance Q2 CY20 vs Q1 CY20	Variance Q2 CY20 vs Q2 CY19
(a) Sales Volumes (In '000 MTs)	441	627	671	2,468	(29.7)%	(34.3)%
(b) Net Revenue (₹ in Millions)	2,063	2,426	2,955	10,300	(15.0)%	(30.2)%
(c) Adjusted EBITDA [2] (₹ in Millions)	378	253	554	1,562	49.4%	(31.8)%
(d) Adjusted EBITDA Margin (%)	18.3%	10.4%	18.7%	15.2%	7.9%	(0.4)%

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.*

Results of Operations

Quarter Ended June 30, 2020 Compared to Quarter Ended June 30, 2019

- Net Revenue of ₹23.43 billion during Q2 CY20 was a decrease of ~29.5% compared to ₹33.23 billion during Q2 CY19.
  - Carbon sales volumes during Q2 CY20 were 572 thousand metric tons, a decrease of ~18.3% compared to 700 thousand metric tons in Q2 CY19. During Q2 CY20, the average blended realisation decreased by ~13.0% driven by changes due to COVID-19 in the demand-and-supply situation in North American markets and price pressure in the Asian markets coupled with lower demand from the aluminium, graphite and carbon black industries, which was offset to some extent by the appreciation of USD and EURO against Indian Rupee by ~9.1% and ~6.8% respectively. Overall, due to the aforesaid reasons, revenue from the Carbon segment decreased by ~28.9% in Q2 CY20 as compared to Q2 CY19.
  - Advanced Materials sales volumes during Q2 CY20 were 97 thousand metric tons, a decrease of ~20.5% as compared to 122 thousand metric tons in Q2 CY19. The decrease in volumes was driven by reduced demand due to the temporary shutdown of a few customers' facilities (due to COVID-19) and lower demand from the automotive, rubber, adhesive and construction industries. Volumes were also impacted by the closure of our Uithoorn facility in the Netherlands. During Q2 CY20, the average blended realisation decreased by ~12.8% mainly due to general fall in oil-related prices which was offset to some extent by the appreciation of EURO against Indian Rupee by ~6.8%. Due to the aforesaid reasons, revenue from the Advanced Materials segment decreased by ~30.7% during Q2 CY20 as compared to Q2 CY19.
  - Cement revenue decreased by ~30.2% compared to Q2 CY19 due to an ~34.3% decrease in volumes resulting from the shutdown of plants in April and May 2020 due to COVID-19, which was partially offset by an increase in realisations by ~6.4%.
- During Q2 CY20, Adjusted EBITDA was ₹4,344 million, a decrease of ₹165 million compared to Adjusted EBITDA of ₹4,509 million achieved during Q2 CY19. Adjusted EBITDA increased by ₹257 million in the Carbon segment due to higher margins resulting from working through of high-cost raw material compared to Q2 CY19 and appreciation of USD against Indian Rupee. Adjusted EBITDA decreased by ₹246 million and ₹176 million in the Advanced Materials and Cement segments respectively due to a decline in volumes as well as margins.
- Reconciliation of reported EBITDA and Adjusted EBITDA for Q2 CY20 is as follows:

Particulars	₹ in Millions
A. Reported EBITDA	**3,704**
B. Adjustments:	
• Inventory adjustments due to substantial fall in commodity prices	450
• Reversal of reorganisation costs accruals	(156)
• Expenses towards strategic projects and other non-recurring items	346
C. Adjusted EBITDA (A + B)	**4,344**

- Finance costs were ₹1.24 billion during Q2 CY20, as compared to finance costs of ₹1.13 billion during Q2 CY19. The increase in cost was on account of implementation of the new lease standard and increase in working capital borrowings.

- The Company recorded an income tax expense of ₹0.32 billion for Q2 CY20, compared to ₹0.56 billion for Q2 CY19.

- The Adjusted Net Profit during Q2 CY20 was ₹0.82 billion as compared to Adjusted Net Profit of ₹1.41 billion during Q2 CY19.

- The Company achieved an Adjusted Earnings per Share of ₹2.44 during Q2 CY20 as compared to Adjusted Earnings per Share of ₹4.20 during Q2 CY19.

- Reconciliation of reported net profit after tax and adjusted net profit after tax for Q2 CY20 is as follows:

Particulars	₹ in Millions
A. Reported Net Profit After Tax	266
B. Adjustments:	
• Inventory adjustments due to substantial fall in commodity prices	383
• Reversal of reorganisation costs accruals	(139)
• Expenses towards strategic projects and other non-recurring items	311
C. Adjusted Net Profit After Tax (A + B)	**821**

Debt Summary

As at June 30, 2020, the Company had a Gross Debt of US$ 1,201 million (including Working Capital and other Debt of US$ 87 million), Cash and cash equivalents of US$ 196 million (including restricted cash), Unamortised Deferred Finance Cost of US$ 13 million and Net Debt of US$ 992 million.

(US$ [(1)] in Millions)

Particulars	As on Jun. 30, 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	437	437	Matures in January 2025
Senior Bank Debt	45	48	Floating Rate - Instalments up to March 2022
Sales Tax Deferment	7	9	Interest Free - Instalments up to 2025
Finance Lease Liability [(2)]	75	16	Fixed Rates - Finance leases
Gross Term Debt	**1,114**	**1,060**	
Add: Working Capital and other Debt	87	55	
Less: Deferred Finance Cost	13	14	
Total Debt	**1,188**	**1,101**	
Less: Cash and cash equivalents [(3)]	196	173	
Net Debt	**992**	**928**	

(1) As major part of the Debt is denominated in US Dollars, the Debt of the Company is presented in US Dollars.
(2) Includes lease liability of ~US$ 60 created on account of implementation of new lease standard Ind AS 116 – Leases.
(3) Includes inter-corporate deposits with financial institutions.

During the six-month period ended June 30, 2020, the Company incurred capital expenditures of US$ 96 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.

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	Q2 CY20	Q1 CY20	Q2 CY19	CY 2019	Variance Q2 CY20 vs Q1 CY20	Variance Q2 CY20 vs Q2 CY19
Indian Rupee / US Dollar	75.88	72.38	69.55	70.37	(4.8)%	(9.1)%
Indian Rupee / Euro	83.49	79.88	78.16	78.83	(4.5)%	(6.8)%
Russian Ruble / US Dollar	72.42	66.92	64.56	64.71	(8.2)%	(12.2)%
Canadian Dollar / Euro	1.53	1.48	1.50	1.49	(3.4)%	(2.0)%

Closing Rate of Exchange	Q2 CY20	Q1 CY20	Q2 CY19	CY 2019	Variance Q2 CY20 vs Q1 CY20	Variance Q2 CY20 vs Q2 CY19
Indian Rupee / US Dollar	75.53	75.39	68.92	71.27	(0.2)%	(9.6)%
Indian Rupee / Euro	84.67	83.05	78.36	79.88	(2.0)%	(8.1)%
Russian Ruble / US Dollar	71.11	78.45	62.92	62.27	9.4%	(13.0)%
Canadian Dollar / Euro	1.53	1.56	1.49	1.46	1.9%	(2.7)%

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.

For further information please contact:

Investor Relations – India

Saranga Pani
Tel: +91 40 4234 9870
Email: Sarang.Pani@raincarbon.com

Investor Relations – US

Ryan Tayman
Tel: +1 203 517 2822
Email: Ryan.Tayman@raincarbon.com