



RAIN INDUSTRIES LIMITED

RIL/SEs/2018

April 13, 2018

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: Credit Rating – Reg.

Ref: Scrip Code: 500339 (BSE) & Scrip Code: RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith Credit Rating on the Company issued by India Ratings & Research.

India Ratings & Research has given following credit rating on the borrowings of the Company:

- i) Non-Fund Based Limits : WD (Withdrawn paid in full) ; and
- ii) External Commercial Borrowings : IND A/Positive

India Ratings & Research has confirmed that the outlook of the Company is upgraded.

This is for your information and record.

Thanking you,

Yours faithfully,
for Rain Industries Limited

S. Venkat Ramana Reddy
Company Secretary

India Ratings Upgrades Rain Industries to 'IND A'/Positive

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By **Prakash P**

APR 2018

India Ratings and Research (Ind-Ra) has upgraded Rain Industries Limited's (Rain) Long-Term Issuer Rating to 'IND A' from 'IND A+'. The Outlook is Positive. The instrument-wise rating actions are as follows.

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
External commercial borrowings	-	-	-	USD50 (increased from USD20)	IND A/Positive	Upgraded
Non-fund-based limits	-	-	-	INR230	WD	Withdrawn (paid in full)

The upgrade reflects an improvement in the credit metrics of Rain in 2017. Meanwhile, the Positive Outlook reflects Ind-Ra's expectations of its EBITDA margin sustaining above 16.0% and free cash flow turning positive and being consequently utilised for reduction in the overall debt.

KEY RATING DRIVERS

Improved Credit Metrics: Rain's credit metrics improved in 2017, though they continue to stay at a modest level. During the period, net adjusted leverage was 2.9x (2016: 4.2x) and interest cover was 3.8x (2.4x). The improvement in the credit metrics was primarily driven by a significant rise in operating EBITDA. Also, Rain refinanced debt maturing in 2018 and 2021 with longer maturity profiles.

Rise in EBITDA Margin: EBITDA margin increased to 20.1% in 2017 (2016: 16.5%) despite a fall in the profitability of Rain's cement segment. The increase in EBITDA margin was driven by a rise in operational efficiencies in Rain's carbon segment due to the use of the flue gas desulphurisation plant and the patented Isotropic Coke Experiment (ICE) technology to enable the use of low-grade green petroleum coke to produce acceptable grade of calcined petroleum coke (CPC), as well as the production of blended CPC at its newly completed facilities in Visakhapatnam. Also, Rain's carbon segment registered a 19.4% rise in blended realisations in 2017, as international prices responded to CPC production curtailments in China.

Moreover, increased capacity in Visakhapatnam enables Rain to cater to the requirements of aluminium smelters in Asia and the Middle East, which are fast-growing geographies. Further CPC capacity expansion by 0.37 million tonnes per annum (funded via internal accruals) is likely to be operational in Visakhapatnam by the end of the first quarter of 2019.

Free Cash Flows Likely to Turn Positive from 2018: Free cash flows turned negative in 2017, increasing the overall debt (2017: INR75.2 billion; 2016: INR75.0 billion). Despite an increase in operating EBITDA in 2017, free cash flows turned negative mainly due to incremental working capital required largely due to higher raw material and product prices in the last quarter of 2017.

Ind-Ra expects Rain's working capital to stabilise at around the current level and free cash flow to turn strongly positive from 2018. The strong free cash flow is likely to lead to a reduction in the overall debt.

Adequate Liquidity: Rain has an unutilised revolver loan facility of INR6.9 billion as against its principal debt obligations of about INR1.8 billion and capex requirements of about INR4.5 billion in 2018. Also, post the refinancing in March 2017 and January 2018, the major scheduled debt repayment arises in 2025.

Commodity Price Fluctuations: Rain's profitability is exposed to fluctuations in commodity prices, which depend on demand-supply dynamics.

RATING SENSITIVITIES

Positive: Ability to sustain EBITDA margin resulting in a positive free cash flow leading to net adjusted leverage sustaining below 3.0x could be positive for the ratings.

Outlook Revision to Stable: Any decline in EBITDA margin and/or any debt-funded acquisition leading to net adjusted leverage increasing above 3.0x could result in the Outlook revision to Stable.

COMPANY PROFILE

Incorporated in 1974, Rain is a holding company with subsidiaries engaged in the manufacturing and trading of cement, CPC, coal tar pitch and downstream products, including resins, modifiers and superplasticisers.

FINANCIAL SUMMARY

Particulars	2017	2016
Revenue (INR million)	113,007	92,582
EBITDA (INR million)	22,703	15,307
EBITDA margin (%)	20.1	16.5
Profit after tax (INR million)	7,636	2,909
Gross interest coverage (x)	3.8	2.4
Net adjusted leverage (x)	2.9	4.2

Source: Rain, Ind-Ra

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	13 February 2017	21 December 2015	5 September 2014
Issuer rating	Long-term	-	IND A/Positive	IND A-/Stable	IND A-/Stable	IND A-/Negative
External commercial borrowings	Long-term	USD50	IND A/Positive	IND A-/Stable	IND A-/Stable	-
Non-fund-based limits	Short-term	INR230	WD	IND A2+	IND A2+	IND A2+

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

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