



RAIN INDUSTRIES LIMITED

Press Release

November 8, 2017

Results for the Third Quarter Ended September 30, 2017

RAIN INDUSTRIES LIMITED ("RAIN" / "the Company") reported its' Unaudited Financial Results for the Quarter Ended September 30, 2017.

Financial Highlights for Q3 2017

- Revenue from Operations is ₹ 30.5 billion and Adjusted EBITDA is ₹ 6.7 billion.
- Net Profit After Tax is ₹ 2.5 billion and Earnings Per Share is ₹ 7.3.
- Sustained performance, in spite of appreciation of the Indian Rupee against the US Dollar QoQ.
- Strong Cash of ₹ 10.4 billion to fund Capex projects and meet debt obligations in the near-term.

Financial Performance

₹ in Millions

Particulars	Q3 2017	Q2 2017	Q3 2016	CY 2016
Net Revenue	30,378	27,071	22,828	94,378
Other Operating Income	130	95	105	567
Revenue from Operations	30,508	27,166	22,933	94,945
Adjusted EBITDA	6,738	4,678	4,536	16,367
<i>Adjusted EBITDA Margin</i>	<i>22.1%</i>	<i>17.2%</i>	<i>19.8%</i>	<i>17.2%</i>
Profit Before Tax and Exceptional Items	4,196	2,375	1,924	5,021
Exceptional Items	-	-	262	262
Profit Before Tax	4,196	2,375	1,662	4,759
Tax Expense	1,662	819	352	1,792
Share of Profit of Associates and Minority Interest	(77)	(41)	(42)	(58)
Net Profit	2,457	1,515	1,268	2,909
Adjusted Net Profit	2,457	1,515	1,387	3,457
Adjusted Earnings Per Share in (₹)*	7.3	4.5	4.1	10.3

*Quarterly EPS is not annualized



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SEGMENT WISE - FINANCIAL PERFORMANCE

CARBON PRODUCTS

Particulars	Q3 CY17	Q2 CY17	Q3 CY16	CY 2016	Variance Q3 2017 Vs Q2 2017	Variance Q3 2017 Vs Q3 2016
(a) Sales Volumes ⁽¹⁾ (In '000 MTs)						
- Calcined Petroleum Coke (CPC)	475	425	360	1,643	11.8%	31.9%
- Coal Tar Pitch (CTP) ⁽²⁾	172	155	155	561	11.0%	11.0%
- Other Carbon Products ⁽³⁾	180	175	155	616	2.9%	16.1%
- Green Petroleum Coke (GPC)	-	-	45	116	-	-100.0%
TOTAL	827	755	715	2,936	9.5%	15.7%
(b) Net Revenue ⁽¹⁾ (₹ in Millions)						
- Calcined Petroleum Coke (CPC)	10,393	8,188	5,792	26,867	26.9%	79.4%
- Coal Tar Pitch (CTP) ⁽²⁾	6,717	4,977	4,585	16,287	35.0%	46.5%
- Other Carbon Products ⁽³⁾	6,098	5,980	5,299	20,204	2.0%	15.1%
- Green Petroleum Coke (GPC)	-	-	132	1,017	-	-100.0%
- Energy	564	525	577	2,390	7.4%	-2.3%
TOTAL	23,772	19,670	16,385	66,765	20.9%	45.1%
(c) Adjusted EBITDA ⁽⁴⁾ (₹)	6,336	4,002	3,915	12,793	58.3%	61.8%
(d) Adjusted EBITDA Margin	26.7%	20.3%	23.9%	19.2%	6.4%	2.8%

Notes:

- (1) Net of inter-company sales
- (2) CTP includes CARBORES®
- (3) Other Carbon Products include other derivatives of Coal Tar distillation including but not limited to Creosote Oil, Carbon Black Oil, Phthalic Anhydride, Naphthalene and BTX.
- (4) Adjusted EBITDA is profit before adjustment of Exceptional Items, Other Income, Foreign Exchange (Gain) Loss, Depreciation & Amortization, Impairment Loss, Interest and Tax.



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CHEMICALS

Particulars	Q3 CY17	Q2 CY17	Q3 CY16	CY 2016	Variance Q3 2017 Vs Q2 2017	Variance Q3 2017 Vs Q3 2016
(a) Sales Volumes ⁽¹⁾ (In '000 MTs)						
- Resins & Modifiers	30	32	28	118	-6.3%	7.1%
- Superplasticizers	15	16	15	60	-6.3%	-
- Aromatic Chemicals	9	9	8	33	-	12.5%
- Chemical Trading	-	3	3	19	-100.0%	-100.0%
TOTAL	54	60	54	230	-10.0%	-
(b) Net Revenue ⁽¹⁾ (₹ in Millions)						
- Resins & Modifiers	2,927	2,968	2,590	10,991	-1.4%	13.0%
- Superplasticizers	723	755	734	2,970	-4.2%	-1.5%
- Aromatic Chemicals	769	794	648	2,632	-3.1%	18.7%
- Chemical Trading	-	63	55	421	-100.0%	-100.0%
TOTAL	4,419	4,580	4,027	17,014	-3.5%	9.7%
(c) Adjusted EBITDA ⁽²⁾ (₹ in Millions)	133	465	452	2,495	-71.4%	-70.6%
(d) Adjusted EBITDA Margin	3.0%	10.2%	11.2%	14.7%	-7.2%	-8.2%

CEMENT

Particulars	Q3 CY17	Q2 CY17	Q3 CY16	CY 2016	Variance Q3 2017 Vs Q2 2017	Variance Q3 2017 Vs Q3 2016
(a) Sales Volumes (In '000 MTs)	505	556	482	2,137	-9.2%	4.8%
(b) Net Revenue (₹ in Millions)	2,187	2,821	2,416	10,599	-22.5%	-9.5%
(c) EBITDA ⁽²⁾ (₹ in Millions)	269	211	169	1,079	27.5%	59.2%
(d) EBITDA Margin (%)	12.3%	7.5%	7.0%	10.2%	4.8%	5.3%

Notes:

(1) Net of inter-company sales

(2) Adjusted EBITDA is profit before Other Income, Foreign Exchange (Gain) Loss, Depreciation & Amortization, Impairment Loss, Interest and Tax.



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Financial Performance Review and Analysis – Q3 2017 Vs. Q3 2016

- Net Revenue of ₹30.4 billion during Q3 2017, an increase of ~33.1% compared to ₹22.8 billion during Q3 2016.
 - Carbon Products sales volume during Q3 2017 were 827 thousand metric tons, an increase of ~15.7% compared to 715 thousand metric tons in Q3 2016. The increase after the partial offset from decreased trading volumes is mainly due to the contributions from expansion projects and improved capacity utilization in all regions. During Q3 2017, the average blended realization increased by ~25.4% after considering the unfavorable impact from the depreciation of USD by ~4.0% which is partially offset by favorable impact from the appreciation of the Euro by ~1.1% against the Indian Rupee. Overall, due to the aforesaid reasons, the revenue from Carbon Business Segment increased by ~45.1% in Q3 2017; as compared to Q3 2016.
 - Chemicals sales volume during Q3 2017 were the same as in Q3 2016 at 54 thousand metric tons. There is an increase in volumes by ~7.1% in Resins & Modifiers, similar volumes in Superplasticizers and increase in volumes by ~12.5% in Aromatic Chemicals which is completely offset by the decrease in trading volumes. During Q3 2017, the average blended realization increased by ~9.7% along with the favorable impact from the appreciation of the Euro against the Indian Rupee by ~1.1%. Due to the aforesaid reasons, the revenue from Chemical business increased by ~9.7% during Q3 2017.
 - Cement sales volume increased during Q3 2017 by ~4.8% as compared to Q3 2016, it is partly offset by the decrease in realizations by ~13.5%. Due to this, the revenue from Cement business decreased by ~9.5%. During Q3 2017, there is ~7.8% increase in sales volume from Andhra Pradesh, Telangana, Tamil Nadu, Kerala, GOA and few other markets. Such increase was reduced by ~3.0% due to lower volumes in Karnataka, Odisha, Maharashtra and Pondicherry when compared to Q3 2016.
- During Q3 2017, Adjusted EBITDA in the Carbon Business Segment increased by ~61.8% due to higher sales volumes, coupled with improved realizations. Adjusted EBITDA in Chemical Business decreased by ~70.6% due to increase in operating expenses and raw material quotations and certain exceptional items including a minor Fire accident in the Netherlands Plant and extended outage of Modifiers Plant for maintenance. EBITDA from Cement Business increased by ~59.2%, due to decrease in cost of inputs and increased sales volumes.
- The Adjusted EBITDA for Q3 2017 is ₹6.7 billion an increase of ~48.5% compared to Adjusted EBITDA of ₹4.5 billion achieved during Q3 2016. The increase is mainly due to improved realizations, capacity utilizations and cost optimizations.
- During Q3 2017, the Company has a Foreign Exchange Gain of ₹193 million, as compared to ₹37 million in Q3 2016. The gain is mainly due to appreciation of the Euro against the US Dollar.
- Finance cost during Q3 2017 decreased by ~3.4% compared to Q3 2016 due to appreciation of the Indian Rupee against the US Dollar partially offset with depreciation of the Indian Rupee against the Euro and lower weighted average cost of debt through refinancing completed in March 2017.
- The effective tax rate during the quarter is high mainly due to tax on dividend distributed from USA to India and additional tax expenditure incurred in Europe due to debt allocation.
- Stable performance in the Indian Rupee terms continued, in spite of the depreciation of the US Dollar against the Indian Rupee by ~4.0% with a partial offset from the appreciation of the Euro against the Indian Rupee by ~1.1%. The Adjusted Net Profit during Q3 2017 is ₹2.5 billion as compared to Adjusted Net Profit of ₹1.4 billion during Q3 2016.
- The Company achieved a EPS of ₹7.3 during Q3 2017 as compared to Adjusted EPS of ₹4.1 during Q3 2016.



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Debt Analysis

As at September 30, 2017, the Company has a Gross Debt of US\$ 1,155 million (including Working Capital Debt of US\$ 55 million), Cash & Cash Equivalents of US\$ 159 million, Unamortized Deferred Finance Cost of US\$ 20 million and Net Debt of US\$ 976 million.

(US\$⁽¹⁾ in Million)

Particulars	As on Sep. 30, 2017	As on Dec. 31, 2016	Repayment Terms
Senior Secured Notes:-			
- 8.00% USD Denominated	-	373	Refinanced with new Notes
- 8.25% USD Denominated	242	336	Bullet repayment in January 2021
- 8.50% Euro Denominated ²	234	209	Bullet repayment in January 2021
- 7.25% USD Denominated	550	-	Bullet repayment in April 2025
Senior Bank Debt	50	119	Floating Rate - Instalments up to March 2022
Sales Tax Deferment	11	11	Interest Free - Instalments up to 2025
Loan from JV partners	4	11	Fixed Rates - Unsecured loans
Other Debt	9	11	Fixed Rates - Includes Finance leases
Gross Term Debt	1,100	1,070	
Add: Working Capital Debt	55	26	
Gross Debt	1,155	1,096	
Less: Cash & Cash Equivalents	159	154	
Less: Deferred Finance Cost	20	15	
Net Debt	976	927	

Notes:

(1) As substantial part of the Debt is denominated in the US Dollars, the Debt of the Company is presented in the US Dollars.

(2) Increase in Q3 CY17 is mainly due to appreciation of the Euro against the US Dollar.

Working Capital debt has increased due to increase in Sales Volume and higher market quotations. Net working capital has increased from US\$ 225 million as at December 31, 2016 to US\$ 323 million as at September 30, 2017.

With the existing Cash and Cash Equivalents of US\$ 159 million coupled with undrawn revolver facilities of US\$ 100 million, 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 from January 2021.



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Foreign Exchange Rates

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

Average Rate of Exchange	Q3 2017	Q2 2017	Q3 2016	CY 2016	Variance Q3 2017 Vs Q2 2017	Variance Q3 2017 Vs Q3 2016
Indian Rupees / US Dollar	64.29	64.46	66.96	67.21	0.26%	3.99%
Indian Rupees / EURO	75.53	71.02	74.73	74.37	-6.35%	-1.07%
Russian Ruble / US Dollar	59.01	57.26	64.61	67.07	-3.06%	8.67%
Canadian Dollar / EURO	1.47	1.48	1.46	1.47	0.68%	-0.68%

Closing Rate of Exchange	Q3 2017	Q2 2017	Q3 2016	CY 2016	Variance Q3 2017 Vs Q2 2017	Variance Q3 2017 Vs Q3 2016
Indian Rupees / US Dollar	65.36	64.74	66.66	67.95	-0.96%	1.95%
Indian Rupees / EURO	77.06	74.00	74.75	71.62	-4.14%	-3.09%
Russian Ruble / US Dollar	57.81	59.19	63.18	61.00	2.33%	8.50%
Canadian Dollar / EURO	1.47	1.48	1.47	1.42	0.68%	-



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About RAIN:

RAIN is a leading vertically integrated global producer of a diversified portfolio of carbon, cement and chemical products that are essential raw materials for staples of everyday life. We operate in three business segments: carbon, cement and chemicals. 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 cement segment consists of two integrated Cement Plants that operate in the South Indian market producing two primary grades of cement, OPC and PPC. Our chemicals business segment extends the value chain of our carbon processing through the downstream refining of a portion of this output into high value chemical products that are critical raw materials for the specialty chemicals, coatings, construction, petroleum and several other global industries. 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 provides us the flexibility to capitalize 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 capitalize on market opportunities by addressing raw material supply and product demand on a global basis in both established and emerging markets.

Carbon Products include Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke ("GPC"), Energy produced through Waste-heat recovery ("WHR") and other derivatives of Coal Tar distillation including Creosote Oil, Naphthalene, Phthalic Anhydride and others. Chemicals Products include Resins, Modifiers, Superplasticizers, Aromatic Chemicals, and others. The manufacture and sales of Cement has been classified as Cement.

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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.*