



RAIN INDUSTRIES LIMITED

42nd ANNUAL REPORT 2016



BOARD OF DIRECTORS

Mr. N. Radhakrishna Reddy

Mr. N. Jagan Mohan Reddy

Mr. N. Sujith Kumar Reddy

Mr. Dipankar Basu

Mr. S. L. Rao

Mr. H. L. Zutshi

Ms. Radhika Vijay Haribhakti

Ms. Nirmala Reddy

Mr. Krishnan Narayanan

Chairman

Managing Director

Director

Independent Director

Independent Director

Independent Director

Independent Director

Independent Director

Nominee Director, IDBI Bank Limited

CHIEF FINANCIAL OFFICER

Mr. T. Srinivasa Rao

COMPANY SECRETARY

Mr. S. Venkat Ramana Reddy

STATUTORY AUDITORS

M/s. B S R & Associates LLP

Chartered Accountants,
Reliance Humsafar, IV Floor,
Road No.11, Banjara Hills,
Hyderabad- 500 034,
Telangana State, India.

INTERNAL AUDITORS

M/s. Ernst & Young LLP

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

SECRETARIAL AUDITORS

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Practising Company Secretaries
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Telangana State, India.

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CIN: L26942TG1974PLC001693

BANKS

IDBI Bank Limited
ICICI Bank Limited
Citibank

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Private Limited
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Karvy Selenium Tower B, Plot 31-32,
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RAIN Industries Limited ("RAIN Group") is one of the World's leading producers of Carbon and Chemical Products and is one of the leading producers of Cement in South India.

Business Vertical	Description of Business
Carbon Products Business	<ul style="list-style-type: none"> Carbon Products consist of Calcined Petroleum Coke ("CPC"), Coal Tar Pitch ("CTP"), Green Petroleum Coke ("GPC") and other derivatives of Coal Tar distillation including Creosote Oil, Naphthalene, Phthalic Anhydride, CARBORES® and others. Further, energy produced through Waste-heat recovery is also included in revenues from Carbon Products Business. Activities across the World with operating facilities spread across Belgium, Canada, Germany, India, Poland, Russia and United States of America. Co-generation facilities located in United States of America and India.
Chemicals Business	<ul style="list-style-type: none"> Chemicals include the downstream operations of Coal Tar distillation and comprise Resins, Modifiers, Super Plasticizers and other specialty products. Activities across the World with facilities in Germany, Canada and the Netherlands.
Cement Business	<ul style="list-style-type: none"> Production and Sale of Cement. Activities predominantly in South India. Waste Heat Recovery Power Plant in Kurnool, Andhra Pradesh. Expanding to new market regions viz. the States of Goa, Kerala, Maharashtra, Orissa and Pondicherry. Marketed under the brand name "Priya Cement".

- RAIN Group has achieved a Compounded Annual Growth Rate ("CAGR") of 16% in Consolidated Revenues during last seven years.
- RAIN Group has achieved a CAGR of 12% in Consolidated Operating Profits during last seven years.
- Consolidated Book Value per share has increased by 128% from ₹ 39.34 per share to ₹ 89.62 per share during the last seven years.

RAIN Group Operating Facilities

Business Vertical	Facility	Description
Carbon Products Business	Visakhapatnam - Andhra Pradesh, India⁽¹⁾	<ul style="list-style-type: none"> o Two rotary kilns to produce CPC o CPC Blending facility o Located in Visakhapatnam Port Area o Proximity to new Aluminum Smelter plants o Waste-heat Recovery Power Plant
	Lake Charles- Louisiana, USA	<ul style="list-style-type: none"> o Two rotary kilns to produce CPC o Dedicated deep-water terminal o Waste-heat Recovery Power Plant
	Robinson - Illinois, USA	<ul style="list-style-type: none"> o Two rotary kilns to produce CPC o Located adjacent to Marathon oil refinery
	Chalmette - Louisiana, USA	<ul style="list-style-type: none"> o One rotary kiln to produce CPC o Dedicated deep-water terminal o Waste-heat Recovery Power Plant
	Gramercy- Louisiana, USA	<ul style="list-style-type: none"> o One rotary kiln to produce CPC o Dedicated deep-water terminal
	Norco - Louisiana, USA	<ul style="list-style-type: none"> o One rotary kiln to produce CPC o Located adjacent to Motiva oil refinery o Waste-heat Recovery Steam Plant
	Purvis - Mississippi, USA	<ul style="list-style-type: none"> o One rotary kiln to produce Fluid CPC o Focused on specialty applications o Direct rail or truck shipments to customers
	Castrop - Rauxel, Germany⁽²⁾	<ul style="list-style-type: none"> o Coal tar distillation (largest single line Coal Tar distillation plant globally) with integrated downstream production operations o Dedicated river port and access via sea, rail and road
	Zelzate, Belgium	<ul style="list-style-type: none"> o Coal tar distillation with integrated downstream production operations o Dedicated deep-water Terminal
	Hamilton, Canada	<ul style="list-style-type: none"> o Serves as hub for North America and is the only coal tar distillation facility in Canada o Transport access via sea, rail and road
	Kedzierzyn - Kozle, Poland	<ul style="list-style-type: none"> o Granulation and Soft-pitch up-grading o Serves as hub for Eastern Europe
	Cherepovets, Russia⁽³⁾	<ul style="list-style-type: none"> o Joint venture with PAO Severstal in Russia o Focused on pitch supply to the North Atlantic, Russia and the Middle East o Transport access via sea, rail and road

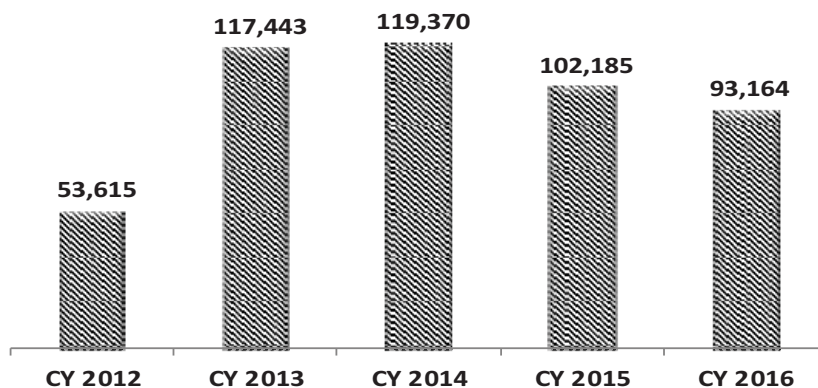
RAIN Group Operating Facilities (Contd.)

Business Vertical	Facility	Description
Chemicals Business	Duisburg, Germany	<ul style="list-style-type: none"> Downstream Resins production Dedicated river port
	Uithoorn, The Netherlands	<ul style="list-style-type: none"> Downstream Resins production New heat polymerization technology for tailor-made products
	Candiac, Canada	<ul style="list-style-type: none"> Downstream Superplasticizer production
	Hanau, Germany⁽⁴⁾	<ul style="list-style-type: none"> Downstream regional producer of impregnated wood products
Cement Business (Markets the product under the brand "Priya Cement")	Nalgonda - Telangana State, India	<ul style="list-style-type: none"> One rotary kiln Pit Head Lime Stone Mines
	Kurnool - Andhra Pradesh, India⁽⁵⁾	<ul style="list-style-type: none"> Two rotary kilns Pit Head Lime Stone Mines Waste-heat Recovery Power Plant
	Bellary - Karnataka, India	<ul style="list-style-type: none"> Fly Ash Handling & Cement Packing Facility Strategically located at the Karnataka Power Corporation Limited's ("KPCL") power plant

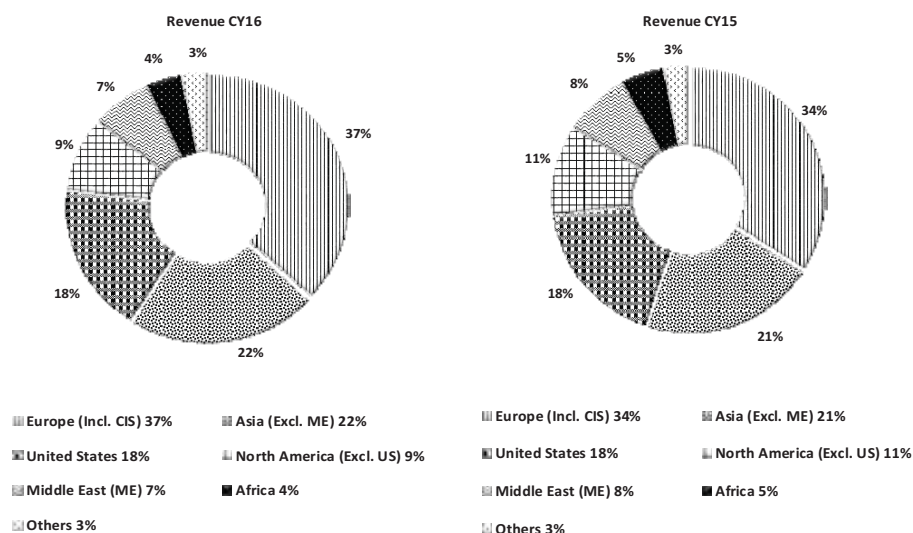
- (1) During CY16, the Company has increased the CPC Blending Facility to 1,000,000 metric tons per annum at its calcining plant in Vizag, India. This Blending Facility will enable the Company to blend CPC manufactured in Indian Plant with imported CPC to meet the increased demand for CPC from smelters in India and the surrounding regions.
- (2) During CY16, the Company successfully completed the installation & commissioning of a third CARBORES® Reactor of 17,000 tons per annum capacity in Germany. This increases the existing CARBORES® capacity to 53,000 tons per annum. CARBORES® is an environmentally friendly pitch produced through a sophisticated manufacturing process and is currently used by steel manufacturers. This product further diversifies the Company to markets outside of the Aluminum Industry. The continuously increasing demand for this pitch is encouraging the capacity expansion seen over the last several years.
- (3) The Company successfully completed the construction of its Fourth Coal Tar Distillation Plant ("CTP Plant") with a capacity of 300,000 metric tons per annum in Cherepovets, Russia in February 2016 via a Joint Venture with PAO Severstal, Russia.
- (4) The Board of Directors of the Company approved the closure of Hanau Plant by March 31, 2017; as sales volumes in the Wood Impregnation Business are declining.
- (5) The Company commissioned a 7 megawatt ("MW") Waste-Heat Recovery Power Plant ("WHR Power Plant") at its existing Cement Plant in Kurnool, India in September 2016. The WHR Power Plant has stabilized and started delivering the planned savings.

Key Financial Indicators on a consolidated basis¹

A. Revenue (₹ Millions):

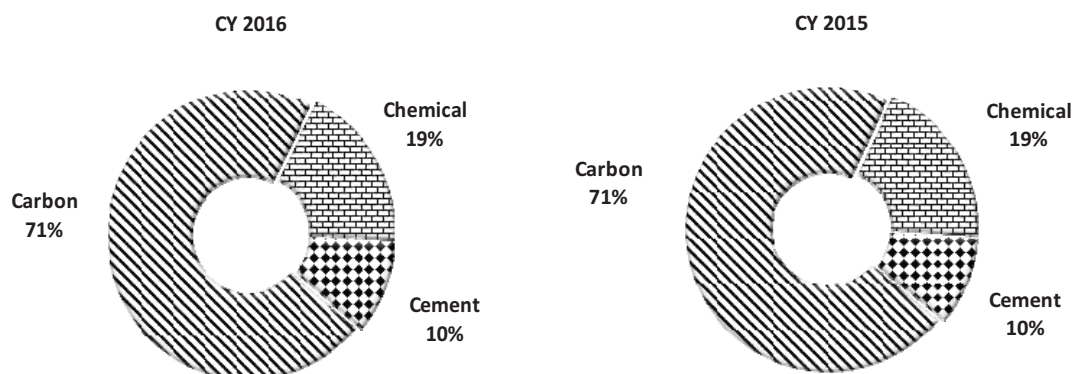


B. Revenue by Geography:-



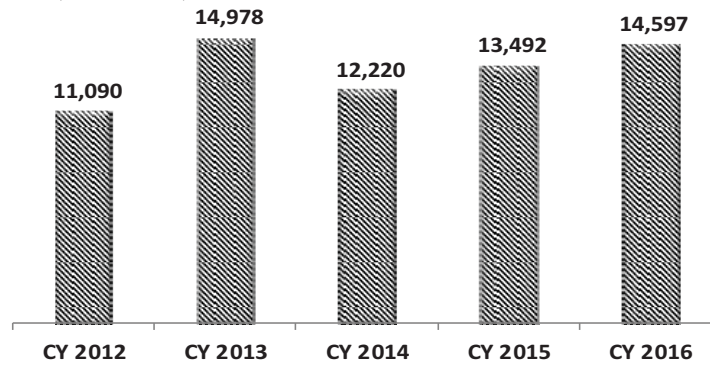
Note: Others include South America, Australia and Rest of the World

C. Revenue by Business Segments: -

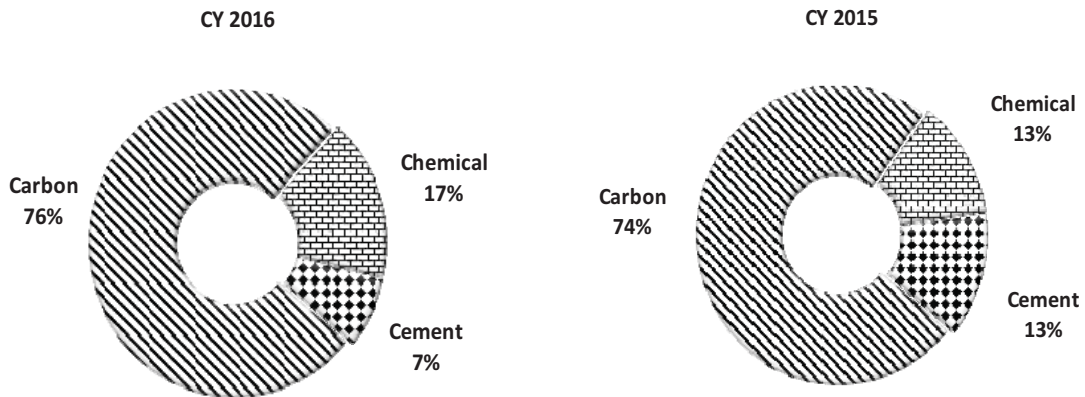


¹ RÜTGERS acquisition was effective from January 2013 due to which CY 2012 data is incomparable with the data of later financial periods.

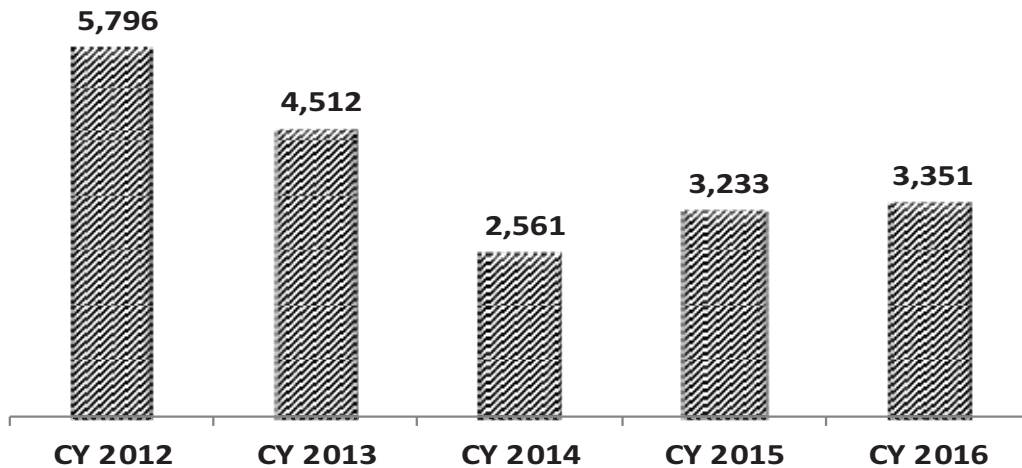
D. Adjusted Operating Profit (₹ Millions)²:-



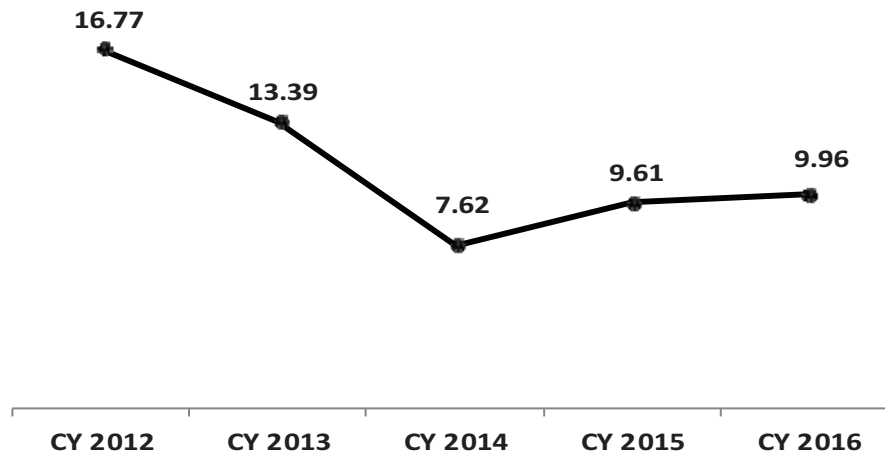
E. Segment wise Adjusted Operating profit Mix²: -



F. Adjusted Profit After Tax (₹ Millions)



²Adjusted Operating Profit is the Profit before adjustment of Other Income; Foreign exchange (gain) / loss; Depreciation & amortization; Impairment loss; Interest and Taxation and Exceptional items.

G. Adjusted Basic Earnings Per Share (EPS) (₹)

Notes:

- (1) Profit After Tax and EPS of CY 2012 adjusted for one time expenditure of ₹ 1,789 million (net of tax ₹ 1,219 Million) incurred in-connection with the acquisition of RÜTGERS.
- (2) Profit After Tax and EPS of CY 2013 is adjusted for (a) costs incurred for acquisition of RÜTGERS of ₹ 142 million (b) impairment loss of ₹ 1,304 million; offset by (c) insurance claim receipts of ₹ 375 million and (d) tax impact on all these items of ₹ 404 million.
- (3) Profit After Tax and EPS of CY 2014 is adjusted for (a) incremental pension liability from actuarial losses of ₹ 1,820 million (b) inventory write down due to fall in oil prices of ₹ 237 Million (c) Russian Ruble currency devaluation impact ₹ 338 Million (d) impairment loss of ₹ 95 Million; and (e) tax impact on the above of ₹ 814 Million.
- (4) Profit After Tax for CY 2015 is adjusted for (a) actuarial gain of ₹ 697 million on pension liability (b) liquidated damages of ₹ 429 million to EPC contractor (c) provision for bad debts of ₹ 134 million (d) Russian Ruble & Canadian Dollar currency devaluation impact of ₹ 127 million (net of minority interest) and (e) tax impact on the above of ₹ 7 million (net of minority interest).
- (5) Profit After Tax for CY 2016 is adjusted for (a) ₹ 262 Million towards provision made for closure cost of impregnated wood product manufacturing facility in Hanau, Germany (b) incremental pension liability from actuarial losses of ₹ 1,109 Million (c) provision for inventories ₹ 547 Million (d) incremental major maintenance ₹ 439 Million (e) severance impact ₹ 74 Million and Gain on buy back of bonds ₹ 470 Million; (f) tax impact on the above of ₹ 857 Million.