

RAIN INDUSTRIES LIMITED

RIL/SEs/2017

February 14, 2017

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:

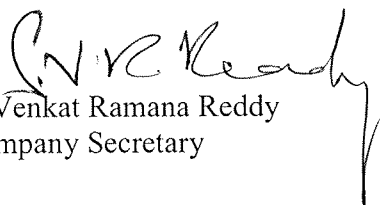
- i) Non-Fund Based Limits : IND A2+; and
- ii) External Commercial Borrowings : IND A-

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

This is for your information and record.

Thanking you,

Yours faithfully,
for Rain Industries Limited


S. Venkat Ramana Reddy
Company Secretary

India Ratings Affirms Rain Industries at 'IND A-/Stable

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By Niraj Rathi

FEB 2017

India Ratings and Research (Ind-Ra) has affirmed Rain Industries Limited's (Rain) Long Term Issuer Rating at 'IND A-'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-fund-based limits	-	-	-	INR230	IND A2+	Affirmed
External commercial borrowings	-	-	-	USD20 (reduced from USD34.4)	IND A-/Stable	Affirmed

KEY RATING DRIVERS

Stable Credit Profile: The affirmation reflects Rain's stable credit profile with annualised net adjusted leverage of 4.6x in 9M16 (2015: 5.1x; 9M15: 4.3x) and interest cover of 2.4x (2.3x; 2.6x). The increase in net leverage at end-2015 was largely on account of quarterly volatility in EBITDA margins due to a drop in commodity prices during 4Q15 and 1Q16, although the net debt was lower at INR65 billion at end-9M16 (2015: INR68.3 billion; 2014: INR74.4 billion).

Improvement in EBITDA Margins to Sustain: EBITDA margins improved to 15.2% in 9M16 (9M15: 14.5%) due to lower raw material prices, despite a 7.5% yoy drop in the carbon segment's volumes and a 12% yoy drop in the chemical segment's volumes. Ind-Ra believes that the improvement in Rain's margins during 2Q15 and 3Q15 would sustain. The improvement in margins is a result of the company's strategy to leverage its global footprint to cater to the requirements of aluminum smelters in low energy destinations such as Middle east, Africa and India through its blending unit in India.

Rain's 200,000 tonnes per annum blending unit at its Vishakhapatnam plant became operational during 2016 and will aid in keeping the utilisation of its overseas plants at high levels. Rain has also been able to maintain its spread between calcined petroleum coke (CPC) and green petroleum coke through changing in the specifications of its end-products. Rain's key products CPC and coal tar pitch are mostly used in aluminum smelters as anodes and anode binders.

Adequate Liquidity and Debt Serviceability: Rain's cash and cash equivalent were INR9.6 billion in 9M16 (2015: INR7.7 billion) and unutilised revolver facility was INR8.3 billion (INR12.8 billion) as against its debt servicing requirement of INR2.8 billion in 2017 and capex requirement of around INR3.3 billion in 2017.

Refinancing Required for Debt Maturing in 2018: Rain's debt servicing requirement in 2018 is INR27.6 billion. The company will have to resort to refinancing these repayment obligations as the internal cash generation is insufficient. The management plans to start negotiations for the refinancing arrangements during 2017. Delay or inability to refinance debt might impact the ratings negatively.

RATING SENSITIVITIES

Positive: Ability to sustain the EBITDA margins while improving volumes leading to an improvement in the credit profile of the company would be positive for the ratings.

Negative: Deterioration in the liquidity profile due to a fall in volumes or EBITDA margins might lead to a negative rating action.

COMPANY PROFILE

Incorporated in 1974, Rain is a holding company with subsidiaries operating in the manufacturing and trading of cement, CPC, coal tar pitch and downstream products including resins, modifiers, superplasticisers. Rain's revenue for 9M16 declined 11.8% yoy to INR68.9 billion (2015: INR101.7 billion) due to lower prices of CPC and lower volumes.

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Outstanding Limits (million)	Rating/Outlook	21 December 2015	5 September 2014	18 April 2013
Issuer rating	Long term	-	IND A-/Stable	IND A- /Stable	IND A- /Negative	IND A-/Stable
External commercial borrowings	Long term	USD20	IND A-/Stable	IND A-/Stable	-	-
Non-fund-based working capital limits	Short term	INR230	IND A2+	IND A2+	IND A2+	IND A2+

COMPLEXITY LEVEL OF INSTRUMENTS

Bank facilities are instruments with low complexity levels, where the relationship between inherent risk factors and intrinsic return characteristics is straightforward.

For more information, 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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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 and project finance companies.

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Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

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