

BOARD'S REPORT

Adjusted Earnings Per Share
on Consolidated Basis in
CY2018

₹ 21.70

Dear Members,

Your Directors have pleasure in presenting the 44th Annual Report and the Audited Financial Statements for the Financial Year ended December 31, 2018.

FINANCIAL RESULTS

A) Standalone

The Standalone performance for the Financial Year ended December 31, 2018 is as under:

The financial summary

Sl No	Particulars	(In ₹ million)	
		December 31, 2018	December 31, 2017
1.	Revenue from operations	1,053.53	596.21
2.	Profit before finance cost, depreciation and tax expense	974.62	568.20
3.	Finance Cost	196.08	176.90
4.	Profit before depreciation and tax expense	778.54	391.30
5.	Depreciation	5.20	6.00
6.	Profit before Tax Expense	773.34	385.30
7.	Tax Expense	168.68	64.24
8.	Profit After Tax Expense	604.66	321.06
9.	Add: Surplus at the beginning of the year	745.65	793.05
10.	Total Available for appropriation	1,350.31	1,114.11
	Appropriations:		
11.	Dividend including taxes	672.69	336.35
12.	Transfer to general reserve	60.47	32.11
13.	Surplus carried to Balance Sheet	617.15	745.65

B) Consolidated

The Consolidated performance for the Financial Year ended December 31, 2018 is as under:

The financial summary

Sl No	Particulars	(In ₹ million)	
		December 31, 2018	December 31, 2017
1	Revenue from operations	140,489.93	114,495.93
2	Profit before finance cost, depreciation, share of profit of associates, exceptional items and tax expense	20,063.72	23,836.75
3	Finance cost	4,565.13	5,946.71
4	Profit before depreciation, share of profit of associates, exceptional items and tax expense	15,498.59	17,890.04
5	Depreciation	5,550.86	5,256.27
6	Profit before share of profit of associates, exceptional items and tax expenses	9,947.73	12,633.77
7	Share of profit of associates	8.80	8.84
8	Profit before exceptional items and tax expenses	9,956.53	12,642.61
9	Exceptional items	-	1,803.30
10	Profit before tax expense	9,956.53	10,839.31
11	Tax expense	3,643.22	2,918.09
12	Profit after tax expense	6,313.31	7,921.22
13	Non-controlling interests	497.05	285.35
14	Profit after tax expense after non-controlling interests	5,816.26	7,635.87
15	Add: Surplus at the beginning of the year	38,020.54	30,755.62
16	Total available for appropriation	43,836.80	38,391.49
	Appropriations:		
17	Dividend including taxes	672.69	338.84
18	Transfer to general reserve	60.47	32.11
19	Surplus carried to the Balance Sheet	43,103.64	38,020.54

State of the Company's Affairs

During the year, the Company achieved revenue of ₹1,053.53 million and net profit of ₹604.66 million on a Standalone basis. During the same period, the Consolidated revenue was ₹140,489.93 million and net profit after non-controlling interests was ₹5,816.26 million.

BUSINESS OUTLOOK**Cautionary Statement**

RAIN Industries Limited along with its subsidiary companies in India and abroad are together referred to as "RAIN Group". Information in this business outlook describing RAIN Group's estimates and expectations may include forward-looking statements. Actual results may differ materially from those expressed or implied. Important factors that could impact RAIN Group's operations include economic conditions affecting demand and supply for the products manufactured by RAIN Group; price conditions in the domestic and overseas markets in which RAIN Group operates; changes

in government regulations, tax laws and statutes; and other incidental factors.

Overview

RAIN Group is one of the world's largest producers of CPC, CTP, OCP and advanced materials. RAIN operates in three key business verticals: Carbon, Advanced Materials and Cement. RAIN Group has production facilities in eight countries across three continents and continues to grow through capacity expansions and mergers and acquisitions throughout the world.

Our Carbon business segment converts the by-products of oil refining [i.e., green petroleum coke (GPC)] and steel production (i.e., coal tar) into high-value carbon-based products [i.e., calcined petroleum coke (CPC), coal tar pitch (CTP) and other carbon products (OCP)] that are critical raw materials for the aluminium, graphite, carbon black, wood preservation, titanium dioxide, refractory and several other global industries.

BOARD'S REPORT (CONTINUED)

Our Advanced Materials business segment does the innovative downstream transformation of a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials that are critical to the specialty chemicals, coatings, construction, automotive, petroleum and several other global industries.

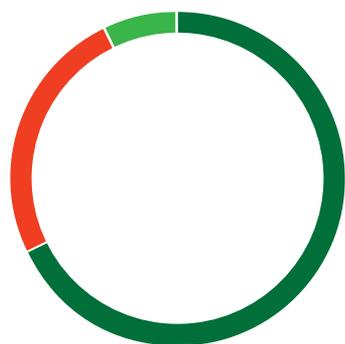
Our Cement business segment produces and markets high-quality ordinary portland cement (OPC) and portland pozzolana cement (PPC) consumed largely by the civil construction and infrastructure industries within India.

Our scale and process sophistication provide us the flexibility to capitalise on market opportunities by selecting raw materials from a wide range of sources across various geographies, adjusting the composition of our product mix and producing products that meet stringent customer specifications, including several specialty products.

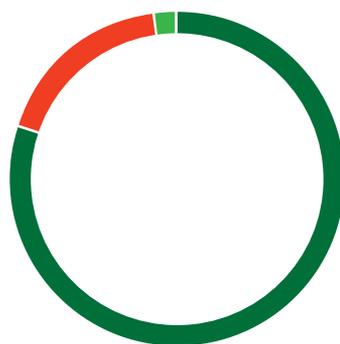
Our global manufacturing footprint and our integrated worldwide logistics network have also strategically positioned us to capitalise on market opportunities by addressing raw material supply and product demand on a global basis in both established (mainly North America and Europe) and emerging markets (mainly Asia and the Middle East).

BUSINESS SEGMENT OUTLOOK

Revenue (%)



Adjusted operating profit (%)



	Revenue (%)	Adjusted operating profit (%)
Carbon	68.5	79.1
Advanced Materials	25.0	17.6
Cement	6.5	3.3

Source: Company Data

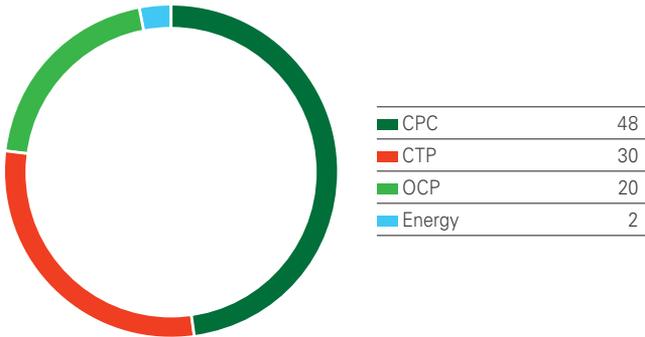
1 Carbon

Carbon consists of CPC, CTP, GPC and derivatives of coal tar distillation, including carbon black oil, creosote oil, naphthalene oil and other aromatic oils. This segment contributed approximately 68.5% of the consolidated revenue of RAIN Group for CY2018.

The Carbon business converts the by-products of oil refining and steel production into high-value carbon-based products that are crucial for the manufacture of aluminium, graphite, carbon black and titanium dioxide.

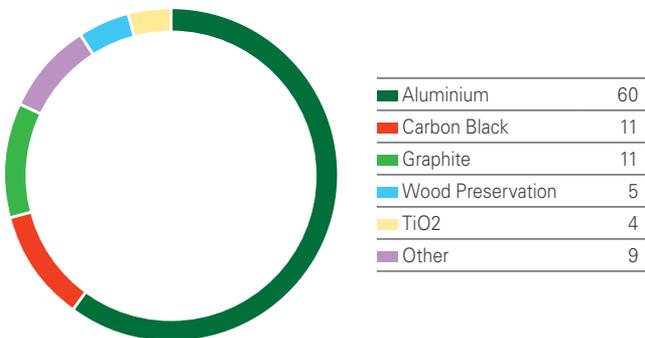
Environment-friendly and energy-efficient practices have made RAIN Group's Carbon business highly efficient and sustainable. The business co-generates energy at four CPC plants with a combined power generation capacity of approximately 125 MW. The Company has made substantial investments in flue-gas desulfurisation (FGD) to significantly reduce emissions at its plants in India and in the US. These strategic investments have given the Carbon business a competitive advantage in the CPC industry.

Carbon Segment – Revenue Mix Revenue (%)



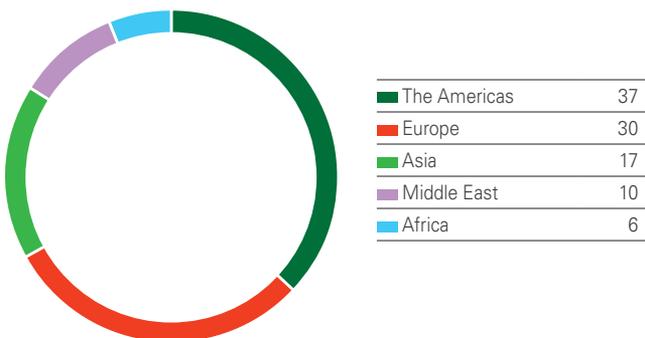
Source: Company Data

Customer (%)



Source: Company Data

Geography (%)



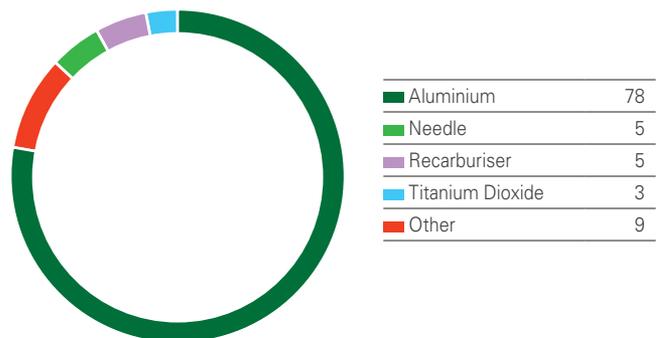
Source: Company Data

1.1. Calcined Petroleum Coke (CPC)

RAIN Group carries on the business of manufacturing and selling of CPC through its wholly-owned subsidiaries in India and the US. RAIN Group has six CPC manufacturing plants in the US and one CPC plant in India with an aggregate production capacity of approximately 2.1 MTPA along with a CPC blending facility in India with a capacity of 1.0 MTPA. In addition, RAIN Group is setting up a greenfield CPC plant with a capacity of 0.37 MTPA, using the vertical-shaft technology in Vizag, India. We expect the vertical-shaft CPC plant to commence operations during the second half of CY2019. Adding the vertical-shaft technology to its portfolio will allow the CPC business to offer customers a wider range of quality options to meet their CPC requirements.

CPC is produced through a process known as “calcining” GPC, a porous black solid that is a by-product of the crude refining process. This process removes moisture and volatile matter from the GPC at a very high temperature. CPC is produced in two primary qualities: (i) anode-grade CPC (for use in the aluminium smelting process) and (ii) industrial-grade CPC (for use in the manufacturing of titanium dioxide and other industrial applications). Anode-grade CPC represents approximately 89% of global CPC production and industrial-grade CPC represents the remaining 11%. For every tonne of primary aluminium produced, approximately 0.4 tonnes of CPC is consumed.

World CPC – End-Use Demand Mix (%)

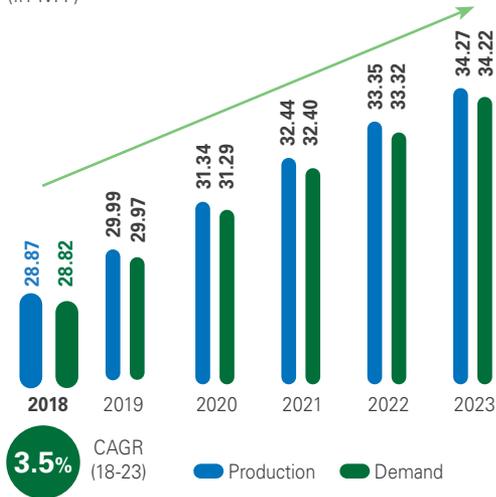


Source: Management Estimate and Industry

BOARD'S REPORT (CONTINUED)

World CPC – Production & Demand

(in MT)



Source: Management Estimate and Industry

Worldwide CPC production for CY2018 was about 28.9 MT, 74% of which was produced in China and North America, comprising 59% of global demand. China continues to play a dominant role in the CPC industry and its share of the world's CPC production is estimated to remain at 55% in the near term. China and North America will maintain the positive surplus. Due to a large gap between

production and demand, Asian calciners are expected to increase their focus on Asia and the Middle East as markets for the surplus capacity.

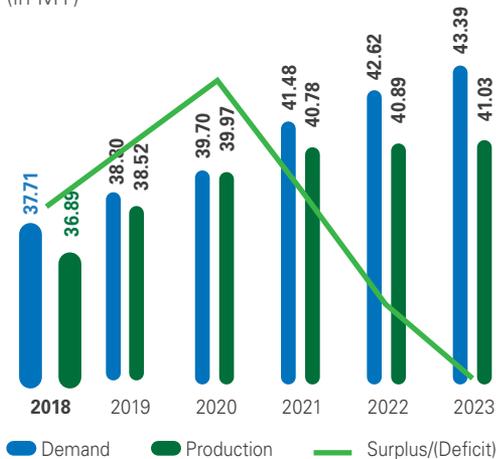
As per recent industry estimates, worldwide demand for CPC aggregated to approximately 28.8 MT in CY2018. The demand is expected to grow to approximately 34.2 MT by CY2023, representing a CAGR of +3.5%. Worldwide production of CPC aggregated to approximately 28.9 MT in CY2018 and is expected to grow to approximately 34.3 MT by CY2023, representing a CAGR of +3.5%.

RAIN Group estimates that more than 280 oil refineries worldwide produce and sell GPC in varying forms and qualities. Generally, the sale of GPC does not constitute a material portion of oil refineries' revenues. The quality of GPC is largely a function of the crude oil being refined. Manufacturers of CPC blend various grades of GPC (and CPC) to meet the stringent quality specifications of their customers.

The price of GPC varies depending on the quality and the market in which it is utilised. The price of GPC is largely driven by prevailing demand and supply conditions. A refinery typically realises higher prices for GPC that is used in production of anode-grade CPC and industrial-grade CPC as compared to GPC used as a fuel.

World Anode-Grade GPC – Demand and Supply

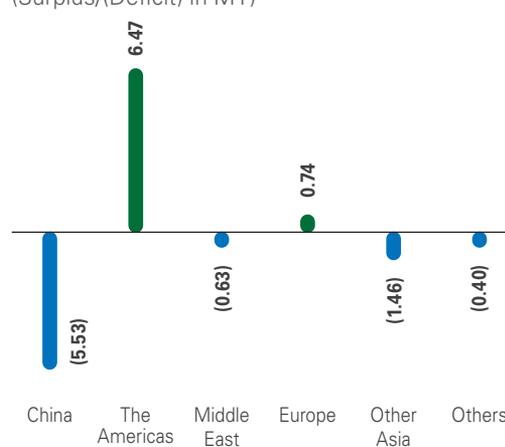
(in MT)



Source: Management Estimate and Industry

World Anode-Grade GPC – Balance in 2018

(Surplus/(Deficit) in MT)



Source: Management Estimate and Industry

In general, it is advantageous for oil refineries to process more sour crude, as compared to sweet crude, to improve their profitability. The price spread between sweet crude and sour crude has increased. This economic incentive for refineries to process sour crudes has the effect of reducing the production of anode-grade GPC. In fact, a significant volume of existing anode-grade GPC quality has deteriorated due to increased use of sour crude by refineries. Nonetheless, it should be noted that many coking units will continue to produce anode-grade GPC because these refineries are unable to process sour crudes due to limitations of their refinery configuration. In addition, some refineries process sweet crudes logistically advantaged to those locations.

In general, CPC and GPC prices move in parallel. Hence, CPC producers are converters with ability to pass on the increase/decrease in GPC cost to their customers. However, there may be a time lag of one or two quarters for CPC prices to reflect changes in GPC costs. During this period, the difference, if any, may have to be absorbed by the CPC producers.

During 2018 to 2023, the demand for global calcinable-grade GPC is expected to outgrow the increase in supply, at a CAGR of +2.8% compared to +2.1% respectively. The availability of low-sulphur GPC is expected to be negatively affected due to regulations specified by the International Convention for the Prevention of Pollution from Ships (MARPOL), which would be effective from 2020 and is expected to cause oil-refining companies to shift to heavier or high-sulphur crudes. The regulation aims to reduce greenhouse gasses emitted at sea by reducing the allowable level of sulphur in marine fuel used for operating ships from 3% to 0.5%. It is assumed that larger vessels will use scrubbers to meet the requirement. The freight cost is estimated to increase in all perspectives. Refineries may also find it reasonable to process the high-sulphur feedstock in a coker and get a premium rather than selling high-sulphur fuel oil (HSFO) at a discount. Hence, there is very limited possibility of a petroleum coke shortage after the implementation of MARPOL.

Threats & Challenges – CPC

The main threat for the CPC industry is the availability of suitable-quality GPC. GPC is a by-product of the oil-refining process and is not produced to meet the supply or quality needs of CPC or aluminium producers. Changes in the economics of processing sour crudes over the past 15-20 years have resulted in a trend towards refining more sour crudes. While petroleum refineries continue to build refining capacity (and, therefore, indirectly increase GPC production), the global supply of traditional anode-grade GPC is expected to grow at a slower pace as refineries are processing more sour crude, which results in the production of lower-quality (fuel-grade) GPC. Thus, global CPC producers have experienced, and may continue to experience, a decline in the availability of high-quality anode-grade GPC.

CPC quality directly influences anode quality in the performance of aluminium smelters. To meet the aluminium industry's demand for consistent quality of anode-grade CPC, RAIN Group works closely with smelters to expand existing quality specifications, allowing use of more non-traditional anode coke (NTAC) in blends for the production of anode-grade CPC without compromising on quality. RAIN Group's patented Isotropic Coke Experiment (ICE) technology is one method of utilising grades of GPC previously not considered acceptable to produce anode-grade CPC. Additionally, strategic investments in flue-gas desulphurisation at the Chalmette and Lake Charles plants in Louisiana, US have enabled RAIN Group to unlock an unmatched advantage of utilising high-sulphur GPC more efficiently to serve the growing demand from aluminium smelters without compromising on quality.

It is expected that India will continue leading CPC demand growth in the world (excluding China) as a result of significant capacity expansions by major aluminium producers in India. Indian aluminium production is set to grow by approximately 25% by CY2020. Due to the logistical synergies and implementation of stringent environmental regulations by the Chinese Government, thereby increasing costs, India will remain competitive against Chinese CPC suppliers. RAIN Group's infrastructure and locational advantages enable the Company to quickly meet increased demand for CPC in India, as well as the Middle East. To serve the

BOARD'S REPORT (CONTINUED)

increasing demand in India and nearby markets, RAIN Group commissioned a new CPC blending facility with a capacity of 1.0 MT during CY2016 at its Vizag facility in India.

In July 2018, the Hon'ble Supreme Court of India ordered a ban on the importation of pet coke to reduce pollution by burning it as fuel, impacting the Company's ability to import pet coke from its US facilities and other sources for calcination and blending. In October 2018, however, the court provided a limited exemption to the calcination and aluminium industries that use pet coke as a raw material rather than as a fuel; these industries also were able to demonstrate that their production processes result in minimal emissions. At the same time, the October 2018 order limits the import of GPC by the calcination industry to 1.4 MT and the import of CPC by the aluminium industry to 0.5 MT. Despite the exemption, a number of uncertainties remain, including (i) how the allocations will be shared among industry players, (ii) whether imports of CPC for blending by the calcination industry will be permitted, (iii) whether import levels will increase to accommodate expansions in production capacity and to meet increasing aluminium industry demand and (iv) the impact of this order on Special Economic Zones. Clarifications on these matters are being sought from regulators.

1.2. Coal Tar Pitch (CTP) and Other Carbon Products (OCP)

RAIN Group operates four coal tar distillation facilities in Belgium, Canada, Germany and Russia, with an aggregate primary coal tar distillation capacity of approximately 1.3 MT per annum. Coal tar distillation is carried out in Belgium, Canada and Germany through wholly-owned subsidiaries and coal tar distillation is carried out in Russia through a joint venture with PAO Severstal, Russia.

Coal tar is a liquid by-product derived from the conversion of coal into metallurgical coke. During this conversion, approximately 80% of the coal volume is processed into metallurgical coke. Metallurgical coke is an important reducing agent and energy source in blast furnaces that produce pig iron and steel. Consequently, the supply of coal tar is correlated to pig iron production, which, in turn, is driven by steel production. Asia (including 61% from

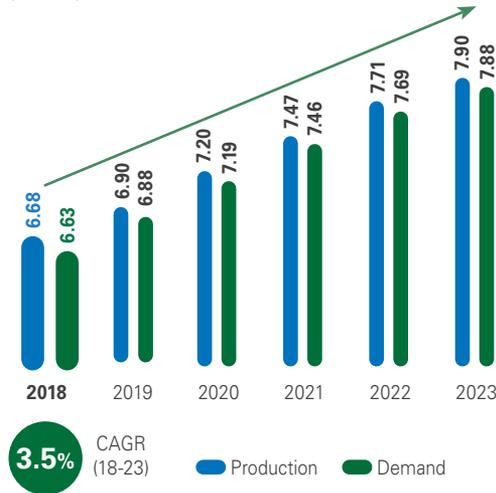
China) contributes approximately 79% of total global pig iron production and Europe (including Russia) contributes about 15%.

Every tonne of metallurgical coke produced yields on average 0.04 tonnes of coal tar. Coal tar is the main raw material in the coal tar distillation process. The coal tar distillation process can be categorised into two stages: (i) primary coal tar distillation ("primary distillation") and (ii) downstream processing of selected products of primary distillation into co-generated refined products ("downstream"). With a distillation yield of approximately 48%, CTP is the main end-product in the coal tar distillation business and therefore crucial for its growth. Coal tar distillation also yields naphthalene oil (approximately 12%) and aromatic oils (approximately 40%).

Unlike the previous two years, China in 2018 relaxed capacity restrictions on coke producers that had been implemented to reduce emissions. In an effort to avoid overcapacity, China is expected to manage coke production to match CTP demand from coal tar distillers and aluminium smelters. A tightening of coal tar supply should be visible during winter heating seasons. During 2018, improvement in coal tar supply from Eastern Europe was observed, with Russia and Turkey being the major coal tar exporters to European distillers. While demand for CTP is expected to be lower across China, Central and Latin America and Europe, demand for CTP in North America is expected to increase with the restart of mothballed aluminium smelters; that demand may partially be met with excess pitch available in Europe. A ramp-up in production by Middle East smelters also could have a positive impact on demand for CTP in this region. China and Europe will continue to have surplus availability of CTP. This will compensate for the CTP deficit in the rest of the world, largely in America and the Middle East.

During 2018, due to large curtailments in aluminium production, China's demand for CTP decreased by 0.6%. The rest of the world, however, saw a 2.3% increase in CTP demand – including a 7.5% increase in Asia (excluding China) – largely due to an increase in aluminium production in India and the Middle East.

World CTP – Production & Demand (in MT)



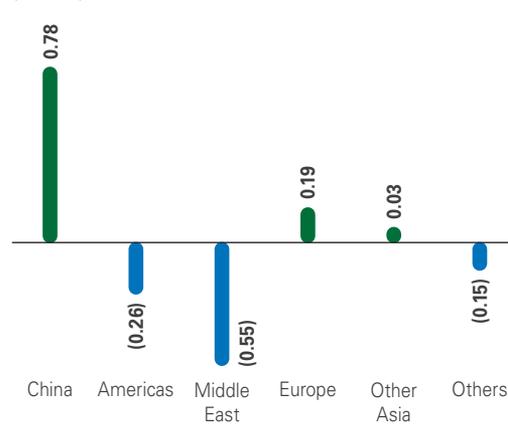
Source: Management Estimate and Industry

As per recent industry estimates, global demand for CTP aggregated to approximately 6.6 MT in CY2018. This is expected to grow to approximately 7.9 MT by CY2023, representing a CAGR of +3.5%. Global production of CTP aggregated to approximately 6.7 MT in CY2018 and is expected to grow to approximately 7.9 MT by CY2023, representing a CAGR of +3.4%.

Geographically, CTP production is led by China, followed by Europe and Asia, with these three markets having an aggregate share of 92% in CY2018. China, Europe and Asia (excluding China) currently have surplus production. While China will maintain this surplus through CY2023 with a CAGR of +10.0%, the levels of surplus production over demand for CTP in Europe should decline with a negative CAGR of -10.7% through CY2023. The levels of surplus in other regions are expected to remain negative in future years.

Seventy-eight percent of the world's CTP production is primarily used to produce carbon anodes for aluminium smelting. For every tonne of primary aluminium produced, approximately 0.1 tonne of CTP is consumed. Therefore, production of primary aluminium is an important determinant of demand for CTP. The second-largest CTP end-users, consuming approximately 10% of global production, are graphite electrode producers. Graphite

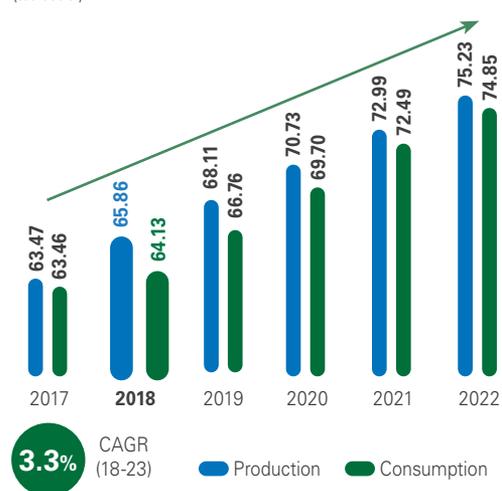
World CTP – Balance in 2018 (in MT)



Source: Management Estimate and Industry

electrodes are used in the manufacturing of steel using electric arc furnaces. Elsewhere, demand for CTP is increasing as a key component in the production of lithium-ion batteries, solar panels, LED lights and in materials such as carbon fibre.

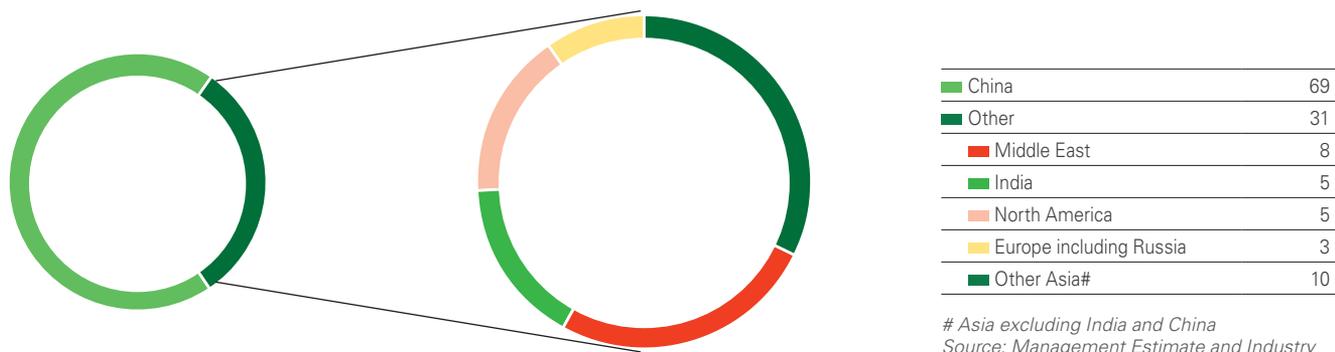
World Aluminium – Production & Demand (in MT)



Source: Management Estimate and Industry

BOARD'S REPORT (CONTINUED)

World Aluminium – Greenfield & Brownfield Expansion (%)



The aluminium industry is the largest consumer of CPC and CTP. Global demand for primary aluminium aggregated to approximately 65.9 MT in CY2018 and is expected to grow to approximately 77.4 MT by CY2023, representing a CAGR of +3.3%. Of the total demand in CY2018, 54.7% was from China, 14.3% from Europe (including Russia) and 10.2% from North America. It is expected that China will increase its share in aluminium consumption to about 56.0% of total demand for primary aluminium by CY2023. The expected demand will be driven by electrical conductors and significant growth in the packaging industry. India is expected to see an increase in aluminium consumption of about 7.3% CAGR, which mainly will be driven by the construction, automobile and packaging industries.

Aluminium continues to chip away at steel's previously unassailable position as the material of choice for the automotive industry. Due to more stringent regulations and societal pressure to improve fuel economy, automobile manufacturers are increasing their use of lighter materials such as aluminium for the structural shell of vehicles as well as closing panels such as the hood, trunk and doors. Aluminium producers will continue to innovate with new alloys and production processes to meet the automotive industry's demand.

By 2023, more than 10.3 MT of aluminum smelting capacity additions are expected through various greenfield and brownfield projects announced across the world. Approximately 69% of the additional capacity will take place in China and 23% in Asia (excluding China) and the Middle East. Smelting capacity additions until 2023 in North America and Europe will be approximately 5% and

3%, respectively. Some of these additions were expected to occur in 2018, but they were delayed or put on hold due to high alumina and power costs.

Other Products from Tar Distillation

Naphthalene, as a chemical intermediate, is used mainly as a precursor to other chemicals or as a solvent for chemical reaction. Naphthalene is used both in the production of dispersants and the construction industry, and as a superplasticiser to produce concrete and gypsum. Therefore, the demand for naphthalene is correlated to the building materials industry.

Naphthalene is also used in the production of phthalic anhydride (PA) as a substitute for ortho-xylene, as it is more cost-effective. PA is used in the manufacturing of plastics, polyester resins and alkyd resins. Additionally, phthalate esters made from PA are used as plasticisers in the production of several PVC products. RAIN's Advanced Materials segment produced PA and a majority of our internally produced naphthalene is supplied to that plant.

Aromatic oils, such as creosote oil and carbon back oil, are sold to a variety of industries. Creosote oil is used by the wood-treatment industry for the impregnation of wood. The majority of this production is sold in North America, as the European market has seen decreased demand due to environmental restrictions. As a result of declining demand in Europe, as well as a significant capital investment that would have been required at our Castrop-Rauxel creosote production facility, we ceased production in Germany in the fourth quarter of 2018. Going forward, we believe we will be able to meet the European market requirements from our Belgium facility.

Carbon black oil is primarily sold to the carbon black industry. The carbon black industry produces carbon black for the tyre and rubber industries. Therefore, demand for our carbon black oil is dependent on these end industries.

After industrial processing, the downstream products made from naphthalene and aromatic oils, such as PT and toluene, form indispensable constituents of many articles of daily life. For example, they are used as a key raw material in the leather, construction, tyre and pharmaceutical industries.

Threats & Challenges – CTP

The main threat to the supply of CTP is the availability of reliable quantities of coal tar from the steel industry. With approximately 8% of global coal tar production coming from the EU's 28 countries, the region's supply of coal tar meets most of the coal tar requirements for RAIN Group's distillation operations, which are located predominantly in Europe. Steel production using electric arc furnaces is becoming more prevalent due to various factors including its superior technology and lower emissions compared to traditional blast furnaces. As a result, coal tar production is limited to the existing capacities of metallurgical coke ovens. RAIN Group strengthened its coal tar sourcing through its Russian joint venture. With approximately 5% of global coal tar production, Russia contributes significantly to coal tar supply in the region.

Although the aluminium industry has experienced production and consumption growth on a long-term basis, there may be cyclical periods of weak demand that could result in decreased primary aluminium production. RAIN Group's sales have historically declined during such cyclical periods of weak global demand for aluminium.

Research and development activities are being conducted to create a new carbon-free aluminium smelting technology that would produce oxygen while eliminating all direct greenhouse gas emissions from the traditional smelting process. If successfully commercialised, this new process would also be expected to increase productivity. At this time of increasingly stringent environmental regulations and a drive to slash emissions, this new technology would obviously be appealing to aluminium producers and their customers around the world. As per analyst estimates, on average, the aluminium industry currently generates 12 tons of carbon dioxide emissions per ton of aluminium at the

smelter. The developers of this technology believe that if successfully commercialised, it could be used in new smelters as well as retrofitted into the existing ones. While there is uncertainty around its commercial viability, successful introduction of this technology would likely impact future demand by the aluminium industry for carbon-based products in the smelting process.

The curtailment of coal tar distillation by certain manufacturers in North America and Europe has minimised the demand for coal tar and benefited RAIN Group with improved availability of raw material for its distillation plants.

Increasing demand from traditional end customers as well as demand from more recent applications such as lithium-ion batteries, solar panels and LED light bulbs, are gradually tightening the global balance for supply of CTP. In the event of future coal tar and CTP shortages, petroleum pitch would be the most reliable alternative for the aluminium industry, as smelters could blend up to 15-25% of petroleum pitch with CTP for preparing the carbon anodes.

Naphthalene and aromatic oils (other by-products in primary distillation) are subject to the demand and supply forces of the construction and automotive industries, as well as changes in the price of correlated commodities. Any decrease in the prices of fuel oil and ortho-xylene could reduce margins and the competitiveness of naphthalene and aromatic oils.

1.3. Co-generated Energy

RAIN Group is committed to environmental compliance at all of its facilities. As part of this commitment, RAIN Group has made significant investments in waste-heat-recovery (WHR) systems at its CPC plants. RAIN Group co-generates energy through the waste heat recovered in the calcining process. Currently, RAIN Group has co-generation at four of its seven CPC plants and one of its two cement production plants with a combined power generation capacity of approximately 132 MW. Additionally, commissioning of a new 4.1 MW WHR system is under progress at the other cement production plant.

The operation of these WHR units reduces greenhouse gas emissions by offsetting the use of fossil fuels that would be otherwise required

BOARD'S REPORT (CONTINUED)

to produce an equivalent amount of energy. This significantly reduces RAIN Group's carbon footprint and results in carbon-neutral facilities.

As further evidence of RAIN Group's commitment to the environment, it has made substantial investments in flue-gas desulfurisation at its CPC plants in India and the US to substantially reduce the emission of sulphur dioxide to meet all regulatory requirements for air quality standards.

Threats & Challenges – Energy

Energy production is proportional to the waste heat produced during the calcination process. The output is subject to the volume and quality of raw materials being processed in calcination. Any decrease in capacity utilisations in calcination or change in raw material quality will directly influence the generation of energy. A substantial part of the energy produced is sold to external customers for industrial use. Availability of alternate economical sources of energy, such as solar energy to these industries in future, could cause a reduction in sales of energy by RAIN Group.

A declining trend in tariff in India continues to impact revenues from the sale of energy. Part of the energy generated at our CPC plants, as well as our cement facilities, is captively used to power those operations, mitigating the impact of declining energy tariffs. Energy revenues in the US are subject to fluctuating natural gas prices, which, at times, causes uncertainty regarding revenue growth from energy sales.

2. Advanced Materials

RAIN Group is a global leader and innovator in the production of advanced materials through the innovative downstream transformation of a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials that are critical to the specialty chemicals, coatings, construction, automotive, petroleum and several other global industries. RAIN Group operates advanced materials production facilities in Belgium, Canada, Germany and the Netherlands.

RAIN Group produces 0.7 MT of advanced material products per annum, which account for over 25% of its consolidated turnover. Its products have applications ranging from rubber tires to printing inks, and from energy storage to pharmaceutical products.

RAIN produces advanced materials in two parallel production processes:

- Downstream processing and refining of primary coal tar distillates
- Petroleum derivatives, such as C9 and C10, which serve as raw materials for the production of a range of advanced material products

In 2018, the Company completed a debottlenecking project in Europe that will enable RAIN Group to distill up to 0.2 MT of petro tar. This will further enable RAIN Group to leverage its raw material mix.

Approximately 25% of the consolidated revenue for CY2018 is from this segment. RAIN Group's Advanced Materials business can be classified broadly into four sub-product categories:

2.1. Resins

RAIN Group manufactures hydrocarbon resins based on coal tar distillates produced during the downstream refining of carboindene and from C9 and C10, which are liquid by-products derived from the steam cracking of petroleum substances. Coal tar-based resins are used primarily for applications in coatings and rubber tyres while petrochemical-based resins are used primarily for applications in adhesives and printing inks. The Company recently introduced a family of colourless resins used in colour-sensitive applications such as tape and book bindings.

The Company also produces phenolics, which are used for applications in leather treatment, electric wire enamels and pharmaceuticals.

2.2. Engineered Products

RAIN Group's innovative CARBORES® binder, an engineered pitch product, combines the advantages of CTP products and phenolic resins. CTP contains polycyclic aromatic hydrocarbons (PAHs) that require special safety precautions during its use. CARBORES® is a substitute binder used in carbon-containing refractory products and graphite products, produced from a dramatically reduced concentration of PAHs. While designed for refractory products, the property profile of CARBORES® also allows it to be a substitute for standard CTP in other applications.

The Company's portfolio of engineered products also includes PETRORES®, which is used in specialty

applications such as lithium-ion batteries and energy storage. PETRORES® is produced by further processing our petro pitch, which is a derivative of petro tar distillation.

2.3. Petrochemical Intermediates

RAIN Group produces benzene, toluene and xylene from the secondary distillation of crude benzene, a liquid by-product derived in conversion of coal into metallurgical coke used for pig iron and steel production. Benzene, toluene and xylene are critical inputs for several chemical-based substances. Toluene and xylene are used as solvents for inks and paints.

2.4. Naphthalene Derivates

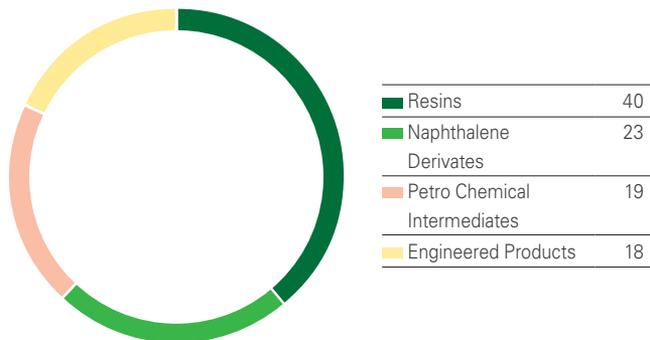
RAIN Group produces PA, polynaphthalene sulfonates and modifiers from the downstream refining of naphthalene and from other inputs procured externally.

The Company also produces specialty polymers called superplasticisers from the downstream refining, polymerisation and purification of naphthalene oil and naphthalene. Superplasticisers are used as in-process aids in the manufacture of concrete and gypsum wallboard, and have widespread use for a variety of industrial and agricultural applications.

In addition, RAIN Group produces a wide range of differentiated naphthalene and melamine superplasticisers in liquid and powder form, as well as carboxylate dispersants in liquid form.

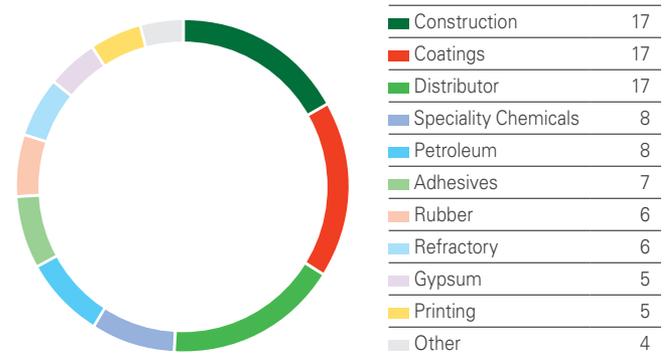
Advanced Materials Segment – Revenue Mix

Revenue (%)



Source: Company Data

Customer (%)



Outlook

Based on slowing GDP growth in key markets, mainly Europe, political uncertainties like the trade dispute between the US and China and the return of volatility of raw-material markets, we expect more challenging and uncertain business conditions in near future.

Europe is the main market for our resins, modifiers and petrochemicals. Lower demand from the coatings and adhesive industry for resins and modifiers will get offset by the improving demand from the tyre industry, resulting in an overall stable volume in resins and modifiers business. This segment will benefit from our new product NOVARES® pure HHCR produced in our new

hydrogenated hydrocarbon resins plant in Europe. We shall have some competition from Chinese resins producers in some areas of the business. Carbon-less copy paper, coatings and effluents are some of our end customers for products under the modifiers group. Majority of these customers are from Asia. The business in this product shall remain moderate due to strict competition from China. 3.5 DMP, although a small contributor used in disinfectants has a strong market in Asia and has better prospects due to its higher demand.

Among petrochemicals, PA is highly competitive since the main raw material naphthalene is available in-house from our distillation business. Further the naphthalene-

BOARD'S REPORT (CONTINUED)

based process is cost advantageous compared to the ortho xylene-based production. In the coming years, the overall outlook of petrochemicals is stable due to the partial offset of the performance of benzene, toluene, xylene (BTX) with PA.

North America is our main market for polymers, superplasticisers and naphthalene. The products are mainly used in producing gypsum as well as in concrete mixture for construction. The delays in infrastructure projects and storm has affected the performance of this business. Investment in infrastructure, and industrial and residential projects shall maintain the overall outlook stable in coming years. Oversupply will continue to impact the naphthalene business.

Engineered products business shall benefit in sealer market in North America with our new sealer – ULTRASEAL – an and growing demand in Asia for our PETRORES in lithium-ion anode application. With a stable demand from refractories in Asia, the performance of CARBORES shall be moderate. Overall, the outlook for this business is positive.

Threats & Challenges – Advanced Materials

Key threats for RAIN Group's Advanced Materials business are volatility in commodity prices and Chinese competition. The price of benzene, C9 and C10 fractions largely depend on the price of crude and fuel oil. Tariffs issued by the US have caused Chinese manufacturers to redirect sales to Europe, creating increased competition in that market. We expect this to continue until a new trade agreement between the US and China is finalised.

RAIN Group tries to mitigate its pricing and procurement risks through an integrated global management of sales and supply procurement, optimised processes, and long-term agreements with suppliers to ensure reliable sourcing of raw materials.

The quarterly operating results fluctuate due to a variety of factors that are outside our control, including inclement weather conditions. Historically, our operating results have been lower in the first and fourth quarters compared to the second and third quarters.

3. Cement

RAIN Group has two integrated cement plants, one each in the states of Telangana and Andhra Pradesh with an aggregate installed capacity of 4 MT per annum. The plants are strategically located near sources of limestone,

the primary raw material in cement production. RAIN Group also has a fly-ash handling and cement packaging unit in the state of Karnataka that converts the bulk cement into packed cement and enables supplies to neighbouring areas. About 6.5% of the consolidated revenue of RAIN Group for CY2018 is from the Cement business segment.

RAIN Group's cement plants manufacture two grades of cement: ordinary portland cement (OPC) and portland pozzolana cement (PPC). Out of the total cement produced, PPC-grade accounts for about 75% and OPC grade about 25%.

RAIN Group has been reducing the output cost by introducing efficient energy measures, such as WHR power plants and the use of GPC to heat its furnaces. Stringent Bureau of Indian Standards (BIS) are applied in cement production to attain consistency in quality.

RAIN Group has built a vast dealer network in the southern states of India and has made additional inroads into the neighbouring states of neighboring Maharashtra, Goa, Odisha and Kerala. Sales in the new market regions account for 15% of total sales achieved during CY2018.

The major costs in the production of cement are (a) freight and transportation and (b) power and fuel, each constituting 30% of the total cost of manufacturing. RAIN Group constantly works to improve efficiencies in logistics, such as entering into long-term contracts with transport agencies for transportation of cement to dealers spread across various states. The downside risk is that any increase in fuel prices could adversely affect freight costs. RAIN Group also has long-term arrangements with The Singareni Collieries Company Limited for the supply of coal, which meets about 56% of the total fuel requirement for its cement plants. In addition, about 26% of high-quality coal is imported and blended with pet coke of about 18%.

The Cement business segment consumes up to 29 MW of electricity. RAIN Group supplements its requirements for power in the Cement business segment with power generated at its CPC plant in Vizag and its new 6.4 MW WHR power plant in the Kurnool cement plant. Additionally, a 4.1 MW WHR power plant is under development at the Nalgonda cement plant. With these measures, RAIN Group expects significant savings in its energy costs in the coming years.

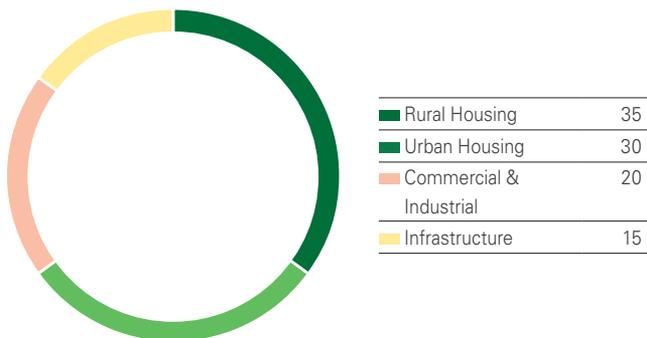
Cement Industry Growth in India

The Indian cement industry is estimated to have a total production capacity of 502 MT during CY2018. The industry is expected to grow at 4% in CY2019. Due to an increase in demand from various sectors, the capacity is expected to increase from 550 MT to 600 MT by CY2025. Cement is a cyclical commodity with a high correlation to GDP. The Indian housing sector is the most critical demand driver of cement, accounting for about 65% of total consumption. The other major consumers of cement include infrastructure (15%) and commercial and industrial construction (20%). During the last few years, low capacity utilisation coupled with weak prices and

increasing input costs have impacted the performance of the cement industry in India. Subdued operating profits and high debt-service obligations have led some Indian cement producers to defer expansion plans.

With increased demand by the infrastructure and housing sectors, coupled with limited capacity additions, the cement capacity utilisation on a pan-India basis is expected to improve steadily over the next few years. In particular, demand is expected to be boosted by infrastructure development in Tier 2 and Tier 3 cities, growth in the real estate sector and initiatives to build 100 Smart Cities by the Government of India.

Cement Consumption by Sector in 2018 (%)



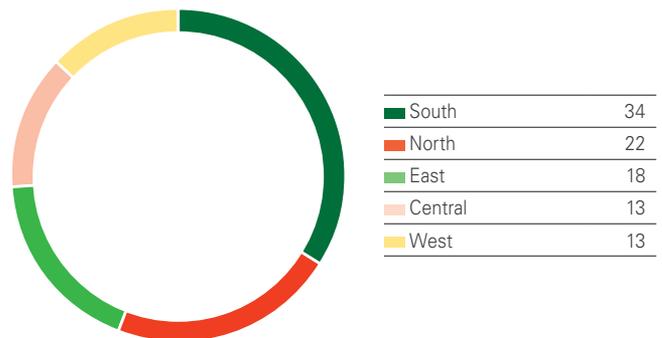
Source: Management Estimate and Industry

Cement, being a bulk commodity, is a freight-intensive industry, and transporting it over long distances can be uneconomical. This has resulted in cement being largely a regional play with the industry divided into five main regions in India: North, South, West, East and Central. The southern region of India has the highest installed capacity, accounting for about 34% of the country's total installed capacity.

Current Position

During CY2018, demand in India's cement industry remained flat when compared to CY2017. Growth in demand observed in South India was led by Andhra Pradesh and Telangana. Floods in Kerala and state elections had some impact on demand in this region. Although there is the possibility of increased demand due to the Indian Government's emphasis on infrastructure development, increases will be contingent on the successful execution of contemplated

Cement Capacity in India (By Region) (%)



Source: Management Estimate and Industry

projects. The growth in the southern region was driven by the initiation of development activities in the newly formed capital city of Andhra Pradesh as well as irrigation and low-cost housing projects in Telangana.

RAIN Group also has made inroads into neighboring states such as Maharashtra, where there is a lack of adequate cement production capacity due to the absence of limestone mines. As a result, approximately 50% of its demand is met by the southern region's cement plants. With no new capacity additions coming online in Maharashtra during the next three years, increasing capacity utilisation of the southern region's cement facilities should lead to an increase in performance. Volume growth should benefit most companies based in South India due to their high operating/ financial leverage. RAIN Group already has expanded into new markets such as Maharashtra, Odisha,

BOARD'S REPORT (CONTINUED)

Kerala, Goa and Pondicherry. These new geographical markets contributed 18% of cement sales during CY2018.

Near Future

As stated elsewhere, cement demand is closely linked to the overall economic growth, particularly in the housing and infrastructure sectors. With the Government of India introducing new plans for housing and infrastructure development, cement demand is expected to increase.

Historically, positive incremental demand over supply, as well as high levels of capacity utilisation, have led to an increase in cement prices. A rebound in demand growth from CY2018 is expected to support prices in the southern region. Cement demand across India is expected to increase at a CAGR of 8%

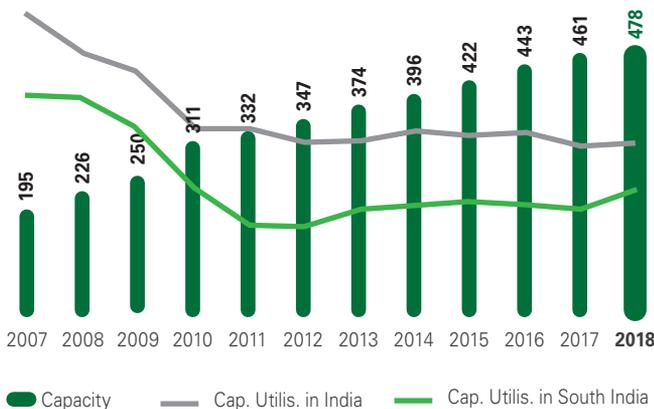
Due to the limited capacity additions and demand revival, the cement sector is expected to enter a multi-year earnings growth cycle where it gains pricing and operating leverage.

The Government of Telangana is undertaking major irrigation projects, and the Government of Andhra Pradesh is building a new capital city. More than 90% of RAIN Group's cement sales volumes are in the southern region, almost 30% of which is sold in Andhra Pradesh and Telangana each. Hence, the above developments planned for these two states are expected to contribute to the growth in the Cement business of RAIN Group.

The real estate sector is a crucial contributor to demand growth in the southern region. Major cities like Bengaluru, Chennai and Hyderabad have emerged as promising commercial destinations, which boosts demand for commercial and office space within these cities. In addition, these cities are some of the biggest hospitality markets in South India, with Hyderabad reporting year-over-year growth of 7.6%, followed by 4.3% in Bengaluru and 1.4% in Chennai.

Cement Capacity Utilisation

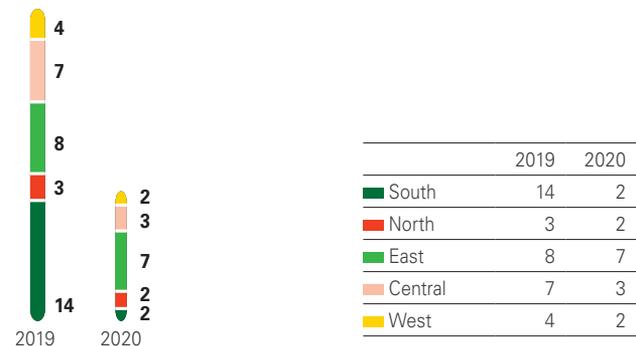
(in MT)



Source: Management Estimate and Industry

Region-wise Capacity Additions

(in MT)



Source: Management Estimate and Industry

Threats & Challenges – Cement

The Indian cement industry has witnessed a massive capacity addition of more than 250 MT during last decade. This the capacity addition is disproportionately high when compared to the growth in demand concentrated in South India, with approximately 79 MT of new capacity during this period. This has resulted

in significant pressure on capacity utilisation and price realisation among the region's producers.

The Indian cement industry's average utilisation has declined drastically to approximately 63% in CY2018, led by weak demand and an oversupply in the industry. Pan-India utilisation is expected to reach 67%

by CY2020 while the utilisation levels in the southern region are expected to remain stable at 57% until CY2020. Cement demand and capacity utilisation are expected to improve, led by a slower pace in capacity addition and better demand prospects.

Listing of Equity Shares

The Company's equity shares are listed on the following Stock Exchanges:

- (i) BSE Limited, Phiroze JeeJeebhoy Towers, Dalal Street, Mumbai – 400 001, Maharashtra, India; and
- (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, G Block, Bandra –Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India.

The Company has paid the Annual Listing Fees to the said Stock Exchanges for the Financial Year 2018-19.

Subsidiary Companies

As per the provisions of Section 129 of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the Financial Statements of the Subsidiary Companies/ Associate Companies/Joint Ventures in Form AOC-1 is annexed to this Board's Report (**Annexure – 1**).

Performance and contribution of each of the Subsidiaries, Associates and Joint Ventures

As per Rule 8 of Company's (Accounts) Rules, 2014, a Report on the Financial performance of Subsidiaries, Associates and Joint Venture Companies along with their contribution to the overall performance of the Company during the Financial Year ended December 31, 2018 is annexed to this Board's report (**Annexure – 2**).

Consolidated Financial Statements

The Consolidated Financial Statements prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013.

As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate Audited accounts of its Subsidiaries on its website www.rain-industries.com and a copy of separate Audited Financial Statements

of its Subsidiaries will be provided to shareholders upon their request.

Share Capital

The Paid-up Share Capital of the Company as on December 31, 2018 is ₹ 672,691,358/- divided into 336,345,679 Equity Shares of ₹ 2/- each fully paid up.

Number of Meetings of the Board of Directors

During the year, four Board meetings were held.

The dates on which the Board meetings were held are: February 28, 2018, May 11, 2018, August 14, 2018 and November 14, 2018.

Details of the attendance of the Directors at the Board meetings held during the year ended December 31, 2018 are as follows:

Name of the Director	Number of Board Meetings	
	Held	Attended
Mr N. Radhakrishna Reddy	4	4
Mr Jagan Mohan Reddy Nellore	4	4
Mr N. Sujith Kumar Reddy	4	4
Mr S. L. Rao	4	4
Mr H. L. Zutshi	4	4
Ms Radhika Vijay Haribhakti	4	4
Ms Nirmala Reddy	4	4
Mr Varun Batra ¹	4	3

¹ Mr Varun Batra was appointed as an Independent Director of the Company w.e.f. February 28, 2018.

Management Discussion and Analysis

The Management Discussion and Analysis forms an integral part of this Report and provides details of the overall industry structure, developments, performance and state of affairs of the Company's various businesses viz. Carbon, Advanced Materials, Cement along with internal controls and their adequacy, Risk Management Systems and other material developments during the Financial Year.

Directors Responsibility Statement as required under Section 134 of the Companies Act, 2013

Pursuant to the requirement under Section 134 of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms:

BOARD'S REPORT (CONTINUED)

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on December 31, 2018 and of Profit and Loss Account of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the Financial Year ended December 31, 2018 on a going concern basis;
- v) that the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi) that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Statement on Declaration given by Independent Directors under Section 149

The Independent Directors have submitted their declaration of independence, as required pursuant to sub-section (7) of Section 149 of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section (6) of Section 149.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following Directors:

Ms Radhika Vijay Haribhakti, Chairperson, Mr S L Rao, Mr H L Zutshi, Ms Nirmala Reddy and Mr Varun Batra.

Mr Varun Batra was appointed as member of the Nomination and Remuneration Committee on February 28, 2018.

● Brief description of the terms of reference

- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board for their appointment and removal;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Carry on the evaluation of every Director's performance;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director; and
- Recommend to the Board, a policy relating to the remuneration of the Directors, Key Managerial Personnel and other Employees.

● Nomination and Remuneration policy

Policy objectives

1. To lay down criteria, terms and conditions with regard to identifying persons who are qualified to become Directors (Executive, Non-executive and Independent Director) and persons who may be appointed to senior management and key managerial positions and to determine their remuneration.
2. To determine remuneration based on the Company's size and financial position comparable with trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation on the performance of Directors.
4. To provide them with reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent to ensure long-term sustainability of talented managerial persons and create competitive advantage.

Nomination and Remuneration Committee meetings

During the period from January 1, 2018 to December 31, 2018, Nomination and Remuneration Committee Meetings were held on February 27, 2018 and November 13, 2018.

Attendance at the Nomination and Remuneration Committee Meetings

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Ms Radhika Vijay Haribhakti	Chairperson	2	2
Mr H. L. Zutshi	Member	2	2
Mr S. L. Rao	Member	2	1
Ms Nirmala Reddy	Member	2	2
Mr Varun Batra ¹	Member	2	1

¹ Mr Varun Batra was appointed as member of the Nomination and Remuneration Committee on February 28, 2018.

Particulars of Loans, Guarantees, Securities or Investments under Section 186

The details of Loans, Guarantees, Investments and Security made during the Financial Year ended December 31, 2018 is given in compliance with the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 and the same is annexed to the Board's Report (**Annexure – 3**).

Particulars of Contracts or Arrangements with Related Parties

The particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 entered by the Company during the Financial Year ended December 31, 2018 in prescribed Form AOC-2 is annexed to this Board's Report (**Annexure – 4**).

Transfer of Amount to Reserves

The Company has transferred ₹ 60.47 million to the General Reserve for the Financial Year ended December 31, 2018. An amount of ₹ 617.15 million is retained in the retained earnings.

Dividend

The Board of Directors at their meeting held on November 14, 2018 declared an Interim Dividend @ 50% on the paid-up Equity Share Capital i.e., ₹ 1.00 per equity share for the Financial Year ended December 31, 2018 and same was paid to the shareholders and no further dividend has been recommended for the Financial Year ended December 31, 2018.

Extract of Annual Return

The Extract of Annual Return as per the provisions of Section 92 of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 in Form MGT-9 is annexed to this Board's Report (**Annexure – 5**).

The conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 (Act) read with the Companies (Accounts) Rules, 2014

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Act read with Companies (Accounts) Rules, 2014 is annexed to this Board's Report (**Annexure – 6**).

Risk Management Committee

The Risk Management Committee consists of the following Directors:

Mr N Radhakrishna Reddy, Chairman, Mr Jagan Mohan Reddy Nellore, Managing Director and Mr N Sujith Kumar Reddy, Director.

Mr T Srinivasa Rao is the Chief Risk Officer and Mr S Venkat Ramana Reddy acts as Secretary to the Committee.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day-to-day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat risks. The Risk management procedures are reviewed by the Audit Committee and the Board of Directors on a quarterly basis at the time of review of the Quarterly Financial results of the Company.

During the Financial Year, Risk Management Committee Meeting was held on November 13, 2018.

Attendance at the Risk Management Committee Meeting:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr N. Radhakrishna Reddy	Chairman	1	1
Mr Jagan Mohan Reddy Nellore	Member	1	1
Mr N. Sujith Kumar Reddy	Member	1	1

Corporate Social Responsibility (CSR)

Corporate Social Responsibility reflects the strong commitment of the Company to improve the quality of life of the workforce and their families and also the community and society at large. The Company believes in undertaking business in a way that will lead to the overall development of all stakeholders and society.

BOARD'S REPORT (CONTINUED)

The Board of Directors of the Company have constituted a Corporate Social Responsibility Committee comprising the following Directors:

Mr Jagan Mohan Reddy Nellore, Chairman, Mr N Sujith Kumar Reddy, Member and Ms Nirmala Reddy, Member (Independent Director).

Corporate Social Responsibility policy was adopted by the Board of Directors on the recommendation of the Corporate Social Responsibility Committee.

During the last three years, the Company has spent ₹ 6.40 million on CSR activities.

A report on Corporate Social Responsibility as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed to this Board's Report (**Annexure – 7**).

During the Financial Year, Corporate Social Responsibility Committee Meeting was held on November 12, 2018.

Attendance at the Corporate Social Responsibility Committee Meeting:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr Jagan Mohan Reddy Nellore	Chairman	1	1
Mr N. Sujith Kumar Reddy	Member	1	1
Ms Nirmala Reddy	Member	1	1

Stakeholders Relationship Committee

The Board of Directors at their meeting held on February 28, 2018 have decided to re-constitute the Stakeholders Relationship, Grievance and Share Transfer Committee into the Stakeholders Relationship Committee and Share Transfer Committee.

The Stakeholders Relationship Committee consists of following Directors:

Mr N Radhakrishna Reddy, Chairman, Mr Jagan Mohan Reddy Nellore, Member Mr N Sujith Kumar Reddy, Member and Ms Nirmala Reddy, Member (Independent Director).

During the Financial Year, Stakeholders Relationship Committee Meeting was held on August 11, 2018.

Attendance at Stakeholders Relationship Committee Meeting:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr N. Radhakrishna Reddy	Chairman	1	1
Mr Jagan Mohan Reddy Nellore	Member	1	1
Mr N. Sujith Kumar Reddy	Member	1	1
Ms Nirmala Reddy	Member	1	1

Terms of Reference

- (i) Resolving the grievances of the security holders including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, non-receipt of new/duplicate certificates, etc.
- (ii) Review of measures taken for effective exercise of voting rights by shareholders.
- (iii) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- (iv) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

Share Transfer Committee

The Share Transfer Committee consists of following Directors:

Mr N Radhakrishna Reddy, Chairman,
Mr Jagan Mohan Reddy Nellore, Member
Mr N Sujith Kumar Reddy, Member.

The Committee meets every week/15 days to oversee and review all matters connected with the securities transfers and review the performance of the Registrar and Transfer agents and recommends measures for overall improvement in the quality of investor services.

Mechanism for Evaluation of the Board

Evaluation of all Board members is performed on an annual basis. The evaluation is performed by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the

performance and effective functioning of the Board and Individual Directors.

In line with the Securities and Exchange Board of India (SEBI) Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/004, dated January 5, 2017, the Company adopted the recommended criteria by the SEBI.

The Directors were given six forms for evaluation of the following:

- (i) Evaluation of Board;
- (ii) Evaluation of Committees of the Board;
- (iii) Evaluation of Independent Directors;
- (iv) Evaluation of Chairperson;
- (v) Evaluation of Non-executive and Non-Independent Directors; and
- (vi) Evaluation of Managing Director.

The Directors were requested to give the following ratings for each criteria:

1. Could do more to meet expectations;
2. Meets expectations; and
3. Exceeds expectations.

The Board of Directors have appointed Mr DVM Gopal, Practicing Company Secretary as scrutinizer for Board evaluation process.

The Directors have sent the duly filled forms to Mr DVM Gopal after Evaluation.

Mr DVM Gopal, based on the evaluation done by the Directors, has prepared a report and submitted the Evaluation Report.

The Chairperson based on the report of the scrutiniser has informed the rankings to each Director and also informed that based on the Evaluation done by the Directors and the report issued by Mr DVM Gopal, the performance of Directors is satisfactory and they are recommended for continuation as Directors of the Company.

Directors

Mr Jagan Mohan Reddy Nellore, Managing Director of the Company, also serves as the Chief Executive Officer of Rain Carbon Inc., a step-down wholly owned subsidiary of the Company.

To ensure that the Company's Carbon business receives the attention necessary to navigate changing raw material trends, tax laws and other issues; manage organic expansions; and ensure the ongoing success of this crucial business segment, Mr Nellore has decided to dedicate more time to Rain Carbon Inc.

As per the provisions of the Companies Act, 2013, the Whole-time Director/Chief Executive Officer/Managing Director of the Companies incorporated under the Companies Act, 2013, shall be a Resident in India. With Mr Nellore also being the Chief Executive Officer of Rain Carbon Inc., it is difficult for him to be in India for a defined period of time every year.

In view of the above, Mr Nellore has submitted his resignation from the position of Managing Director with effect from March 31, 2019, but continues to be the Director and Vice Chairman of the Company.

Consequent to the resignation of Mr Jagan Mohan Reddy Nellore from the position of Managing Director, Mr N. Radhakrishna Reddy has been appointed as Managing Director of the Company for a period of three years (i.e., from March 31, 2019 to March 30, 2022).

Mr Jagan Mohan Reddy Nellore and Mr N Sujith Kumar Reddy, Directors of the Company retire by rotation and are eligible to offer themselves for re-appointment.

The term of appointment of Ms Nirmala Reddy as an Independent Director of the Company will expire on September 29, 2019.

A notice under Section 160 of the Companies Act, 2013 is received from a member of the Company proposing candidature of Ms Nirmala Reddy. The Company has received from Ms Nirmala Reddy: i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that she is not disqualified as per Section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that she meets the criteria of independence as provided under Section 149 of the Companies Act, 2013.

The Nomination and Remuneration Committee at their meeting held on February 26, 2019 and the Board of

BOARD'S REPORT (CONTINUED)

Directors at their meeting held on February 27, 2019 have recommended the re-appointment of Ms Nirmala Reddy as an Independent Director for a further period from September 30, 2019 to February 27, 2023.

To broad base the Board, Mr Brian Jude McNamara was appointed as an Additional Director (Independent Director) of the Company w.e.f. February 28, 2019 by the Board of Directors at their meeting held on February 27, 2019 under Section 161 of the Companies Act, 2013. The appointment is subject to the approval of the shareholders at the General Meeting.

A notice under Section 160 of the Companies Act, 2013 is received from a member of the Company proposing candidature of Mr Brian Jude McNamara. The Company has received from Mr Brian Jude McNamara: i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified as per Section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that he meets the criteria of independence as provided under Section 149 of the Companies Act, 2013.

Key Managerial Personnel

Mr Jagan Mohan Reddy Nellore - Managing Director
Mr T. Srinivasa Rao - Chief Financial Officer
Mr S. Venkat Ramana Reddy - Company Secretary

There has been no change in the key managerial personnel during the year.

Meeting of Independent Directors

A separate meeting of the Independent Directors was held under the Chairmanship of Mr Varun Batra, Independent Director on November 13, 2018, *inter-alia*, to discuss evaluation of the performance of Non-independent Directors, the Board as a whole, evaluation of the performance of the Chairman, taking into account the views of the Executive and Non-executive Directors and the evaluation of the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors expressed satisfaction with the overall performance of the Directors and the Board as a whole.

Deposits

The Company has not accepted any deposits from the public in terms of Section 73 of the Companies Act, 2013. Hence, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

Statutory Auditors

The Company's Statutory Auditors, BSR and Associates LLP, Chartered Accountants (ICAI Regn. No.-116231W/W-100024), were appointed as the Statutory Auditors of the Company for a period of 5 years at the 43rd Annual General Meeting of the Company, i.e., up to the conclusion of the 48th Annual General Meeting of the Company.

Accordingly, BSR and Associates LLP, Chartered Accountants, Statutory Auditors of the Company will continue till the conclusion of Annual General Meeting to be held in 2023. In this regard, the Company has received a Certificate from the Auditors to the effect that their continuation as Statutory Auditors, would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

Auditors Report

There are no qualifications, reservations or adverse remarks made by BSR & Associates LLP, Chartered Accountants (ICAI Regn. No. 116231W/W-100024) Statutory Auditors in their report for the Financial Year ended December 31, 2018.

Secretarial Auditors Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors have appointed DVM & Associates LLP, Practising Company Secretaries as Secretarial Auditors to conduct Secretarial Audit of the Company for the Financial Year ended December 31, 2018.

The Secretarial Auditors Report issued by DVM & Associates LLP, Practising Company Secretaries in Form MR-3 is annexed to this Board's Report (**Annexure – 8**).

The Secretarial Auditors Report does not contain any qualifications, reservation or adverse remarks.

Board's response on Auditor's qualification, reservation or adverse remarks or disclaimer made

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report or by the Practicing Company Secretary in the Secretarial Audit Report for the year.

During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

Internal Auditors

The Board of Directors of the Company have appointed Ernst & Young LLP as Internal Auditors to conduct Internal Audit of the Company for the Financial Year ended December 31, 2018.

Maintenance of Cost Records specified by the Central Government under Section 148 of the Companies Act, 2013

The provisions relating to maintenance of Cost Records as specified by the Central Government under Section 148 of the Companies Act, 2013 is not applicable to the Company.

Audit Committee

The Audit Committee consists of the following Directors:

Mr H. L. Zutshi, Chairman, Mr S. L. Rao, Ms Radhika Vijay Haribhakti, Ms Nirmala Reddy and Mr Varun Batra.

Mr Varun Batra was appointed as member of the Audit Committee on February 28, 2018.

There has been no such incidence where the Board has not accepted the recommendation of the Audit Committee during the year under review.

Four Audit Committee Meetings were held during the Financial Year ended December 31, 2018. The maximum time gap between any two meetings was not more than one hundred and twenty days.

The Audit Committee meetings were held on February 27, 2018, May 10, 2018, August 13, 2018 and November 13, 2018.

Attendance at the Audit Committee Meetings

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr H. L. Zutshi	Chairman	4	4
Mr S. L. Rao	Member	4	3
Ms Radhika Vijay Haribhakti	Member	4	4
Ms Nirmala Reddy	Member	4	4
Mr Varun Batra ¹	Member	4	3

¹ Mr Varun Batra was appointed as member of Audit Committee on February 28, 2018.

Corporate Governance Report

A separate report on Corporate Governance is annexed as part of the Annual Report along with the Auditor's Certificate on its compliance.

Vigil Mechanism

The Company has adopted a Whistle Blower Policy establishing a formal vigil mechanism for the Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimisation of employees who avail of the mechanism and provides direct access to the Chairperson of the Audit Committee in exceptional cases. It is affirmed that no personnel of the Company has been denied access to the Audit Committee. The policy of vigil mechanism is available on the Company's website.

The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. All employees of the Company are covered under the Whistle Blower Policy.

Statement of particulars of appointment and remuneration of managerial personnel

The Statement of particulars of Appointment and Remuneration of Managerial personnel as per Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Board's Report (**Annexure – 9**).

Insurance

All properties and insurable interests of the Company have been fully insured.

BOARD'S REPORT (CONTINUED)

Adequacy of Internal Financial Controls with reference to the Financial Statements

1. The Company maintains all its records in ERP (SAP) System and the work flow and approvals are routed through ERP (SAP);
2. The Company has appointed Internal Auditors to examine the internal controls and verify whether the workflow of the organisation is in accordance with the approved policies of the Company. In every quarter, during approval of Financial Statements, the Internal Auditors present to the Audit Committee, the Internal Audit Report and Management Comments on the Internal Audit observations; and
3. The Board of Directors of the Company have adopted various policies such as Related Party Transactions Policy, Whistle Blower Policy, Material Subsidiaries Policy, Corporate Social Responsibility Policy, Anti-Corruption and Anti-Bribery Policy, Risk Management Policy, Dissemination of material events Policy, Documents preservation policy, Monitoring and Reporting of Trading by Insiders, Code of Internal Procedures and conduct for Regulating, monitoring and reporting of trading by Insiders, Code of Practices and Procedures for Fair Disclosures, Policy on Prevention of Fraud and such other procedures for ensuring the orderly and efficient conduct of its business for safeguarding of its assets, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Names of Companies which have become or ceased to be Company's Subsidiaries, Joint Ventures or Associate Companies during the year

During the Financial Year, no Company has become the Subsidiary/ Joint Venture/ Associate of the Company. Rain Coke Limited, step-down subsidiary of the Company has ceased to be the Company's subsidiary during the period under review.

Change in the nature of business

There has been no change in the nature of business of the Company.

The details of significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future

There have been no significant material orders passed by the Regulators or Courts or Tribunals which would

impact the going concern status of the Company and its future operations.

Material changes and commitments

There are no material changes and commitments affecting the financial position of the Company which occurred between the Financial Year ended December 31, 2018 to which the Financial Statements relates and the date of signing of this report.

Financial Year of the Company

The Company has wholly-owned subsidiary Companies situated in India and outside India. The Companies situated outside India follow the Financial Year from January 1 to December 31 and they contribute significant revenue to the consolidated revenue of the Company and their statutory financials; tax filings are also made on this basis in the respective jurisdictions where they are registered. A common Financial Year of the Company and its subsidiary companies has synergies in closing of accounts, compilation and disclosure of data, internal control assessment and audit thereof and preparation of Consolidated Financial Statements; hence, the Company is following the Financial Year from January 1 to December 31.

The Company Law Board vide its order dated October 16, 2015 permitted the Company to follow the Financial Year from January 1 to December 31.

Business Responsibility Report

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Business Responsibility Report is annexed to this Board's Report (**Annexure – 10**).

Human Resources

The Company believes that the quality of its employees is the key to its success and is committed to providing necessary human resource development and training opportunities to equip employees with additional skills to enable them to adapt to contemporary technological advancements.

Industrial relations during the year continued to be cordial and the Company is committed to maintain good industrial relations through effective communication, meetings and negotiation.

Policy on Sexual Harassment

The Company has adopted policy on Prevention of Sexual Harassment of Women at Workplace in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has not received any complaints during the year.

The Company regularly conducts awareness programmes for its employees.

The following is a summary of sexual harassment complaints received and disposed off during the year:

Sl. No.	Particulars	Status of the No. of complaints received and disposed off
1.	Number of complaints on sexual harassment received	Nil
2.	Number of complaints disposed off during the year	Not Applicable
3.	Number of cases pending for more than ninety days	Not Applicable
4.	Number of workshops or awareness programmes against sexual harassment carried out	The Company regularly conducts necessary awareness programmes for its employees
5.	Nature of action taken by the employer or district officer	Not Applicable

Constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has constituted an Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has not received any complaints during the year.

Environment, Health and Safety

The Company considers it is essential to protect the Earth and limited natural resources as well as the health and wellbeing of every person.

The Company strives to achieve safety, health and environmental excellence in all aspects of its business activities. Acting responsibly with a focus on safety, health and the environment is part of the Company's DNA.

Dividend Distribution policy

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires the top 500 listed companies based on the market capitalisation to formulate Dividend Distribution Policy. In compliance with the said requirement, the Company has formulated its Dividend Distribution Policy; the policy is available on the Company's website at: <http://www.rain-industries.com>.

Compliance with Secretarial Standards

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India.

Prevention of Insider Trading Code

As per SEBI (Prohibition of Insider Trading) Regulation, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading. The Company has appointed Mr S Venkat Ramana Reddy, Company Secretary, as Compliance Officer, who is responsible for setting forth procedures and implementing the code for trading in Company's securities. During the year under review, there has been due compliance with the said code.

Acknowledgements

We express our sincere appreciation and thank our valued Shareholders, Customers, Bankers, Business Partners/ Associates, Financial Institutions, Insurance Companies and Central and State Government Departments for their continued support and encouragement to the Company.

We are pleased to record our appreciation of the sincere and dedicated services of the employees and workmen at all levels.

On behalf of the Board of Directors
for **Rain Industries Limited**

Jagan Mohan Reddy Nellore
Managing Director
DIN: 00017633

N. Sujith Kumar Reddy
Director
DIN: 00022383

Place: Hyderabad
Date: February 27, 2019