

*Q2-CY17 Post Results Earnings Conference Call Transcript
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MANAGEMENT:

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Mr. T. Srinivasa Rao -- Chief Financial Officer, RAIN INDUSTRIES LIMITED
Mr. Gerard Sweeney -- President, RAIN CARBON INC
Mr. Ryan Tayman -- Vice President, Investor Relations, RAIN GROUP

PARTICIPANTS IN Q&A SESSION:

Mr. Nagaraj Chandrashekhar - LABURNUM CAPITAL
Mr. Arvind Kothari – INDIA NIVESH
Mr. Akhilesh Kumar – ADPRO TECHNOLOGY
Mr. Frank Lehmann – THELO CAPITAL
Mr. Kunal Baneerjee – BRIGADE CAPITAL
Mr. Mitul Kalawadia – ICICI PRUDENTIAL
Mr. Rajiv Rupani – INDIVIDUAL INVESTOR

Moderator: Good day ladies and gentlemen and a very welcome to the Earnings Conference Call of Rain Industries Limited to discuss the unaudited financial results for second quarter 2017. As a reminder for the duration of this Conference Call all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ryan Tayman Vice President IR. Thank you and over to you Ryan!

Ryan Tayman: Thank you, Good Evening everyone. I welcome all the participants to the Second Quarter 2017 Earnings Conference Call of RAIN INDUSTRIES LIMITED. Speakers on today’s call are Mr. N. Jagan Mohan Reddy, Managing Director of RAIN INDUSTRIES LIMITED, Mr. T. Srinivasa Rao, Chief Financial Officer of RAIN INDUSTRIES LIMITED, and Mr. Gerard Sweeney, President of RAIN CARBON INC. During the call, management will be referencing and discussing a slide show presentation which is available for viewing on our website at www.rain-industries.com in the Investor relations section. We recommend viewing this presentation while listening to management’s discussion. Before we begin I would like to mention that some of the statements made in today’s discussion may be forward looking in nature that could be affected by certain risks and uncertainties. The Company's actual results could differ materially from such forward-looking statements. With that, I would now request Mr. Reddy to provide an update on key developments in the RAIN Group.

N. Jagan Mohan Reddy: Thank you Ryan and good evening to all the participants. Beginning on slide 3, in the Second Quarter of 2017, RAIN has achieved Consolidated Revenue of ₹27.1 Billion; Consolidated Adjusted EBITDA of ₹4.7 Billion; and Consolidated Net Profit of ₹1.5 Billion. In spite of unfavorable foreign exchange impact and planned maintenance at few of our facilities, the performance sustained in Second Quarter of 2017. This performance consistency is due to the timely optimization of opportunities in the improved market conditions and contributions from our strategic initiatives aimed to de-risk and de-commoditize our businesses over the last year. Functional integration in a dynamic business model across all three Geographies is contributing to generate higher revenues, efficiencies and cost reduction.

On slide 4, we have highlighted 5 key capital projects that the Company had completed in the last few years. We are pleased to inform you that these projects have been stabilized and operating as per their planned schedules. Each of these projects is contributing to the Company's sustainable performance with year over year improvements. It is because of the success of these projects that we are reasonably confident of the Company being able to achieve the desired results from its new projects announced on the next slide. Simultaneously, the Company has also been constantly working to overcome the existing bottlenecks to enable optimum capacity utilization. This is allowing company to maximize opportunities with minimum investments. With such initiatives, capacity utilization at our Hamilton Project improved to beyond 99%.

Considering the encouraging demand growth in India and surrounding regions, the Company is setting-up a Vertical Shaft Kiln CPC Plant of 370,000 Tons per annum in Andhra Pradesh Special Economic Zone, Visakhapatnam, India. The Project would also set-up a Co-generation Power Plant of 15 MW to efficiently use the flue-gases from the Vertical Shaft Kiln CPC Plant. Vertical Shaft Kiln technology would enable the Company to meet the quality specifications of its customers by blending CPC produced in the Company's existing Rotary Kiln CPC Plant in Visakhapatnam. The estimated project is INR 4,240 million (US\$ 65 million) and is estimated to commence operations during March 2019 Quarter.

Considering the increasing demand for Pitch from the Customers, the Company is incurring additional Capex of US\$ 8.50 million (Internal note: CAPEX Approved in RCI Board is € 7.25 million in the board meeting held in June 29, 2017 and applying an Exchange Rate of 1.18) to debottleneck the existing Distillation Plants in Belgium and Germany and facilitate use of higher blends of Petro Tar and Hard Pitch. This investment increases the distillation capacity by 20,000 Tons and further enables utilization of available capacity of 130,000 Tons. These initiatives would be completed by September 2019. Now Gerry Sweeney will take you through the industry developments in next slide, Gerry....

Gerard M Sweeney: Thank you Jagan and good evening everyone it is a pleasure to speak with you all again, in the upper left bar chart, you can see Aluminium demand is expected to grow at 5.2% YOY in 2017 with a CAGR of 3.4% over the five years from 2016-21. Aluminium production is expected to expand to meet this continued demand growth. On the upper right, there is continued positive movement on the

LME aluminium price, trending above \$1900 a ton. Most bullish is the continued declining LME inventory levels which supports the upward trajectory of aluminium prices long term. Current market expectations are for the LME aluminium price to break \$2000 ton in the near future. The lower LME Inventories, higher Aluminium prices, coupled with environmental regulations impacting Smelting Cost for Chinese Aluminium smelters, has led to bullish discussion among aluminium majors to re-start idle Smelters in North America and Europe.

Fuel Oil prices in the Second Quarter 2017 continued on an upward trajectory, having now increased by 139% since Q2 2016. Commodities such as Benzene and Ortho-Xylene have followed a similar increasing price trend which is a positive sign for our "Other Carbons Products" such as the BTX and Carbon Black lines which are indexed to these commodity prices. The positive price movements seen in the markets and increased demand caused by the implementation of environmental restrictions within China are both contributing to our volume growth compared to the corresponding quarter of the prior year, as seen on the next slide 8.

While there is an increase in Sales volumes of CTP and Other Carbon products, it is outweighed by decrease in Sales volumes of CPC and GPC trading. CPC volumes decreased by 3.4% due to planned maintenance activities at few of our plants. CTP and other Carbon Products volumes improved by 2.6% and 2.3% respectively, due to contributions from the new projects and increased production throughput to meet increasing market demand. Traded GPC volumes were greatly reduced as this is a low margin business which is no longer a core focus to us. Revenue from the carbon business in Second Quarter 2017 is ₹ 19.7 Billion which is 9.9% higher than prior year; this is a result of overall increased realizations across all the products coupled with increase in CTP and Other Carbon Products volumes. Through our cost saving initiatives, investments in our high quality product lines, commencement of the third CARBORES® reactor and full quarter benefits from Russian Severtar JV, the Adjusted EBITDA from the carbon business in Second Quarter 2017 is ₹ 4.0 Billion which is 9.2% higher than corresponding quarter of prior year. Turning to slide 9 on the Chemicals Businesses:

Turning to slide 9, the Chemical segment is benefiting from strong demand across all industrial segments. The Aromatic Chemicals product line benefited from both volume and price increases. While the volumes remained same, the Resin and Modifiers and Superplasticizers business decrease in revenue mainly due to lower quotations. In total, Chemicals had revenues of ₹ 4.6 billion in the Second Quarter 2017, 2% lower than prior year and Adjusted EBITDA is ₹ 0.5 billion. This concludes the performance update on the Carbon and Chemicals segments and I would now like to hand the call to Jagan to address Cement performance on slide 10.

N. Jagan Mohan Reddy: Thanks Gerry. During Q2 CY17, sales volumes compared to Q2 CY16 increased in Andhra Pradesh, Karnataka, Maharashtra, Odisha and Goa and decreased in Telangana, Tamil Nadu, Kerala and Pondicherry. Overall Sales volumes decreased by 7.8%. On the positive side, realizations increased by 3.9%. The revenue from Cement business during Second Quarter 2017 was ₹ 2.8 billion which is 4.2% lower compared to prior year and Adjusted EBITDA was ₹ 0.2 billion which is 42% lower

compared prior year by. Increased costs are the primary factor for reducing Adjusted EBITDA year over year. We are working towards reducing costs by various efforts, the largest of which is the installation of the Waste Heat recovery power plant at our Kurnool facility which is enabling the plant to produce approximately 7MW of electricity from the waste gases generated in the manufacturing process. All the electricity generated by this unit is consumed at the plant itself. Further, we have made cooler upgradation in our Nalgonda Plant at a cost of INR 156 million to achieve energy efficiency. On a positive note, we have seen increased market demand compared to the previous quarter and anticipate this demand continuing throughout the year due to infrastructure and housing projects. Now I would ask Srinivas to update you on the financial position of the company, Srinivas:

T. Srinivas Rao: Thank you Sir and a warm welcome to all the participants. Turning to slide 11, I would like to update you on the debt position of the company. As at the end of Second Quarter of 2017, the Gross Debt is \$1,104 million including \$10 million working capital debt. Due to appreciation of Euro against USD, there is an increase in gross debt due to restatement of Euro denominated debt. The interest rate is favorable compared to the retired debt and the overall results of the first phase of refinancing were positive. This initial effort has pushed back the first maturity date from December 2018 until January 2021 providing the company ample time to continue exploring options for refinancing the remaining debt at an optimal price and further extend maturity. The Company ended the Quarter with a Net debt position of US\$ 952 million which is a slight increase compared to net debt as on December 2016; primarily related to the unfavorable Euro vs USD conversion rate and accounting of debt financing costs. With US\$ 131 million of cash on the balance sheet and unused credit limits of US\$ 162 million; the company is comfortably placed to meet its obligations and continue to make the required investments to meet market demands. Thank you and I will now turn the call over to the operator for the questions and answer session, over to you operator:

Moderator: Thank you very much. Ladies and gentleman we will now begin the questions and answer session. We will take first question from Nagaraj Chandrashekhar from Laburnum Capital. Please go ahead.

Nagaraj Chandrasekhar: Thank you very much and congrats on a very good set of numbers for this quarter. You mentioned in your comments that you are seeing western smelters possibly being restarted. Would you also reopen your western market calcining capacity as a result and what would be the time line for this? Which region specifically are you seeing smelters start-ups for example going through a few conference call such as Century Aluminum, we hear about a few smelters in the US that could possibly restart and there could be some additional benefits from certain protectionist measures they might take, just wanted some clarity on that and when you could really open your shut down calcining capacity?

Gerard M. Sweeney: Thank you for the question. On the aluminum side, we are specifically seeing Alcoa talking about Warrick, we are seeing Century talking about reopening some hot lines at Mt. Holly. There are number that are being reviewed it seems almost certain at this point that the old Noranda assets at New Madrid, Missouri that are under a new company now will restart during the second half we are actually seeking supplies and so we are seeing that in US there is some discussion in Europe which is mostly not restarting completely idle smelters but adding back idle lines in the Hydro System as well

as few other producers. From our perspective, we are currently running almost at capacity if not at capacity right now trying to squeeze out every kind of product that we can from our calcining assets. The only asset we have which was closed years ago and has been completely dismantled and it is not operable is the Moundsville location but that is no longer viable from a green coke supply and emissions perspective that's why that project is officially closed down. So we have no ability to restart existing assets that's why you see the focus by the company on this new capacity in India. We can build the shaft technology much more quickly than we could build Rotary Kiln technology that gives us the advantage of a very short project life.

Nagaraj Chandrasekhar: Thank you and this on the second question on CPC pricing it is up very strongly quarter-on-quarter even in INR terms where you would have seen negative effect of currencies of course. Just wanted to ask on the consequence of this we are not seeing higher margins on the carbon business segment is this just you passing on higher input prices or would there be in the quarters going ahead some opportunity to squeeze higher profitability on EBITDA per ton margins?

Gerard. M. Sweeney: This is good observation and certainly very valid. Let me give you the factors here. First and foremost remember, we at the majority of the products as a matter of fact shall be 85% of product that we sell to end consumers from the US assets is priced on a semi-annual basis and if you look at the development of the market in the fourth quarter of 2016, the Chinese market started to get tight and we talked to you folks about that on the calls and then subsequently all of Asia followed with the first quarter and that's were able to move our prices that of the India in those negotiations. But that price increase that the firm price increase had not spread globally yet. It was more regional at that point or certainly continental in the first quarter. In the renegotiation is our opportunity we moved upon the prices that we could certainly out of India but out of the US as such we were not able to push the prices. We did experience due to stronger demand for GPC, higher Chinese prices we have seen in the second quarter GPC prices creep up will be re-capturing more and more in our expectation for the second half negotiations and I have already achieved that in the third quarter negotiations throughout India volumes.

Nagaraj Chandrasekhar: Thank you that is very helpful.

Moderator: Thank you. We will take the next question from the line of Arvind Kothari from India Nivesh. Please go ahead

Arvind Kothari: Hello Sir I wanted to ask about the CPC realization and the CTP realization how do they stand on an average basis upon the previous quarter and currently may be in July what is the price trend that you see and what about your input cost I mean for CPC we need GPC so what is the trend that we had been observing in GPC prices so that what kind of realization we are expecting by selling our end product?

Gerard. M. Sweeney: I think just building on the prior question to give you a little more granular look. There is no doubt that the tightness that we saw in China in the fourth quarter of last year has continued and even got

tighter. On prior calls we talked to you about the expectation that the prices of CPC to continue upwards in an aggressive fashion that is all been supported. The only reservation I think that we had expressed on prior calls was the fourth quarter of the year not knowing exactly how the threat of Chinese smelters curtailments might affect the market. That did all of that. We are comfortable with the fact that demand is very strong that the Chinese smelter curtailments will have very little affect in our belief on the market, on the availability of CPC and therefore the expectation is that and certainly the trend continues with the aggressive movement in prices. To give you little more colour on that, from the fourth quarter of 2016 through the middle of 2017 the price of CPC moved in India by a \$100 a ton with certainly rolling that out and more from worldwide perspective during the second half of the year and from a GPC perspective, it's going to move hand-in-hand with demand is strong from the calcining sector globally for available GPCs in order to see the Aluminum Industry so we do expect the trend to continue upwards nothing that we are concerned about where we expect that the GPC cost will out strip our ability to push price on CPC so we are very comfortable in our ability to expand our margins going forward rather than be concerned about any kind of squeeze on our margins to the GPC prices moving forward. With the markets affording the opportunity to assure that we can move. I would like to highlight as well the investments we made in the US for SO2 scrubbing are benefiting us greatly in this market in order to differentiate us and our competition because it allows us to buy cheaper, higher Sulphur GPC's and use them in our blend which without the SO2 scrubbing we would not be able to and it really highlights the opportunity that is being created with the India blend strategy by producing product in the US, shipping in the large shipments to India and then reaching the growing market in India and the surrounding area with very economically produced CPC.

Arvind Kothari: Got it and the second question I wanted to ask was about the maintenance how much of the throughput or the volumes we lost of CPC due to maintenance and what can we expect in the next quarter the volumes on the CPC side?

Gerard. M. Sweeney: Well, as far as the second quarter of 2017 we are producing a full volume. Now I will give you the caveat that in the anticipation of this strong market demand during the first half of the year we took most if not all of our down time in our facilities so we could run for in particular the second quarter was a large turnaround quarter for us in both standing and down time at our facilities in order to do maintenance. So incrementally we should see more production going through the second half of the year. As I said, we are running full at all of our facilities. I am pleased to say we are running more reliably then we ever have at our facilities particularly here in the US. We are hopeful that trend to continue. But we in order to get significantly more volume in to our system we are going to have to build more assets for calcining and that means that ultimately, it's the right time to do this India calcine expansion.

Arvind Kothari: Thank you

Moderator: Thank you. We will take the next question from the line of Akhilesh Kumar from Adpro Technology. Please go ahead.

Akhilesh Kumar: Thank you for taking the call. I have one question regarding the new expansion plant we have planned at Visakhapatnam for CPC, how confident we are of securing the GPC product considering that in Chinese market also later year, they will be tightening the export of this Green Petroleum coke?

N. Jagan Mohan Reddy: Couple of issues on this is that we are already importing quite a bit of CPC into India from other places including US and China so we will be essentially replacing some of those quantities by using this material and the reason why we have used the Shaft Calcining Technology is our ability to use more marginal grade qualities that may or may not have been calcined before so we think because we plan to blend this material with our Rotary Kiln calcined products we should have lot of flexibility so we are reasonably confident because of our ability to procure variety of Green cokes and marginal quality cokes about getting the Green cokes required for the expansion project.

Akhilesh Kumar: Okay and one last thing, I heard we had a MoU with Andhra Pradesh government for Cements unit expansion is this on or we are just in drawing board?

N. Jagan Mohan Reddy: We are only looking at the Calcinations plant now whatever we have announced. Other projects you know we look at projects but at this point of time we are only evaluating the calcinations project which we are actually going to construct very soon.

Akhilesh Kumar: Okay thank you.

Moderator: Thank you. We will take the next question from the line of Frank Lehmann from Thelo Capital. Please go ahead.

Frank Lehmann: Yes thank you very much for taking my call and regards from Berlin here. I like to ask questions about your Russian facility the CTP facility. Pretty much three questions, one is the clients of that operation are they mainly Russia based or is it exclusively Russia based. One of my questions with export opportunity there. Second one is the operation pretty much self sustaining in Russia or does it rely on imports or does it rely on any exports from other countries to be imported into Russia and then blend it towards the operation there and last but not the least it was mentioned that there is an EBITDA contribution from that facility in the calendar in the second quarter I was looking at page 8 but of course I can't see the Russian element but where would I possibly see them what amount would I be looking at from the Russian operation thank you?

Gerard. M. Sweeney: Yes Jagan you wanted me to take that.

N. Jagan Mohan Reddy: Yes please you can answer the first two and the last on the EBITDA we do not comment on the individual company but Gerry you can please answer the other issues.

Gerard. M. Sweeney: Yes under Russian joint venture we are sourcing all of our raw material from the neighboring, the majority of our raw materials from the neighboring Severstal plant, from our joint venture partner. We do source other tar from Russian steel producers by 80% to 90% of the feed that would run in at that

facility is coming from really the steel complex that the joint venture is located in. As far sales, we are currently selling the entire pitch product that we produce within Russia. We have the capabilities in building the facility, we have the capabilities of exporting that product if we want but we produce a very good quality coal tar pitch for the Russian Aluminum market and they have noticed this and appreciated and were fetching a good price which wants us keeping the product in country if the arbitrage were to present itself that it was better economics to take the pitch out we certainly would do that. Most products from the distillation facility you have talked about, we do take some liquid volumes out to our northwest Europe facilities because we could extract better value from those liquid products those are in quick in prime decisions but if you can tell by my description we have the ability to stay in-country or export as the supply-demand balance really presents itself.

Frank Lehmann: Alright thank you very much for explaining that to me.

Moderator: Thank you. We will take the next question from the line of Kunal Banerjee from Brigade Capital. Please go ahead.

Kunal Banerjee: Just a couple of questions on the CPC side, first of all this new project in Vizag 370 KT I mean if I just look at current CPC spreads over GPC and not extrapolate what might happen next year in terms of where those spreads might expand to I mean just on current CPC, GPC spreads it looks like at full ramp that facility could be doing close to \$40 million of EBITDA. Is that as reasonable to assume when it hits full capacity some time in 2019?

N. Jagan Mohan Reddy: Kunal while we cannot comment on the profitability or on the forecast on a future but we do expect the payback period should be pretty short for this project and more than the payback the way it is going to help is that this plant is going to act as catalyst for all our other projects. So, it is very critical from a quality perspective that actually improves the quality of all the products from density perspective. So, while individually it actually performed well but actually we are looking at much more than financially this project will act as catalyst improving the quality of all other products should help the entire company.

Kunal Banerjee: Okay and the cogen unit ...would it be comparable in terms of its contribution to the Chalmette, cogen or either one?

N. Jagan Mohan Reddy: Yes kind of say for example, for our Vizag facility we almost get somewhere about 7-8 cents similarly we think it may be couple of cents lower but yes we should do because we have Cement plants which can take this power so we have options.

Kunal Banerjee: And the two of them are gonna come up at the same time, right the cogen and the calcination facility?

N. Jagan Mohan Reddy: Yes mandatory, because we have to use the flue gases we cannot let out in to the atmosphere so we have to so that is why actually that the shaft calciner can be completed little earlier but we are taking 15 months time or 16 months mainly because of power unit.

- Kunal Banerjee:** Okay and my second question I have to do with this plant is coming up in 2019. Yet Gerry was talking about Century, Alcoa and Noranda in fact Noranda is even more eminent looking for CPC in the second half would that suggest that you would withdraw some of your India volumes out of your US facilities and trade a service the Noranda restart for instance?
- N. Jagan Mohan Reddy:** Yes we will and as a matter fact not only that we had planned to export certain quantities from India to the US from the shaft calcined product as I said earlier because to improve the densities there so that it will enable us to process more marginal qualities. So, any how we may bring in quantities from US to India and we actually may export back Shaft product to US.
- Kunal Banerjee:** Okay if I look at the second half then are you going to around closer to the 500 quarterly run rate on your CPC and then apply the increase that you have seen in India to your contracts in the US I mean is that the fair way to look at the second half?
- Gerard M Sweeney:** Yes Kunal, it is the easiest way to look at it is we will be driving the pricing trend that is taking place in India is spreading west and we certainly doing our part to ensure that it does but there is no doubt that what was once China then became Asia is now global and we know that as well even amongst our competitors the market is extremely short from a volume perspective right now.
- Kunal Banerjee:** And you could run at 500 quarterly run rate or close to that?
- Gerard. M. Sweeney:** That is our expectation.
- Kunal Banerjee:** Okay thank you.
- Moderator:** Thank you. We will take the next question from the line of Mitul Kalawadia from ICICI Prudential. Please go ahead.
- Mitul Kalawadia:** Hi, Sir good set of numbers of and congratulations to you guys, the mostly consolidating so all good things. Wanted to understand what would be your consolidated capacity let us say the carbon that we can now talk about after all the debottlenecking and everything which has been done?
- T. Srinivasa Rao:** You are looking at Coal tar pitch or CPC, CPC we are about 2 million tons, the new capacity what we are adding in India is about 370 that will come somewhere in early 2019. So, with regards to Coal Tar pitch we have 1.3 million tons is the distillation of coal tar apart from that we also have the petro tar which can be blended into the coal tar which is around 180k tons but we are increasing that to 200k tons but what is advantage is we are not able to produce 1.3 plus 0.2 .. 1.5 million tons of coal tar we are not able to distill it because of the logistic requirement like storage capacities and loading facilities etc. In that debottlenecking project, what we have discussed so we are trying to create the infrastructure so that we should be able to do the coal tar distillation as well as the petro tar distillation so we should have effectively 1.5 million tons of total distillation capacity.

- Mitul Kalawadia:** Okay and in terms of just trying to understand in terms of leverage we are making a very good cash flow if you just try to see them this quarterly numbers your PAT plus depreciation is to the extent of upwards of 200 Crores per quarter. That if we go by that run rate we should be seeing meaningful amount of deleveraging the balance sheet I understand that there is some amount of capex that we have announced, is there a number that you would want to bring down your leverage to because where I am coming from is that we are somewhere seeing a good uptake in the cycle we might also see in the next one, two or three years kind of the peak of the cycle and I would believe that as a prudent management it would be good to have a lower leverage at the peak of the cycle so that that next downturn can be handled much better, so what are our thoughts around that and where you would be?
- T. Srinivasa Rao:** Mitul, you are correct, like the management is also targeting to lower the leverage to the extent possible and apart from the debt repayment and the interest obligation, the two other requirements what we have is the working capital need in the business is increasing because of the increase in the commodity prices, our raw material prices and finished product prices they are constantly increasing in the last few quarters. So that is taking us to higher working capital need to be invested back in to the business. The second thing is with two expansion projects also require cash both put together about some 80 million Dollars. Okay... it will be spend over a period of two years but still we need to accumulate the cash for that and we have no intention to take any additional debt for funding these two expansion projects. So, after these obligations any surplus cash is there management will definitely look at reducing the debt we are looking at a leverage of something like 3X in the near term say one and half year to two years from now.
- Mitul Kalawadia:** When you say 3X debt to EBITDA?
- T. Srinivas Rao:** Yes debts to EBITDA of 3X.
- Mitul Kalawadia:** Okay that should be a good meaningful one. Just one more part on this on the debt side or the capex side would you consider buying out some assets somewhere or any thoughts on that?
- T. Srinivasa Rao:** No nothing actually.
- Mitul Kalawadia:** Coming to one question on the business part, sorry, my pardon if missed the initial commentary, are there spreads also going up along with the prices of raw material and the finished goods going up or the spreads are more or less in the same bracket?
- N. Jagan Mohan Reddy:** We expect the margins to expand but to what extent we cannot comment, we too will expect the margins to expand.
- Mitul Kalawadia:** The raw material prices are going up because they are seeing the finished goods pricing going up is there some tightness in that raw material availability also?

N. Jagan Mohan Reddy: There is kind of tightness for the raw material availability but as a company we are fairly better placed but there is tightness for raw materials.

Mitul Kalawadia: So, the new capacities which are restarting will the market have enough raw materials to meet those requirements or we are actually...?

N. Jagan Mohan Reddy: You mean to say for the aluminum smelters are those starting?

Mitul Kalawadia: Yes, aluminum smelters which are announced to or planning to get started could there be enough raw material to meet those?

N. Jagan Mohan Reddy: They are trying basically they have contacted us so let us see we will be discussing with them but as we see the market is very extremely tight.

Moderator: Mitul I am sorry to interrupt but I would request you to come back in queue for any follow up questions, thank you. We have next question from Arvind Kothari from India Nivesh. Please go ahead.

Arvind Kothari: We wanted to ask from the CTP side, Koppers has in its result articulated that its cost rationalization process has brought down the manufacturing cost of CTP for it so would that be effecting our CTP realization if Koppers decides to reduce the prices of CTP?

Gerard. M. Sweeney: I am sorry I am not sure that I got all of that question, you talked about Koppers and will that affect us but I am not sure exactly can you repeat?

Arvind Kothari: I am talking about Koppers Limited, Koppers is our competitor in CTP market right? So, Kopper in its concalls has said that its cost rationalization process has brought down a lot of carbon manufacturing cost so will it be reducing the price against CTP, few years back in pricing?

Gerard. M. Sweeney: Koppers has rationalized. They closed and this melted the number and remediated at four different locations globally over the last several years so the commentary is that they have now rationalized their distillation assets. So, they no longer have the onetime charges related to that and that they have now spent all their money and they have all profitable in coal tar pitch product which makes perfect sense but that is of no impact to us, we are not concerned about their position. We are much larger distiller then they are and still have very favorably placed assets. So, we are very comfortable that the pricing of products and the availability of tars will not affect us related to anything from the Kopper's perspective. There is in general tightness and shortage of available tar globally but that is nothing related to Kopper's at all.

Arvind Kothari: Okay and next I wanted to ask that a lot of Hindalco and other companies in India have reported better numbers and they are looking at expanding in aluminum capacity so how much capacity you

have blending facility running now and would that be enough to supply any material that is required in India?

N. Jagan Mohan Reddy: We are making an effort to try and sell to the maximum extent possible to meet all the requirements. Is it sufficient as now there are several factors to say that I think it is the better to question to ask them instead of us because we are trying whatever demand as they were trying to match but the markets are tight that is all we want to stop at.

Arvind Kothari: Are we running in full capacity of the blending facility?

N. Jagan Mohan Reddy: Yes please.

Arvind Kothari: Thank you.

Moderator: We will take the next question from the line of Nagaraj Chandrasekhar from Laburnum Capital. Please go ahead.

Nagaraj Chandrasekhar: Thank you again, I just wanted to ask follow-up on one of your earlier comments on the margins decline in the chemical side that you would get back in the next quarters going ahead, would you be able to quantify that in any terms possible?

N. Jagan Mohan Reddy: I don't think we can quantify any numbers but we do expect the margins to improve because there are certain factors in second quarter because the raw material availability and then around some situation that happened last for other reasons but we hope that will change in subsequent quarter and it should be better but we cannot comment on any particular numbers please.

Nagaraj Chandrasekhar: And just wanted to understand guidance on maintenance capex once you have these two new facilities a total capital expenditure of 80 million Dollars on these two expansion projects, what should be your maintenance capex post that?

N. Jagan Mohan Reddy: It should remain the same I think whatever we are currently doing will remain same because the new India projects should not have much of, see it is a continuous process basically runs for six years because there is no shutdown for that and the maintenance will be very minimal so I would say with these two projects it may be go about 5% at most I would say that is on the top but we do not think it will be at high. I would say it may be 2% to 3% actually.

Nagaraj Chandrasekhar: Okay thank you once again.

Moderator: We will take the next question from the line Rajiv Rupani Individual Investor. Please go ahead.

Rajiv Rupani: Hello Sir regards to you and the entire team. Sir, I have a follow up question on the debt, earlier you spoke about reducing the debt over three or four years so could you guidance that now that our net debt is \$952 million so over the next three to five years by what percentage can we reduce it?

N. Jagan Mohan Reddy: Our target is always reduce the debt because we have bond debt and it will depend on we actually have to refinance our debt that is actually 2021 that point of time we will see how much debt we are going to use our internal cash accrual and also how much we are going to refinance. As Srinivas told earlier we need about \$80 million right now for the capex because we are not planning to borrow any additional funds similarly we will also need funds for or increasing working capital because the selling prices of raw material or the finished products and the increase in the capacities we will require lot more working capital again we don't expect borrowings anything additional from that so meeting all these things we do expect, our target is I cannot comment on how much we want to reduce but our target is to bring it below 3X in the near term.

Rajiv Rupani: Okay so Sir one more follow up question the repayments which are due in January 2021 so we are paying interest of 8.25 and 8.50 for \$241 million and \$227 million so just wanted to understand for the refinancing that would be done closer to the maturity date or can that refinancing be done in the next one year or so that on a lower interest cost, could you guide us on that please?

N. Jagan Mohan Reddy: We can do it anytime after January to reduce the cost and we expect this time the re-financing will be at a much attractive rate compared to what we had earlier.

Rajiv Rupani: Okay Sir my last question was in previous concalls you talked about value unlocking for shareholders and the listing of carbon business in USA, Sir just wanted an update on that because if you see our company has a market cap of around 4000 Crores and we are doing CPC and CTP and we also have a cement division but our competitor in the Indian market Himadri Chemicals having a market cap of 3,300 Crores and it is producing only CTP so Sir how will value be unlocked for your shareholders, please if your could guide us?

N. Jagan Mohan Reddy: I think we people see the value of this company going forward as you have seen in the last one year, there have been better awareness of the company so we have to appreciate because we do expect our performance to improve going forward. So, we cannot comment on stock prospect because we can only talk about the company but all our effort is that we want to improve the health of the company and wealth of the company so we will always work towards that and we hope that investor recognize that and that is all we cannot comment on the stock.

Rajiv Rupani: Thank you.

Moderator: We will take the next question from the line of Akhilesh Kumar from Adpro Technology. Please go ahead.

- Akhilesh Kumar:** Thank you again. I have just one last kind of suggestion is it possible to provide the presentation in Dollar terms as most of the revenue comes from US?
- T. Srinivasa Rao:** Actually, we are providing the debt numbers in Dollars but others we are not giving may be if possible next time we can try to give the Dollars numbers also. Key numbers we can give them in Dollars.
- Akhilesh Kumar:** Because in the translation most of the times it is loss like whether we are growing in Dollars terms because that gives us a clear picture?
- T. Srinivasa Rao:** Apart from the US Dollar and INR we also have Euro's, Russian Rubles and Canadian Dollars, three other currencies are there so because of the global operation there will be some exchange gains and there will be some exchange losses we cannot really control them and by giving the financial statements in Dollars or in INR these incurring of forex gain or forex loss cannot be avoided but as suggested by you we can give some key numbers in Dollars.
- Akhilesh Kumar:** Just like say IT companies Dollars revenue and the Rupee revenue financials ? If possibly in your presentation...
- T. Srinivasa Rao:** Agreed and we can provide that.
- Akhilesh Kumar:** Okay and Sir last one suggestion is Jagan or Gerry why you people don't come on Indian business channel because that will increase the visibility of the company as well?
- T. Srinivas Rao:** You are asking about road-shows?
- Akhilesh Kumar:** Not road-shows like say every result or listing we have all the company's MD's and all their coming and giving the company's performance review and all so why don't you try to come on the TV as well because no where I can see Jagan's interview.
- N. Jagan Mohan Reddy:** We will see. Thank you very much.
- Moderator:** Thank you. We will take the last question from the line of Mitul Kalawadia from ICICI Prudential. Please go ahead.
- Mitul Kalawadia:** Sir can you talk about this new technology that we are putting up a bit and what are the benefits in terms of operational efficiency or yield improvements or some cost wise?
- N. Jagan Mohan Reddy:** We have been using so far the Rotary Kiln technology. All our plants around the world are based on this Rotary Kiln technology. But the new plant broadly was built actually based in China. Majority of the Calciners in China are actually using the Shaft Calcination technology. The advantage of this technology, first of all this technology is not new it is technically a thousand year old technology

which is actually we see in every village in India also offers this lime and all these things. This is much more little advance of course but is the same technology. What we do is that the Green petroleum coke converts into Calcined Petroleum Coke in about one hour in a Rotary Kiln whereas here it takes about 24 hours to 36 hours so basically it becomes more and more dense so that it improves the density of the product when we do that and the benefit is it also consumes the lower green petroleum coke compared to the Rotary Kiln. Because of these things it enables you to process some marginal grade qualities which you cannot process in Rotary Kiln so these are the benefits.

T. Srinivasa Rao: and no fuel is used for converting GPC into CPC.

Mitul Kalawadia: Sorry I did not get the last one?

T. Srinivasa Rao: There is no fuel used at all.

Mitul Kalawadia: Okay.

N. Jagan Mohan Reddy: We will not need a supplementary fuel current.

Mitul Kalawadia: Okay and if I heard it right one hour versus 36 hours?

N. Jagan Mohan Reddy: Yes.

Mitul Kalawadia: Okay, that is quite significant time taken?

N. Jagan Mohan Reddy: Yes, that is the reason we chose this technology but you cannot completely build all your plants based on this because we have lot of other capacities we thought 15% - 20% should be based on the Shaft Calcinations so we can use it as blend but I do not think future projects may be one more but it will not be our primary technology that we will be using for production.

Mitul Kalawadia: Okay, is this technology relatively cheaper or expensive how do you benchmark it against a similar capacity in the Rotary Kiln?

N. Jagan Mohan Reddy: I would say it is almost the same or slightly lower but I would say plus-minus 10% either way but it is almost the same.

Mitul Kalawadia: Okay, lastly in earlier comments you mentioned that the new India project you will divert some of the US volumes of GPC to India, would our overall capacity be lower and not increasing by 370000 tons would that be fair because some of the part of the volumes will be diverted here given the non-availability of raw material?

N. Jagan Mohan Reddy: No. Basically what we are looking at is our capacity will be 370000 tons extra. All we are saying is, we do not look our plants as India or US. We look at them as globally and we are adding our global capacity by 3,70,000 tons. I just mentioned that we may move some of the material from here to US

but we may also bring in similar quantity from US to India so that there will be interchange of materials to improve the quality of US and similarly but we need quantities in India so we are going to do that but otherwise nothing else.

Mitul Kalawadia: Okay that is it from my side thank you.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Jagan Mohan Reddy for his closing comments.

N. Jagan Mohan Reddy: With a strong performance during five consecutive quarter, the Company is quite confident to continue improving its performance and adding value to the firm with its strategic plans and an integrated global business model. The Company will continue to watch the market developments and keep improving its operating strategies and make optimum capitalization from the available opportunities from both internal and external. Further to the Greenfield expansion, the Company will continue its initiatives to improve capacity utilization across all its production facilities. Thank you for participating in today's call and we look forward to speaking with you next quarter.

Moderator: Thank you very much, ladies and gentlemen on behalf of Rain Industries Limited that concludes this conference call for today. Thank you for joining, you may now disconnect your lines.