RAIN INDUSTRIES LIMITED

RIL/SEs/2018

May 16, 2018

The General Manager Department of Corporate Services BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai-400 001	The Manager Listing Department The National Stock Exchange of India Limited Bandra Kurla Complex Bandra East Mumbai – 400 051

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call – Reg.
Ref : Scrip Code: 500339 (BSE) & Scrip code : RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith Rain Industries Limited Transcript of Earnings Conference Call on Unaudited Financial Results for the first quarter ended on March 31, 2018.

This is for your information and records.

Thanking you,

Yours faithfully,
for Rain Industries Limited

S. Venkat Ramana Reddy
Company Secretary

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Corporate Announcements

Ann Id	Subject	Category / Sub Category	Description	Status	Uploaded Date	Approve / Reject Date	Officer Name	Designation	Remarks	BSE Website Link
303881	Announcement under Regulation 30 (LODR)-Earnings Call Transcript	Announcement under Regulation 30 (LODR)	Earnings Call Transcript	Submitted	16/05/2018 10:12:20	-	S. Venkat Ramana Reddy	Company Secretary & Compliance Officer		view
302385	Shareholder Meeting / Postal Ballot-Scrutinizer's Report	Shareholder Meeting / Postal Ballot	AGM	Submitted	12/05/2018 18:02:13	-	S Venkat Ramana Reddy	Company Secretary & Compliance Officer		view
302382	Shareholder Meeting / Postal Ballot-Outcome of	Shareholder Meeting / Postal Ballot	AGM	Submitted	12/05/2018 18:00:19	-	S. Venkat Ramana Reddy	Company Secretary & Compliance Officer		view

10:13 AM 16/05/2018

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RAIN INDUSTRIES LIMITED

Q1 CY18 Earnings Conference Call

on May 11, 2018

MANAGEMENT:
MR. N. JAGAN MOHAN REDDY – MANAGING DIRECTOR, RAIN INDUSTRIES LIMITED
MR. GERARD M. SWEENEY – PRESIDENT, RAIN CII CARBON INC.
MR. T. SRINIVASA RAO – CHIEF FINANCIAL OFFICER, RAIN INDUSTRIES LIMITED
MR. RYAN TAYMAN – VICE PRESIDENT (INVESTOR RELATIONS), RAIN INDUSTRIES LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Rain Industries Limited Q1 FY '18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and 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, Rain Industries. Thank you and over to you, Sir.

Ryan Tayman: Good Evening everyone. I welcome all the participants to the First Quarter 2018 Earnings Conference Call of RAIN INDUSTRIES LIMITED. Speakers on today's call are Jagan Reddy Nellore, Managing Director of RAIN INDUSTRIES LIMITED, Gerard Sweeney, President of RAIN CARBON INC., and T. Srinivasa Rao, Chief Financial Officer of RAIN INDUSTRIES LIMITED.

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. Now if you could turn to slide 3 and I would request Jagan to provide an update on key developments within RAIN Group, over to you Jagan.

N. Jagan Mohan Reddy: Thank you, Ryan. A very good evening to all the participants.

As you have noticed from the earnings release and presentation the Company has changed its business segments. This significant development is due to the functional integration of RAIN's businesses over past years. With the functional integration nearing completion management has taken the opportunity to redesign how it manages the Company's product portfolio. Marketing of the products has been switched from a site and product based model to a region-specific layout which allows the team to optimize the marketing efforts in addition to segregating its products produced from value-added processes. This structural transparency reflects the business rationale of the company by aligning products along their major value chains (raw material to end-product) in addition to increasing focus on value-added processes that are meaningful contributors to the Company's earnings.

The Company believes that realigning our business segments will allow management to increase focus on newly developed products that offer environmental benefits to our customers as well as those that are serving the needs of certain high-growth areas. The resulting segments will be called Carbon, Advanced Materials and Cement. This change is effective January 1, 2018, and as expected from an Advanced Materials producer, the transition should stimulate new strategic initiatives to further improve the over-all performance of the Company.

Turning to Slide 4 ...

The table provides a breakdown of each business segment and the products which roll into the various reporting lines. Here you can see that the Carbon business segment is comprised of the primary products derived from calcination and coal tar distillation. The Advanced Materials business segment includes products produced from further processing of our primary coal tar distillates, our naphthalene production, and petrochemical by-products and aromatic intermediates. We have broken our Advanced Materials segment into 4 reporting lines Engineered Products, Petro Chemical Intermediates, Naphthalene Derivates and Resins. In the past, several were grouped within our Chemical segment and the rest have transferred over from our Carbon segment. The products in red were transferred from Carbon and the products in blue are from Chemicals. The heritage Carbon segment products are value added products which in most instances have their own operating plant at the same location our coal tar distillation is carried out. We believe the further refinements to these products and the associated value achieved by them was lost within the Carbon segment. Now, with the new classification of these products, there is a clear demarcation between output from the primary coal tar carbon business and further downstream processing of the derivates.

Now turning to Slide 5 on new capital expansion.....

In order to participate in the rapid growth of water white resins for adhesive applications and to further grow and diversify the Advanced Materials business, RAIN plans to invest in a 30,000 tons p.a. plant for DCPD/C9 resin polymerization and hydrogenation plant at its integrated coal and petrochemical site in Castrop-Rauxel, Germany. This plant will produce various Hydrogenated Hydro Carbon Resins or HHCR products with flexibility to produce various HHCR products using special proprietary and patented technology of RAIN.

Hydrogenation is the next step for hydrocarbon resin producers, to satisfy evolving regulatory requirements and demand by consumer- and industrial-goods manufacturers for cleaner and safer raw materials. We are seeing particularly high demand for white-water resins from the producers of food packaging and sanitary products.

In 2017, we originally announced plans to do this expansion at our Uithoorn plant in the Netherlands. But after doing a feasibility study, it was observed that Castrop-Rauxel would be the most competitive and economical plant location due to its full integration into the largest Advanced Material plant of RAIN. Additionally, there is a scope to upgrade the capacity from 30,000 tons p.a. to 50,000 tons p.a. with further debottlenecking, which will provide further growth opportunities in the future. Project execution commenced in CY17, and the HHCR plant is estimated to start up operations in CY19.

The total estimated CAPEX for this project is $66 million. All the requisite permissions are obtained, detailed engineering is done and site preparation work is under progress.

Turning to slide 6 on the status of ongoing capital expansions .....

Last year, we announced 3 other capital projects, including a 370,000 tons p.a. vertical shaft calcination plant in Vizag, debottlenecking of our petro chemical distillation facilities in Europe and a 4.1 MW waste heat recovery power plant at our Nalgonda cement plant.

Preliminary project work commenced in CY17 on the vertical shaft calcination. We have obtained all the requisite permissions and the work progress is as per the planned schedule. The calcining facility is estimated to commence operations in the third quarter of CY19.

The debottlenecking of our petro chemical distillation facilities has made substantial progress, and we estimate that this project will be completed on schedule in the fourth quarter of CY18.

Similarly, the preliminary project work for our 4.1 MW waste heat recovery power plant at our Nalgonda cement facility commenced in CY17. All the requisite permissions are obtained and the Design, Engineering, Procurement and Construction contracts are executed. Structural work is under progress and progressing as per the planned schedule. The new waste heat recovery facility is estimated to commence operations in the first quarter of CY19.

Now moving to slide 7 on consolidated financial performance .....

RAIN is pleased with the improved performance during the First Quarter of 2018 compared to the First Quarter of 2017 due to the continued benefit from favorable market dynamics together with the strategic initiatives implemented during the last 2 years. The performance of the Advanced Materials segment was weaker in this Quarter primarily due to the increase in operating cost from the appreciation of Euro coupled with reduced sales volumes and outages at the BTX and PA plants.

In the First Quarter of 2018, RAIN achieved Consolidated Revenue of ₹32.91 Billion; Consolidated Adjusted EBITDA of ₹6.62 Billion; and Consolidated Adjusted Net Profit of ₹2.51 Billion. From the exchange rate fluctuation perspective, the impact from the appreciation of Euro is partially offset by depreciation of the USD against the Rupee in the First Quarter of 2018.

Turning to the next slide on Geography mix .....

The consolidated revenue of RAIN is primarily generated within Europe, excluding Russia, which accounts for approximately 33% of revenues followed by North America, the US and Canada, at 29% and then by Asia including the Middle East, at approximately 26%. Of our total revenues only 4.7% were earned within Russia. The majority of these sales are generated from our Russian JV of which RAIN's shareholding is 65%.

Now Gerry Sweeney will take you through the industry developments on the next slide, Gerry.....

Gerard Sweeney: Thank you Jagan, and good evening everyone. It is a pleasure to speak with you all again. On Slide 9; the upper left bar chart, as discussed in prior quarters, shows Aluminum demand continues to grow worldwide. As you can see, the bullish trend is projected to continue in the forward years, a trend we believe will continue to be supported by the uptick in the global economy over the last few quarters, if not accelerate it.

On the upper right, we see the healthy performance in the LME Aluminum price, which has been trading between $2,100 and $2,400 per ton for some time now. Another bullish trend shown on this graph is the continued decline in LME inventory levels, which has supported aluminum prices above $2,000 for the last six months. The lower LME Inventories and higher Aluminum prices, coupled with moderating production levels in China, has led to the restarts mentioned on slide 10. At the same time, the world is still wary of the high inventories in China, and where these volumes will ultimately wind up in the future. Dumping of aluminum has garnered a lot of attention over the last few years in many countries, especially India and the U.S.

On the lower left of slide 9, you can see that Fuel Oil prices in the First Quarter 2018 continued the upward trend we have seen over the past few quarters. Fuel Oil prices have increased almost 17% in First Quarter 2018 compared to First Quarter 2017.

Turning to slide 10

On slide 10, Asian Primary Aluminum production is up 8.1% in the first quarter 2018 compared to the first quarter 2017 according to recent industry updates. During the winter season there were several curtailments of calciners in China and we will be watching the availability of these products now that the winter curtailments are over.

On the upper right, you can see the estimated incremental production capacity being added in the United States. The restarts originally started due to the favorable conditions in the AL market as well as the projected curtailments in china these have been further bolstered a 10% import duty and sanctions issued by the United States. Further, strong growth in LME and US mid-west premiums accelerated the capacity restarts in the US. The first of the restarts were 3 pot lines at Alcoa's Warrick plant with a consolidated operating capacity up to 161,000 tons p.a. Two of these pot lines were started from CY17 till the first quarter 2018. The third plotline is estimated to commence in the second quarter 2018. The largest restart is by Magnitude 7 Metals, a company that purchased Noranda's New Madrid facility. The smelter expects to add around 175,000 tons p.a. of operating capacity in CY 18 with the restart of two pot lines. The third restart is Century Aluminum's Hawesville facility. All of the 5 pot lines are expected to be operational by Q119, adding up to 155,000 tons p.a. of incremental production capacity to this region. The cumulative restarts would increase primary Aluminum production in the US to approximately 1.3 million tons p.a. by CY19 -- almost 65% higher compared to CY17.

During the first quarter, we saw three geopolitical events that could impact our industry. One was the 10% tariff announced by the United States in March on aluminum imports, with an exemption for Canada and Mexico. However, these exemptions came with annual import limitations so while they will not be subject to the tariff they will be limited with regards to the amount of metal each country can import. In addition, the US Treasury Department added one of the largest global aluminum suppliers onto its sanctions list. This caused immediate reaction within the market however, it is widely believed ownership will address the sanctions to ensure its name is removed from the list. A third development occurred in January 2018, when India increased the import duty on petroleum coke from 2.575% to 11%. These geopolitical reforms are impacting our industry, but we are taking pause to see where they will land and how restrictive they will be, so we are constantly monitoring the situation to understand their impact.

Moving to slide 11 on the performance of Carbon business segment.

On slide 11, Carbon sales volume during Q1 2018 was 662 thousand metric tons, a decrease of ~2.6% compared to 680 thousand metric tons in Q1 2017. The decrease is mainly due to lower sales volumes in CPC by ~5.4%. Part of that decrease was the result of prolonged negotiations with customers following an increase in import duties enacted by India on January 5th 2018. We had anticipated higher volumes from CPC in the quarter but our objective is to maximize margins and optimize our available raw material portfolio. It is not to achieve sales volumes at the expense of profitability. As a result, the company is evaluating the viability of continuing to produce at full rates as the last incremental tons being produced are very nominal in overall contribution to the bottom line due to the stress it puts on the raw materials. We will continue to focus on profitability and not volume in our businesses.

On a positive note, there is an increase in CTP sales volume by 4.7% due to increased demand and capacity utilization. During Q1 2018, the average blended realization increased by ~56.7% after considering the unfavorable impact from the depreciation of the USD by ~4.0%, which is offset by the favorable impact from the appreciation of the Euro by ~10.7% against the Indian Rupee. As a result of these various factors, revenue from Carbon segment increased by ~52.6% in Q1 2018 as compared to Q1 2017. During Q1 2018, Adjusted EBITDA in the Carbon segment increased by ₹ 2.8 billion due to higher sales volumes from CTP, coupled with improved realizations of all Carbon products.

Turning to slide 12, Advanced Materials sales volume during Q1 2018 was 110 thousand metric tons, a decrease of ~4.3% compared to 115 thousand metric tons in Q1 2017. There was a decrease in sales volumes by ~13.3% & ~7.1% in Engineered products and Petro chemical intermediates respectively in Q1 2018 compared to Q1 2017. Sales volumes remained constant in Naphthalene derivates and Resins during Q1 2018 compared to Q1 2017. During Q1 2018, the average blended realization increased by ~5.6% along with the favorable impact from the appreciation of the Euro against the Indian Rupee by ~10.7%. Overall, the revenue from Advanced Materials business increased by ~1.0% during Q1 2018 as compared to Q1 2017. Adjusted EBITDA in the Advanced Materials segment decreased by ~40.7% due to increased operating expenses and higher raw material quotations resulting from the appreciation of Euro coupled with plant outages during the quarter.

Before I hand the call back to Jagan I would like to address the press releases issued by Alcoa, Rio Tinto, and Apple yesterday with regards to the development of a carbonless aluminum smelting process. We believe it is a huge achievement that 2 large aluminum smelters and one of the greatest technology companies of our time have joined forces to produce an environmentally friendly product. The process which they will be investing in appears to incorporate some of the same technology that Alcoa has been investing in for decades and the material challenges are substantial. The industry collectively, has worked for more than 50 years on processes which evolve oxygen instead of CO2 so any new breakthrough will need to overcome scale-up problems identified in past. The long development timeline and significant government funding likely reflects the technology development risk. For the foreseeable future, we believe aluminum will continue to be produced by the existing Hall Heroult process.

As a company, we are focused on high values specialized products as well. This is the main reason behind our advancement into environmentally friendly products such as our Low PAH sealer base and high-performance coatings for the rapidly developing lithium-ion battery industry. These are high valued niche applications and we look forward to playing a role in the continued development of these products in the future. This is an additional reason for creating the Advanced Materials segment as we see the potential for large growth in these highly specialized industries and our products. I would now like to hand the call back to Jagan to discuss the Cement segment, Jagan....

N. Jagan Mohan Reddy: Thanks Gerry. During First Quarter CY18, there was a mixed trend in sales volumes in our Cement Business. There was an increase in volumes in certain markets such as Andhra Pradesh, Telangana, Kerala and Odisha partially offset by a decrease in volumes in Tamil Nadu, Karnataka, Maharashtra, Goa and Pondicherry. Overall, our Cement sales realizations decreased by ~13.0% during Q1 2018 as compared to Q1 2017 and they were partly offset by an increase in volumes by ~4.3%. Due to these reasons, the revenue from Cement business decreased by ~9.3%. EBITDA from the Cement segment increased by ~52.4%, due to increased volumes and savings in operating cost.

We are working towards reducing costs by various efforts, the largest of which was 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 upgraded a Cooler in our Nalgonda Plant at a cost of ₹ 156 million to achieve energy efficiency. In addition, another energy initiative is underway at our Nalgonda facility to set up another 4.1 MW Waste Heat recover power plant with a CAPEX of ₹ 500 Million. That power plant is estimated to commence operation by January 2019.

On a positive note, we have seen increased market demand in the states of Telangana and Andhra Pradesh compared to the previous quarter, and we 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. Srinivasa Rao: Thank you, Sir. A warm welcome to all the participants. Turning to slide 14, I would like to update you on the debt position of the Company.

At the outset, RAIN is pleased to inform you all that we have completed our second phase of refinancing of the 2021 Notes in January 2018 with the issuance of a Euro denominated Term Loan B of €390 Million at an interest rate of EURIBOR (with a 0% Floor) + 300 BPS. Upon the successful completion of the two refinancing's, the effective average interest rate is reduced by approximately 300 BPS compared to Q1 2017.

At the end of the First Quarter of 2018, the Gross Debt is $1,155 million including $53 million of working capital debt. The company continues to utilize its working capital facilities due to the increase in quotations of raw materials. At the end of the quarter the Company had $419 million invested in its working capital requirements.

Due to the refinancing executed in March 2017 and January 2018, the average interest rate has fallen to 5.22% compared to approximately 7.56% a year ago and the Company has extended the first maturity date of its long-term debt to January 2025.

The Company ended the Quarter with a Net debt position of US$ 1,034 million. With US$ 101 million of cash on the balance sheet and unused credit limits of US$ 139 million; the Company is comfortably placed to meet its obligations and continue to make the required investments to meet market demands.

Turning to slide 15, due to the overall increase in quotations, the net working capital invested in the business has increased from US$ 396 million as at December 31, 2017 to US$ 419 million as at March 31, 2018 -- a $23 million increase.

The Company has minimal scheduled repayments over the next few years as the major debt repayments are not due until 2025. Repayments of US$ 24 Million are scheduled during 2018 and another US$ 38 million over the next 4 years. However, the Company has the flexibility to accelerate debt repayments through the prepayment of the TLB after meeting the working capital requirements and CAPEX spending for proposed expansion projects.

Thank you, and I will now turn the call over to the operator for the question and answer session. Over to you operator:

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: My first question is for Gerard, you talked about curtailing some marginal volumes that are unprofitable, as we are a month-and-a-half into this quarter could you give us a sense of pricing and current spreads on CPC and CTP in both India and the US?

Gerard Sweeney: We don't give specific spread information, but what I can give you I think...

Nagraj Chandrasekar: I was enquiring more directionally?

Gerard Sweeney: Yeah, no problem .... a couple of things to qualify the way we are looking at this. First and foremost, we did not do anything during the first quarter, it has been through the second quarter that we are looking at this. When you look at the run-up in GPC prices, GPC prices have continued to go up which was not unexpected this year because the strong demand for CPC is driving more GPC demand, and therefore, naturally driving up the GPC prices and CPC prices well outside of Asia have continued up, they kind of flattened in Asia, so the big thing that we are weighing coming off of the first quarter is when this GPC import duty got passed in India, that was something that we already have set prices for first quarter by the time it settles and quite honestly we could not recoup it at that time, so as we look at the 2 million tons of sales plan that we have for the year to source all the GPC needed for that. When you get down to the incremental volumes of GPC and if we are not able to recoup all the import duties, it just will not make sense for us from a margin perspective to produce those volumes, so we are still evaluating it. We have not completely assessed how much we will take out from the year, but at this point we have cut back a little bit in the second quarter, taken some planned outages on our CPC facility in order to not rush back and be able to ease the demand and we are already seeing that the leading indication for the third quarter is that perhaps will be a little bit more green coke around than there has been in the first half of the year.

Nagraj Chandrasekar: Got it, and then secondly, calciners in China have to an extent restarted after making some environmental investments through the winter, I know it is very opaque, but could you give us a sense of are we likely to see shutdowns to the extent we saw last year happen there and what should be the impact on pricing in the second half of the year, would we see a quicker normalization to the \$80-\$100 spreads that you know guide to in the longer term as a result?

Gerard Sweeney: Just to recap our understanding about the winter curtailments in China, we have really seen from the data that has come out, when you look at the strong aluminum growth in China year-over-year, it is only very little aluminum capacity was taken out as we see it because there was still strong gains year-over-year. On the calcination side though, we do think that there was a bigger impact there on carbon plants winter curtailment. As you mentioned, sums up the opportunity to invest in some rudimentary scrubbing apparatus in order to not have to curtail in the future. Impact on the market overall is that we have seen more export in the first quarter of 2018 out of China than we had seen really in the second half of 2017, so I think it demonstrates that there is a little more CPC around than there was during the second half of the year, all that is throughout 2017, but there are new starts coming in China from aluminum perspective throughout the year and restarts that we are seeing in the US will be something that will pull more tons from the marketplace as well from the CPC perspective, so we are watching it carefully, believe we understand what has been happening but as aluminum production from the restart angle continues to ramp up throughout the year as well as completely new capacity in China and in Asia in general, we think that things should level out again.

Nagraj Chandrasekar: Thank you

Gerard Sweeney: You're welcome

Moderator: Thank you. The next question is from the line of Arvind Kothari from India Nivesh. Please go ahead.

Arvind Kothari: My question again is related to the curtailment of maybe our CPC production that we are focusing on maybe in Q2, and due to our negotiations, we could not may be manufacture or provide the material in India because of the excise duty, but there was a shipment that was delayed in last quarter that the management had guided, so if we work on the volumes, the CPC volumes have adjusted for that shipment gone down dramatically, so was this a very big issue with the excise duty and with the curtailments may be plan in the Q2, what kind of carbon volumes are we looking at going ahead?

Gerard Sweeney: There was an impact on volumes related to the first quarter, absolutely no doubt related to the increase in the import duties in India, absolutely no doubt related to that. The impact on volume's first quarter, I do not want to say exclusively, we did have some shipments that fell over, we have settled some in the US, some in India that fell over into the second quarter that impacted us, but anything that was not time related was definitely related to the import duties. As far as volumes for the second quarter, we are not anticipating any shortfall off in our volumes related to anything. We believe that the reduction in production is something that ultimately cut our inventories in the long run and manage our working capital, so there is nothing related to anything in our operations or anything that will affect second quarter related to volumes, but we are still ironing out the recapture of the import duties in trying to shake that up for the second quarter.

Arvind Kothari: If I understand it properly, we will be reducing our production of CPC maybe going forward to rationalize the inventories?

N. Jagan Mohan Reddy: Marginally, we are not expecting substantial reductions, but we are just looking at on periphery, if we are seeing any reduction in margin and basically, we want to curtail that because that is the most prudent thing because we can reduce the raw material cost, so hopefully that should not impact the overall expectations.

T. Srinivasa Rao: Additional comment is you might have seen in our Slide presentation where the aluminum production in US and North America is expected to increase, so we expect that the sales to those smelters in US will increase in the rest of the year 2018.

Gerard Sweeney: As I said, what we have curtailed during the second quarter is just really inventory management, as Srinivasa just rightly put, the ramp ups that we are seeing in the United States will help move products. We are just looking at it and saying since we did have some reduced sales in India, there was no need to continue to push when we were actually pushing aggressively to get enough green coke into the system with the prices continuing to accelerate, so as I said very clearly in my comment, we are focused on profitability, we are not focused on volumes, so we will trade off volumes for maintaining profitability to the maximum extent.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: My question is more related to what is happening in US and you highlighted few things like there is an increase in import duty, there is also new production growing and there is also local premium which have gone up, so overall aluminum production in US is increasing and their total price of aluminum is also increasing, so in this environment how is the negotiating power shifting in favor of CPC producers, is there a headroom for price increase or not, any comments on that?

Gerard Sweeney: Just to be clear, the import duties on aluminum are something that actually bolsters the US aluminum production obviously because it makes them more competitive against imports, so this ramp up that we are seeing will put more demand in the US which is part and parcel why we are seeing more exports out of China, we are seeing stronger demand over the immediate term in the US exclusively for CPC and that is where we rather keep the product going forward, so we will have to wait and see. I am not seeing at this point more pricing power for CPC in the US market price, but we will have to see what the second half negotiation holds for us.

Sanjay Jain: Related to that, how is the input cost trending, should we expect some more increase in GPC cost in the subsequent quarters or like the way the CPC prices have plateaued maybe the GPC prices have also plateaued?

Gerard Sweeney: For ultra-low sulfur coke, GPC prices ran up a bit, but we really see moving forward from here, GPC prices should moderate, they should flatten out because the strong demand again, the strong demand for GPC has tempered a little bit. There is enough availability and we are seeing those start to level out, so we are comfortable that moving forward we should be in a position to protect margin.

Sanjay Jain: Thank you very much

Gerard Sweeney: Thank you

Moderator: Thank you. The next question is from the line of Saurin Parikh from JMP Capital. Please go ahead.

Saurin Parikh: Good evening sir. My question is for Mr. Gerard, I just wanted to know that can you elaborate on the opportunity of the lithium-ion battery coatings that we are working on right now and are we also working on any other products related to electric vehicles?

Gerard Sweeney: Yes, the lithium-ion batteries where we were involved there is in the coating side of that. It is the coating for the anode which has a direct impact on the chargeability and the battery life overall on the lithium ion product, so we are involved in a number of areas in a number of sizes in that business and it is very rapidly growing business, so what I can tell you is, we have made tremendous inroads in this over the last several years and we are very excited about the potential because in Asia in particular it is an opportunity for us to grow in this industry. Now, anything forward-looking is speculative because as you know these evolving technologies are moving so fast, the demand is upon you before you can really assess it, so it is hard to say exactly where it might go, so it shows you how committed we are, to, as with my opening remarks, we are extremely committed and we are taking products from other applications because this is a solid margin product for an emerging market, highly specialized niche products, that is also quite eco-friendly, so we will continue to move in this direction as we greatly increase our engineering team to continue to see where we can penetrate these new engineered product market areas for our advanced materials and we are looking to expand wherever we can in both the coatings as well as the sealer base areas.

Saurin Parikh: Right, I appreciate sir. Just one follow up question on the same that what would be the current status, if you can just put a number to it and also what do you expect in the next three or four years?

Gerard Sweeney: With the current status?

Saurin Parikh: Yeah, status as in have we commercialized the product or what is the current...?

Gerard Sweeney: This is existing solid volumes for us. Quantifying exactly that goes into the lithium-ion, but this is in our engineered products category, so the volumes that you see in our engineered products category would essentially be representative of both our CARBORES® and PETRORES® products that go into these areas.

T. Srinivasa Rao: Total engineered products about 13,000 tons in March 2018 quarter.

Gerard Sweeney: In this quarter, the total engineered products were about 13000 tons just in the first quarter of the year, so that is a pretty ratable business, so you can just extrapolate that for the year and that has been growing, I can tell you that market for us has probably being growing at a rate exceeding probably about 200% per annum.

Saurin Parikh: Okay sir. Thank you and best wishes.

Moderator: Thank you. The next question is from the line of Sanjay Kumar from Vision Investment. Please go ahead.

Sanjay Kumar: Good evening sir. My first question relates to the sharp increase in prices for alumina and its effect on aluminum industries and any effect on Rain, could you kindly elaborate on this?

Gerard Sweeney: The first and foremost alumina, we don't have anything to do with alumina per se, it is a raw material for the aluminum process, so what happens at the Alunorte Brazil facility had no effect on us as you mentioned in your question, it greatly spiked alumina prices which is a large consideration for aluminum producers as far as fundamental cost between the raw material of alumina, their power and their labor that makes up roughly 85% to 90% of their cost.

N. Jagan Mohan Reddy: But 80% to 85% of majority of the aluminum smelters was actually covered the supply of Alumina on a long-term base, so the price increase is only spot material so it should not have measurable impact on them.

Sanjay Kumar: Second question is compared to the 1 billion debt, you have taken about 24 million as repayment and you have stated that you can increase the same, with this forecast the analysts are hoping for at least between 100 million to 120 million as per their projections for your current year, so what is the best case according to current trends which Rain Industries can repay the loans?

T. Srinivasa Rao: Actually, you might have seen that we have announced two expansion projects, one is the HHCR project in Germany we announced which we have plan to execute by mid of 2019, same way we are also looking at doing a CPC plant in India 370,000 tons, both these projects together will take a combined CAPEX of about US$ 130 million, so when we have expansion projects, we would like to use the cash generated in the operation for the expansion projects and whatever expansion projects we are announcing, majority of those projects will be implemented with the internal cash accrual, we don't want to borrow any additional debt, so having said that you will not see a visible reduction in the debt per se over the next 12 months or 15 months, but even if there is any additional cash over and above this CAPEX that will be remaining as the incremental cash in the business because our idea is to maintain the cash for any future expansions also, that is the reason you don't see a reduction in the gross debt, but you could see a reduction in the net debt.

Moderator: Thank you. The next question is from the line of Bhavesh Shah from IDBI Capital. Please go ahead.

Bhavesh Shah: Sir, my question is on CPC realizations, we are saying that we try to negotiate passing on import duty to customers, even then our CPC realization have been flattish to around ₹ 26,000 on a sequential basis although we see that Platts report the prices to be higher by 12% to 13%, so what could be the reason for the same?

T. Srinivasa Rao: Have you seen a reduction or have seen an increase?

Bhavesh Shah: It has been flattish. With regard to Platts it has increased from $ 400 to some $ 455, there was an increase of 12% of something?

N. Jagan Mohan Reddy: The CPC prices were flattish, which means basically we could not pass on the increased raw material cost of the increased duty to the customer, that is the reason on the CPC side you will see flattish, but on the raw material side, the prices have increased so that has impacted the margins.

Gerard Sweeney: Overall, we are realizing a higher CPC price, but that is really more related to the US than it is specifically in India, so with your comments is specifically related to India, correct.

Bhavesh Shah: My second question is on advanced material, the margin in advance material is lower by, EBITDA is lower by 41%, can you explain this delta and what could be the outlook of this?

N. Jagan Mohan Reddy: Bhavesh ... can you repeat the question?

Bhavesh Shah: The advance material EBITDA has fallen by 41% on a year-over-year basis to 91 crores?

T. Srinivasa Rao: What happened is substantial part of the advance materials are produced in Europe where the functional currency is Euro and the costs are incurred in Euro terms, but we have customers all over the world for those products. Apart from Europe, we sell those products outside Europe and those sales will happen in US dollar terms because of the appreciation of Euro against Dollar, our cost in Euro terms is remaining the same, but our realization in Euro terms have declined, so that is showing some decline in the performance in the advance material business. Apart from that, there are three plants also went for outages during the quarter where the production is on a lower side and maintenance cost is on the higher side. These two factors have contributed for a weaker performance in the advanced material.

Bhavesh Shah: Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Sanghvi from Sanghvi Stock Services. Please go ahead.

Rajesh Sanghvi: I wanted to ask on the large shipment that got delayed from December in the last call that was guided that CPC volume is not reflecting in the current quarter, so if that is sold in the US then its realization could also have gone up because the prices from Q4 '17 have gone up in Q1 '18, so why is there no inventory gains that is showing up in our numbers, and second is the project of Visakhapatnam was stated to be completed by Q1 2019 and this presentation we are seeing a timeline of Q3 2019, so why has there been a delay from our past communications?

N. Jagan Mohan Reddy: On the first issue, the shipment got delayed from the end of last quarter Q4 to Q1, but it was just by couple of days, so basically that shipment got shipped actually in this first week of January, so it is still the same price whatever, it is not that we will get an increase price or that Q1 pricing, so it is the same pricing whatever you are seeing, but as we have said earlier in the call, there was a general reduction because we could not come to terms with the customers in India because of the customs duty issue, so basically we had reduced our volumes into this part of the world, so that has impacted our CPC sales volumes in Q1. Hopefully, that going forward we should be able to correct that and in regard to the expansion project what has happened was there was little delay in on the technology portion that we were supposed to receive from China, but we have now corrected all those things and we also had certain issues with some interconnection facilities, but all this have been checked and so by early part of Q3, we should be able to commence operations.

Rajesh Sanghvi: Okay, thank you.

Moderator: Thank you. The next question is from the line of Jimesh Sanghvi from Principal Mutual Fund. Please go ahead.

Jimesh Sanghvi: Hi sir, this is Jimesh from principal mutual funds. Sir, couple of things, was there any maintenance or repairs-related expenses in the current quarter because the other expenses seem to have jumped up sharply adjusted for even the 200 odd millions of losses on the Forex part, and secondly, if you can share the kind of percentage increase in the GPC prices over the last six months?

T. Srinivasa Rao: With regard to your question of whether there is an incremental expense are there on maintenance or not, yes, there are incremental expenses. Three of the plants went for maintenance and that has resulted in higher repair expenses incurred in the March quarter. Apart from that because of the Euro appreciation, the numbers almost 45% to 50% of revenue comes from Europe and when we convert them into Indian Rupees, you see a visible increase in the price because Euro almost appreciated by 10% between March '17 and March '18, so these two factors will see that there is an increase in the other expenses, but partly because of exchange fluctuation and partly because of the higher outages that we have seen in our business.

Jimesh Sanghvi: Can you share the number for the higher outages absolute number what was it for the quarter?

T. Srinivasa Rao: It is about €2 to 3 million.

Jimesh Sanghvi: Okay and sir, on the GPC prices, can we see some increase, what has been the percentage increase and are we seeing further increase from here on in the coming quarters?

N. Jagan Mohan Reddy: The main increase in the GPC prices was mainly related while the regular GPC did go up by smaller percentage, the main increase was the lower sulfur segment that has actually substantially increased, but we are now seeing actually the prices going down a little bit, but not much by they are going down, so we do not see the prices going up in the near future.

Jimesh Sanghvi: Can you share the percentage increase which has been there?

N. Jagan Mohan Reddy: I would say the prices may be about 10% to 15% between December '17 to March '18.

Jimesh Sanghvi: Lastly, as we kind of try and correct the inventory levels for ourselves over the next two quarters, are we likely to undertake any further shutdowns or maintenance related work so that we are kind of ready as to ramp up in terms of our volumes in the second half as the US smelter demand increases?

N. Jagan Mohan Reddy: That we always plan and we do not shut down all plants at a time, we actually do schedule it in different, different timing, so we actually are considering that because there are couple of issues that may happen. One is the ramp up of CPC in the US and again possible winter cuts again in China coming back starting November, so that could improve, they could create demand, so we are watching it.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Sir, my first question is if you could detail what is the sensitivity of the crude prices on margins for both the businesses?

N. Jagan Mohan Reddy: There is very minimal, the crude prices do not impact, there may be an impact at any movement of time, but generally they do not impact.

T. Srinivasa Rao: None of our products are indexed to the crude oil prices, only thing is the freight what we incur, the ocean freight for moving the material, as you know that is linked to crude oil, it could be maybe 5% to 10% sort of thing.

Ritesh Shah: The Rutgers products whatever we have should one assume that we have a pass-through mechanism over there?

N. Jagan Mohan Reddy: Yeah, because we do agree on prices and we do negotiate on a quarterly basis, so the crude prices should not actually have a material impact.

Ritesh Shah: Sir, my second question is what is the more favorable scenario for Rain Industries, is it aluminum deficit scenario globally or is it a scenario whether you see aluminum production to move up wherein which gives more visibility on our volumes and if you could explain exactly both the variables how the status is right now?

N Jagan Mohan Reddy: We are converter of products, basically the more the production the better it is for us because our raw material prices move's along with the finished product prices, so the more the production means the tighter situation it gets is better product.

Ritesh Shah: Sir, to my understanding, the contracts that we negotiate it is more on LME, which will be a function of demand supply?

N. Jagan Mohan Reddy: It is nothing to do with LME.

T. Srinivasa Rao: We are only linked to aluminum production not to the LME at all.

Gerard Sweeney: We are not linked to crude and we are not linked to LME, we are strictly supply and demand of GPC and CPC, coal tar and coal tar pitch.

Ritesh Shah: Last question for Gerard, Sir, on Slide #Number 10, you have indicated 0.5 million tons of capacity moving within China, how do you read is it a one-off case or there are more instances similar to this that you have heard of or we can expect?

Gerard Sweeney: The capacity is in China being up you mean?

Ritesh Shah: Yes, 0.5-million-ton capacity what you have indicated on Slide Number 10 which is moving in China from one region to another, is it a one-off case or are we hearing of similar more cases which we can expect going forward?

Gerard Sweeney: This is all part and parcel of China's aluminum strategy to incentivize people to move to less populated areas and such, we will see this trend continue, but overall there could be incremental growth that we are going to see each year from China in the years going forward, so yes, I would say to answer your question specifically is these types of things are going to continue to happen because they are going to be very careful in letting the locations where they add capacity.

Moderator: Thank you. The next question is from the line of Kalpesh Gothi from Veda Investment. Please go ahead.

Kalpesh Gothi: Sir, what was the impact of the US sanction of Rusal, can you update the status?

Gerard Sweeney: Right now, no sanctions were originally announced, they seem to be very restricted related to Rusal. Let me put it into context of our company. The only place that any sanctions that were ultimately imposed on Rusal could or would affect us is through our joint venture in Russia called Severtar and that equates to I believe less than 4% of the revenues of the company overall, so this is no material impact, I want to talk about that right up front, but also in looking at it they would have been very restricted as far as we do business with Rusal in Russia, but it looks like the US has signaled an Avenue because they have already extended the deadline to wind down the business from June to October and then they have also given Rusal halfway to avoid the sanction by changing the ownership structure and the effective controlling management agreement in the company, so we are quite confident that this will all work out, but that is why I wanted to give you the order of magnitude to begin with anyway.

Moderator: Thank you. The next question is from the line of Vikas Sharma from Entrust Family. Please go ahead.

Vikas Sharma: My question is basically what is the effective tax rate we can expect in Calendar Year '18, Sir, is it going to be in the range of 28 to 30 or we can expect the reduction?

T. Srinivasa Rao: Historically, our effective tax rate is to be 35% to 37% because we are operating in countries like India where the tax rate is almost 35%. There is tax reduction in the US from 35% to 21% and in Belgium it is reduced from 34% to 29%, but as we generate income in multiple tax jurisdictions and there will be some incremental tax in moving from profit from one country to the other country, we expect the tax rate for the year 2018 should be in the range of 33% to 34%, some 200 to 300 basis points lower than our historical rate.

Moderator: Thank you. The next question is from the line of Sandeep Ghosh who is an Individual Investor. Please go ahead.

Sandeep Ghosh: Just one minor question, in the cement plant do we use petroleum Coke?

N. Jagan Mohan Reddy: Yes, we do use but very limited quantities because of the increase in prices we have shifted over to imported coal.

Moderator: Thank you. The next question is from the line of Bala Kumar, an Individual Investor. Please go ahead.

Bala Kumar: First of all my question is on the new project that you are going to take on it is a €60 million project in Germany, so I read in one of the news that you are going to manufacture three products there, but in the presentation it just says only one product, so could you please explain on why there is some difference?

T. Srinivasa Rao: Different grades of product, all are HHCR only, hydrogenated hydrocarbon resins.

N. Jagan Mohan Reddy: Basically, all of them are resins, white water resins.

Gerard Sweeney: Did you say three core versus one core?

Bala Kumar: It says three products one is the CARBORES®, NOVARES C10 and advanced carbon material for the production of lithium-ion batteries and one is the white pollutant free resin?

Gerard Sweeney: At the hydrogenated resin it is just going to be resins that we are producing there, water white resins for the adhesives industry, so it is going to be adhesive and coating industry that we are going to be producing. This is not, we will not be producing there any of the lithium ion batteries for the LT sealer base CARBORES®. Those are separate products in advance materials. You don't confuse the engineered products with the resin products.

Bala Kumar: Also in the article it was mentioned that it was €60 million project, but in the presentation, it mentioned as $ 60 million project, whether it is in the dollars or in the Euros.

N. Jagan Mohan Reddy: It is the same thing, basically if you convert it at the current exchange rate, it works out to the same thing.

Gerard Sweeney: Roughly US $ 66 million.

Moderator: Thank you. The next question is from the line of Sunil Kumar, an Individual Investor. Please go ahead.

Sunil Kumar: My question is more on the ₹ 140 crore tax, so can you please elaborate on what cost this one-off tax is?

T. Srinivasa Rao: You are referring to the tax charge for the year, it is about 34% to 35% is the tax that we have paid for the March 2018 quarter, but if you compare with December 2017 because of the rate changes from 35% to 21%, there is an extraordinary tax benefit in the quarter of December 2017. If you exclude that then the tax rate for December 2017 also at a similar level.

Sunil Kumar: Okay, so should we assume for the rest of the calendar year you probably have the same tax rate of 34% or 35%?

T. Srinivasa Rao: Yeah, it should be in the range of 32% to 34%.

Moderator: Thank you. Ladies and Gentlemen, this was the last question for today. I now hand the conference over to Mr. N. Jagan Mohan Reddy for his closing comments. Over to you, Sir.

N. Jagan Mohan Reddy: Thank you very much. With the restructuring of our finished products based on business processes and geographical alignment of the sales teams, the company will now be able to focus on improving the Advanced Materials portfolio by maximizing the value additions from by-products during tar distillation. The Hydrogenated Hydrocarbon Resins project is one such initiative it provides the Advanced Materials segment a springboard for growth by utilizing products seeing reduced demand to produce in demand growth products of the future. The Company is also concentrating on its premium products such as Carbores® used in specialty applications such as lithium-ion batteries and energy storage. It will also continue focus on and develop more environmentally friendly products such as LP Sealer base or Ultra Seal as these types of products are in high demand. These initiatives do not mean it has lost sight of its heritage as represented from the Indian Shaft Calciner project which is under constructing and expected to start operations within 2019. The Company will continue its initiatives to improve capacity utilization across all its production facilities and strive to optimize operational expenses globally.

Thanks for participating in today's call, and we look forward to speaking with you next quarter.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, on behalf of Rain Industries Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.