



RAIN INDUSTRIES LIMITED

TRANSCRIPT OF

49th

ANNUAL GENERAL MEETING

HELD ON

Friday, the May 3, 2024, at 11.00 a.m.

**through Video Conferencing / Other Audio
Visual Means without the physical presence
of the Members**

RAIN INDUSTRIES LIMITED

Registered Office: Rain Center, 34, Srinagar Colony, Hyderabad- 500073, Telangana State, India

CIN: L26942TG1974PLC001693

Website: www.rain-industries.com, e-mail id: secretarial@rain-industries.com

Brian Jude McNamara, Chairman:

I welcome all the Shareholders and Directors to this 49th Annual General Meeting being conducted through Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”) mode. The meeting is being live streamed through webcast.

I thank all of you for participating in today’s meeting.

Since the meeting has the requisite quorum as provided under Section 103 of the Companies Act, 2013, let us now proceed with the meeting.

I welcome Mr. N. Radhakrishna Reddy, Managing Director to the Annual General Meeting

Chairman:

I request Mr. Jagan Mohan Reddy Nellore, Vice Chairman to introduce himself.

Jagan Mohan Reddy Nellore:

I am Jagan Mohan Reddy Nellore, Vice Chairman of Rain Industries Limited

Chairman:

I request Mr. N. Sujith Kumar Reddy, Non-Executive Director to introduce himself.

N. Sujith Kumar Reddy:

I am N. Sujith Kumar Reddy, Non-Executive Director and Chairman of the Stakeholders Relationship Committee

Chairman:

I request Mr. Varun Batra, Independent Director to introduce himself.

Varun Batra:

I am Varun Batra, Independent Director and Chairman of the Audit Committee.

Chairman:

I request Mr. Robert Thomas Tonti, Independent Director to introduce himself.

Robert Thomas Tonti:

I am Robert Thomas Tonti, Independent Director.

Chairman:

I request Ms. B. Shanthi Sree, Independent Director to introduce herself.

Shanthi Sree:

I am B. Shanthi Sree, Independent Director and Chairperson of the Nomination and Remuneration Committee.

Chairman:

I welcome Mr. Vikas Pansari, Partner, S. R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors, Mr. DVM Gopal, Practising Company Secretary, Secretarial Auditor, Mr. T. Srinivasa Rao, Chief Financial Officer and Mr. S. Venkat Ramana Reddy, Company Secretary to the AGM.

Since this AGM is being held electronically, physical attendance of the Members has been dispensed with and also the requirement of appointing proxy is not applicable. The Register of Directors & KMP and their shareholding and the Register of Contract or Arrangements in which a Director is interested are open for inspection by the Members during the continuance of the meeting on the Investor tab on the Company's website.

The Company has provided the members, the facility to cast their vote electronically on all resolutions set forth in the Notice.

Members who did not vote earlier through remote e-voting may vote electronically during the course of the meeting.

Mr. DVM Gopal, Practicing Company Secretary has been appointed as scrutinizer by the Board for overseeing the entire e-voting process in fair and transparent manner.

As the Notice of the 49th Annual General Meeting is already circulated to all the Members, with your permission, I shall take the notice of the Meeting as read.

Further, as the report of Statutory Auditors and the Secretarial Auditors were unqualified and without any adverse observations or comments in their respective reports, with your permission I take the Auditors' Report and the Report of the Secretarial Auditors' as read.

The following resolutions are proposed for approval of the shareholders:

- 1) To receive, consider and adopt the Standalone Audited Financial Statements of the Company for the Financial Year ended December 31, 2023 and reports of Board and Auditors thereon.
- 2) To receive, consider and adopt the Consolidated Audited Financial Statements of the Company for the Financial Year ended December 31, 2023 and Report of Auditors thereon..
- 3) To approve and ratify the interim dividend of Rs. 1 per equity share for the financial year ended 31st December, 2023..
- 4) To appoint a Director in place of Mr. Jagan Mohan Reddy Nellore (DIN: 00017633) who retires by rotation and being eligible offers himself for re-appointment.
- 5) To grant authorization to the Board of Directors to borrow Money.
- 6) To grant authorization to the Board of Directors to create Mortgage / Charge / Pledge / Hypothecation / Lien on the assets of the Company..
- 7) To grant authorization to the Board to make loan, investment, give guarantee and provide security.
- 8) To grant approval for making Contributions or Donations for Charitable purposes

I request Mr. Jagan Mohan Reddy Nellore, Vice Chairman to address the Shareholders.

Vice Chairman:

Good morning, ladies, and gentlemen, and welcome to the 49th Annual General Meeting of RAIN Industries Limited.

In 2022, Your Company experienced strong performance, driven by exceptionally high sales realizations. However, in 2023, sales realizations returned to more typical levels compared to the previous year. During this period, raw material costs remained elevated but gradually decreased over several quarters. As a result, profit margins were squeezed, leading to lower financial performance in 2023. Your company is proactively addressing these challenges and aiming for improved results in 2024 and beyond.

We operate within a cyclical industry and our business model centers on margin management achieved by transforming raw materials, which are byproducts of core industries like steel and oil refining, into finished products. This means our profit margins are less about market fluctuations and more about the conversion process itself. Over time, the prices of both raw materials and finished goods have typically moved in tandem, resulting in a managed margin, enabling us to sustain consistent margins under normal market conditions.

In summary, our margin management strategy is closely tied to the ebb and flow of raw material and finished product prices, allowing us to adapt to market conditions effectively.

During the last two years, RAIN encountered a unique situation with distinct challenges and prospects, wherein both raw material and finished product prices surged and held steady for an extended period, resulting in improved profit margins in 2022. The reverse happened in 2023, when prices embarked on a downward trajectory. Regrettably, the stabilization phase is extending over a prolonged period resulting in a significant decline in the operating margins.

We completed 2023 with a Revenue of ₹ 181,415 million; Operating profit of ₹ 20,137 million; Net profit of ₹ 1,526 million and EPS of ₹ 4.54. The profit for the year was not only impacted by reduced margins, but also due to one-off, non-cash impairment charges of ₹ 7,506 million caused by factors such as increased interest rates, reduced product demand, geopolitical conflicts and higher energy costs in Europe.

In 2023, the industry experienced a decline in demand for finished products, influenced by several factors. The global rise in interest rates and tighter credit markets were central factors influencing our 2023 financial performance. Our customers proactively adjusted production volumes downwards, responding to evolving demand forecasts and managing working capital amidst higher interest rates. Additionally, competitive Chinese exports to Western markets and rising energy costs in Europe further impacted product demand. Also, the geopolitical challenges and the severe drought conditions at the Panama Canal have disrupted global supply chain dynamics, resulting in adverse effects on transportation costs and necessitating strategy adjustments.

Despite these challenges, we completed the refinancing of our long-term loans during 2023 and pushed out debt maturities to 2028 – 2029. Although the refinancing was completed at higher interest rates than our previous ones, they were in-line with market rates prevailing at the time due to various global macro-economic factors. Our refinancing allowed us to succeed in reducing our total debt by about US\$ 130 million compared to year-end 2022. Rest assured that, although RAIN is navigating a dynamic and challenging market landscape, the entire team is diligently working to restore financial performance and closely monitoring signs of improvement.

RAIN's proactive steps to improve performance.

RAIN remains optimistic about the future and is taking proactive steps to improve the performance. We have already taken several major steps in the right direction. While recognizing that we still have much work ahead of us, we are beginning to see several signs which give us optimism.

We are anticipating price stabilization for our finished products starting in the second half of 2024. Along with that improvement, we expect to see significant operational improvements in our three business segments. I would like to highlight few positive developments that will further strengthen our position:

Our Carbon segment's calcination plants in India had been operating well below the rated capacity due to restrictions imposed several years ago on imports of our raw materials into the country. However, with the recent relaxation of those import restrictions by the Hon'ble Commission for Air Quality Management (or, CAQM), based on the directives of the Hon'ble Supreme Court of India; RAIN anticipates finally being able to ramp-up the Indian operations to higher capacities, which would allow us to significantly improve the overall performance. Part of the import relaxation was to increase the import quota of Green Petroleum Coke or GPC from 1.4 million tons per annum to 1.9 million tons per annum. This was implemented by the Directorate General of Foreign Trade (DGFT) through its allocations announced in early April 2024 and allows for increased production at RAIN's DTA calcination plant in Vizag.

However, the regulatory authorities have yet to formulate the steps for implementing another part of the same CAQM Order, regarding the import of GPC and Calcined Petroleum Coke or CPC for RAIN's Special Economic Zone plant, which cannot begin its ramp-up until that clarity is given. We anticipate those regulations to be issued soon and upon the implementation of the CAQM Order, Your Company's CPC calcination plants in India can optimize capacity utilization and create a favorable environment for a return on the capital invested in setting up the new CPC Plant in the Special Economic Zone.

The primary aluminium smelting sector (which is the main customer base of our Carbon segment) is looking positive, with current price realisations exceeding US\$ 2,500 per ton on the London Metal Exchange. Primary aluminium plays a crucial role in various sectors and has seen steady demand growth over the past few years, driven principally by emerging economies' infrastructure development and the increasing adoption of aluminium in lightweight vehicle manufacturing. Trends such as the shift towards electric vehicles, lightweighting in automotive and aerospace industries, and the growth of renewable energy infrastructure are expected to drive demand for primary aluminium in the coming years. Further, growing global concerns about climate change and sustainability have led to a focus on reducing the carbon footprint and increased use of aluminium as the lightweight metal of choice.

In the carbon sector, there is mounting pressure to create environmentally friendly products and adopt sustainable processes. The global competition within this sector is fierce, driving companies to constantly enhance efficiency and product quality to stay ahead. As a market leader, RAIN is keeping pace with this movement as well. In 2023, RAIN's Carbon segment demonstrated its commitment to environmental stewardship by strategically investing in technology upgrades. These upgrades were aimed at reducing emissions across our global operations, aligning with our company's dedication to sustainability and workplace safety.

Our Advanced Materials segment is similarly seeing economic recovery in several end-user industries, as well as several new product-line advancements spearheading RAIN's leadership in the marketplace. Demand is growing steadily for our bio-based and environmentally friendly product lines in our resins, asphalt coating and rubber sectors.

In 2023, we achieved a significant milestone by obtaining International Sustainability and Carbon Certification (known as ISCC) PLUS certification for our resins plant in Duisburg, Germany. This certification underscores our commitment to sustainability and environmental responsibility. Additionally, during the same period, we successfully introduced a new generation of NOVARES ECO resins to the market. These ISCC PLUS compliant resins align with the growing demand for sustainable materials and contribute to a more-eco-friendly future.

The ISCC Scheme plays a crucial role in ensuring the traceability and sustainability of products. The ISCC PLUS certification specifically covers plastics, chemicals, food, feed markets, and biofuels beyond the European Union and the UK. By adhering to these rigorous standards, we demonstrate our dedication to responsible practices and contribute to a greener global landscape.

In our Advanced Materials segment, we have seen strong and promising signs for the medium and long-term growth in the market for our rechargeable-battery anode materials as consumers continue to demand cleaner, greener materials, and ways of life. In response to these trends,

RAIN's R&D teams continued in 2023 to work on several new and innovative products and materials in the battery space for future launch.

Still in our Advanced Materials segment, 2023 was a landmark year for our new, Hydrogenated Hydrocarbon Resins (known as HHCR) plant in Germany. After initial teething and subsequent energy cost issues, we were able to make major technical improvements to this plant which have greatly enhanced its reliability, throughput, and economics in 2023 compared to 2022. Due to an improvement in demand for HHCR, coupled with our regional customers' preference to procure larger quantities of HHCR locally, we expect to reach 50% capacity utilization at our German HHCR plant by the end of 2024.

Our Cement segment also has reason for a positive outlook. Cement demand in our home territory of India rebounded strongly in 2023, growing by 7 – 8% on a per annum basis due to the continued Indian government infrastructure spending that has been a driving force behind this growth. With normalization of fuel and energy costs, and with increased volumes from higher demand, we expect improved operating margins. Our Cement segment also achieved a major sustainability milestone year in 2023, as we brought on-line even more solar power capacity to supplement our existing capacity. Cement production is an energy-intensive process, including the need for electricity to prepare the raw materials and fuels, and to grind the finished product. By combining our Cement segment's waste-heat power production with our now-further-expanded solar electricity generation, RAIN is making great strides in producing cement with an ever-lower carbon footprint, by using 39% of electricity consumed in manufacturing of Cement from Green energy sources.

Returning to the group-wide discussion, no company can control the length or duration of market cycles, but RAIN can control its costs. Throughout the down-cycle in 2023, we remained proactive in enhancing our cost-efficiency around the world. Our team has used that time to implement significant and sustainable cost-saving measures such as consolidating offices, optimising operations and streamlining our workforce.

In addition to strengthening our existing business, RAIN is simultaneously focused on the development and production of next-generation products to position our business for future growth. This includes the establishment of a new research and development facility to innovate and develop new, groundbreaking products which bring together and multiply our market-leading, innovative know-how from both our Carbon and Advanced Materials business segments, launching RAIN into new product lines and market areas.

RAIN's key area of focus group-wide is to reduce costs and debt to the greatest extent possible. The cash flow from our operations, including the release of working capital which accompanies a fall in commodity prices, would be applied to reduce our debt. Accordingly, we have optimized

capital allocation for expansion projects, with a strong focus on the solar power plants in our Cement segment.

We anticipate a positive shift in demand for RAIN products starting in the latter half of 2024. With our robust R&D strategy, we are confident in our ability to come out of the current down-cycle on top, as we have in the past. We are focused on adapting and thriving in this rapidly evolving market in both the near and long terms.

At RAIN, ESG Compliance is not merely a box to check; it is a core principle ingrained in our sustainable operations. Our unwavering commitment to environmental, social, and governance (ESG) issues is reflected in our efforts to reduce carbon emissions, enhance employee safety, and invest in education and healthcare for rural communities where we operate in India.

In summary, despite our weaker financial performance in 2023, our vision remains to maintain our deep ESG commitments while transforming RAIN into an entirely unique industrial company with strong intrinsic cash-flow economics and solid growth outlook. By leveraging sustainable ‘mega trends,’ especially in the industrial areas where we have unique market leadership and expertise, we aim to position ourselves as a leader in the industries and communities in which we operate.

I also would like to take this opportunity to extend heartfelt appreciation to our dedicated employees for their exceptional efforts during these trying times. Their unwavering commitment and resilience have been crucial in steering Your Company through turbulent waters. Despite the challenges faced in 2023, we stand resolute in our pursuit of RAIN’s long-term success. Our strategic initiatives are poised to fortify our organization and ensure greater resilience moving forward.

In closing, I would like to convey our gratitude for your unwavering support as a dedicated shareholder of our company. Your commitment and trust are invaluable as we continue to strive for excellence and growth.

Mr. Jagan Mohan Reddy Nellore, Vice Chairman thanked shareholders for their comments and suggestions. He informed the shareholders that their suggestions and comments will be considered by the Board as appropriate. He summarised his response to the queries and suggestions of the shareholders.

Chairman:

I request the shareholders to raise any questions on the Reports and Accounts.

I request the moderator to call the names of shareholders who have registered to speak at the Annual General Meeting one after the other and unmute their mics.

Mr. Kamal kishore Jhawar, Mr. Srikanth Jhawar, Mr. Afzal Urrahmansufi Mohd, Mr. Debojit Dulal Belel, Mr. Praful Chavda, Mr. Ashok Kumar Daga, Mr. Reddeppa Gundluru, Mr. Yashvee Kothari, Mr. Dinesh Gopaldas Bhatia, Mr. K. Bharat Raj (Shareholders of the Company) spoke at the Meeting. They expressed their view and sought clarifications inter-alia on the Company's Business operations and its future growth plan.

Mr. Jagan Mohan Reddy Nellore, Vice Chairman thanked shareholders for their comments and suggestions. He informed the shareholders that their suggestions and comments will be considered by the Board as appropriate. He summarised his response to the queries and suggestions of the shareholders.

Chairman:

Thank you, Mr. Jagan Mohan Reddy, for answering the questions.

Members who did not vote earlier through remote e-voting, may vote electronically in next 15 minutes and thereafter the e-voting system will be disabled automatically.

The results of the voting will be declared within 48 hours of conclusion of Annual General Meeting. The results of the voting will be displayed on the Company's website and will also be submitted to the Stock Exchanges.

I thank all the shareholders once again for participating in the meeting and for their co-operation in transacting today's business.

Disclaimer:

Statements/view expressed in 49th Annual General Meeting of the Company describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand and supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.