RAIN INDUSTRIES LIMITED

RIL/SEs/2025 May 15, 2025

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

Dear Sir/ Madam,

Sub: Transcript and Management Commentary on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the First Quarter ended March 31, 2025 - Reg.

Ref : Scrip Code: 500339 (BSE) & Scrip code : RAIN (NSE)

With reference to the above stated subject, given below is the link to the Management Commentary on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the First Quarter ended March 31, 2025:

Link for Management Commentary:

https://rain-industries.com/images/RIL-Q1-2025-Q&A.mp3

Please also find enclosed herewith the Transcript of Management Commentary on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the First Quarter ended March 31, 2025.

This is for your kind information and record.

Thanking you,

Yours faithfully,
for Rain Industries Limited

VENKAT RAMANA REDDY SINGIDI
Digitally signed by VENKAT RAMANA REDDY SINGIDI
Date: 2025.05.15 19:02:49 +05'30'

S. Venkat Ramana Reddy
Company Secretary

Sarang

Good day ladies and gentlemen.

Welcome to the Rain Industries Limited Q&A session for the First quarter of 2025. My name is Saranga Pani, and I serve as General Manager of Corporate Reporting and Investor Relations at Rain Industries Limited.

The speakers for today are:

- Mr. Jagan Reddy Nellore – Managing Director of Rain Industries Limited
- Mr. Gerard Sweeney – President of Rain Carbon Inc.; and
- Mr. T. Srinivasa Rao – Chief Financial Officer of Rain Industries Limited

Following the Earnings Presentation and Management Commentary released on 8 May 2025, we have received various questions from investors and analysts concerning recent industry developments and their potential impact on our company's performance. RAIN Management will be addressing these questions during today's call.

Before we proceed, the management would like to note that during this management discussion, we may make forward-looking statements that include various subjects such as outcomes, trends, targets, and strategic directions. These statements rely on our current projections and are subject to risks and uncertainties that could cause actual results to vary materially from those suggested by these forward-looking statements. There are certain risk factors that could lead to significant deviations from our predictions.

With that, we will now start the discussion today with Gerard Sweeney…

Sarang:

Gerry, the first question is regarding a general business update. Can you please speak in detail about the raw material strategy for the CPC, CTP and the advanced material segments? What kind of alternative raw materials are we talking about? Will it impact our margins?

Gerard Sweeney

Thank you Sarang for the question. As mentioned in our earlier calls, we have seen strong demand for our raw materials due to varying conditions in all segments. In the Carbon segment's Calcination business, the incursion of demand from Battery Anode Material (or battery anode materials) industry continues, with aggressive bids for low to medium sulfur, relatively lower metal GPC raw materials, to replace the more expensive Needle Coke. This has kept GPC prices high during a period of relatively down GPC demand in the CPC industry. During the 4th quarter of 2024 and into the first quarter of 2025, many Chinese refineries have taken maintenance turnarounds, as the economy slowed, and China saw reduced demand for refined products. This has specifically raised GPC prices in China, resulting in higher CPC prices as well.

Given our plans to increase CPC production in 2025, we proactively secured GPC supplies to support this expansion. This strategic move will provide us with a buffer in terms of volumes in the near term. Additionally, we are continuously optimizing our facilities to utilize a diverse array of raw materials, which serves as a strategy for cost control.

In our Carbon segment's Distillation business, we are experiencing raw material shortages because of the continued closure of integrated steel capacity, a trend which we did see coming, but which has been accelerated over the last 12 to 18 months. As such, we continue to advance our purchase of certain alternate raw materials and also pull in coal tar from farther-away regions of the world. These are comparatively more expensive however, due to longer shipping distances. Our strategic locations with access to water transportation, and economies of scale with our plants, keep us more competitive in this strategy versus our competition, though.

In our Advanced Material segment, it has also become more difficult to source raw materials due to cracker curtailments across the European continent. Also, the earlier mentioned refinery outages in China have restricted the availability of feed streams from there. We continue to develop more supply sources to improve the situation, however.

Sarang:

Thanks, Gerry and to follow on the earlier question, how easy or difficult would it be for others to broaden their raw material sourcing? Are we seeing any reduction in capacities by our competitors in any of the segments due to the shortage of raw materials?

Gerard Sweeney

Although we cannot discuss competitors' strategies, our facilities are designed to flexibly utilize alternative raw materials, enabling us to effectively manage costs. Additionally, our strategic hub locations provide an advantage in sourcing marginal-grade raw materials. For instance, in the Carbon distillation sector, our favorable positioning and the scale of our distillation plants enhance our competitive edge. These strategic locations also facilitate the efficient transportation of raw materials and finished products via the most cost-effective method available—water.

Sarang:

Thanks Gerry. Our next question is regarding the Calcination business. There is a significant increase in CPC prices. What is the increase in this and what is this due to? Why is there higher CPC demand in China, what are the main drivers?

Gerard Sweeney

As previously mentioned, the surge in demand for GPC in China is primarily driven by battery anode materials producers purchasing incremental quantities. This situation has been further aggravated by recent refinery outages in China in the past couple of quarters. Consequently, the supply-demand balance in China was significantly disrupted in the first quarter of 2025, leading to a sharp rise in GPC prices. This price hike has, in turn, caused a dramatic increase in Chinese CPC prices. It is important to note that this price escalation is more attributable to the rising GPC prices rather than an increase in demand for CPC.

Sarang

Thanks, Gerry. Another follow-up question on Calcination business, can you talk about how our CPC blending strategy will allow us to take advantage of different GPC and CPC prices across regions? Apart from the increase in volumes, will the blending strategy also improve our gross margins?

Gerard Sweeney

Our global blending strategy is expected to lower CPC production costs by enhancing capacity utilization. Following the government's relaxation of CPC import regulations in late 2024, we have resumed our blending strategy in India. This allows us to import CPC from our US plants and blend it at our SEZ facility, enabling us to meet customer demands across various regions. This approach is anticipated to boost our production volumes and, to some extent, improve our profit margins.

Sarang

Thanks, Gerry. Moving to the Carbon Distillation business, what is happening in the CTP market? Demand should be in line with CPC, as you need both materials to smelt primary aluminum. Shouldn't there be an increase in CTP prices in China as well.

Gerard Sweeney

Aluminum demand for our products has been down during the last few years. That weighs on both the CPC and CTP demand. This is where the symmetry ends though, in looking at market structure. The driving force behind CPC prices recently moving upward in the calcination business, is related to GPC demand from the battery anode materials sector, and the refinery outages in China. This has no bearing on the distillation business. In the distillation business, CTP demand has been relatively flat, while raw materials are in short supply in the western world. In China, there is ample supply of coal tar to feed their domestic distillation industry. This keeps the pressure on our ability to advance pricing for coal tar pitch.

Sarang

Moving on to the next question, are we looking at rationalizing any of our plants across the world, especially on the Carbon Distillation side? What is the current capacity utilization level in our Carbon Distillation business, and what level are we targeting going forward?

Gerard Sweeney

All of our distillation plants are currently in operation. There are no plans for any temporary or permanent shutdowns of any of our facilities. Throughout 2024 and the first quarter of 2025, our plants operated at approximately 70% capacity utilization. We anticipate maintaining these levels throughout 2025. As we move forward, we expect demand to increase steadily over the year, presenting us with better opportunities to boost our sales. We remain committed to meeting market needs and optimizing our production capabilities to ensure consistent and reliable service for our customers.

Sarang

Moving on to the next question, what is the update on the Carbon distillation capex planned in India?

Gerard Sweeney

As discussed during our Earnings Call for the fourth quarter of 2024, our initial capital expenditure in India will be minimal. This decision is aimed at establishing our presence in the Indian market and preparing for the anticipated increase in tar supply resulting from the rise in metallurgical coke production. Additionally, this investment will enable us to meet the growing demand for pitch from the region's aluminum smelters. Once we have some foothold, we will finalize and implement the second phase of our CAPEX plan. This phased approach ensures that we are well-positioned to capitalize on market opportunities while managing our resources effectively.

Sarang

Moving on to the next question, based on earlier discussions, we understood that Rain's Phthalic Anhydride sales will improve further in 2025. Can you share the timeline for the same? What are the EBITDA margins in this segment, and can you please mention how much it will contribute to overall Advanced Material segment revenues?

Gerard Sweeney

The availability of PA in Europe has diminished because of the extreme pressure on the petrochemical industry in Europe. The reduction in supply by other players will provide higher capacity utilization, lower operating costs and improved margins for PA from our facilities going forward. The PA business currently contributes approximately 10 percent of our Advanced Material segment's revenues.

Sarang

Thank you, Gerry. We now have a few questions for Jagan. The first question is regarding the impact of tariffs. Can you describe the structure and flexibility of your logistics network, particularly in how it supports the movement of raw materials and finished products between Europe and the U.S.? Additionally, are you still leveraging this network to avoid the direct impact of tariffs, and if so, how are you managing that?

Jagan Nellore

Thank you for your question. As highlighted in our recent management presentation, our products are currently experiencing minimal impact from tariffs. The only exception is certain resins exported from Europe to the USA, which are subject to a general tariff of 10%. Given that the volume of these European resins supplied to customers in the USA is relatively small, we do not anticipate a significant impact on our revenues or operating margins.

However, we recognize that the current political landscape is unpredictable, and there is an inherent risk that future escalations could affect our operations. We are closely monitoring these developments to ensure we can respond swiftly and effectively to any changes that may arise.

Sarang

Thanks, Jagan. The follow-up question is, how do we see volume growth and EBITDA-per-ton improvement in the US calcination business with tariffs and movements in aluminum production?

Jagan Nellore

The US aluminum smelting industry has faced significant challenges over the past few decades, primarily due to increased competition from Asia and the Middle East. Recognizing the strategic national importance of the aluminum industry, the US Federal Government is actively supporting local aluminum production. In line with this initiative, two major greenfield aluminum smelters have been announced in the US for the coming years. Although it will take approximately 3 to 5 years for these new smelters to commence commercial operations, the US remains an advantageous location for producing CPC due to the availability GPC from US refineries.

Regarding the impact of tariffs, as mentioned in my earlier response, the regulatory environment is dynamic and subject to change. Currently, most of the products we source or supply within North America are covered under the United States-Mexico-Canada Agreement (or USMCA) and / or included in the exempted list. We have minimal exports from the European Union to the US that are subject to US tariffs.

We continue to monitor these developments closely to ensure we can adapt to any changes and maintain our operational efficiency.

Sarang

Thanks, Jagan. The next question is, given the recent stabilization in lithium prices despite continued EV demand growth in China, how do you interpret the current surge in demand for battery materials? Is this primarily being driven by domestic EV production in China, or are there other contributing factors? And looking ahead, do you see this trend continuing through the rest of 2025 in a way that could positively impact your results?

Jagan Nellore

While we do not directly compete in the lithium-ion battery markets and therefore do not claim to have comprehensive knowledge of all aspects of this sector, our best interpretation of the latest market developments indicates that there is currently an ample supply of lithium and other raw materials for the electric vehicle industry.

We continue to observe robust demand for carbon, both for battery anode materials and coatings, on a global scale. However, it appears that the recent stabilization in the market is primarily due to supply outpacing demand.

We remain vigilant in monitoring these trends to ensure we can adapt our strategies accordingly and continue to meet the needs of our customers effectively.

Sarang

The next question is, do you still see the GPC prices going up driven by China like in the April - May period? And then, are the CPC prices catching up, or are there some different dynamics associated with this?

Jagan Nellore

We observed a significant increase in GPC prices towards the end of 2024, which extended into the first quarter of 2025. Initially, this surge was expected to be temporary and related to year-end factors. However, the demand persisted into the first quarter of 2025, driven by the structural changes that Gerry discussed in our earlier responses.

As we moved into the second quarter, prices started to decline. Nevertheless, both GPC and CPC prices have yet to stabilize in relation to each other. We are closely monitoring these market dynamics to ensure we can respond effectively and maintain our competitive edge.

Sarang

Thanks, Jagan. The next question relates to the investor presentation which mentions the development of Rain's research facilities in Canada as a near-term growth driver. Could you provide more clarity on when we can expect these initiatives to begin contributing to financial performance, and how significant the revenue impact might be?

Jagan Nellore

As discussed in our previous calls, we have set up our R&D facility in Canada. This facility will be operating under joint-development agreements with various organizations to support both natural and synthetic graphite players in utilizing carbon coating materials. Currently, our progress is aligning well with our expectations. Once the research and development phase is completed, we will transition into the commercialization phase. However, this process will require some time. Therefore, it is premature to provide detailed comments at this stage. We anticipate being able to offer more comprehensive insights towards the end of the year.

Sarang.

Our next investor question is, what is the likely asset turnover in the HHCR plant?

Jagan Nellore

Over the past couple of years, we have observed consistent improvement in the capacity utilization of our HHCR plant. When we re-initiated operations in the second half of 2023, the plant's capacity utilization stood at 30%. This figure increased to 40-45% during 2024. Looking ahead, we anticipate further growth, with capacity utilization expected to reach 60-65% in 2025. We are steadily expanding our customer base and consistently delivering high-quality products that meet customer satisfaction.

Sarang

The next question is with regard to the Cement segment. Given that the cement plants are currently generating returns below the cost of capital, and considering the ongoing consolidation in the sector in India, have the Board of Directors considered divesting these assets? A sale could potentially raise sufficient funds to reduce 35-40% of Rain's debt, that could significantly enhance shareholder value and improve the company's valuation profile. What are the key considerations preventing such a move?

Jagan Nellore

As discussed in our previous calls, our Cement segment remains a cornerstone of our operations. It not only marks the beginning of our journey but also serves as a crucial diversification from our global Carbon and Advanced Material segments. We recognize the inherent value in our cement business and are committed to enhancing it wherever possible. We have expansion plans for this segment over the next couple of years, which will be communicated once they materialize. While we may encounter turbulence along the way, we, as management, view every challenge as an opportunity for growth.

We anticipate that the Cement segment will contribute well in the coming quarters, especially given the increasing consolidation in the South Indian cement industry, which is already showing signs of improvement in the second quarter of 2025.

Sarang

Thanks Jagan. Our final set of questions is for Srinivas.

You mentioned in the management commentary released earlier that the working capital requirements increased during the first quarter due to several factors. Could you please help us understand when the release of this working capital requirement is expected and roughly how much of a release you are anticipating during the second quarter, if any? Also, to what extent is working capital currently flowing out in anticipation of stronger volumes. More broadly, are you seeing any signs of hesitation or pullback from customers due to the ongoing tariff uncertainty and the evolving demand environment?

Srinivasa Rao

Thanks for the question Sarang. As mentioned during the management presentation, there are factors like the increase in prices due to new structural changes in the market, coupled with increases in volumes resulting from relief granted by the honorable CAQM last year. In addition, the regulatory requirement of importing the entire quota of allocated GPC for the Indian Fiscal Year of 2024 to 2025 before the end of March 2025 contributed to an increase in working capital requirement in our Indian CPC plants during the first quarter of 2025. We expect the modest release of that working capital during the second and third quarters of 2025.

Sarang

Thanks, Srinivas. The next question is. With the increase in the prices of our products and the subsequent increase in working capital, how do we plan to repay any debt over the next 12 to 18 months?

Srinivasa Rao

Just to bring to everyone's notice, in March 2025, we repaid our long-term debt of Senior Secured Notes which were due in April 2025. The next major debt repayment is in September 2028. However, over the past one and a half years, we have reduced the debt by approximately 150 to 180 million dollars both during and after refinancing. Due to the ongoing increase in working capital requirements, we have to use the existing cash and the revolver facilities more for the same. However, we should see the softening of the same in coming quarters, after which we can plan for further reduction of debt.

Sarang

The next question is: How is the Russian entity operating? Are we seeing any challenges in the current, changing geopolitical dynamics?

Srinivasa Rao

Russian entity is operating at optimum level. We have not seen any issues at this point in time. The operations are within Russia, as are the supplies of raw materials and the destinations of our finished goods. The operations are running smoothly.

Sarang

Thanks. Here is our last question for today's call. Have we considered raising equity either at the parent or subsidiary level? This could serve multiple strategic purposes: reducing balance sheet risk, funding new product development, and enabling refinancing at more favorable rates. Even if such an equity raise involves some dilution below intrinsic value, it may be a worthwhile trade-off to strengthen Rain's financial resilience and support long-term growth.

Srinivasa Rao

As of now, neither management nor the Board are evaluating any such option. Lots of discussions happen at the meetings. However, we will closely monitor the situation and take appropriate action at the right time.

Thank you, Srinivas, Jagan, and Gerry.

Ladies and gentlemen, this concludes RAIN's Management Q&A session for the first quarter of 2025.