RAIN INDUSTRIES LIMITED

RIL/SEs/2025 March 21, 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 of Management Commentary on Annual Audited Financial Results for the Quarter and Financial Year ended on December 31, 2024 – Reg.

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

With reference to the above stated subject, please find enclosed herewith the Transcript of Management Commentary on Annual Audited Financial Results (Standalone, Consolidated and Segment) for the Quarter and Financial Year ended on December 31, 2024.

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: 2025.03.21 20:49:28 +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 Fourth quarter of 2024. 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 – Vice Chairman 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 25 February 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 our Carbon segment's calcination business. In the recent earnings commentary, management mentioned that there has been a functional shift in China for pricing of both green petroleum coke (or, GPC) raw materials and the finished product, calcined petroleum coke (or, CPC). Can you share some color on this statement?

Gerard Sweeney

Thank you for the question. We are observing a structural change in usage of Green Petroleum Coke as it relates to its use in the production of Lithium-ion batteries. With evolving technologies, Chinese Battery Anode Material (or BAM) manufacturers had started using ultra-low sulphur, low-metallic GPC as a substitute for natural and synthetic graphite as BAM, when supplies were low. Over the last few years, they have increased their usage of ultra-low sulphur GPC and now even moved into using medium-sulphur GPC's with lower metallics. The additional demand for these materials has pressured the available supply of suitable anode GPC globally, and driven up GPC prices, especially in the last couple of quarters. This was obviously led by China as by far the largest producer of BAM products in the world. The rise in GPC prices has led, albeit with some delay, to corresponding increases in CPC prices. This dynamic has proven advantageous for RAIN, given that the US Gulf region is a leading producer of mid-sulfur Anode Grade GPC. Notably, our US Gulf Calciners are positioned to leverage the established supply chains and logistical infrastructure. This enables them to effectively produce US Gulf CPC, thereby supporting both our direct CPC sales and facilitating the improved operation of our CPC blending processes in India.

Sarang:

Thanks, Gerry and to follow on the last part of your response, have we already restarted our CPC blending strategy and, if so, how do you expect it to contribute going forward?

Gerard Sweeney

The relief received in October 2024 did provide us with the ability to bring non-Indian CPC into our Vertical Shaft Calciner plant in India, which is set-up in a Special Economic Zone. So, after a 6-year pause, we imported our first CPC cargo into India that arrived in early Q1 2025 and have begun blending it with our locally manufactured, shaft CPC to meet stringent customer specifications for various quality parameters. These blending operations should allow for better capacity-utilization at our plants in India and in the US, increasing the absorption of our fixed expenses. We will be gradually ramping up our blending of CPC in the coming quarters as the market evolves with incremental production of aluminium both in India and in neighboring markets.

Sarang:

Thanks Gerry. shifting now to our Carbon segment's Distillation business, coal tar supply continues to decrease in Europe. Has this impacted the spreads between coal tar and coal tar pitch (or, CTP), and where do you see CTP demand?

Gerard Sweeney

Coal tar supply continues to be tight as we saw increased production outages in Europe during 2024. Geopolitical conflict in Europe, and the push toward EAF steel production versus integrated steel mills continues to limit the global supply. While this has put pressure on the spreads, this tends to be a timing issue. We are working to build more sales volumes to replace what has been lost in Europe due to the energy crisis. Volumes are slowly coming back as smelters restart some idled capacities. One of our coal tar supply headwinds, which is the shift to electric-arc furnace steel production, is also a tailwind for us. You need CTP made from coal tar to produce the graphite electrodes used in electric-arc steel production. So, this helps improve demand for our CTP in the markets we serve, primarily North America and Europe.

Sarang

Thanks, Gerry. Can you share some color on the demand and pricing trend for aluminum, CPC & CTP during the quarter, and how do you see those each going forward?

Gerard Sweeney

Aluminum production continues to increase across the world, reaching a new high during 2024. Despite increased production of aluminum, there is no increase in inventory of aluminum either in LME warehouses or in other markets. This is bullish for continued aluminum production growth. In 2024, most the aluminum production growth came once again from China. In 2025 however, the aluminum production cap stipulated by the Chinese Government will curb further expansion of primary aluminum. Indonesia is expected to become the new location for aluminum smelting growth in the coming years. One project is scheduled to start in 2025. With healthy and fairly stable LME prices for aluminum, we have seen that smelters have been able to absorb cost increases for other raw materials, such as alumina, in recent quarters. India should also contribute to increased aluminum production in the next two years. With continued increases in production of primary aluminum outside of China during the next couple of years, we expect an increase in demand for CPC and CTP outside of China.

Sarang

Thanks, Gerry. What steps are we taking to counter the changing dynamics in the demand for both of our Carbon segment's main raw materials, GPC and Coal Tar?

Gerard Sweeney

In terms of CPC, to meet the increasing demand for CPC from Asian smelters, we have restarted our CPC blending strategy by producing CPC at our US calciners, where supply of raw materials is available, to blend with CPC produced at our Indian calciners. We have made the required changes to our supply chains to be in a position to capitalize on this aspect during the course of 2025. This measure should address the changing dynamics in the calcination industry.

In terms of CTP, we have optimized the operations between our North American facility and our 2 European facilities. This primarily relates to strategically deciding where to distill the in-bound raw materials which we move in ocean vessels, and to optimize the out-bound logistical supply chains to our customers. Additionally, we recently issued a press release announcing an addition to our CTP capacity in India, to grow our global footprint in that important market.

Sarang

Moving on to the next question, what is the expected outlook for the Advanced Materials Segment in 2025 and beyond? Are there potential areas where we might have to curtail capacities? Also, are we likely to benefit from one of our competitors shutting their Phthalic Anhydride production?

Gerard Sweeney

We are seeing an improved demand for our Advanced Materials products. While certain players in this segment have curtailed their production including Phthalic Anhydride, we are seeing opportunity. At this same time, the reduction in the energy costs in our European operations and transport issues with Chinese products in 2024 have helped stabilize margins. These factors have all contributed to the improved performance of this segment. We are currently working to increase our basket of supply of raw materials in order to manufacture higher volumes. This will further improve the performance of our Advanced Materials business.

Sarang

Moving on to the next question, do you see the impact of US tariffs as a positive or a negative for the company? If there is an impact can you please quantify the same?

Gerard Sweeney

At present, there remains a lack of clarity regarding the tariffs applicable to imports from Canada and Mexico into the United States.

Comprehensive guidelines specific to the materials we import into the U.S. or export to Canada and Mexico have yet to be issued. While certain materials in our portfolio are already aligned with the provisions of the United States–Mexico–Canada or USMCA Agreement, greater clarity on this matter is anticipated in the weeks and months ahead.

Given the limited alternatives available to customers in these markets, any potential imposition of tariffs is likely to be absorbed by our customers. Consequently, the overall impact on our performance is expected to remain minimal.

Sarang

Thank you, Gerry. We now have a few questions for Jagan. Continuing with the Advanced Materials segment, the first question is relating to the battery anode market or BAM. Which are the main materials that we are focusing on developing for battery and energy storage markets? Can we anticipate improved revenues from this segment in 2026?

Jagan Nellore

We are already supplying our Engineering Products, PETRORES and LIONCOAT, to Asian manufacturers of lithium-ion batteries. These are products which coat the carbon anodes in the batteries, to help improve their life span. With the North American and European governments' focus on developing regional manufacturing of lithium-ion batteries, we are positioning the company to expand its role as a key supplier and participant into the developing markets. As a supplier of raw materials for battery-anode materials and energy storage materials, we are setting-up a Research Laboratory and Demonstration Facility in Canada to highlight our products and to develop alternative raw materials for use in the battery components, both from an anode perspective and also from a coating perspective. We have entered into joint-development agreements with other organizations and have qualified for grants to support our research activities. Our demonstration facility will be fully functional in the coming quarters.

Sarang

Thanks, Jagan. The next question moves back to the Carbon segment. With GPC demand now rising from this emerging battery-anode material sector, as mentioned earlier by Gerry, are we likely to see a structural reduction in the EBITDA per tonne in RAIN's CPC business? If so, what could it go down from the normalized margins? What other steps is RAIN taking to address the overall cost structure of CPC?

Jagan Nellore

With emerging demand for low-metals, anode-grade GPC from Chinese manufacturers of lithium-ion battery-anode materials, the prices of GPC have increased across the world. In the current scenario of higher demand for anode grade GPC, the proximity of our US calciners to US refineries should be an advantage. Our long-term relationships with those refineries also play a significant role in our GPC sourcing. Lastly, the operating margins are generally higher when the prices of GPC and CPC are both higher, and we do not see any impact on our operating margins due to this increased competition in sourcing anode-grade GPC.

Additionally, we are actively collaborating with various aluminium smelters to enable the acceptance of higher metals content in CPC. As highlighted earlier by Gerry, the demand for lower-metal Anode Grade GPC is expected to remain strong, driven by anticipated demand from BAM manufacturers. To address the rising costs associated with low-metal Anode Grade GPC—and subsequently the cost of CPC—we are engaging with smelters to relax their specifications for metal content.

Notably, some aluminium smelters have already adopted the use of CPC with higher metals, particularly Vanadium, given its minimal impact. Building on this, our technical teams will work closely with other customers to explore adjustments to their specifications, especially for Vanadium. While these adjustments should not impact the overall quality of aluminium, however these modifications, if implemented, should ensure cost efficiency for both aluminium smelters and calciners.

Sarang

The next question is about our recent announcement regarding the Indian pitch facility. The proposed capex is small. What would we like to achieve from the same? Further, what is the long-term plan for the pitch business in India and the surrounding regions?

Jagan Nellore

The initial investment is small due to already available infrastructure, but we believe it is worthwhile to penetrate the regional market, in which our Carbon segment already has a strong position from a CPC perspective. Further this new plant will support additional capacity utilization at our existing global distillation facilities. With increased steel and coal tar production within India over next few years, this will position us well to set-up a larger distillation plant when the timing is right. Given our focus on reducing debt and driving the business back to our historical earnings levels, we do not want to make any large capital investments at this time.

Sarang

Thanks, Jagan. The next question follows up on debt levels. What is the priority on capital allocations and debt reduction, and where do you see the debt levels going?

Jagan Nellore

We have already reduced long term debt by 138 million dollars since mid-2023, with 80 million of principal reduced through our refinancing, another 58 million of principal paid off post refinancing in 2023 and 2024, and we will pay off another 44 million on April 1st, for a total of 182 million. We expect that these debt reductions, combined with a return to normal earnings over next few quarters, will position the company to refinance its debt during 2026 at more competitive rates. However, with expected increase in market quotes for both GPC and CPC during 2025, and with our target to increase our production and sales volumes of CPC during 2025 after full implementation of the relief granted by the Honorable Commission for Air Quality Management (CAQM) in India, we will require increased working capital funds during 2025, which will be short term in nature. With improved operating performance and marginal reduction in the debt, our target is to achieve a Net-leverage range below 3 times EBITDA at an early possible date.

Sarang.

Our next investor question for you, Jagan, is about RAIN Verticals: Is there any update on this subsidiary? It has been close to 4 years, and we have not heard whether we are making progress on R&D efforts on vertical farming, lithium-ion high energy density cells or logistics operations.

Jagan Nellore

As our focus is on optimizing our debt and achieving higher capacity utilization of our plants, we have not pursued any further investments planned through RAIN Verticals Limited. Regarding the battery question, we will focus on increasing the production of coating materials for battery anode materials and energy storage materials over the next couple of years, through the development of alternative raw materials in our Research Laboratory and Demonstration Facility in Canada.

Sarang

The next question is with regard to the Cement segment. We want to understand the rationale about continuing with the cement plants that are returning less than the cost of capital. With all the consolidation in the market, are we looking at the divestment of our business? Using this cash to reduce the debt may be a game changer for the business and valuations.

Jagan Nellore

The Cement segment continues to be a cornerstone of RAIN's operations, representing not only where we began our journey but also serving as a vital diversification from our global Carbon and Advance Material segments. With the Government of India prioritizing infrastructure development and the "Housing for All" initiative, alongside the recent consolidation within the cement industry, we anticipate an increase in both demand and prices for cement in India in the coming Quarters.

Given the strategic importance and growth potential of this segment, we remain committed to retaining our cement business and have no intention of divesting it. This decision underscores our belief in its pivotal role in driving long-term value and sustaining RAIN's legacy.

Sarang

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

During the quarter, depreciation expense has seen a sharp increase. Can you please highlight the reason for this?

Srinivasa Rao

Depreciation for fourth quarter of 2024 was on higher side due to recognition of additional leased assets in certain geographies and timing of major maintenance costs. On an annualized basis, the depreciation for the full year of 2024 has increased by 4% compared to the previous year, due to additions to fixed assets during the year and due to the higher exchange rates applied for the year.

Sarang

Thanks, Srinivas. The next question is.. can you please provide more light on employee benefit expenses in the fourth quarter and how they are projected for 2025.

For the fourth quarter of 2024, the employee cost was 303.86 crores. If the one-time severance payment of 71.6 crores is taken out, then adjusted employee cost comes to 232 crores. So, going forward, is it safe to assume that our employee benefit expenses can be expected in this range of 220 to 250 crores per quarter?

Srinivasa Rao

Just to clarify, the one-time severance payment adjustment of 72 crore was made in Q2 of 2024. The employee expenses of about 304 crore rupees for the fourth quarter of 2024 reflects the reduction in the number of employees, which is lower than the employee expenses incurred during the same period last year by 11%. Although we are continuing to optimize manpower across all our operations, we do not see a major reduction going forward.

Sarang

What is our capex outlook for 2025? Are we looking at setting up ACP plants in light of the higher GPC prices? Are there any more steps that we are taking to reduce our costs (besides the initiatives undertaken in 2024)?

Srinivasa Rao

As we do not intend to allocate higher CAPEX next couple of years, the ACP Plant in India would be pursued later. We are following up with Smelters to use Calcined ACP in Carbon Anodes for increasing their acceptance thereof. At the same time, we are also focusing on improving the productivity and efficiency of existing ACP Plant in the US. Therefore, we expect CAPEX spending to be broadly in line with the spending in 2024.

Sarang

The next question is: what is the plan for debt reduction and debt refinancing for 2025 and beyond? Can we look at equity fund raising to significantly reduce our debt in one go and grow our new segments simultaneously?

Srinivasa Rao

We will repay the outstanding Senior Secured Notes of 44 million dollars upon maturing in April 2025. With our focus on debt reduction, our allocation of funds for any CAPEX is minimal. However, with an increased need for working capital to support the higher volumes of our Carbon business over the next few quarters at higher market levels, the funds available for debt reduction will be minimal. We target to refinance the debt post 2026, by which time we will optimize the debt and achieve higher operating performance.

Sarang

Thanks. Here is our last question for today's call. We had impairment impact during 2023, and we also have impairment in 2024. Can you please clarify what triggered impairment in 2024?

Srinivasa Rao

The impairment charge made during 2024 is different from the impairment charge taken during 2023. Certain expansion projects initiated earlier were no longer viable, due to a change in market conditions. Since we no longer intended to implement them, accounting standards required the assets to be expensed off in 2024. The impairment charge in 2023 was related to the valuation of the goodwill assets which were recognized at the time of acquiring the businesses, and that was also a non-cash expense.

Thank you, Srinivas, Jagan, and Gerry.

Ladies and gentlemen, this concludes RAIN’s Management Q&A session for the fourth quarter of 2024.