RAIN INDUSTRIES LIMITED

RIL/SEs/2024 November 6, 2024

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 Management Presentation – 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 Presentation on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the third quarter ended September 30, 2024.

This is for your information and records.

Thanking you,

Yours faithfully,
for Rain Industries Limited

VENKAT RAMANA REDDY SINGIDI
Digitally signed by VENKAT RAMANA REDDY SINGIDI
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RAIN Industries Limited

Management Commentary on Developments and Performance during Third Quarter of 2024

Introduction by Sarang

Greetings to everyone. A warm welcome to you all for today's management presentation from Rain Industries Limited. My name is Sarang Pani and I serve as the General Manager of Corporate Reporting and Investor Relations at Rain Industries Limited.

Earlier today, we have released our results for the quarter and nine months-ending September 30, 2024, and the same is also posted on our website.

Shortly, we will guide you through the performance highlights of Rain Industries Limited for the Third Quarter of 2024.

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.

Before we proceed, the management would like to note that during this management discussion, forward-looking statements may be discussed 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 results differing significantly from our predictions. The discussion today contains certain non-GAAP financial measures; the related non-GAAP reconciliations are provided in the accompanying slides.

Please turn to Slide 3 at this time, where Mr. Jagan Reddy will offer insight to the key developments at the RAIN Group during the third quarter of 2024. Thank you, and I now hand it over to Mr. Jagan.

Slide 3 – Jagan Reddy Nellore:

Thank you Sarang and greetings to all,

Turning to Slide 3 of the presentation, let us begin with safety. We finished the third quarter of 2024 with one recordable incident and a Total Recordable Incident Rate of 0.20 in our carbon and advanced materials businesses. This demonstrates a continued improvement over the previous quarter. The one incident in these businesses during the third quarter was related to a mechanic falling from a scaffolding ladder. Fortunately, the employee was not seriously injured and has returned to work.

As discussed in our previous calls, our unwavering commitment to safety remains a top priority. We continuously adapt our safety initiatives to address evolving trends observed both at our plants and across the industry. A significant part of this effort is our ongoing roll-out of OSHA safety reporting norms in our Cement segment, which we aim to complete by 2024. This initiative will enable us to report a total recordable incident rate (TRIR) for each of our three business segments on a consistent, apples-to-apples basis. Additionally, it will enhance our ability to share safety lessons learned, increase employee awareness, and provide learning tools across the entire group. These measures will make RAIN an even safer place to work.

Transitioning to our financial performance, we concluded the third quarter with an EBITDA of 2.92 billion Rupees. As previously discussed, we anticipated the third quarter results would be lower than our second quarter earnings. This outcome was influenced by several factors: volumes decreased as expected, due to some shipments being advanced to the second quarter by our customers and others being delayed beyond the third quarter due to unexpected maintenance outages on the customer side, particularly in our carbon distillation business.

As highlighted during our last call, the impressive second-quarter performance was boosted by earlier-than-anticipated coal tar pitch (or, “CTP”) shipments, and should not be seen as a return to our historical earnings levels. In our carbon businesses, we continue to face margin challenges driven by both market competition and unique, situational circumstances. As we move towards the end of the year, our focus is on re-establishing our unit margins to stabilize our earnings. This step is crucial for achieving our objectives as we approach 2025.

In line with our strategic plan to reduce fixed costs, we will be optimizing operations at our manufacturing plants, responding to current demand conditions, as necessary.

During the second quarter, we saw a recovery in our carbon business margins. However, the third quarter presented some hurdles, particularly in our carbon distillation operations. The primary challenge was the rising market price for tar raw materials, which contrasted with declining CTP prices. This price increase was driven by a global reduction in tar production, caused by curtailments and closures of certain blast furnace steel mills. As you may know, global steel production remains subdued, with some producers shutting down their facilities earlier than expected. This reduction in coal tar production has led to a decreased supply for distillers, pushing up tar prices despite weaker overall market conditions for finished products.

Despite these challenges, we remain optimistic and focused on the future. Our main objective in the Carbon segment is to enhance our volumes in both calcination and distillation products. We aim to achieve this by increasing production and optimizing capacity utilization throughout 2025. We are confident that with strategic planning and execution, we can navigate these market dynamics and achieve our goals.

As discussed earlier, part of the reason for the third quarter Carbon volumes being down versus the second quarter is attributable to unforeseen maintenance disruptions at two of our major coal tar pitch customers, delaying their shipments out of the third quarter. Sales of Calcined Petroleum Coke (or, “CPC”), on the other hand, were up over 16% higher versus the second quarter. We expect CPC volumes to maintain this higher growth level during the fourth quarter and beyond in 2025 due to relaxation in the Indian import restrictions which were in place since 2018. The CPC market maintained a posture of downward pressure on pricing during the third quarter, but in recent weeks we have seen 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”). Prices appear to have finally begun to change course, on these materials. This is the first price improvement in China since the first quarter of 2023.

As you may remember, we outlined last quarter that our GPC raw materials were back in line with current market CPC prices. Now, if prices can improve going forward, this should help restore the remainder of our margins.

In our Carbon segment's distillation business, product prices remained stable during the quarter, but raw material costs crept up due to reduced coal tar availability, for reasons mentioned earlier. Entering the final quarter of 2024, the strengthening of carbon product prices in China gives us optimism of a potential return to normalized margins during 2025, marking a shift from the last couple of years of declining global industrial output trends.

Our Advanced Materials segment continues to perform positively. Volumes were down slightly for the Petro Chemical Intermediates products, but they held strong for the quarter for our high-valued Engineered Products, for our HHCR products and for our Resins.

Profitability took a hit due to raw material shortages in Europe, impacting our Advanced Materials segment and leaving us scrambling for supply. We anticipate the usual seasonal and year-end decline in volumes during the fourth quarter. However, we remain confident that the resilience of our Resins business will sustain profitability for the Advanced Materials segment through year-end. Despite the uncertainties created by war and political tensions globally, positive economic signals continue across major global regions. In the United States, the economy has remained robust, underscoring sustained consumer demand for goods and housing. Admittedly, industrial indicators remain tepid, but the economy seems to be healthy. In Europe, energy prices have remained manageable throughout the year, while the industrial sector continues to wait for signs of demand resurgence.

In late September, following several months of failing to meet post-pandemic growth targets, the Chinese government initiated a comprehensive series of economic stimulus measures. These efforts aim to rejuvenate the economy by boosting consumer spending, encouraging investment, and supporting key industries. The measures include tax cuts, increased infrastructure spending and financial support for small and medium-sized enterprises, all designed to stabilize and accelerate economic recovery. These actions are expected to have a particularly positive impact on our Carbon business segment.

Regarding our Cement segment, the Indian cement industry, the second largest globally after China, is experiencing significant consolidation. Smaller, regional producers are struggling in an increasingly challenging operating environment, leading to their exit from the sector. This trend has paved the way for a wave of consolidation, as national-level firms acquire these regional players.

Over the past decade, capacities exceeding 220 million tonnes per year have changed hands, according to industry estimates. This consolidation, coupled with greenfield expansions by leading companies, has impacted the industry's pricing power. Cement companies are aggressively pursuing higher market shares, often resorting to competitive pricing strategies to boost sales. An industry executive recently noted, “This is one of the key reasons for the sharp drop in realizations this calendar year.”

Despite these challenges, we remain optimistic about our Cement segment. The Indian government’s initiatives to increase infrastructure spending and the normalization of fuel costs provide a favorable backdrop. We are confident in our ability to navigate these challenges and continue to perform strongly in the market.

Now, I will hand over the presentation to Gerry who will provide further updates on the industry and our business on Slide 4…

Gerry….

Slide 4 – Gerard Sweeney:

Thank you, Jagan. Hello, everyone. It is a pleasure to speak with you again.

The prospects for the global aluminium industry remain positive, with aluminium prices hovering around the 2,600-US dollar mark, aided by relatively low gas prices and the expectation of robust demand amid relatively low LME inventories going forward.

Forecasts suggest that global aluminium production will increase over the next couple of years compared to the cumulative output of the past five years. This, together with the strong LME aluminium price and a functional shift in prices in China, provide reason for optimism.

Slide 5 – Gerry:

As we look at slide 5, with regards to key commodity price trends and our business during the third quarter of 2024, prices were relatively flat, except for Benzene. The benzene price is high enough though, so the reduction is not too concerning at this point.

Slide 6 – Gerry:

On Slide 6, which focuses on revenue distribution by end-industry, you will see that the aluminium sector accounted for approximately 42% of our total consolidated revenues on a Last Twelve Months (or, LTM) basis as of September 2024. This marks a 6% decline from Calendar Year 2023, mainly due to diminished volume in our Carbon Calcination business in the first half of 2024. We anticipate a rebound to the usual range of 43% to 44% by the close of 2024. Our remaining revenue streams come from various industries, including the important construction and carbon black sectors.

Slide 7 – Gerry:

On Slide 7, our Carbon segment experienced an overall 6% increase in volumes, driven by CPC, while prices declined for CTP quarter over quarter.

In the CPC business, sales volumes were up 16% over the second quarter, continuing the momentum after a weak first quarter. CPC sales prices were flat to slightly down, and we saw raw material prices remain flat.

On the distillation side of our Carbon segment, CTP sales volumes were down almost 13% from the second quarter, due to the previously mentioned delay of two major customer shipments. CTP prices decreased in the third quarter, driven by aggressive price pushback against prices for our coal tar raw material that were up, further pressuring margins.

Elsewhere in our Carbon segment, our Other Carbon Products volumes decline by 2% and pricing were flat compared to the previous quarter.

We are pleased that our Advanced Materials segment's EBITDA remained positive for the third consecutive quarter, with strong volumes. After a promising first half of 2024, the trend has held in both pricing and volume.

In our Advanced Materials segment's "Engineered Products" sub-category, volumes of CARBORES®, and our petroleum based, PETRORES®, have held now for two consecutive quarters, after a significant increase in the first quarter.

Volumes in the “Chemical Intermediates” sub-category were down 20%, majorly related to low margin products.

Moving on to the “Resins and Downstream Materials” sub-category, volumes and prices were both relatively flat versus the previous quarter. The Red Sea shipping disruptions continue to positively impact both our “Engineered Products” and “Resins” volumes. All are benefiting from a “made-in-Europe” customer preference emerging from those shipping disruptions for materials coming out of Asia. This benefit includes our HHCR materials, which have seen increased regional demand. Customers in regions close to our production site are realizing the reliability benefit of having RAIN’s HHCR as a locally produced supply.

I will now hand over the presentation to Srinivas, who will discuss RAIN's consolidated financial performance.

Srinivas, the floor is yours.

Srinivas:

Thank you, Gerry, and Hello everyone, staying on Slide 7.

During the third quarter of 2024, RAIN reported a consolidated net revenue of 39.06 billion Rupees, marking a reduction of 2.37 billion Rupees from 41.43 billion Rupees during the same period in 2023. The downturn was primarily due to revenue decreases of 1.58 billion Rupees in our Carbon segment, 0.13 billion Rupees in our Advanced Materials segment and 0.66 billion Rupees in our Cement segment.

Furthermore, RAIN experienced a decrease in consolidated adjusted EBITDA by 0.84 billion Rupees compared to the previous year. This was attributed to reductions of 0.52 billion Rupees in the Carbon segment, 0.12 billion Rupees in the Advanced Materials segment, and 0.20 billion Rupees in the Cement segment.

Slide 8 – Srinivasa Rao:

Moving to Slide 8, we can see that, for the third quarter, ending on September 30, 2024, our Carbon segment reported revenue of 27.81 billion Rupees, which was a decrease from 29.39 billion Rupees during the same period in the previous year.

During this quarter, our increase in volumes was primarily driven by higher CPC volumes due to higher capacity utilization from Indian CPC plants post the relief granted by CAQM in February 2024 and the implementation of the same during the third quarter. During the third quarter of 2024, the average blended realisation decreased by about 21.0% on account of lower market quotations across all regions. There was an appreciation of the Euro against the Indian Rupee by about 2.3% and an appreciation of the US Dollar against the Indian Rupee by about 1.3%.

Overall, revenue from the Carbon segment decreased by about 5.4% in the third quarter of 2024, as compared to the third quarter of 2023.

The Adjusted EBITDA for the Carbon segment fell by 523 million Rupees compared to the third quarter of the previous year. This was driven primarily by continued pressure on margins, which was partially offset by increased volumes and appreciation of the US Dollar and the Euro against the Indian Rupee.

Slide 9 – Srinivasa Rao:

Moving on to slide nine, we can see the Advanced Materials segment's performance.

During the quarter ending September 30, 2024, our Advanced Materials segment earned revenues totaling 8.45 billion Rupees, which was a decrease from 8.58 billion Rupees during the same period in the previous year.

During this quarter, there was increase in volumes by 8.8% primarily driven by higher throughput from our HHCR plant supported by the Red Sea crisis and higher demand compared to the same period in the previous year. During the third quarter of 2024, average realisations decreased by 9.5% due to fall in commodity prices offset by an appreciation of the Euro against the Indian Rupee by about 2.3%. As a result, revenue from the Advanced Materials segment decreased by about 1.5% during the third quarter of 2024, as compared to the third quarter of 2023.

Adjusted EBITDA fell by 122 million Rupees in contrast to the third quarter of 2023, due to fall in commodity prices partially offset by increased volumes and appreciation of the Euro against the Indian Rupee.

Slide 10 – Srinivasa Rao:

Moving on to slide 10, we can look at our Cement segment, which experienced a 19.2% decline in revenue in the third quarter of 2024 compared to the same period in 2023, attributable to an 8.8% fall in realizations and an 11.3% reduction in volumes due to the extended monsoon in key markets.

The Adjusted EBITDA for our Cement segment saw a downturn of 199 million Rupees, due to decreased realisations coupled with decreased volumes and a marginal increase in operating costs.

Slide 11 – Srinivasa Rao:

Moving on the next slide on debt, slide 11.

The third quarter concluded with a gross debt of 952 million US dollars, which includes working capital debt of 102 million US dollars. RIL's net debt stood at 711 million US dollars, and, with an LTM EBITDA of 166 million US dollars, our net debt to EBITDA ratio was 4.3x. Over the next few quarters, as performance improves and debts paid down, we anticipate this leverage ratio to gradually approach 3.0x.

During the span of the past nine months, our Euro-denominated Term Loan saw a reduction by 33 million US Dollars, driven by 35 million US dollars in repayments offset by 2 million US dollars towards the foreign exchange impact due to US dollar / Euro fluctuations.

In terms of liquidity, we closed the quarter with 469 million US dollars, comprised of a 241-million US dollar cash balance and 228 million US dollars available in undrawn credit facilities.

The Group allocated roughly 55 million US dollars for maintenance capital expenditures and plant turnarounds during the first nine months of 2024.

I will now pass over the presentation to Mr. Jagan for his concluding remarks.

Closing Remarks – Jagan Reddy Nellore:

Thank you, Srinivas.

2024 has presented its challenges, with market movements veering unpredictably as they stabilize from the highs of 2022 and early 2023. However, amidst the turbulence, we have received long-awaited relief in India from import restrictions after six years, and we are enthusiastic about operating our Indian carbon calcination facilities at maximum capacity. Despite these positive developments, some market indicators still raise concerns.

Our commitment remains to scrutinize every entity expenditure, ensuring it is both necessary and in RAIN's best interest. We will continue to rigorously evaluate raw material costs, striving to procure the optimal products and manufacture in locations that maximize profitability. This relentless pursuit of efficiency and cost management is a testament to our team's dedication.

Looking ahead, the future is promising. Noteworthy are the recent announcements of our new demonstration plant for Energy Storage Materials and Battery Anode Materials in Canada, along with joint development agreements. These initiatives position RAIN as a significant player in the burgeoning EV and other battery markets. Already an established supplier to the Chinese battery market, we bring years of experience in serving major manufacturers. The demonstration plant will solidify RAIN’s reputation for excellence in battery technology, allowing us to showcase our products’ current relevance while exploring new supply chain opportunities.

We are excited about the future and confident in our strategies to navigate the complexities ahead. The dedication and hard work of our teams are paving the way for continued success and growth. Together, we will seize the opportunities that lie ahead and ensure RAIN's prosperity in the evolving market landscape.

We appreciate your ongoing support for Rain Industries Limited and eagerly anticipate sharing further updates in the upcoming quarterly presentation.