



# RAIN INDUSTRIES LIMITED

RIL/SEs/2024

August 6, 2024

The General Manager Department of Corporate Services BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort <u>Mumbai-400 001</u>	The Manager Listing Department The National Stock Exchange of India Limited Bandra Kurla Complex Bandra East <u>Mumbai – 400 051</u>
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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 second quarter and half year ended June 30, 2024.

This is for your information and records.

Thanking you,

Yours faithfully,  
for Rain Industries Limited

S. Venkat Ramana Reddy  
Company Secretary

## 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 half year-end June 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 Second 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 into the key developments at the RAIN Group during the Second 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,

As we turn our attention to Slide 3, let us start with a focus on safety. At the end of second quarter, our Carbon and Advanced Materials segments reported a year-to-date Total Recordable Incident Rate (or, TRIR) of 0.22 as per OSHA guidelines. During the second quarter, these segments encountered only a single recordable incident involving a muscle strain due to manual labor within one of our facilities. Such incidents are regrettably common, highlighting the risks associated with physical overexertion and the importance of our program to continuously re-train our colleagues on the importance of prioritizing

their physical well-being. Consistent with our prior discussions, our dedication to safety is steadfast. Our safety programs are being continuously refined to meet the changing patterns observed in our operations and the wider industry. During the course of 2024, we are also pleased to announce that we are implementing OSHA reporting guidelines to our Cement segment, so that all three of RAIN's segments will be able to report common, global safety statistics very soon.

Regarding financials, the second quarter concluded with an EBITDA of 4.9 billion Rupees, marking progress towards more normalised levels of earnings, despite being below the average historical performance. The improvement was unexpected and due, in part, to customers accelerating certain shipments, particularly within our distillation sector, thus shifting sales from the third quarter into the second quarter. Initially, this suggested a possibility of increased demand and subsequent order growth for the remainder of the year. However, this does not seem to be the case. There has been no uptick in orders for the second half of the year. Essentially, the accelerated second-quarter shipments have merely preponed revenue ahead of the third quarter. In line with

previous projections, we continue to expect gradual recovery towards normalized earnings but do not foresee achieving this until the first quarter of 2025.

In the second quarter, we saw welcome progress with the restoration of margins in our Carbon segment. We are now approaching the margin levels we have historically achieved for our two primary carbon products: calcined petroleum coke (or, CPC) and coal tar pitch (or, CTP), after a sustained period where margins were narrowed. This shift is encouraging and results from two main developments. Initially, the margin contraction that affected CPC and CTP has leveled out. Despite a phase of improved realizations throughout 2021 and 2022, a decline began in the second quarter of 2023 which presented substantial challenges to maintaining stable prices for our products. Prices have now largely equalized after persistently navigating through a pricing arbitrage exceeding \$100 over several financial quarters.

The second notable factor aiding in this stabilization of margins is related to the costs of our raw materials. We have succeeded in aligning

our raw material expenses more closely with the selling prices of CPC and CTP, our major products in the Carbon segment.

Our most significant challenge going forward is increasing the volumes of our key Carbon-segment products CPC and CTP. While this effort will require time, it underpins why we are projecting a timeline continuing into the first quarter of 2025 to regain our historical range of earnings within this business segment.

Despite ongoing challenges with volumes in our Carbon segment, we observed an EBITDA margin of approximately 12-14% in the second quarter, approaching our usual range—an enhancement from the first quarter's EBITDA margin range of 8-10%. The pricing in the CPC market within the Carbon segment is under continuing downward pressure. However, we anticipate that any additional price declines will be offset by decreases in the cost of raw materials.

We are also pleased to inform you that the Regulatory Authorities in India have allowed import of Green Petroleum Coke (or, GPC) in line

with the Order from the Hon'ble Commission for Air Quality Management (or, CAQM) which was passed under the directions of the Hon'ble Supreme Court of India for our Special Economic Zone (or, SEZ) Unit in Visakhapatnam. This will enable us to increase production at our SEZ unit to its full capacity by the end of calendar year 2024. However, we are still awaiting the permission of the Regulatory Authorities for import CPC into our SEZ unit for blending, in accordance with the import permission which was granted by CAQM in their Order.

Importantly, our sales volume of CPC in the second quarter of 2024 marked a substantial rise compared to both the preceding quarter and the same quarter of the previous year. Our efforts remain concentrated on further expanding our global sales volumes of CPC, which have already rebounded in India during the second quarter, in line with our expectations. Global aluminium industry forecasts continue to be strong, with aluminium prices around the \$2,500 level, supported by relatively low energy costs and anticipations of a robust worldwide economy throughout the rest of the year.

Regarding our Carbon segment's distillation operations, product prices reached a point of stability during this quarter, even as supply volume pressures escalated. Current trends in aluminium prices, coupled with the recent, previously mentioned, advantageous decisions in India, which favor improvements in our CPC capacity utilization there, are contributing to an increased market confidence in our vital Carbon segment markets. As we progress into the latter half of 2024, our improved margin performance instills confidence for a projected resumption of normalized margins in forthcoming quarters. This potential upswing contrasts with the past year-and-a-half of waning global industrial activities.

Our Advanced Materials segment has shown consecutive quarters of increased volumes and profitability, propelled by declining natural gas costs and surging demand, especially in our HHCR resins business, based in Europe. We are exceptionally satisfied with these developments, which stem in part from shipping complications in the Red Sea. These disruptions have led many European customers to reconsider the long-term consistency and dependability of their



historical supply chains rooted in Asia. Consequently, we are not only expanding our sales in Europe but also broadening our customer network.

Globally, economic indicators remain largely positive until date. In the United States, economic resilience persists, despite recent inflationary pressures, reflecting continued strong consumer spending on goods and housing. Europe is seeing a reduction in energy prices approaching those seen before the conflict in Ukraine, coupled with recovery indicators in the industrial sector. China recently conducted its central convention to set its economic directives for the next five years. It is premature for concrete conclusions, but it is expected that some fiscal stimulus measures were planned.

We remain optimistic that RAIN has the capability to navigate through difficulties in this segment and capitalize on new prospects.

Regarding our Cement segment, the industry in India has experienced modest growth of 2-3% this quarter due to a slowdown in construction

activities during the general elections. Nonetheless, external reports forecast a 7-8% annual increase in cement volumes for the fiscal year 2024-25, fueled by consistent demand from infrastructure and housing sectors. Post-elections, the government's allocation of significant development funds for infrastructure, approval of more housing schemes, along with industrial expansion throughout India—especially given the government stability in Andhra Pradesh, which is keen on developing and constructing its state capital—should enhance cement demand in southern India. Recent industry analysis predicts that between 63 and 70 Million tonnes of new production capacity will be added to the cement industry in India over the fiscal years 2024- 25 and 2025-26, about 33-35 Million tonnes of which is anticipated in Fiscal Year 2024-25 itself. Capacity utilization is also projected to increase to 71% in Fiscal Year 2024-25, up from 70% in Fiscal Year 2023-24, propelled by rising cement volumes.

Considering these circumstances, we are hopeful about RAIN's ability to manage any challenges ahead in our Cement segment and leverage potential opportunities.

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.

Proceeding to slide 4, industry reports are predicting a favorable trend for aluminium's market performance, countering the previously observed decline in prices and customer demand. Projections indicate that the worldwide production of aluminium is expected to strengthen over the next few years, surpassing the total production of the last five years.

## **Slide 5 – Gerry:**

As we look at slide 5, in terms of key commodity price movements and their impact on our business for the second quarter of 2024, we noticed an increase, particularly in Benzene prices. This rise benefitted portions of our liquid businesses in our Advanced Materials segment and the “Other Carbon Products” category of our Carbon segment. Our Carbon segment experienced a 20% surge in volume growth during the second quarter, although prices for that segment’s Calcined Petroleum Coke (or, CPC) and Coal Tar Pitch (or, CTP) remained relatively stable or saw a slight decline.

In the CPC market, there was a rebound in demand both in India and the US, recovering from what we missed in the first quarter. Regarding CPC pricing, we observed a drop in raw material costs that aligned with declining CPC prices. Interestingly, this was the first occurrence since the peak of CPC prices.

Moving to the distillation part of our Carbon segment, CTP sales

volumes stayed unchanged from the first quarter, while CTP prices witnessed a 6% decrease in the second quarter, which followed a 10% decrease in the first quarter due to substantial resistance to pricing.

Our coal tar raw material prices showed minor change during this same period. In other areas of our Carbon segment, specifically within its “Other Carbon Products” category, we saw a marginal increase in both volumes and pricing when compared to the previous quarter.

We are also happy to announce that our Advanced Materials segment maintained its strong EBITDA performance into the second consecutive quarter, with volumes exceeding our expectations. Following an optimistic start in the first quarter, we continued to see an upward trajectory in both pricing and volume.

In the "Engineered Products" category of our Advanced Materials sector, the quantities of both CARBORES® and also petroleum-derived PETRORES®, remained comparatively unchanged following a

significant uptick in the first quarter, with prices also remaining steady.

Within the "Chemical Intermediates" category of this segment, our BTX products experienced stable volumes with an uptick in pricing, whereas the volumes for phthalic anhydride declined as prices rose.

Turning our attention to the "Resins and Downstream Materials" category within the Advanced Materials segment, there was minor change in both volume and price compared to the previous quarter. Although the disruptions in Red Sea shipping routes adversely affected the volume of products from our "Engineered Products" business in Asia, these same adverse events have conversely been advantageous for our "Resins and Downstream Materials" category in Europe. The region has shown increased demand for our HHCR materials, regarded as "made-in-Europe". Clients in Europe and the Mediterranean are recognizing the dependability advantage of sourcing from RAIN's local production of HHCR, especially following another supply chain issue affecting their alternative supplies from Asia.

## **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 June 2024. This marks a 6% decline from Calendar Year 2023, mainly due to diminished volume in our Carbon Calcination business in the first quarter 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.

I will now hand over the presentation to Srinivas, who will discuss RAIN's consolidated financial performance on Slide 7.

Srinivas, the floor is yours.

## **Slide 7 – Srinivasa Rao:**

Thank you, Gerry, and Hello everyone.

During the second quarter of 2024, RAIN reported a consolidated net revenue of 40.56 billion Rupees marking a 5.65 billion Rupees reduction from 46.21 billion Rupees during the same period in 2023. The downturn was primarily due to a 5.58 billion Rupees revenue fall in our Carbon segment and a 0.53 billion Rupees drop in our Cement segment, partially mitigated by a 0.46 billion Rupees rise in our Advanced Materials segment.

Furthermore, RAIN experienced a decrease in consolidated adjusted EBITDA by 1.85 billion Rupees compared to the previous year, attributed to a 1.78 billion Rupees reduction in the Carbon segment, a 0.06 billion Rupees reduction in the Cement segment, and a 0.01 billion Rupees decline in the Advanced Materials segment.

**Slide 8 – Srinivasa Rao:**

Moving to Slide 8, we can see that, for the quarter ending on June 30, 2024, our Carbon segment reported revenue of 27.95 billion Rupees, a decrease from 33.53 billion Rupees during the same period in the



previous year.

This quarter's increase in sales volume, however, was mostly attributed to a rise in our CPC volumes. Customers from Asia and the Middle East restocked during this quarter following a destocking period in the first quarter of 2024, and some shipments slated for the third quarter were brought forward. However, in the second quarter of 2024, there was a ~24.1% reduction in average blended realization due to lower market prices across all geographical areas. Currency fluctuations saw the Euro appreciate by ~0.4%, and the US Dollar by ~1.5%, both against the Indian Rupee. Consequently, revenues from the Carbon segment saw a ~16.6% year-over-year decline in the second quarter of 2024 for the reasons mentioned.

The Adjusted EBITDA for the Carbon segment fell by ₹1,779 million compared to the second quarter of the previous calendar year. The primary causes were delays in adjusting raw material costs to align with drops in finished goods prices. This impact was partially mitigated by

higher volumes and the strengthening of both 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 June 30, 2024, our Advanced Materials segment earned revenues totaling 9.40 billion Rupees, which is an increase from the 8.94 billion Rupees generated during the same period last year.

The uptick in our BTX sales stuck to the expected quarterly patterns, with additional boosts in this segment coming from elevated HHCR sales volumes. These were due to the previously mentioned supply chain interruptions of many European and Mediterranean customers in their historical Asian supplies, caused by the Red Sea crisis. Our consistent and reliable HHCR production volumes in our European plant underpinned and supported the increased sales demand from

customers for our HHCR materials. In the second quarter of 2024, despite a 16.1% drop in average selling prices, revenue growth in this segment was partially mitigated by the Euro appreciating against the Indian Rupee by approximately 0.4%. Consequently, revenues for the Advanced Materials sector saw an approximate rise of 5.2% in the second quarter of 2024 in comparison to the same quarter the previous year.

Adjusted EBITDA fell by 9 million Rupees in contrast to the second quarter of 2023, as lower average selling prices were somewhat compensated for by higher volume sales and the strengthening of the Euro relative to the Indian Rupee.

### **Slide 10 – Srinivasa Rao:**

Moving on to slide 10, we can look at our Cement segment, which experienced a 14.3% decline in revenue in the second quarter of 2024 compared to the same period in 2023, attributable to an 8.0% fall in realizations and a 6.8% reduction in volumes.

The Adjusted EBITDA for our Cement segment saw a downturn of 59 million Rupees, as lower realizations were compounded by rising operating expenses.

**Slide 11 – Srinivasa Rao:**

Moving on the next slide on debt, slide 11.

The second quarter concluded with a gross debt of 970 million US dollars, which includes working capital debt of 117 million dollars. The net debt stood at 747 million dollars, and, with an LTM EBITDA of 177 million dollars, our net debt to EBITDA ratio was 4.2x. Over the next few quarters, as performance improves and debts are paid down, we anticipate this leverage ratio to gradually approach 3.0x.

During the span of the past six months, our Euro-denominated Term Loan saw a reduction by 48 million US Dollars, driven by 35 million dollars in repayments and the remaining 13 million dollars ascribed to the foreign exchange impact due to US dollar / Euro fluctuations.

In terms of liquidity, we closed the quarter with 432 million dollars, comprised of a 206 million dollar cash balance and 226 million dollars available in undrawn credit facilities.

The Group allocated roughly 35 million dollars for maintenance capital expenditures and plant turnarounds in the first half of 2024.

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

**Closing Remarks – Jagan Reddy Nellore:**

Thank you, Srinivas.

Reflecting on the first half of 2024, we have observed sustained margin pressures in our Carbon segment, continuing from 2023. Nonetheless, signs of recovery emerged within this quarter. We predict that margin pressures will diminish in the latter half of the year, and we foresee margins normalizing in the first half of 2025. Our management team is also strategically working towards boosting our CPC volumes in the

second half of 2024 due to the Honorable Commission for Air Quality Management (or, CAQM) having raised the total green petroleum coke raw material import quota in India from 1.4 million tons per annum to 1.9 million tons per annum. This is encouraging, especially given that our Domestic Tariff Area plant in India is already back to operating at full capacity. Additionally, with the recent approval for RAIN to import green petroleum coke at our Special Economic Zone (or, SEZ) location in India during the current quarter, we expect increased capacity-utilization rates there in the second half as well. We are currently awaiting permission to import CPC at our SEZ facility, as stipulated by the Honorable CAQM's Order, which will then further enhance operations at our global calcining plants and expand our market presence in Asia and the Middle East.

Regarding our Advanced Materials segment, the stable margins noted over the past two quarters signal a continuation of this trend in the subsequent quarters.

And regarding our Cement segment, as previously stated in our opening remarks, we expect a rise in demand over the next few quarters due to the Indian Government's increased emphasis on infrastructure spending and decreasing operational expenses, which should aid in margin enhancement.

As iterated on our previous quarter's call, while market conditions are beyond our control, cost management remains within our purview. We have begun putting into place significant cost-reduction strategies across all regions, with the anticipation of realizing their positive impact in subsequent quarters. One example of these savings can be seen in the adjustments to EBITDA in our earnings report, which includes provisions for severance costs in Germany.

To conclude, my heartfelt thanks go out to our committed employees for their exceptional efforts during these trying times. Their dedication and tenacity are crucial for steering our company through this period of adversity. Although the past year has been fraught with obstacles, our resolution towards RAIN's long-term prosperity has not wavered. We

are optimistic that our strategic measures will forge a path towards a fortified and resilient establishment.

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