RAIN INDUSTRIES LIMITED

RIL/SEs/2023 May 16, 2023

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 and Management Commentary – Reg.
Ref : Scrip Code: 500339 (BSE) & Scrip code : RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith the following:

i) Transcript of Management Presentation on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the First Quarter ended March 31, 2023; and

ii) Transcript of Management Commentary on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the First Quarter ended March 31, 2023.

This is for your information and records.

Thanking you,

Yours faithfully,
for Rain Industries Limited

Singidi Venkat Ramana Reddy
Digitally signed by Singidi Venkat Ramana Reddy
Date: 2023.05.16 17:58:31 +05'30'

S. Venkat Ramana Reddy
Company Secretary

Regd. Office: Rain Center
34, Srinagar Colony
Hyderabad 500073
Telangana, India

Phone : +91 (40) 40401234
Fax: + 91 (40) 40401214
Email:secretarial@rain-industires.com
Website: www.rain-industries.com
CIN:L26942TG1974PLC001693

RAIN INDUSTRIES LIMITED

Transcription of
Management Presentation on
Un-Audited Financial Results of the Company
(Standalone, Consolidated and Segment)
for the First Quarter ended March 31, 2023

Management:

Mr. Jagan Reddy Nellore – Vice Chairman of RAIN Industries Limited.

Mr. Gerard Sweeney – President of RAIN Carbon Inc.

Mr. T. Srinivasa Rao – Chief Financial Officer of RAIN Industries Limited; and

Mr. Alan Chapple - Director of Corporate Communications at RAIN Carbon Inc.

Introduction by Alan Chapple

Hello, ladies and gentlemen. This is Alan Chapple, director of corporate communications and public relations for Rain Carbon Inc.

In just a moment, we will take you through the performance of RAIN Industries Limited during the First Quarter of 2023.

Presenters 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 begin, management would like to mention that some of the statements made in today's discussion may be forward-looking in nature, and they could be affected by certain risks and uncertainties. The company's actual results could differ materially from such forward-looking statements.

Now, if you could turn to Slide 3, Mr. Jagan Reddy will provide an update on key developments in RAIN Group during the First Quarter of 2023. Thank you, and over to Jagan.

Slide 3 – Jagan Reddy Nellore:

Thank you, Alan.

Good evening, everyone.

On Slide 3 of the presentation it can be noted that we finished the first quarter 2023 with an Adjusted EBITDA of Rupees 6.85 billion. This is in line with our fourth-quarter 2022 EBITDA of Rupees 6.90 billion and within our historically normal range. Given the challenges posed by continued high energy costs in Europe, reduced discretionary spending by our customers and the fact that Q1 results are typically lower given the seasonality of some of our products, we are reasonably comfortable with our quarterly performance. Moreover, our results during the past two quarters confirm that the inflated post-COVID demand and opportunity margins that we enjoyed during the second and third quarters of 2022 have come to an end.

In reverting to the "old normal," we are experiencing the margin compression that we typically see in this stage of the pricing cycle, when finished product prices come down ahead of raw material costs. However, the steepness of the falloff in finished goods prices which occurred at the end of the quarter was unexpected and not typical. As a result of this, we were forced to make a net realizable value adjustment on inventories of about $21 million during the quarter. It is also worth noting that, as a global company with operations across three continents, these fluctuations are happening sequentially around the world, and we will be working through them during the second quarter as well if prices soften further.

We have successfully navigated these cycles before, and are confident that we can effectively manage our current inventories and maintain margins during this downward movement.

Looking ahead, we anticipate that our near-term performance will remain within the typical operating range we have guided to in the past. Of course, recession fears remain worldwide, and the energy situation in Europe is still unpredictable. In addition, while China is open for business now following COVID lockdowns, its near-term resilience remains a question mark.

Slide 4:

Turning to Slide 4, the LME aluminum prices spent most of the first quarter hovering between $2,200 and $2,400 per ton. As we had said in previous calls, smelters generally consider $2,300 as a healthy price for continued production and possible expansion.

The good news – especially for those smelters in Europe without access to low-cost hydropower – is that energy prices have come down partially since they spiked in late 2022. If LME prices improve a bit and energy costs hold steady or continue to decline, that could avoid any additional curtailments and might even motivate some European smelters to consider restarting idled plants.

Similarly, in the United States, there has been talk of a major smelter coming back online once energy costs come down. As a long-time customer of ours, this smelter restarting could be beneficial for us.

It is also worth reminding everyone that aluminum remains the metal of choice for a growing range of products, which translates to continued strong demand for years to come. We all know about its increased use in automobiles as manufacturers work to lighten vehicles to improve fuel economy as well as aluminum's growing popularity as a building material given its strength and corrosion-resistant nature.

It is interesting to note that aluminum is quickly replacing plastic and steel in the electronic devices that have become an essential part of our lives. Smartphones, tablets, laptops, and flat screen TVs are being made with an increasing amount of aluminum since it is stronger and tougher than plastic and lighter than steel. Aluminum also allows heat to dissipate quickly, helping to prevent electronic devices from overheating.

Therefore, with aluminum becoming more and more ubiquitous, we are confident in the long-term need for our calcined petroleum coke and coal tar pitch, both of which are critical ingredients in the anodes required to manufacture aluminum, especially considering that there are no known credible substitutes.

Regarding the pet coke import restrictions for our Indian Carbon business, we are awaiting the government's GPC import allocations for 2023-24 fiscal year, as well as finalization of the long-awaited emissions regulations for the calcining industry, as ordered by India's Supreme Court in 2019.

We also continue to pursue relief from regulatory authorities related to petroleum coke import restrictions for our new vertical-shaft calciner in the Andhra Pradesh Special Economic Zone, which we believe should not be subject to the import restriction since it was developed to cater to export markets. Given the superior bulk density of the CPC produced in the new shaft calciner – and the growing customer interest in this product – we will continue to optimize the India operations, until such time the shaft calcination facility receives the requisite relief.

Regarding the Cement business, demand continues to be reasonably strong in South India. Although the first quarter performance has been negatively impacted due to the high cost of fuel, the good news is that the fuel prices are coming down precipitously, which should positively impact the cement operations in the coming quarters.

With this business update, I will now turn over the presentation to Gerry to take you through industry and other business updates on Slide 5 … Gerry …

Slide 5 – Gerry:

Thank you, Jagan,

Hello, everyone. It is a pleasure to discuss the Industry Trends during the First Quarter of 2023.

Turning to slide 5, in our Carbon segment during the first quarter, we continued to see good demand for calcined petroleum coke and a slight decline in coal tar pitch volumes. On the calcination side of our Carbon business, CPC volumes for the quarter were essentially flat compared to the previous quarter. While the demand remained reasonably strong, as mentioned earlier, the opportunity margins that we enjoyed during much of 2022 have eroded. This is led, in large part, by falling prices for the CPC exported by China. How quickly we can match raw material costs with finished CPC prices will be the key to maintaining stable margins in the near term.

Continuing with carbon calcination, during the quarter, we executed some engineering work on our anhydrous carbon or “ACP” pellet facility in the United States to reach the scale of production required for the desired profitability of the plant. In parallel, we continue to work with customers on product testing of batches of calcined ACP.

While all of this is a process, we remain confident in the potential of ACP as a commercial product thanks to the energy savings it will offer smelters. Moreover, it will improve our GPC raw material yield by reducing the fines burned during calcination, thus lowering carbon and sulfur dioxide emissions while also better positioning us to help customers achieve their goal of producing low-carbon aluminum – all part of our commitment to becoming a more sustainable company.

Moving on to the distillation side of our Carbon segment, coal tar pitch volumes were down about 3% in the first quarter, as the smelter curtailments in Europe continued to chip away our pitch sales. The larger near-term issue, however, is margin compression – much like we are seeing in our calcination business. At the same time, I am happy to report that the partial decline in energy prices in Europe helped to reduce our production costs, preventing even higher margin erosion.

In our other carbon products category, volumes increased 13%. That was primarily driven by a steep increase in sales of carbon black oil due to stronger demand. This was somewhat offset by reduced volumes of seasonal creosote and crude naphthalene. On a positive note, pricing for crude naphthalene was better compared to the fourth quarter.

Looking ahead, total sales of our carbon distillation products in Europe are expected to remain soft, due to weak consumer sentiment driven by the continued impact of energy costs and inflation. In turn, we expect lower European demand and pricing to squeeze raw material demand and pricing.

In coming quarters, we will need to carefully manage our costs, quickly using up existing inventories and taking advantage of falling energy costs to preserve our margins until the pricing for raw materials and finished goods are once again in sync.

Turning to our Advanced Materials segment, EBITDA – as expected -- was again positive after consecutive negative quarters. This was driven by a combination of factors, including reduced energy costs and the fact that we had no planned maintenance outages during the first quarter.

Sales volumes of nearly all of our advanced materials were higher in Q1 compared to the previous quarter, though significantly lower than a year ago when the global economy was still running on all cylinders.

In the sub-segment of engineered products, demand for CARBORES®, which is used as a binding product in refractory materials by steel plants, was up quarter-on-quarter. We also saw a slight decline in demand for our PETRORES® specialty coatings, as much of China's manufacturing economy, including its lithium-ion battery sector, continues to limp along despite the end of the Zero COVID lockdowns. Finally, we had limited sales of our seasonal asphalt sealer products, as is usual in the first quarter.

Looking at our chemical intermediates sub-segment, our BTX volumes were up marginally compared with the prior quarter, while phthalic anhydride volumes increased substantially compared to the prior quarter, which included a lengthy maintenance shutdown. Sales of our modifiers continued to decline due to the economic slowdown in Europe, while volumes of refined naphthalene were nearly double that of the fourth quarter, due in part to increased construction in China using naphthalene-containing building materials.

Moving on to resins and downstream materials, we saw a nice increase in sales of hydrocarbon resins after a seasonal decline in the fourth quarter. That said, demand is still lower than it was in earlier quarters before consumers began to cut back on discretionary spending and purchases of things like automobiles and furniture that include our resins. Finally, during the first quarter, we sold the remaining inventory of our aromatic chemicals that was left after we closed that production facility in the second half of 2022.

Looking ahead at our Advanced Materials segment, we expect some near-term challenges given the continued decline in demand, which is undercutting prices for our products while our raw material costs are falling at a slower rate, as with our carbon distillation business. The decline in energy prices in Europe has helped us offset the overall impact to our margins. Just as important, those lower prices have enabled us to restart energy-intensive production units in the first quarter that had been idle in the third and fourth quarters. This should have a positive impact on the second-quarter performance of our Advanced Materials segment. In addition, we expect to benefit during the spring and summer months from the usual increase in sales of our seasonal products such as sealer base and creosote.

Perhaps the biggest near-term challenge is the unpredictable status of the Chinese economy. During the first quarter, China's economy grew

4%, but much of the recent production has been for inventory-building rather than as current sales to consumers. This indicates continued low market demand and has a negative influence on pricing. At the same time, with these slow sales domestically, we have seen a significant decline in the prices for many products coming out of China in addition to an increase in exported volumes, pushing down global product prices even further. The big question for the next couple of quarters is whether this heavy export behavior is permanent, or if Chinese domestic consumption and pricing will recover. With all of that in mind, we do anticipate a rebound from China in the second half of the year.

Speaking of challenges, if you have followed our company for a while, you know that we regard workplace safety as paramount, and we are proud that our performance during the past three years ranks us among the best in class in our industry. In the spirit of full disclosure, however, we experienced three recordable injuries during the first quarter, which is higher than what we had in the previous quarter. While some of these recent cases – such as slips, trips and falls -- could be attributed to working in wet, dark and icy wintery conditions, we continue to emphasize the importance of occupational and process safety. In response, we have implemented a series of corrective actions and safety trainings and are committed to getting back to a situation where our performance is based on safe behaviors and having every employee fully invested in our safety program and ultimately their safety.

With that, I will now turn the presentation to Srinivas, who will take you through the consolidated financial performance of RAIN on Slide 6.

Srinivas, over to you.

Slide 6 – Srinivasa Rao:

Thank you, Gerry.

Hello, everyone. It is a pleasure to present our financial performance during the March 2023 Quarter.

In the First quarter of 2023, RAIN achieved consolidated net revenue of Rupees 52.10 billion compared to Rupees 44.09 billion in the first quarter of 2022, an increase of Rupees 8 billion. This resulted from an increase in revenue of Rupees 9.73 billion from our Carbon segment offset by decrease of Rupees 1.65 billion from our Advanced Materials segment and Rupees 0.08 billion from our Cement segment.

RAIN's consolidated adjusted EBITDA decreased by Rupees 1,502 million compared to the prior year. This resulted from a decrease in the Carbon segment by Rupees 582 million, a decrease in the Advanced Materials segment by Rupees 574 million and a decrease in the Cement segment by Rupees 346 million.

Now turning to the next slide on Carbon segment performance …

Slide 7 – Srinivasa Rao:

Revenue from our Carbon segment was Rupees 40.72 billion for the quarter ended March 31, 2023, as compared to Rupees 30.99 billion for the same period last year.

During the quarter, sales volumes increased by 2% compared to Q1 2022, driven by higher throughputs. The average blended realisation increased by ~28.7%, driven by market quotations, increased raw material prices across all regions and a change in product mix. There was an appreciation of Euro against Indian Rupee by ~4.6% and an appreciation of USD against Indian Rupee by ~9.4%.

Overall, due to the aforesaid reasons, revenue from Carbon segment increased by ~31.4% in Q1 CY23 as compared to Q1 CY22.

Adjusted EBITDA of the Carbon segment decreased by Rupees 582 million as compared to Q1 CY22 due to increased raw material prices partly offset by increased volumes, realisations and appreciation of USD and EURO against Indian Rupee.

Turning to the next slide on the performance of Advanced Materials …

Slide 8 – Srinivasa Rao:

Revenue from our Advanced Materials segment was Rupees 7.60 billion for the quarter ended March 31, 2023, as compared to Rupees 9.25 billion for the same quarter in 2022. During the quarter, there was a decrease in volumes of ~26.5%, driven by lower production on account of maintenance shutdowns and closure of the aromatic chemicals business. During Q1 CY23, the average blended realisation increased by ~11.8%, primarily due to higher oil-related quotations and raw material quotations and appreciation of Euro against Indian Rupee by ~4.6%. Due to the aforesaid reasons, revenue from the Advanced Materials segment decreased by ~17.8% during Q1 CY23 as compared to Q1 CY22.

Adjusted EBITDA for the Advanced Materials segment decreased by Rupees 574 million due to a decrease in volumes on account of the temporary shutdown of facilities partly offset by an increase in realizations and appreciation of USD and EURO against Indian Rupee.

Moving on the next slide on our Cement business …

Slide 9 – Srinivasa Rao:

During the First Quarter of CY23, Cement revenue decreased by ~2% compared to Q1 of Calendar Year 2022. The decrease was primarily due to a decrease in volumes of ~1.4% and decrease in realisations of ~0.6%. Cement EBITDA decreased by Rupees 346 million due to higher operating costs and by decreased sales volumes.

Moving on the next slide on debt …

Slide 10 – Srinivasa Rao

We ended the quarter with total debt of US$ 1,183 million, including working capital debt of US$ 146 million. Net debt was US$ 890 million and, based on LTM EBITDA of US$ 452 million, we ended the quarter with a net debt to EBITDA ratio of 2.0x. We are comfortable at this level, as our average borrowing cost stood at ~6.3%.

We incurred US $22 million towards capital expenditures during the quarter.

With that, I will now turn the Presentation to Mr. Jagan for closing remarks.

Closing Remarks – Jagan Reddy Nellore:

Thank you, Srinivas.

After a year of abnormally high demand and margins for our products, we are coming back to the “old normal”. At the same time, the end of the commodity super cycle, a Chinese economy that remains sluggish and reduced consumer demand around the world has resulted in a downward pricing reset for many of our finished products. Unfortunately, our raw material costs are falling at a slower rate.

As a result, our primary challenge in the near term will be to carefully manage our costs to minimize margin compression until the selling prices for our products and our raw material costs are back in sync. The good news is that we have successfully navigated these cycles in the past, and we are committed to doing so again during the current cycle.

In parallel, we are determined to regain our footing when it comes to safety. We are acutely aware of the grave consequences that can occur in our industry when there is a breakdown in occupational or process safety, and we are committed to restoring our company’s best-in-class safety status.

Finally, if you are not aware, we issued our first publicly available sustainability report last month, and you can view it in the Sustainability section of our subsidiary RAIN Carbon website. This report outlines our commitment to a sustainable environment and maintaining the ecological, social and economic well-being of future generations.

I believe that we have a lot to be proud of – and I hope you agree, after reading the report. At the same time, we also realize that much work remains. As I have said before, we know that nothing will have a greater impact on the success of our business than our sustainability efforts and ability to meet the related needs of our customers and society in general.

Thank you for your continued interest in RAIN Industries Limited, and we look forward to next quarter's presentation.

RAIN INDUSTRIES LIMITED

Transcription of

Management Commentary on

Un-Audited Financial Results of the Company

(Standalone, Consolidated and Segment)

for the First Quarter ended March 31, 2023

Management:

Mr. Jagan Reddy Nellore – Vice Chairman of RAIN Industries Limited.

Mr. Gerard Sweeney – President of RAIN Carbon Inc.

Mr. T. Srinivasa Rao – Chief Financial Officer of RAIN Industries Limited; and

Mr. Alan Chapple - Director of Corporate Communications at RAIN Carbon Inc.

Good day ladies and gentlemen.

This is Alan Chapple, Director of Corporate Communications at RAIN Carbon Inc. Welcome to the RAIN Industries Limited earnings discussion for the first quarter of 2023.

With me on the call 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 that we released on May 9, 2023, we have been receiving questions from certain investors and analysts regarding industry developments and the status of our expansion projects. Accordingly, RAIN Management will be addressing those questions.

Before we begin, management would like to mention that some of the statements made in today's discussion may be forward-looking in nature, and they could be affected by certain risks and uncertainties. The company's actual results could differ materially from such forward-looking statements.

We will now start the discussion.

ALAN

Gerry, the first question is with regard to our operations in Europe. Can we sell higher coal tar pitch volumes outside of Europe to compensate for the reduced demand in the region? Also, can we increase the use of alternative raw materials to help keep our raw material costs in check and protect our margins?

Gerard Sweeney

RAIN has logistical capabilities and a global presence that enable us to source raw materials from around the world and send our finished goods back out across the globe to best match our production capacities and locations with shifting global markets. This allows us to economically compete in an increasingly challenging raw material environment and optimize the use of both traditional and alternative raw materials. We have emphasized the use of alternate raw materials where it is advantageous to us – both economically and from a sustainability standpoint. Doing so helped our performance during the past year and provides valuable options for raw material supply.

ALAN

Thanks Gerry, can you provide your views on aluminum-industry capacity and how any increased capacity in the CPC or CTP industries will be impacted?

Gerard Sweeney

As there is a continuing increase in the production of primary aluminum on a global basis, there is increased demand for CPC and CTP. Although, the growth rate has moderated in recent times, the aluminum industry is growing in certain regions including the Middle East and Asia excluding China, while there is a decline in the production of primary aluminum in other markets such as Europe. There is also an incremental growth in CPC capacity in the Middle East region, matching the demand from new smelter additions. There could be regional imbalances, but overall production of CPC and CTP are growing on a worldwide basis.

ALAN

Is there anything different from this down cycle compared to earlier ones? Do the issues in China seem more structural this time?

Gerard Sweeney

Good question. Our business is a cyclical one, and we have seen upward and downward trends over the years. We had similar situations earlier in 2008, 2013 and 2018. Compared to earlier cycles, this time we saw a sudden fall in prices during end of March and first half of April, unlike in other periods when the downward movement occurred over 2-3 quarters. The market dynamics have changed. However, as we have mentioned in the past, we are prepared for these downward trends and believe we have learned from what we have seen and experienced in the past.

ALAN

Are the small-sized Chinese calciners facing difficulties due to the Chinese slowdown? Do you envision some of those calciners permanently shutting capacity?

Gerard Sweeney

There are very few small-scale Chinese calciners operating today since the majority of these were shut down during the past 5-10 years as the calcination industry shifted away from plants with a production capacity of less than 100,000 tons. Among the small-sized calciners that do remain, they have generally survived due to the fact that they are regionally, and niche focused. As a result, they have less exposure to the economic slowdown since they have a stable customer base -- even at reduced capacity. The medium and large size calciners in China have been operating at reduced rates for some time, and as far as we know, there are no reports of imminent closures due to financial concerns. The expectation continues to be there that the second half of 2023 will provide some relief with the restart and startup of domestic smelting capacity.

ALAN

What is normal performance range for the Advanced Materials segment? Also, considering that the major capex investments for that segment have been completed, what will be the new normal for Advanced Materials?

Gerard Sweeney

As a company metric, we look at EBITDA generation by the Advanced Materials and Carbon business segments as being interdependent. Decisions are made to keep products in one segment versus transferring to the other for further processing based on the best economics for the company. The Advanced Materials segment has suffered from this as well as from macro issues such as high energy prices in Europe and weaker economic conditions, due to lower discretionary spending by the customers.

ALAN

Thank you, Gerry. We now have few questions for Jagan. The first question is related to HHCR. What is the likely capacity utilisation for the HHCR business in 2023 and by when can it be ramped up to optimum capacity?

Jagan Nellore

Thanks, Alan, as we stated in our earlier calls, with energy prices softening in Europe, we started heating up the plant late last month, and production is likely to resume this month. Considering that we are starting in the middle of the calendar year, we expect the plant to run at 40-50% capacity for the remainder of this year and then ramp up over the next 1-2 years. While there is a stiff competition from Asian suppliers, the customers within Europe prefer suppliers locally, due to logistic flexibility, shorter lead times and the fact that we can supply these advanced resins in “molten form”. Also, with the reduction of production capacity in Europe by others HHCR producers, we expect to achieve higher volumes in next couple of years.

ALAN

Thanks Jagan. Moving on, can you provide an update on the latest court case situation in India and reopening of production lines for CPC in India? Also, are there any updates on the GPC allocation for 2023-24.

Jagan Nellore

Although DGFT has made its allocation of CPC to the aluminum smelters for the financial year 2023-24, however they have yet to make the allocation of GPC to calciners. Considering the reduced GPC allocation, our endeavor is always to try to optimize the calciner operations to the extent possible. Elsewhere, we are awaiting a decision on our appeals before the Honorable Supreme Court on various grounds including the finalization of emission standards for the calcination industry by the Ministry of Environment, Forests, and Climate Change, in accordance with the Hon’ble Supreme Court orders in September 2019.

ALAN

Is Rain Industries planning to buy back any shares?

Jagan Nellore

Our immediate goal is reduction of debt, considering the increase in the interest rates.

ALAN

Can you provide details regarding our plans for debt repayment and refinancing? What would be the likely increase in the cost of debt?

Jagan Nellore

The debt markets have been extremely volatile over the last year. We have watched them closely and will continue to watch them to find the optimal time to refinance our debt. As indicated earlier, our intention is to reduce debt with the cash that will be generated as our working capital requirements come down. We are expecting an increase in interest expense as the cost of capital has increased globally due to the actions taken by the central banks to increase rates to offset inflation.

ALAN

Given the higher capacities in South India and we are being a smaller player, how do we compete in an era of large-scale consolidation happening in the industry. Also please provide an update on the energy cost trends currently prevailing and how the company is planning to mitigate the same?

Jagan Nellore

Regarding the impact of being a smaller cement player in South India, it is to be noted that the main cost factors for cement are Energy and Logistics. With cogeneration of power by RAIN (being a net exporter of electricity), solar power generation, global presence in petroleum coke and with captive domestic logistics, the cost factors are almost similar to other larger cement producers. Further the cost of petroleum coke and coal are coming down, as noted in second quarter of calendar year 2023 and this should positively impact the business starting second half of 2023.

ALAN

Thanks Jagan. Our final set of questions are for Srinivas. What was the major driver of the NRV provision taken on inventory at the end of the quarter? What kind of steps can we take to minimize the inventory losses going forward?

Srinivasa Rao

Thanks, Alan, the major impact of our recent NRV provision was related to an unexpected rapid fall in prices for our finished products. The products impacted the most were those sold in markets where Chinese product can compete. We have taken steps to minimize the impact of these adjustments by maintaining inventory at lower levels. However, it is to be noted that our plants that are dependent on imported raw materials do maintain higher volumes of inventory.

ALAN

Srinivas, the next question is about the effective tax rate is varying substantially quarter on quarter. Is there any specific reason for such wide variations.

Srinivasa Rao

There has been a wide variation in the effective tax rates over last two years. A major impact was the reversal of deferred tax assets in Germany, which from an accounting perspective were written off partially in December 2021 and the balance fully in December 2022. With operations spread across various jurisdictions and a higher concentration of debt only in USA and Germany, there will be variations in the effective tax rate. However, we expect that the effective tax rates will be in the range of 30-32% going forward.

Thank you, Srinivas, Jagan and Gerry.

Ladies and gentlemen, this concludes RAIN's Management Q&A session for the March quarter of 2023.