



# RAIN INDUSTRIES LIMITED

RIL/SEs/2024

February 24, 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>
--	---

Dear Sir/Madam,

Sub: Transcript of Management Presentation on Annual Audited Financial Results for the Quarter and Financial Year ended on December 31, 2023 – 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 Annual Audited Financial Results for the Quarter and Financial Year ended on December 31, 2023.

This is for your information and records.

Thanking you,

Yours faithfully,  
for Rain Industries Limited

S. Venkat Ramana Reddy  
Company Secretary



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

### Introduction by Sarang

Hello, ladies and gentlemen. This is Sarang Pani, General Manager Corporate Reporting and Investor Relations for Rain Industries Limited.

In just a moment, we will take you through the performance of RAIN Industries Limited during the Fourth 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 during this call, we may touch upon forward-looking statements, which encompass various topics such as performance, trends, objectives, and strategies. Please be aware that these statements are rooted in our current expectations and may be influenced by potential risks and uncertainties. Certain factors could potentially lead to outcomes differing from those predicted by these forward-looking statements. Additionally, we will be delving into specific non-GAAP estimated financial metrics, and the accompanying slides provide the related non-GAAP reconciliations.

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



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

### Slide 3 – Jagan Reddy Nellore:

Thank you, Sarang and Hello Everyone,

Turning to Slide 3 of the presentation let us begin with safety, we closed CY 2023 with a TRIR, Total Recordable Incident Rate, of 0.24 for Carbon and Advanced Material Plants marking another consistent year of safety performance, and still surpassing the industry benchmark. Our commitment to constant improvement remains unwavering, as we continue towards our objective of practicing safety as a way of life and progressing towards being an incident-free organization.

We finished the Fourth quarter with an EBITDA of 2.78 billion Rupees and full year with an EBITDA of 20.14 billion Rupees. The results were below expectations due to several factors. The largest impact was the continued decline in pricing for our two largest products, CPC and CTP. We have been chasing prices and costs down the curve as sales prices have come off significantly, and worst of all gradually, throughout the third and fourth quarters of 2023. Other contributing factors included declines in our usual, seasonal markets and heavy annual plant maintenance in the fourth quarter. Despite our hope that the product price drops would level off after a precipitous drop



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

in the second quarter, prices continued to drop throughout the second half of 2023, and even our volumes dropped versus our expectations due to delayed or deferred customer shipments.

In our Carbon Segment, our EBITDA margin dropped to below 10% vs a normal range of 16%-18%, and the Advanced Materials segment recorded a negative EBITDA margin due to seasonal lower demand and under-absorption of costs due to planned maintenance shutdown activities.

The calcined petroleum coke (or, "CPC") market began its march downward from the peak more precipitously once again during the third quarter. Yet, even as we turned our inventory and brought in cheaper, replacement raw materials, the market continued to fall underneath us, not allowing us to reestablish our margins. This continued in the fourth quarter with CPC prices, but at a slower pace than in the third quarter. Customer shipments then slipped due to weaker aluminum market conditions affecting our fourth quarter volumes. The fall in product prices in our distilled Carbon products, especially CTP, trailed CPC price declines in the third quarter. We did get the full impact however in Q4, where we experienced severe margin compression. The majority of this is attributable to Chinese / Asian price drops, based on a recessionary economy there forcing volumes into the export market.



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

As we reflect on the recent challenges faced by our company, particularly within our major Carbon segment products, it is essential to acknowledge the difficulties while also emphasizing the potential for a brighter future ahead.

Over the past few quarters, we have encountered significant obstacles, primarily stemming from the relentless decline in sales prices and slipping sales volumes. Despite our best efforts to adjust costs accordingly, we found ourselves caught in a cycle where prices continued to fall, further impacting our margins. Additionally, elongated shipping schedules due to reduced customer production rates have added to the complexity of our situation, as we strive to manage inventories against a declining sales schedule.

However, amidst these challenges, there is reason for optimism. Our company has a history of resilience, and we have successfully navigated similar downturns in the past. While the fall from record-high product price levels has been unpredictable, we remain steadfast in our commitment to "right the ship" and restore our margins to traditional levels.

It is important to recognize that the prices of our main customer industry 'Aluminium' have remained relatively healthy despite the prevailing market conditions. This resilience serves as a beacon of hope as we work towards stabilizing our operations.



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

Looking ahead, historical data suggests that price resets typically last around one to two quarters. Although we anticipate another quarter or possibly two of challenges, we are optimistic about returning to our normal earnings range soon.

While the continuous tumbling market declines since the third quarter of 2023 presented unforeseen hurdles, it is essential to understand that our business model and the markets we serve remain fundamentally strong. Despite the underperformance in the latter half of 2023, there has been no paradigm shift that will have a lasting negative impact on our company.

As we move into Q1 2024, we are beginning to see signs of market stabilization, which bodes well for our prospects. As we reset our raw material prices, we anticipate a return to normalized margins.

#### **Slide 5 – Jagan Reddy Nellore:**

Moving to slide 5, on the positive side for our Carbon Segment, during last year, the Hon'ble Supreme Court of India delegated a review of its restrictions on the importation of Raw Petroleum Coke (or, "RPC") and CPC to the Commission for Air Quality Management (known as "CAQM"). CAQM has just



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

recently, on February 15, 2024, submitted its findings. These include stepped increases to the allowable, annual importation quantities of RPC by Indian calciners and CPC by Indian aluminium smelters, in order to help feed aluminium smelting expansions. This will allow Indian calciners like RAIN to import more RPC in order to produce more CPC in India.

In this order, we have also been granted relief to import GPC as feedstock and CPC product for blending at our SEZ, Special Economic Zone, shaft calcining facility. This relaxation in the imports of RPC and GPC should enable our calcination facilities to operate at optimum capacity including executing the global CPC blending strategy, as was done prior to the Indian import restrictions were put into place in mid-2018. Though it will take some time to move forward with reestablishing this global GPC/CPC supply chain, we are very appreciative of receiving the relief granted by the Hon'ble CAQM.

Currently, we are observing a variety of economic indicators across different world economies, presenting a mixed picture. In the United States, there is a sense of stability, and with it being an election year, there is even a possibility of a buoyant economy. Conversely, Europe is grappling with challenges stemming from inflationary pressures and ongoing conflicts. However, there is a silver lining in Europe as energy costs have returned to pre-war levels, which



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

is expected to have a positive impact on the EU industry. In China, there are signs of a potential recession, although it remains uncertain how the central government will intervene to stimulate the economy. Despite these fluctuations, one notable positive factor is the sustained healthy LME aluminum price, which remains above \$2,000 per ton, offering optimism for the industry.

Regarding our Cement segment, demand continues to be reasonably strong in our primary South Indian market. The favorable price decline for the fuels required to produce cement, which were seen in the third quarter have continued into the fourth quarter, boosting our margins. The fuel price trend is expected to continue in the coming months. In addition, our Cement segment has increased its in-house generation of low-cost, clean electricity from our waste-heat and expanded, solar power plant capacity. Consuming more of this in-house electricity has also helped RAIN to improve operating margins in its Cement segment in the fourth quarter.

With this business update, I will now turn over the presentation to Gerry to take you through industry and other business updates on Slide 6 ...

Gerry.....





## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

### **Slide 6 – Gerard Sweeney:**

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

Moving on to slide 6, Market publications consistently project a positive outlook for the performance of aluminium, both in terms of production volume and price. Forecasts suggest that global aluminium production will be more robust over the next couple of years compared to the cumulative output of the past five years. This indicates a growing demand for our core Carbon products, CPC and CTP, which will be essential to support the expansion of smelters.

We will be closely monitoring the development of smelters' consumption over the next several quarters in comparison to the aluminum market's capacity to absorb the additional CPC and CTP that will be introduced in India and elsewhere.

In recent quarters, there have been closures of aluminum smelters in Europe and North America, primarily due to regional cost pressures related to energy.

However, this is not reflective of a decline in demand for our Carbon products.

As new smelting capacities come online and begin operations, we anticipate a surge in demand for our key Carbon products, surpassing any lost volumes from closures.



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

Vigilant market monitoring coupled with the ability to make swift and appropriate proactive business decisions will be crucial in navigating this dynamic landscape.

#### **Slide 7 – Gerry:**

With regards to key commodity price trends and our business during the fourth quarter of 2023, the Carbon segment experienced a 7% decline in pricing offset by an increase of 7% in volumes.

The volume increase was primarily attributable to the CPC business, where volumes were up 16% over the third quarter. Despite this increase in CPC volume, margins were very thin with prices dropping another 7% compared to previous quarter and did not allow us to benefit profit-wise, except to move inventory.

Moving on to the distillation side of our Carbon segment, coal tar pitch volumes decreased by 11% in the fourth quarter compared to the previous quarter. Pitch prices decreased by 7% in the fourth quarter, driven by aggressive price declines from China. Prices for our coal tar raw material dropped 12% in the same quarter, but we had to work off our existing inventories to catch up.



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

In our Other Carbon Products category, volumes have increased by 3%, and prices increased by 7%.

Our Advanced Materials segment's EBITDA was negative in the fourth quarter. This was disappointing after maintaining profitability for the prior three quarters, in this segment. This was driven by lower seasonal sales, under-absorption of fixed costs due to maintenance activities and weaker pricing driven by market quotations.

In the "Engineered Products" sub-category, CARBORES®, and our petroleum based, PETRORES® were negatively impacted due to the situation in the Red Sea which increased shipping costs and reduced volumes. The largest volume impact to Engineered Products was related to our asphalt sealer base products which are not in high demand in the winter months, where volumes dropped approximately 6,000 metric tons compared to the third quarter.

Looking at "Chemical Intermediates," our BTX and phthalic anhydride volumes were higher compared with the previous quarter due to a restart after maintenance shut down activities in the third quarter.



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

Moving on to “Resins and Downstream Materials” in our Advanced Materials segment, while volumes increased, prices fell primarily related to commodity price declines. Our HHCR facility continued to run smoothly, however, it did incur a prolonged shutdown due to the hydrogen plant being down for maintenance in the fourth quarter. Contrary to the disruptions which our Engineered Products business is experiencing from the Red Sea issues, we are benefiting from these same circumstances with our HHCR products, as we have seen increased regional pricing and new demand for our products. As we have noted in past discussions, most of our competition for these resins comes from Asia, through the Red Sea.

### **Slide 8 – Gerry:**

Moving to Slide 8 on Revenue by end-industry, as you can observe, the aluminium industry contributed about 48% of our consolidated revenues. The balance 52% is generated from varied industries including cement, steel, and carbon black. Over the last several years, our sales to the aluminium industry have remained in this range. With the recent relief we have received in India related to the petcoke import restrictions, we would expect the future share of sales to the aluminium industry to increase most likely, as we return to our



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

global blend strategy and more fully utilize our capacities globally. In fact, with this relief from import restrictions, our available calcining capacities now make us the largest merchant calcining company in the world. So, we are now the largest calciner as well as the largest coal tar pitch upcycler in the world.

With that, I will now turn the presentation to Srinivas, who will take you through the consolidated financial performance of RAIN on Slide 9.

Srinivas, over to you.

### **Slide 9 – Srinivasa Rao:**

Thank you, Gerry and Hello everyone.

In the Fourth quarter of 2023, RAIN achieved consolidated net revenue of 40.79 billion Rupees compared to 54.11 billion Rupees in the Fourth quarter of 2022, a decrease of 13.32 billion Rupees. This resulted from a decrease in revenue of 13.00 billion Rupees from our Carbon segment, a decrease of 0.48 billion Rupees from our Advanced Materials segment offset by an increase of 0.16 billion Rupees from our Cement segment.



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

RAIN's consolidated adjusted EBITDA decreased by 4.12 billion Rupees compared to the prior year. This resulted from a decrease in the Carbon segment of 4.87 billion Rupees, offset by an increase in the Advanced Materials segment of 0.67 billion Rupees and an increase in the Cement segment of 0.08 billion Rupees.

### **Slide 10 – Srinivasa Rao:**

Moving to Slide 10, during the recent times, due to the ongoing geopolitical situations, macroeconomic factors, including rising interest rates and volatility in energy costs impacted the economic environment in which all our Five Cash Generating Units (“CGUs”) operate across globe.

Due to these macroeconomic factors, the recoverable values in two of our CGUs are below in their carrying-values due to the increase in Weighted Average Cost of Capital (WACC) which is primarily driven by the significant increase in cost of capital by 150-200 bps during the current year and increase in operating costs.

Considering the recoverable amounts based on fair value less cost of disposal and value-in-use estimates, the Group recognised a non-cash impairment charge towards Goodwill in Consolidated statement of profit and loss



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

amounting to 5,606 million Rupees in Carbon – Calcination and 1,712 million Rupees in Carbon – Distillation.

On February 15, 2024, Commission for Air Quality Management, New Delhi has issued order giving relief to the petcoke import restrictions which was also considered in determining the impairment charge.

There could be increase in capacity utilisation and higher sales volumes which could result in improvement in performance of CGU of Carbon - Calcination.

However, the Group would take additional time to implement the revised business strategy and the same is subject to normal implementation risks.

### **Slide 11 – Srinivasa Rao:**

Moving to Slide 11,

Revenue from our Carbon segment was 29.33 billion Rupees for the quarter ended December 31, 2023, as compared to 42.33 billion Rupees for the same period last year.

During the quarter, sales volumes decreased due to lower demand and delayed shipments. The average blended realisation decreased by ~26.8% on account of lower market quotations across all regions.



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

There was an appreciation of the Euro against the Indian Rupee by about 6.8%, and an appreciation of the US Dollar against the Indian Rupee by about 1.3%. Overall, due to the aforesaid reasons, revenue from the Carbon segment decreased by about 30.7% in the fourth quarter of 2023, as compared to the fourth quarter of 2022.

Carbon segment Adjusted EBITDA decreased by 4,870 million Rupees, as compared to the fourth quarter of 2022, driven by lower volumes and margin compression due to delay in the reset of raw material costs in-line with fall in finished goods prices, which were partially offset by appreciation of the US Dollar and Euro against the Indian Rupee.

### **Slide 12 – Srinivasa Rao:**

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

Revenue from our Advanced Materials segment was 7.20 billion Rupees for the quarter ended December 31, 2023, as compared to 7.68 billion Rupees for the same quarter in 2022.

The increase in volumes was primarily driven by the timing of maintenance shutdowns. During the fourth quarter of 2023, realisations decreased by 15.4% due to fall in commodity prices and a change in product mix, offset by an





## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

appreciation of the Euro against the Indian Rupee by about 6.8%. Due to the aforesaid reasons, revenue from our Advanced Materials segment decreased by about 6.3% during the fourth quarter of 2023, as compared to the fourth quarter of 2022.

Adjusted EBITDA increased by 669 million Rupees as compared to the fourth quarter of 2022, due to increased volumes, reduced energy prices and appreciation of the Euro against the Indian Rupee.

### **Slide 13 – Srinivasa Rao:**

Moving on the next slide on our Cement business ...

During the fourth quarter of 2023, cement revenue increased by 3.8% as compared to the fourth quarter of 2022, due to increases in volumes by 11.0%, offset by a decrease in realisations by 6.5%.

Our Cement segment Adjusted EBITDA increased by 85 million Rupees due to increased volumes and lower operating costs.



## RAIN INDUSTRIES LIMITED

Opening remarks for Q4 2023 Management Presentation

---

### **Slide 14 – Srinivasa Rao:**

Moving on the next slide on debt ...

During August 2023, the Group refinanced the long-term debt, extending maturity to September 2029 and October 2028. During refinancing, the Group has repaid 81 million US Dollars in principle of long-term debt and an additional repayment of approximately 50 million US Dollars towards short-term debt.

From a liquidity perspective we ended the year with 237 million US dollars of undrawn credit facilities. Cash borrowing accounted for approximately 69% of the utilization, while letter of credits to support trade purchases accounted for the other 31%.

The Group spent approximately 72 million US dollars on its maintenance capital expenditure and plant turnarounds during the year ended December 31, 2023.

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

### **Closing Remarks – Jagan Reddy Nellore:**

Thank you, Srinivas.

As we reflect on the challenges encountered during the fourth quarter, it is important to recognize that our earnings were impacted by the current market



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

cycle, economic conditions, and the need to flush out expensive inventories. However, we want to instill confidence by emphasizing that these hurdles are temporary and do not signify a permanent shift in our trajectory.

We firmly believe that our earnings will gradually return to our historical levels in the forthcoming quarters. This optimistic outlook stems from several factors: firstly, as we work through the high-priced inventories, we anticipate a normalization of our earnings; secondly, we foresee a correction in raw material prices, further contributing to our financial recovery; and finally, we are preparing to realign our supply chains to accommodate the expected increase in the CPC production in India.

Throughout this down cycle, we have remained proactive in enhancing our cost efficiency. Our team has implemented significant and sustainable cost-saving measures, not only to safeguard our current earnings but also to fortify them for the future. We have undertaken initiatives such as consolidating corporate offices, optimizing operations, and streamlining our workforce.

Moreover, amidst the challenges, we have discovered opportunities. One such advantage of a down cycle is the release of cash invested in the company's working capital. We experienced this positive influx during 2023, enabling us to strategically allocate these funds. Notably, we utilized a portion of these



## RAIN INDUSTRIES LIMITED

### Opening remarks for Q4 2023 Management Presentation

---

resources to reduce long-term debt during the refinancing completed in August, as well as to prepay required amortization payments to the term loan B lenders. In total, debt was reduced about 130 million US dollars compared to year end 2022.

In closing, I want to reiterate that we are building a portfolio of innovative products that not only meet the changing needs of society, but actively shape a better tomorrow. We are talking cleaner, greener solutions for green steel, energy-efficient batteries, and hygiene products that prioritize public health and wellbeing. This is not just about selling products; it is about contributing to a future where technology and sustainability go hand-in-hand. With this vision as our guide, we are confident in not only securing our own company's future, but also playing a vital role in building a cleaner, healthier world for everyone. Thank you for your continued interest in RAIN Industries Limited, and we look forward to next quarter's presentation.