Annexure – 11
Management Discussion and Analysis

1. Company overview

RAIN Group is one of the world's largest producers of calcined petroleum coke (**"CPC"**) and coal tar pitch (**"CTP"**). We operate in three key business segments: Carbon, Advanced Materials and Cement. We have 16 production facilities in seven countries across three continents and continue to grow through capacity expansions, mergers and acquisitions throughout the world across all business segments.

Our Carbon business segment converts the by-products of oil refining [i.e., green petroleum coke (GPC)] and steel production [i.e., coal tar ("CT")] into high-value carbon-based products [i.e., calcined petroleum coke ("CPC"), coal tar pitch ("CTP") and other carbon products ("OCP")]. These products are critical raw materials for aluminium, graphite, carbon black, wood preservation, titanium dioxide, refractory and several other global industries.

Our Advanced Materials business segment carries out the innovative downstream transformation of a portion of our carbon output, petrochemicals and other raw materials into high-value, eco-friendly raw materials under three sub-segments of engineered products, chemical intermediates and resins, which are critical to the specialty chemicals, coatings, construction automotive, petroleum and several other global industries.

Our Cement business segment produces and markets high-quality ordinary Portland cement ("OPC") and Portland pozzolana cement ("PPC"), which are consumed largely by the civil construction and infrastructure industries within India.

Our scale and process sophistication provide us the flexibility to capitalise on market opportunities by selecting raw materials from a wide range of sources across various geographies, adjusting the composition of our product mix and offering products that meet stringent customer specifications, including several specialty products.

Our global manufacturing footprint and our integrated worldwide logistics network have also strategically positioned us to capitalise on market opportunities by addressing raw material supply and product demand on a global basis, in both established (mainly North America and Europe) and emerging markets (mainly Asia and the Middle East).

The following operating and financial review is intended to convey the management's perspective on the operating and financial performance of RAIN Group for the year ended December 31, 2023. This should be read in conjunction with the Company's Standalone and Consolidated Financial Statements, the schedules and notes thereto and the other information included elsewhere in the Annual Report. RAIN Group's Financial Statements have been prepared in compliance with the requirements of the Companies Act, 2013, the guidelines issued by the Securities and Exchange Board of India (SEBI), in accordance with the Indian Accounting Standards (Ind AS) and other accounting principles generally accepted in India.

2. Discussion on financial performance

Consolidated Financial Performance:

(₹ in million)

Particulars	2023	2022
Income from Operations	181,415	210,110
Adjusted Operating Profit	20,137	37,545
Operating Profit (%)	11.1%	17.9%
Profit / (loss) Before Tax	(4,824)	23,273
Adjusted Profit After Tax @	1,526	16,980

@ After Non-controlling interest

Operating profit and profit / (loss) after tax are adjusted with exceptional and one-off items. Please find hereunder the reconciliation of reported operating profit and reported profit / (loss) after tax with adjusted operating profit and adjusted profit after tax.

(₹ in million)

Reconciliation	Operating Profit	Profit / (loss) After Tax
Reported	17,374	(9,379)
Adjustments:		
Inventory adjustments	2,514	2,514
Non-cash impairment charge	-	7,506
Expenses towards non-recurring items	616	616
Insurance claims received related to prior periods	(247)	(247)
Foreign Exchange Gain on inter-company Debt Note	(120)	(120)

(₹ in million)

Reconciliation	Operating Profit	Profit / (loss) After Tax
Charge-off of deferred finance cost	-	319
Tax impact on above adjustments	-	(683)
Non-recurring tax adjustments	-	1,000
Adjusted	20,137	1,526

During CY 2023, we generated revenue from operations of ₹ 181.4 billion and operating profit of ₹ 20.1 billion. The revenue in CY 2023 was lower by 13.7% compared to CY 2022 mainly due to lower price realisations and lower volumes partially offset by appreciation of USD and EURO against INR. The operating margins in CY 2023 were lower due to margin contraction as there was delay in reset of raw material costs in-line with fall in finished goods prices and higher operating costs.

As a result, the adjusted profit after tax in CY 2023 was ₹ 1.5 billion (i.e., ₹ 15.5 billion lower than the ₹ 17.0 billion generated in CY 2022). Consequently, the adjusted earnings per share was ₹ 4.54 in CY 2023 as against ₹ 50.49 in CY 2022.

Although, the Group has weaker performance during the year 2023; mainly due to substantial fall in the prices of finished products and delays in re-set of raw-material costs; the Group has generated substantial free cash flow from operations; due to reduction in working capital deployed in the business, enabling us to strategically allocate these funds. Notably, we utilized a portion of these resources to reduce long-term debt during the refinancing completed in August 2023, as well as to prepay required amortization payments towards the Term Loan B. In total, debt was reduced about US$ 130 million compared to year end 2022. With the existing Cash and cash equivalents and undrawn working-capital loan facilities, the Company is well placed to fund CAPEX projects and meet debt-servicing obligations in the near-term. The major debt repayments are scheduled to start in October 2028.

The paid-up share capital of RAIN Industries Limited as on December 31, 2023, is ₹ 672,691,358, comprising 336,345,679 fully paid-up equity shares of ₹ 2 each.

Details of Key Financial Ratios (Consolidated):

(₹ in million)

Sl. No	Key Financial Ratios	Financial year 2023	Financial year 2022	Variance
(i)	Debtors Turnover	7.78	10.02	-22%
(ii)	Inventory Turnover	2.89	3.21	-10%
(iii)	Interest Coverage Ratio	2.54	7.85	-68%
(iv)	Current Ratio	2.44	2.36	3%
(v)	Net Debt Equity Ratio	0.83	0.90	-8%
(vi)	Adjusted Operating Profit Margin (%)	11%	18%	-7%
(vii)	Adjusted Net Profit Margin (%)	1%	8%	-7%
(viii)	Return on Net Worth	2%	20%	-18%

The interest coverage ratio has decreased during the current year as compared to previous year mainly on account of lower operating profit and increase in borrowing costs.

3. Performance of carbon business segment

(₹ in million)

Particulars	CY 2023	CY 2022
Sales Volumes ('000 Tonnes)	2,315	2,430
Net Revenue	132,968	154,614
Operating Profit	17,566	34,792
Operating Profit (%)	13.2%	22.5%

Our Carbon business segment includes the manufacturing and trading of carbon products comprising CPC, CTP, GPC and other derivates of coal distillation, including creosote oil, naphthalene, carbon black oil and other basic aromatic oils. Energy produced through waste-heat recovery in the manufacturing of CPC is also included in the Carbon business segment. About 74.0% of RAIN Group's consolidated revenue for CY 2023 was generated from the Carbon business segment.

During CY 2023, the Carbon business segment generated ₹ 133.0 billion in net revenue, a decrease of approximately 14.0% as compared to ₹ 154.6 billion generated during CY 2022. Volumes decreased by ~4.7% was primarily driven by lower demand and delayed shipments. The average blended realisation decreased by 9.7% on account of lower market quotations across all regions. There was an appreciation of EURO against Indian Rupee by ~8.0% and an appreciation of USD against Indian Rupee by ~5.1%.

The adjusted EBITDA decreased by ₹ 17,226 million, as compared to CY22, driven by lower volumes and margin compression due to delay in reset of raw material costs in-line with finished goods prices which were partially offset by appreciation of USD and EURO against Indian Rupee.

With consumption of the high-cost raw materials during CY 2023 and correction of raw material prices by end of CY 2023, we expect the margins to be back to normal levels in the forthcoming quarters. Also, with the recent relief granted by CAQM from Pet Coke import restrictions imposed in India since July 2018 on February 15, 2024; we are preparing to realign our supply chains to accommodate the expected increase in the CPC production in India. With all the above, we expect the Carbon business segment to return back to normal margins.

4. Performance of advanced materials business segment

(₹ in million)

Particulars	CY 2023	CY 2022
Sales Volumes ('000 Tonnes)	254	310
Net Revenue	32,317	39,104
Operating Profit	1,509	1,347
Operating Profit (%)	4.7%	3.4%

Our Advanced Materials business segment mainly comprises engineered products, chemical intermediates and resins, which are derived from our primary distillate – naphthalene – and additional raw materials purchased from third parties. About 18% of RAIN Group's consolidated revenue for CY 2023 is from the Advanced Materials business segment.

During CY 2023, our Advanced Materials business segment generated ₹ 32.3 billion in net revenue, a decrease of 17.4% as compared to ₹ 39.1 billion during CY 2022. The decrease was primarily related reduction in volumes by 18.1% mainly due to closure of aromatic chemical business partially offset by a 0.9% increase in realisations. The operating margin increased from 3.4% in CY 2022 to 4.7% in CY 2023 due to reduction of energy costs in Europe.

With gradual reduction of energy prices in Germany, stabilization of HHCR plant operations and various other cost measures planned during the year, we expect the Advanced Materials business segment to perform better in the future.

5. Performance of cement business segment

(₹ in million)

Particulars	CY 2023	CY 2022
Sales Volumes ('000 Tonnes)	3,238	3,124
Net Revenue	15,233	15,345
Operating Profit	1,062	1,406
Operating Profit (%)	7.0%	9.2%

Our Cement business segment is engaged in the manufacture and sale of cement. The products include high-quality OPC and PPC. About 8% of the consolidated revenue of RAIN Group for CY 2023 was from this business segment. During CY 2023, this segment generated ₹ 15.2 billion in net revenue, a decrease of 0.7% compared to CY 2022. The decrease is primarily due to decrease in price realisations by 4.2% offset by increase in volumes of approximately 3.6% in CY 2023 compared to CY 2022. The Cement business segment operated at an average capacity utilisation of approximately 80% during CY 2023 compared to approximately 79% in CY 2022.

The operating margin of Cement business decreased from 9.2% in CY 2022 to 7.0% in CY 2023 due to higher energy costs partially offset by increased volumes.

With expected growth in demand from rural markets in South India and implementation of cost-optimisation initiatives through generation of electricity from Captive Solar Power Plant, we expect the Cement business segment to perform better in the future.

6. Overall business and growth strategies

RAIN Group aims at process improvement and the development of new, higher-margin products and technologies through research and development (R&D) initiatives. We emphasise performance improvement, sustainability and utilisation of alternative raw materials. The Group intends to maximise efficiencies and minimise costs by combining the purchasing, trading, plant operations, logistics management, finance and R&D functions within each business segment and by executing cost-reduction initiatives.

RAIN Group believes that the scale of its vertically integrated organisation will provide an effective platform to continue to develop higher-margin downstream products. The size and efficient logistic networks of our plants allow RAIN Group to realise economies of scale.

The Group has integrated its coal tar and petroleum tar distillation operations with downstream operations that efficiently use the products derived from primary distillation process and allow generation of incremental margins greater than the margins generated through the sale of conventional primary distillation products. Over the next few years, the demand for carbon products, such as CTP and CPC, is expected to grow in India and the Middle East. To reinforce our market leadership as a provider of premium carbon products and innovative advanced materials, the Company has undertaken several capacity-expansion projects like the vertical-shaft kiln CPC plant in India and hydrogenated hydrocarbon resins (HHCR) facility in Germany. The HHCR plant was back to operations during 2023 which was temporarily shut down in September 2022 due to technical reasons. Also, Company has received the relief from Pet Coke import restrictions for the Vertical Shaft Calciner set-up in Special Economic Zone by CAQM on February 15, 2024 and expects better utilization of its CPC plants in India.

7. Internal control systems and their adequacy

The Company established an in-house internal audit department in India to carry out robust internal audits of various RAIN Group companies in India, Europe and North America. The observations of internal auditors and their recommendations are presented to the Audit Committee of the Company. Also, the implementation of recommendations of internal auditors are reviewed during monthly review meetings and reported to the Board of Directors' Audit Committee on a quarterly basis.

RAIN Group has optimal internal control systems and procedures in place to handle all its business processes such as purchasing raw materials, stores, plant and machinery equipment and the sale of goods and other assets.

The Group has clearly defined roles and responsibilities for all managerial positions. Its operating parameters are monitored and controlled effectively through SAP ERP software system. RAIN Group has established a global shared-service center in India to support SAP users across its global facilities. This enables effective utilisation of SAP for implementing efficient internal controls and timely reporting of financial and operational information.

8. Human resource development and industrial relations

RAIN Group employs more than 2,500 people directly and indirectly through its subsidiaries across the globe. The Company believes that the quality of its employees is the key to its success and is committed to providing necessary human-resource development and training opportunities to equip employees with additional skills to enable them to adapt to contemporary technological advancement and evolving workplace requirements.

Our employee-development efforts also included the implementation of a Safety Training Observation Programme (STOP^{TM}), which focuses on ways to address unsafe acts and recognise people who act and work safely. Our learning-management system plays an active role in standardising and digitisation of few processes that are crucial to various work functions, such as administration, documentation, tracking and reporting of the various learning-and-development and training programmes for employees.

Industrial relations during the year continued to be cordial, and RAIN Group is committed to maintaining these relations through effective communication, meetings and negotiation.

9. Safety and environmental compliance

We continuously seek to improve safety and reliability at all our production facilities. Our production facilities have been awarded ISO certifications for maintaining quality- and environmental-management standards. These certifications demonstrate RAIN Group's efforts in ensuring high product-quality standards and compliance with environmental laws and regulations.

Our production facilities also have been awarded ISO certifications for energy-management systems. We follow a systematic approach in achieving continual improvement in performance, including energy efficiency, energy security, and energy use and consumption. In addition, our production facilities have been certified for compliance in international occupational health and safety management.

Prevention of safety-related incidents is one of our highest priorities. We have an extensive safety programme, which includes formal training for all employees, preventive measures such as pre-job safety analyses and a system aimed at identifying risks, taking corrective actions and preventing incidents. We regularly conduct internal audits of this safety system. Our management team has implemented a structured process for handling, monitoring, documenting and learning from near-miss incidents. We have taken stringent measures to reduce the number of recordable injuries Company-wide, and the monetary incentives of most employees are linked to fulfilling the Company's safety targets.

10. Statutory compliance

The Managing Director makes a declaration at each Board meeting regarding compliance with provisions of various statutes after obtaining confirmation from all the operating plants across all subsidiary companies within India and abroad. The Company Secretary ensures compliance with the provisions of the Companies Act, 2013, the Foreign Exchange and Management Act, 1999 and SEBI rules, regulations and guidelines made thereunder.

11. CAUTIONARY STATEMENT

Statements in the Boards' Report and the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand/supply conditions, finished-goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company is not obliged to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

On behalf of the Board of Directors
for **Rain Industries Limited**

	N. Radhakrishna Reddy	**Jagan Mohan Reddy Nellore**
Place: Hyderabad	Managing Director	Director
Date: February 23, 2024	DIN: 00021052	DIN: 00017633