Annexure - 10

MANAGEMENT DISCUSSION AND ANALYSIS

1. COMPANY OVERVIEW

The Rain Industries Limited group (RAIN, RAIN Group or, the 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.

Carbon 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.

Advanced Materials 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.

Cement segment produces and markets high-quality ordinary Portland cement (OPC) Grade 53 and Portland pozzolana cement (PPC), which are consumed largely by the civil construction and infrastructure industries within India.

The 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.

The global manufacturing footprint and 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 reviews are intended to convey the management's perspective on the operating and financial performance of RAIN Group for the year ended December 31, 2024. 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 RAIN's Integrated 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	2024	2023
Income from Operations	153,744	181,415
Adjusted Operating Profit	14,981	20,137
Operating Profit (%)	9.7%	11.1%
Profit / (Loss) Before Tax	(2,257)	(4,824)
Adjusted Profit / (Loss) After Tax@	(4,419)	1,526

@ After Non-controlling interest

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

₹ in Million

Reconciliation	Operating Profit	Loss After Tax
Reported	14,539	(5,643)
Adjustments:		
Expenses towards non-recurring items	642	642
Non-cash impairment charge of capital projects	-	731
Proceeds from Insurance claims related to prior periods	(503)	(503)
Provision for severance payments in Germany	716	716
Prior period expenses due to regulatory changes	75	75
Foreign Exchange Loss / (Gain) on inter-company Debt Note	(488)	(488)
Tax impact on above adjustments	-	51
Adjusted	14,981	(4,419)

During current year 2024 (CY 2024), we generated revenue from operations of ₹ 153,744 million and operating profit of ₹ 14,539 million. The revenue in CY 2024 was lower by 15% compared to previous year 2023 (PY 2023), mainly due to lower price realisations across all regions and under all segments, offset by an increase in volumes, particularly in CPC volumes due to higher capacity utilisation of Indian CPC plants post the relief granted by Honorable Commission for Air Quality Management (CAQM) in February 2024 and gradual implementation of the same coupled with the appreciation of USD and EURO against INR. The operating margins in CY 2024 were lower due to continued margin contraction from the previous year, as there was delay in reset of raw material costs in-line with the fall in finished goods prices and higher operating costs.

As a result, the adjusted loss after tax in CY 2024 was ₹ 4,419 million (i.e., ₹ 5,945 million lower than the profit of ₹ 1,526 million generated in PY 2023). Consequently, the adjusted loss per share was ₹ 13.14 in CY 2024 as against earnings per share of ₹ 4.54 in PY 2023.

Although, the Group had weaker performance during CY 2024, mainly due to the continued fall in the prices of finished products and delays in re-set of raw-material costs, the Group has generated free cash flow from operations due to a reduction in working capital deployed in the business, enabling us to strategically allocate these funds. Notably, we utilised a portion of operational cash inflows to repay long-term debt during the year, amounting to US$ 65 million compared to PY 2023, including reduction of US$ 23 million due to foreign exchange fluctuation. With the existing cash and cash equivalents and undrawn working-capital loan facilities, the Company is well placed to repay the US-denominated Secured Notes of US$ 44 million, which are due in April 2025, and to fund CAPEX projects in the medium term. The major debt repayments are scheduled to start in October 2028.

The paid-up share capital of RAIN on December 31, 2024, 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 2024	Financial year 2023	Variance
(i)	Debtors Turnover	7.88	7.78	1%
(ii)	Inventory Turnover	2.84	2.89	(2%)
(iii)	Interest Coverage Ratio	1.65	2.54	(35%)
(iv)	Current Ratio	1.75	2.44	(28%)
(v)	Net Debt Equity Ratio	0.97	0.83	17%
(vi)	Adjusted Operating Profit Margin (%)	10%	11%	(1%)
(vii)	Adjusted Net Profit Margin (%)	(3%)	1%	(4%)
(viii)	Return on Net Worth	(7%)	2%	(9%)

The interest coverage ratio has decreased during CY 2024 as compared to PY 2023, mainly on account of lower operating profit and an increase in borrowing costs. Current ratio has decreased during CY 2024 mainly due to increase in current portion of non-current borrowings.

3. PERFORMANCE OF CARBON SEGMENT

₹ in Million

Particulars	CY 2024	PY 2023
Sales Volumes ('000 Tonnes)	2,398	2,315
Net Revenue	106,575	132,968
Operating Profit	12,332	17,566
Operating Profit (%)	11.6%	13.2%

Carbon segment includes the manufacturing of carbon products comprising CPC, CTP and other derivates of coal tar distillation, including creosote oil, naphthalene, carbon black oil and other basic aromatic oils. The sale of energy produced through waste-heat recovery in the manufacturing of CPC is also included in the Carbon segment. About 70% of RAIN Group's consolidated revenue for CY 2024 was generated from the Carbon business segment.

During CY 2024, the Carbon business segment generated ₹ 106,575 million in net revenue, a decrease of approximately 20% as compared to ₹ 132,968 million generated during PY 2023. Volumes increased by 3.6%, primarily driven by higher capacity utilisation of Indian CPC plants post the relief granted by Honorable CAQM in February 2024 and the gradual implementation of the same during the rest of 2024. The average blended realisation decreased by 23% on account of lower market quotations across all regions. There was an appreciation of the Euro against the Indian Rupee by 1.4% and an appreciation of US Dollar against the Indian Rupee by 1.3%.

The adjusted EBITDA for CY 2024 decreased by ₹ 5,234 million compared to PY 2023, driven by margin compression due to a delay in the reset of raw material costs in-line with finished goods prices, which were partially offset by the appreciation of the US Dollar and Euro against the Indian Rupee.

2024 has presented its challenges, with market movements veering unpredictably as they stabilise from the highs of 2022 and early 2023. However, amidst the turbulence, after six years, we have received long-awaited relief in India in 2024 from import restrictions, and, going forward, we will be able to operate Indian Carbon segment's calcination facilities at maximum capacity and reintegrating global blend strategy. With all the above, we expect the Carbon segment to return to normal margins.

4. PERFORMANCE OF ADVANCED MATERIALS SEGMENT

₹ in Million

Particulars	CY 2024	PY 2023
Sales Volumes ('000 Tonnes)	290	254
Net Revenue	33,786	32,317
Operating Profit	2,571	1,509
Operating Profit (%)	7.6%	4.7%

Advanced Materials segment mainly comprises engineered products, chemical intermediates and resins. These are derived from one of our primary Carbon segment distillates – naphthalene – and from additional raw materials purchased from third parties. About 22% of RAIN Group's consolidated revenue for CY 2024 is from the Advanced Materials segment.

During CY 2024, Advanced Materials segment generated ₹ 33,786 million in net revenue, an increase of 4.5% as compared to ₹ 32,317 million during PY 2023. The increase was primarily related to an increase in volumes by 14%, primarily driven by higher throughput of chemical intermediates and resins, due to higher demand, offset by an 8% decrease in realisations. The operating margin increased from ₹ 1,509 in PY 2023 to ₹ 2,571 in CY 2024 due to increased volumes and appreciation of the Euro against the Indian Rupee.

With stabilisation of operations in Advanced Materials segement's hydrogenated hydrocarbon resins (HHCR) plant, coupled with some positive developments supporting industrial production and various other cost measures planned during the year, we expect this segment to perform better in the future.

5. PERFORMANCE OF CEMENT SEGMENT

₹ in Million

Particulars	CY 2024	PY 2023
Sales Volumes ('000 Tonnes)	2,854	3,238
Net Revenue	12,312	15,233
Operating Profit	78	1,062
Operating Profit (%)	0.6%	7.0%

Cement segment is engaged in the manufacture and sale of cement in India. The products include high-quality OPC Grade 53 and PPC. About 8% of the consolidated revenue of RAIN Group for CY 2024 was from this business segment. During CY 2024, this segment generated ₹ 12,312 million in net revenue, a decrease of 19% compared to PY 2023. The decrease is primarily due to decrease in price realisations by 8%, coupled with decrease in volumes of approximately 12% in CY 2024 compared to PY 2023. The Cement segment operated at an average capacity utilisation of approximately 71% during CY 2024 compared to approximately 80% in PY 2023.

The operating margin of Cement segment decreased from 7.0% in PY 2023 to 0.6% in CY 2024, due to lower realisations and higher operating costs due to consolidation of market.

In 2024, the Indian cement industry faced numerous challenges, ranging from moderate capacity utilisation to lower sales realisations which impacted the topline, plus contraction of margins and slower volume growth. However, the industry anticipates an 8% growth in sales in 2025, and we expect Cement segment to perform better in the future, driven by an increase in rural cement consumption aided by improved farm cash flows, sustained healthy demand for urban housing, an expected increase in government spending on infrastructure projects, and our in-house implementation of cost-optimisation initiatives through the generation of electricity from our captive solar power plants.

6. OVERALL BUSINESS AND GROWTH STRATEGIES

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

RAIN 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 logistical networks of our plants allow RAIN to realise economies of scale.

Looking ahead, the future is promising. Noteworthy are the recent announcements of our new R&D laboratory and demonstration plant for energy storage materials and battery anode materials in Canada, along with government grants in Canada and Germany, and joint development agreements. These initiatives position RAIN as a significant player in the burgeoning electric vehicle and other battery markets. Already an established supplier to the Chinese battery market, we bring years of experience in serving major manufacturers. The new demonstration plant in Canada will solidify RAIN's reputation for excellence in battery technology, allowing us to showcase the current and future relevance of our products while exploring new applications and supply chain opportunities.

7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company operates an in-house internal audit department based in India to carry out robust internal audits of all RAIN companies and locations in India, Europe and North America. The observations of our internal auditors and their recommendations are presented to the Audit Committees of the Company. Also, the implementation of the recommendations of our internal auditors are reviewed during monthly review meetings, and their findings are reported to the RAIN Group's Audit Committees on a quarterly basis.

RAIN has optimal internal control systems and procedures in place to handle all of 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. Additionally, RAIN has established a global shared-service center in India to support the Group's SAP users across all of 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 about 2,400 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 include the implementation of a Safety Training Observation Programme (STOP), 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 digitalising many 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 is committed to maintaining these relations through effective communication, meetings and negotiation.

During CY 2024, a major milestone achieved was the adoption and implementation of the SAP-SuccessFactors Human Resources (HR) tool. While RAIN had previously employed a few parts of this system in a few countries, it has now been fully implemented groupwide. This allows RAIN's HR team to efficiently manage, and provide statistics to management for, our entire global workforce, including digitalisation of common recruiting, on-boarding, employee training (including safety training) and off-boarding tasks. RAIN has adopted the name "myRAIN" for our customised SAP-SuccessFactors system. By combining myRAIN with our now-global, Group-wide OSHA guidelines safety initiative (see below), the Company is able to ensure that all employees are given the necessary tools and trainings to be effective and safe in the workplace.

9. SAFETY AND ENVIRONMENTAL COMPLIANCE

We continuously seek to improve safety and reliability at all RAIN production facilities. Our production facilities have been awarded ISO certifications for maintaining quality- and environmental-management standards. These certifications demonstrate RAIN's efforts to ensure 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.

In the safety area, RAIN has been phasing in the global adoption of the safety guidelines of the United States Occupational Safety and Health Administration (OSHA). In 2024, RAIN completed the Group-wide phase-in with our Cement segment's adoption of these guidelines. While all RAIN sites in parallel follow their local government's safety schemes, having all RAIN sites around the world following OSHA guidelines allows RAIN to now fully benefit from the power and improvements which can be made by utilising common procedures and statistics. We are proud to announce that RAIN's first-ever, group-wide OSHA Total Recordable Incident Rate (TRIR) for CY 2024 was an impressive 0.13.

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 Group-wide, and the monetary incentives of most employees are linked to fulfilling the Company's safety targets.

10. STATUTORY COMPLIANCE

RAIN's 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 Board's 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**

	Jagan Mohan Reddy Nellore	**N. Sujith Kumar Reddy**
Place: Hyderabad	Managing Director	Director
Date: February 25, 2025	DIN: 00017633	DIN: 00022383