RAIN INDUSTRIES LIMITED

RIL/SEs/2023 September 6, 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 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 Commentary on Un-Audited Financial Results of the Company (Standalone, Consolidated and Segment) for the second quarter ended June 30, 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: 2023.09.06 19:30:07 +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

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 Second 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 August 4, 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 operating performance during the quarter ending in June 2023. How did we generate adjusted EBITDA in our normal range despite reduced volumes and prices in the Carbon segment?

Gerard Sweeney

There are a combination of factors that contributed to the continued stable performance of the Carbon Segment during Q2. First and foremost, was the timing of the drop in prices for both CPC and CTP due to changes in the Chinese markets that enabled us to renegotiate our raw material prices in the distillation business very quickly to protect our margins. Additionally, our Q2 performance benefited from our usual seasonal demand for a few of our advanced material products.

In the calcination business, where we carry larger raw material inventories, we had the majority of our US based sales prices set for the entire first half prior to the market adjustment. So, we had those prices locked in for majority of our Q2 volumes. In India, we did have to renegotiate the majority of our sales prices, and felt more of the “squeeze” of the price drop and resultant margin loss. That is also why we had the large NRV adjustment in Q1 in the segment.

I do want to elaborate however on the macro dynamics of our carbon segment that allow us to “manage our margins”. The Carbon business model is based on converting industrial by-products into key raw materials for major industries. We play specific role with both our suppliers and our customers that allows us to pass on costs to a certain extent. This provides ability to keep raw material costs and sales prices within a certain spread of each other. This is not automatic however, as there have been in the past, and will in the future be, times where it takes us a quarter or two to reset our margins based on our inventory levels.

ALAN

Thanks Gerry. The next question is whether we have increased our usage of alternative raw materials this year? If so, is it benefiting us in a meaningful way? Also, has the ACP plant in the United States been fully commissioned, and when is the second ACP plant in India going to be constructed?

Gerard Sweeney

The use and benefit of alternative raw materials is based on the economics of these raw materials. With CTP prices very high over the last two years, we have benefited from the use of alternative raw materials in the distillation business.

On the topic of ACP, the plant in the US is completed and commissioned I would remind you however that ACP is a brand new technology, and as such, we are still very much on the learning end of this production unit. We are in fact making some changes to the production line during the second half of this year to improve the throughput volumes and quality of the facility.

As explained during the Management Commentary for our Q2 Performance, we are waiting for the results of vigorous industrial testing being conducted by some smelter customers to confirm the technical viability and performance of our calcined ACP product and to determine the actual reduction in CO_2 footprint by using calcined ACP in their anodes. At the same time, we are working on improving the productivity of our ACP manufacturing and optimizing the operating costs. The US ACP Plant operations should be stabilizing over coming quarters We will start the installation of the second ACP Plant in India only after the operation of the US plant is stabilized and fully functioning.

ALAN

What is the current utilisation of the HHCR facility and how is it set to move going forward?

Gerard Sweeney

During the second quarter, we re-started our HHCR plant. As with any other large production facility, there has been an initial stabilization period as we have brought the plant back into operation. We expect to achieve approximately 20-25% capacity utilization during the third quarter, and by the end of the year expect to be in the 30-40% range. We would then continue to ramp up production throughout 2024 to achive 80% capacity by early 2025. In addition, as we mentioned during our management presentation, two of the four HHCR producers in Europe have permanently closed their facilities, significantly reducing the locally made volume of these ultra-pure resins in the market. With less competition in Europe, our plant's location in Germany gives us a logistical advantage compared to Asian producers when selling to European customers supplying them with just-in-time molten product.

ALAN

Thanks Gerry. How is the energy situation in Europe and where do you think it is headed?

Gerard Sweeney

As mentioned in our last call, as well as in our management presentation, we are benefiting from more stabilized energy prices in Europe, enabling us to restart some idled production and returning the Advanced Materials business to profitability. With regards to the future of the energy situation in Europe, we feel Europe as a whole is in a much better position than it was a year ago, and while we could see energy price spikes during the winter months, we do not think they will be nearly as drastic as they were a year ago.

ALAN

Thank you, Gerry. We now have few questions for Jagan. The first question is related to the Vizag calcination plant. With the initial allocation of RPC completed for the 2023 to 2024 period, will the company be restarting the second kiln of the Vizag plant, which was closed since in April 22, as notified by the Company to the Stock Exchanges.

Jagan Nellore

Thanks for the question, Alan. As a reminder, DGFT, in its initial allocation for Fiscal Year 2023 to 2024, only allocated 1 million Tons of RPC out of its annual total allocation of 1.4 million tons. So, we do expect further allocations from DGFT for the year based on certain clarifications to be provided the Hon’ble Supreme Court, apart from any eventual re-allocation of RPC volumes which are yet to be surrendered by other calciners, similar to earlier years. Furthermore, we also expect to continue to procure additional RPC from the domestic refineries. Hence we will take a learned decision on the start up of the second kiln after considering all the facts at the appropriate time.

ALAN

Thanks Jagan. Moving on to the next question, when do we expect resolution of legal cases filed in the Supreme Court in India?

Jagan Nellore

The government’s long-awaited National Standards for Emissions for the calcination industry in India was issued by the Environmental Ministry in June 2023, in accordance with the directions issued by the Hon’ble Supreme Court. Those standards will take effect in mid-2025. With Rain’s flue-gas desulfurization systems that remove at least 98% of sulfur dioxide emissions already installed at our Vizag and SEZ plants, the pollution-control systems on our calcination facilities already exceed the pending, new environmental requirements.

As we have said on previous calls, we believe our SEZ shaft calciner should not be subject to raw material import restrictions since it is located in a Special Economic Zone and since it was developed to cater to export markets. We are seeking clarification from the Honourable Supreme Court in this regard.

ALAN

Our next question to Jagan is on the Cement segment. Over the last 2 to 3 quarters, the contribution from the Cement business has been lower. Can you shed some light as to when we expect the business to return to normal?

Jagan Nellore

As mentioned during our earlier presentations, cement demand continues to be reasonably strong in South India. Although the second quarter performance has been negatively impacted due to the inflated cost of fuel, the good news is that fuel prices are coming down precipitously, which should positively impact the performance of our cement segment in the coming quarters.

ALAN

Moving on, what is the current status of refinancing of debt and the potential impact on the interest costs?

Jagan Nellore

In mid-August, we completed the refinancing of our long-term debt to push out maturities to 2028 and 2029. Our 390 Million Euro Term Loan B was amended and extended to October 2028. We also paid down approximately 36.5 million Euro of its principal, leaving a balance of approximately 353.5 Million Euro. On our second lien Notes, 30 Million US Dollars of principal was paid off and 450 Million dollars of new second lien notes was raised, with a maturity in September of 2029. Those funds were used to pay off the existing Notes. This leaves us with a balance on the second lien Notes due in April of 2025 of approximately 50 Million dollars, which we expect to pay off with future cashflows prior to maturity.

As interest rates around the world have been rising as Central Banks work to tame the inflation, it was inevitable that borrowing costs would increase. While the refinancing increased our average borrowing cost from approximately 7% to 10%, it was important to extend the maturities on our debt before any macro-economic issues made a refinancing tougher. The net impact on account of the increased interest rates will be about $25 million per annum. Our current target is to reduce the high cost debt at the earliest available opportunity that includes plans to repay the debt partially.

ALAN

Why couldn't we go for an equity fund raise (either in India or through an IPO of the Carbon Business) to meaningfully reduce our debt and our cost of borrowing?

Jagan Nellore

While an equity raise is always an option, the Board felt that we should not raise equity when the market conditions are not favorable. Further, with falling prices for both raw-materials and finished goods, we expect a reduction in our working capital, which had built up materially over the last

2 years. As those funds are released from our operations, they can be used for reduction of the debt.

ALAN

Thanks Jagan. Our final set of questions are for Srinivas. How are the sanctions are impacting the business in Russia?

Srinivasa Rao

We do not import any products into Russia or export any major products from the country. Accordingly, the sanctions have not impacted our business materially. We are doing whatever is required to ensure full compliance with the regulations in the US, Europe and in Russia.

ALAN

With our interest costs set to increase, what steps can we take to ensure our profitability grows at the net profit level?

Srinivasa Rao

The need to be cost-effective in all that we do is always important and always a key focus for the company. We will continue to look for ways to reduce fixed costs and optimize the utilization of our excess cash balances. We were fortunate that the good performance during the past two years enabled us to pay down a portion of our debt, to limit the amount which was required to refinance at today's higher interest rates.

The good news is that our major capital investments are largely completed – the HHCR plant in Germany, the vertical-shaft calciner in India, and our anhydrous carbon pellets production facility in the United States. We are focusing on optimizing the performance of these recently completed expansion projects.

ALAN

Thanks Srinivas. We have one final question: With the refinancing completed, what are the plans for the cash that will be generated from the business?

Srinivasa Rao

As mentioned in our earlier calls our immediate goal is the reduction of debt, considering the increase in the interest rates.

Thank you, Srinivas, Jagan and Gerry.

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