RAIN INDUSTRIES LIMITED

RIL/SEs/2019 March 9, 2019

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 Earnings Conference Call – Reg.
Ref : Scrip Code: 500339 (BSE) & Scrip code : RAIN (NSE)

With reference to the above stated subject, please find enclosed herewith Rain Industries Limited Transcript of Earnings Conference Call on the Annual Audited Financial Results of the Company for the Financial Year ended on December 31, 2018

This is for your information and records.

Thanking you,

Yours faithfully,
for Rain Industries Limited

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"Rain Industries Limited Q4 CY18 Earnings Conference Call"

February 27, 2019

RAIN INDUSTRIES LIMITED

CHORUS CALL

MANAGEMENT: MR. JAGAN REDDY NELLORE – MANAGING DIRECTOR, RAIN INDUSTRIES LIMITED
MR. T. SRINIVASA RAO – CHIEF FINANCIAL OFFICER, RAIN INDUSTRIES LIMITED
MR. GERARD SWEENEY – PRESIDENT, RAIN CARBON INC
MR. RYAN TAYMAN – VICE PRESIDENT, GLOBAL TREASURY, RAIN

Moderator: Ladies & gentlemen, Good Day, and welcome to the Earnings Call of RAIN INDUSTRIES LIMITED to discuss the financial results for Q4 CY18. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing *" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ryan Tayman – Vice President, Global Treasury. Thank you and over to you, sir.

Ryan Tayman: Thank you. Good Evening, everyone. I welcome all the participants to the Fourth Quarter 2018 Earnings Conference Call of RAIN INDUSTRIES LIMITED. Speakers on today's call are Jagan Reddy Nellore, Managing Director of RAIN INDUSTRIES LIMITED, Gerard Sweeney, President of RAIN CARBON INC., and T. Srinivasa Rao, Chief Financial Officer of RAIN INDUSTRIES LIMITED.

During the call, management will be referencing and discussing a slide show presentation, which is available for viewing on our website at www.rain-industries.com in the Investor Relations section. We recommend viewing this presentation while listening to management's discussion.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward looking in nature that 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, and I would request Jagan to provide an update on key developments within RAIN Group, over to you Jagan.

Jagan Reddy Nellore: Thank you, Ryan. A very good evening to all the participants.

In the fourth quarter of 2018, RAIN achieved a Consolidated Revenue from Operations of ₹34.3 billion, adjusted EBITDA of ₹2.4 billion. A combination of effective volume and pricing management enabled us to generate better revenues in the fourth quarter of 2018 compared to the fourth quarter of 2017. However, our bottom line was pressured by high-cost inventories across the businesses and declining sales price for our calcination products. This was exacerbated by the ongoing petcoke ban in India, which we discussed last quarter and remains partially unresolved issue.

Performance in the fourth quarter 2018 was primarily impacted by a downward shift in CPC prices in dollar terms that began during the third quarter and increased cost of goods sold due to high valued inventories in all businesses. To give you a better understanding of how both of these factors impacted fourth quarter margins, as prices for commodities and product decrease, our costs do not fall as quickly, since we are typically selling inventory that had been committed or purchased earlier when commodity prices were higher. This can result in a time-lag of one to two quarters for

adjustment. Until this older, high-priced inventory is exhausted, margins are squeezed. For instance, we saw CPC prices in dollar terms drop by 8% versus a cost increase of 51% compared to the prior-year quarter. On the CTP side, we saw prices increase 15% while costs rose 23%.

While we had anticipated some product price decreases during the quarter, liquid products were impacted beyond earlier expectations due to drop in crude and related commodities. This impacted us materially in Advanced Materials, where average prices increased 9% but were offset by cost increases of over 30% for the majority of our raw materials year over year.

During the fourth quarter, we were able to turn over much of our high-priced inventory and correct this situation for Advanced Materials and our Carbon segment's distillation business. We also curtailed raw material purchases in the quarter, which allowed us to reset our costs against the current market conditions and should enable us to return to more normalized margins in this quarter. With respect to our calcination operations, the high-cost raw material situation will be prolonged by the India petcoke ban. The disruption to our global Calcination system has prevented us from turning over this inventory as quickly as we could prior to the import ban, and will require more time to work off existing inventories during the entire first quarter.

Despite fourth quarter results, 2018 was a relatively strong year, as the business generated ₹21.5 billion of Adjusted EBITDA. The fundamentals of our business remain strong with increased aluminum capacity and production projected in the coming years.

As we overcome the current challenges, we remain committed to our strategy of increasing share of a growing market. In fact, during the past year, we have invested $72 million in growth projects, including $41 million on our new hydrogenated hydrocarbon resins plant in Germany and $13 million on our new vertical-shaft calciner in India. As a result of these and other investments, we believe that both our Carbon and Advanced Materials businesses are well positioned to meet the growing demand for raw materials that are essential to cleaner, faster and lighter 21st century applications. Moreover, we believe that recent actions to shut down production lines in Germany that do not meet further investment criteria, as well as efforts to optimize our Advanced Materials business and centralize functional responsibilities, will continue to drive efficiencies and cost savings. For example, we expect our restructuring in Germany to yield an annual savings of approximately $4 million. All told, these initiatives will contribute to the future earnings of the company and enhance the medium- to long term-viability of our businesses.

Now, turning to Slide 4 ...

Gerry will take you through industry updates on this presentation. Gerry ...

Gerard Sweeney: Thank you, Jagan, and Good Evening, everyone. It is a pleasure to speak with you all again.

We believe that market opportunities are growing. Primary aluminum production around the world, excluding China, is expected to continue to expand in 2019-2020, averaging an estimated growth of 1.5 million metric tons, or 5%, over this period. In the past year, aluminum production grew 13% in India alone, the fastest growing market globally, while production in the Middle East saw the second-fastest growth, up 4%. These are natural and freight logical markets for RAIN. While aluminum pricing has been weak during the last quarter despite unusually low LME inventory levels, we believe these low price levels are not sustainable given the production costs of global smelters. When combined, we believe that these positive signs add up to a healthy, growing market for the coming years.

Now, let's turn to slide 5 on the petcoke ban in India.

With regard to the petcoke ban in India, in October of 2018, the Indian Supreme Court ruled to restrict imports of green petroleum coke by Indian calciners to 1.4 million metric tons per year in aggregate as a feedstock in the production of calcined petroleum coke. RAIN's current share of the allocation, when annualized, equates to approximately 510 thousand tons of GPC per year, which is roughly 72% of the 700 thousand tons needed to operate our Vizag plant at a full capacity of 500 thousand tons of CPC per year.

Additionally, Indian calciners are currently prohibited from importing calcined petroleum coke for purposes of producing blended CPC. Although we filed an appeal with the Supreme Court of India in this regard and other matters, the Supreme Court refused to hear our petition. Our inability to import CPC into India for blending at our Vizag plant has resulted in a temporary reduction of CPC production at our U.S. plants. Nonetheless, RAIN continues to pursue discussions with the Indian Authorities regarding our GPC allocation and our ability to import CPC. We will keep you apprised of developments on this issue.

We are simultaneously pursuing clarification of our ability to import restricted goods such as GPC and CPC as permitted under the Special Economic Zone Act, considering that our new vertical-shaft calciner is being constructed in the Special Economic Zone. You will recall this discussion from the call last quarter as well.

In terms of the new shaft calciner, the project is on schedule to be operational during Q3 2019 as previously advised. We spent just $13 million in cash during 2018 on this project. The majority of the costs, however, were fully committed in 2018 to allow for the lead times required to fabricate the specialized equipment for the new plant. Once operational, we believe the supply of raw materials for the shaft calciner will come from the current 1.4 metric ton import allocation, since the Ministry of Commerce has stated

that industry's allotment already contemplates future expansions. As a result, RAIN will focus on rationalizing raw materials between our two plants and supplementing our raw material needs by utilizing proprietary technologies to calcine grades of GPC available domestically within India to produce anode-grade CPC.

We believe that these actions, combined with state-of-the-art pollution control equipment that will remove more than 98 percent of the shaft calciner's SO2 emissions, as well as the plant's ability to generate approximately 15 megawatts of clean electricity, keep the facility's feasibility intact.

Before I hand the call over to Srinivas, I would like to take a moment to acknowledge our 1,800 employees around the world, whose dedication to workplace health and safety enabled us to complete 2018 with the lowest Total Recordable Incident Rate in RAIN's history. To build on that success and further enhance our safety culture, we have begun a two-year engagement with DuPont Sustainable Solutions and instituted a program called "Quest for Zero." Our goal is to become an incident-free organization by 2020, and in doing so, I am confident a safer, healthier workplace will make an important contribution to the continued improvement of our business performance.

With that I will hand the call over to Srinivas, who will take you through the consolidated financial performance of RAIN... Srinivas

T. Srinivasa Rao: Thank you, Gerry, and Good Evening, everyone, it is a pleasure to speak with you today.

In the fourth quarter of 2018, RAIN achieved consolidated revenue of ₹34.3 billion compared to ₹31.2 billion in fourth quarter of 2017, an increase of ₹3.0 billion, or 9.7%. This resulted from a ₹2.8 billion, or 13.2%, increase in revenue from our Carbon business segment, and a revenue increase of ₹0.1 billion each in our Advanced Materials and Cement business segment.

RAIN's consolidated adjusted EBITDA decreased by ₹4.5 billion compared to the prior year substantially with carbon decreasing by ₹3.9 billion and ₹ 0.6 billion decrease in Advanced materials. The overall performance of the business did decline year over year due to the continued headwinds, weaker market conditions and rising cost of raw materials.

Now turning to the next slide on Carbon business performance ...

Revenue from our Carbon business segment was ₹24.1 billion for the quarter ended December 31, 2018, compared to ₹21.3 billion for the same period last year, which we noted the previous slide as an increase of ₹2.8 billion, or 13.2%. During Q4 CY18, the average blended realization increased by ~14.4% after considering the favorable impact from the appreciation of the US Dollar and the Euro against Indian Rupee by ~11.4% and ~8.0% respectively. Sales volumes of CTP increased by 7.4% which was offset by

decrease in CPC and other carbon products decreased by 2.6% and 3.9% respectively. Overall, after the offset of improved realizations with lower volumes, the revenue from Carbon segment increased by ~13.2% in Q4 CY18 as compared to Q4 CY17.

The decrease in CPC volumes was largely due to timing of shipments and delays before the calcining industry gained an exemption from the Hon'ble Supreme Court of India. The decrease in OCP volumes was due to unplanned shutdowns during the quarter. The increase in CTP volumes was driven by increased demand from North American smelters and in Europe by demand in the graphite industries.

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

Revenue from our Advanced Materials business segment was ₹ 7.9 billion for the quarter ended December 31, 2018, as compared to ₹ 7.8 billion for the same quarter in 2017, an increase of ₹ 0.1 billion, or 1.6%. During Q4 CY18, sales volumes decreased in engineered products by ~6.7%, petro chemical intermediates by ~21.1% and resins by ~25.0%. Naphthalene derivates sales volumes was flat. Volumes decline was primarily driven by lower demand at higher pricing levels, reduced production and sluggish growth in the European automotive industry. During Q4 CY18, the average blended realization increased by ~19.9% along with the favorable impact from the appreciation of the Euro against the Indian Rupee by ~8.0%. Due to the aforesaid reasons, the revenue from Advanced Materials business increased by ~1.6% during Q4 CY18 as compared to Q4 CY17.

Moving on the next slide on Cement business ...

During Fourth Quarter CY18, there was a mixed trend in sales volumes in our Cement business. There was an increase in volumes in certain markets such as Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Kerala, but partially offset by a decrease in volumes in Odisha, Maharashtra, Goa and Pondicherry. Overall, our increase in volumes by 10.6% was offset by decrease in sales realizations by ~5.3% during Q4 2018 as compared to Q4 2017. Due to these reasons, the revenue from Cement business increased by ~4.8%. EBITDA from the Cement segment increased by ₹15 million, due to increase in sales volumes.

We are working towards reducing costs by various efforts, the largest of which was the installation of the waste heat recovery power plant at our Kurnool and Nalgonda facility to enable the plant to produce approximately 7MW & 4.1MW respectively of electricity from the waste gases generated in the manufacturing process. All the electricity generated by this unit is consumed at the plant itself. In addition to this, we have upgraded a cooler in our Nalgonda Plant at a cost of ₹ 156 million to achieve energy efficiency. Further, as discussed in the previous slides, we are undertaking technology upgrade at our Kurnool facility to improve the efficiency.

On a positive note, we have seen increased market demand in the states of Telangana, Andhra Pradesh, Tamil Nadu, Karnataka and Kerala as compared to the previous quarter, and we anticipate this demand continuing throughout the year due to infrastructure and housing projects.

Moving on to the next slide on debt ...

At the end of the Fourth quarter of 2018, our Gross Debt was $1,132 million, which includes $72 million of working capital debt. Net capital expenditure of ₹11.6 billion during 2018 includes $54.3 million spent on our two major expansion projects under construction; a HHCR Project in Germany, a Vertical Shaft Calciner in India and expenditure for other expansion projects.

Net cash used in financing activities of ₹6.1 billion during 2018 includes $38.7 million of net outflows for the redemption of our senior secured notes due in 2021 together with financing costs after considering the proceeds from refinancing.

The Company ended the quarter with a Net debt position of $ 993 million and net leverage ratio of 3.1X based on CY 2018 Adjusted EBITDA. With $122 million of cash on the balance sheet and unused credit limits of $138 million, the Company is comfortably placed to meet its obligations and continue to make the required investments to meet market demands.

Finally, Finance Cost has decreased to ₹1.1 billion in the current quarter compared to ₹1.5 billion in the prior year. The 22% reduction, or ₹0.3 billion in savings is a direct result of the company's refinancing efforts which decreased its average interest rate to 5.3% compared to approximately 7.6% in 2017.

With that, I will turn the call over to the operator, so we can take your question. Operator

Moderator: Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Sanjay Jain from Motilal Oswal. Please go ahead.

Sanjay Jain: First question is, in your opening remarks you talked about high cost inventories, which will take some more time to work through. Could you give us an idea how long it is going to take? Is it just another quarter or going to be more than a quarter?

Jagan Reddy Nellore: We expect in the distillation business and the Advanced Materials, the inventory should be addressed in this quarter itself. So, in the first quarter, the high cost inventory should be taken care of, and for the calcination business, because of India petroleum coke ban, we are not able to import any CPC into India from the US. So, we should be able to see the benefit of the normalization of inventory in maybe three months.

Sanjay Jain: When you say three months means three months from today or...?

Jagan Reddy Nellore: Yes, three months from today.

Sanjay Jain: Okay. So essentially there is another two quarters of pain of the high cost inventory in the CPC business, is that the right way to understand?

Jagan Reddy Nellore: Yes. Hopefully, as I said, from April or May this should go away. I think we should see more of normalized EBITDA back.

Sanjay Jain: And in case of our projects, what is the status of this resin project in Germany where we have spent $42 million and there is another $20 million - $25 million that has to be spent? When can we expect this project to get commissioned?

Jagan Reddy Nellore: In Q3 2019. So... we expect to start operations sometime in August.

Sanjay Jain: Okay. So vertical shaft and this resin project, both of them will take third quarter 2019?

Jagan Reddy Nellore: Yes, and hopefully the vertical shaft also should start more towards end of Q3. The HHCR project should start in mid of Q3 and the Vertical-Shaft Kiln should start probably in last month. Because of this pet coke ban we have some issues but otherwise, both the projects should start in Q3.

Sanjay Jain: And the other project, the Petro Tar distillation debottlenecking, is this completed now?

Jagan Reddy Nellore: Yes, that is completed.

Sanjay Jain: I mean, should we expect higher volumes in CY19 because of this?

Jagan Reddy Nellore: See, basically it is all a factor of. We have the ability to do so, but it will all depend on how the crude oil prices are fluctuating. Based on that, we have the flexibility to do so but will be depending on the market and other conditions.

Sanjay Jain: Got it. And what kind of guidance you would give us for the carbon volumes for CY19 considering that we have?

Gerard Sweeney: We do not provide guidance on really forward-looking statements on the business, but we are working to replace the tons that normally would have gone for blending in India. And we do not see a material impact for 2019 on our volumes per say, in any way inhibiting the business.

Moderator: Thank you. Our next question is from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Sir my question is, this quarter you did a decent volume of CPC as compared to the previous quarter on the background of say no blending and pet coke ban. But the GPC prices, as per my understanding, are also in declining trend. You told it takes around one to two quarters, but why suddenly such an increase in this quarter vis-à-vis the previous quarter? Sir, I wanted to understand what would be the trend going forward?

Gerard Sweeney: I am sorry, which trends on what?

Gunjan Kabra: On the trend of the GPC cost, what would be its going forward?

Gerard Sweeney: Obviously the effort here is to get to more normalized, as Jagan referred to earlier, getting ourselves to more normalized cost against the selling prices. And so that trend is all about pushing down our raw material cost. The key issue related to that is consuming the inventory that we had that was impacted by the India pet coke ban. So, in the distillation business we have been able to achieve in the fourth quarter really moving volumes of raw material inventory and so in the first quarter we will return to more normalized cost against the replacement value of that. And on the CPC side we expect to return in April or May to a more normalized cost against the new selling prices.

Gunjan Kabra: Okay. And just my second question was, in the Advance Carbon Materials unit the costs have increased comparatively as compared to the previous quarter. So, as far as my understanding, the raw material cost hasn't increased a lot as the cost increase seen in our results. So why do you think the cost has increased so much for this quarter? And the volumes were also very fluctuating.

Gerard Sweeney: Yes, we have talked about that business in prior quarters as well, we are transitioning that business and it is very much waiting for the hydrogenated resins plant to be completed because a lot of the product that is produced will be the raw material for the hydrogenated resins facility. Right now, we remain in a highly commoditized business that competes against China, Japan, and Korea from a cost perspective globally, so it's highly competitive and half the products are highly commoditized. So, the fluctuating earnings there, both from a cost and a volume perspective are really related to trying to compete in the existing markets that will be predominantly existing in the years to come.

Gunjan Kabra: Okay. And I also wanted to ask, there was this news regarding coal-tar sealants which was a problem because there was a penalty imposed for that and there was also a penalty on RAIN Industries. So what is the status on that? And in the current quarter you also have environment fees penalties for one of the subsidiaries, so which plant was that, Rs. 16 crores penalty? And how much does the coal tar sealant contribute in our revenue, does it contribute?

Gerard Sweeney: Yes, the environmental payments that were made to the authorities was in Canada and that was related to our facility there and the emissions directly from the plant, it did not

have anything to do with the particular product per say, but the plant emissions itself. As far as your reference to the coal tar derived products, I am not sure exactly what your question was related to that?

Moderator: Thank you. Our next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Just a follow-up on what the previous participant asked you about, particularly about the seven cities that have filed lawsuits for you and your peers on contaminating storm-water ponds allegedly with pollutant and potentially carcinogenic chemicals. What is the status here, have you sort or... are you saying you have paid for this liability already or what could be potential financial liabilities of any potential clean up costs, etc?

Jagan Reddy Nellore: No, these are two separate cases.

Gerard Sweeney: Yes, as Jagan correctly states these are two separate situations, and I think it is very important to clarify. As I just mentioned the provisions made pertains to our Hamilton Canada plant, but it is not to be confused with anything related to the lawsuits in US. The lawsuit itself is an ongoing litigation, obviously we can have no comment related to that, it is just a couple of months old. What I can say related to that is that the company will vigorously defend itself and we are doing that right now, even though it is in very early stages. And we have also notified our insurance carriers of the potential of any claims related to that. But it will take a long time, we believe, in the system for this case to go forward.

Nagraj Chandrasekar: Got it. And just a follow-up, what is your total insurance coverage for any such sort of claim?

Gerard Sweeney: I cannot make any direct comment on that because we are not sure of what type of claim might be associated with those. So we will have to wait.

Jagan Reddy Nellore: But we can clarify that the insurance coverage is adequate for a company of our size operating in industries in which we operate. That, we can clarify.

Moderator: Thank you. The next question is from the line of Prateek Bajaj from Miracu Wealth Management. Please go ahead.

Prateek Bajaj: As I understand, the water level in Rhine River has been deteriorating. So are we facing a transportation problem in Germany currently? And what is the current status?

Jagan Reddy Nellore: I think the Rhine River is actually back now. There is no problem now, we are able to make normal shipments. But during the summer months we did have issue because of not having enough snowfall or rain in Switzerland and other areas. But now it is back to normal. We are able to make the shipments normally.

Prateek Bajaj: And what is the China situation regarding production of CPC?

Gerard Sweeney: China, essentially, I think, as most everyone has read, is pulling back. We have seen curtailments both from an aluminum and anode and CPC production perspective. There are more tons of CPC coming out of China than we had seen during the highest demand periods in 2017 and first half of 2018. But overall, China is, from a trend perspective, has reduced production. To anticipate perhaps another question, the winter months' impact in China that we saw in the winter of 2017 to 2018 is basically nonexistent from a curtailment perspective, from an environmental perspective year-over-year, China appears to just be producing both CPC and aluminum over the winter with no real impacts other than full out curtailments due to costs.

Moderator: Thank you. The next question is from the line of Akhilesh Kumar from AdPro Overseas.

Akhilesh Kumar: I want to know about the petroleum pitch we produce. How is that business different from your other CTP business? And how is the margin in that?

Gerard Sweeney: Yes, thanks for your question. The clarification there is that the petro pitch option for us is one of raw material feed. And as Jagan indicated earlier, the option of taking petroleum tar versus coal tar is an economic one. So the debottlenecking project that we undertook was to essentially allow our plants the flexibility, all of our distillation facilities to enhance their capabilities of running the Petro Tar in place of the coal tar option because the economics were such that coal tar prices were very high, and Petro Tar prices, in comparison, were a more favorable raw material option for us. That debottlenecking, just to review, was essentially tankage both from a raw material, feed perspective as well as finished product storage perspective in order to keep those products separately because you cannot blend them in the distillation tower. And so that's the nature of that project. We can go back and forth, run more Petro Tar and less coal tar at our facilities as a result of the debottlenecking. Right now, with the drop in tar prices, the economies are better to run coal tar than to run Petro Tar. But it is the flexibility that obviously drives better profitability for the company.

Akhilesh Kumar: That sounds better. And I have one more question. We have the Vizag, new plant, coming up in SEZ? There, our LOI has expired after initial one year approval, and it has not been approved by the board of SEZ and deferred to DGFT. How we want to go ahead with that? And are we continuing with the expansion or we have stalled it?

Jagan Reddy Nellore: No, we did get an extension till March and we expect to get the balance extension also. The reason there was a confusion was because of the petroleum coke ban. Then we have made a presentation to the development commissioner and to the Board of Approvals how we are going to alleviate this green coke situation and we do expect to get full extension probably very soon.

Akhilesh Kumar: Okay. And one last question, if I can. I can see the proposal for producing petroleum pitch coke in India as well in the same plant. How do we seriously looking to that?

Jagan Reddy Nellore: No, we are not. When we have anything to say there, we will inform. But at this point of time, we may be seeking a lot of approvals but doesn't mean that we are going to go forward with any project.

Moderator: Thank you. The next question is from tne line of Rohit Prakash from Marshmallow Capital. Please go ahead.

Rohit Prakash: My question is more on the Vizag plant expansion that we have right now. So as Gerry mentioned, with the current allocation, we can process up to 72% of the current capacity. So, with the new capacity in Vizag coming, what is the capacity utilization that we can potentially see and why can we not use the Indian GPC in the current plant right now?

Jagan Reddy Nellore: See, normally, we do not use the Indian GPC, but Rain actually has some proprietary technologies where it can actually use the Indian GPC. So our plan at this time is, we are considering to take whatever green coke we can get from the allocation that we can import and the balance, we would like to buy from an Indian refinery and then use that material to ensure that the plant runs at optimum capacity. One more thing is, the product of the SEZ plant, we will actually not be selling it to any particular customer directly, but instead, it'll be used it as a blend component into our global CPC production, both in India and, especially, around the world. So we have a lot of flexibility with the quality and other parameters. So we will be able to, irrespective of the green coke allocation, we should be able to operate this plant at optimum capacity.

Rohit Prakash: Okay, so both the plants will be operated at optimum capacity despite the ban is how we foresee it going forward.

Jagan Reddy Nellore: We are expecting, but the SEZ plant has certain other benefits, where it is as per the SEZ act, you are also permitted to import even prohibited items. So we think we have lot of flexibility with the SEZ project. So we think we can rationalize whatever green coke allocation comes and between Indian cokes and whatever benefits we have from the SEZ. We think we can optimize the plant operations at both the facilities.

Moderator: Thank you. Next question is from the line of Sanjay Kumar from Envision Investments. Please go ahead.

Sanjay Kumar: I would like to draw your attention to the balance sheet item of goodwill. Considering several restructurings, the Advanced Materials, Carbon and other plants, goodwill has been raising, and it has become one of the biggest item at Rs. 6,131 crores. So can you just allocate the percentages from the three divisions for goodwill, please?

T. Srinivasa Rao: Actually, if you look at our business, we have not done any acquisitions in the cement business. These are all set up by the group originally. The goodwill has come on account of two large acquisitions: In 2007, we acquired CII Carbon LLC and in 2013 January, we acquired RÜTGERS Group. At that point of time, Indian GAAP is what is being followed, and we migrated to IndAS only from 1st January, 2017, with comparables of 1st January, 2016. So we didn't do any allocation of goodwill or purchase price allocation in our Indian GAAP balance sheet. And what we can say is though there is no allocation of goodwill by asset by asset and by plant by plant. The statutory auditors of the company will be looking if there are any impairment to the assets. So today, whatever two large acquisitions we carried out, they have been contributing better, they are performing better than what they were performing at the time of acquisition by Rain. So there's no need for any amortization or reduction of goodwill that is required looking at the current performance of both acquisitions we carried out. We have shut down some facilities like Moundsville facility in the US. It was shut down around four years back and Hanau plant in Germany has been shut down. The value of those assets, the plant and machinery alone are written off. But the goodwill, which is for the business as a whole, there is no impairment. It has been estimated by the management, and even the auditors are comfortable with that.

Sanjay Kumar: No, I just wanted the percentage for the three businesses. Since it has become the biggest contributor of the balance sheet as on date, amounting to almost over 35%, ratio-wise, what is the goodwill percentage for the three businesses?

T. Srinivasa Rao: The three businesses, the cement is 0. And between Carbon and Advanced Materials, it should be 75% to Carbon and 25% to Advanced Materials if you just need a ballpark estimate.

Sanjay Kumar: Can you please repeat it, please?

T. Srinivasa Rao: 75% to Carbon business as a whole and 25% to Advanced Materials business.

Moderator: Thank you. The next question is from the line of Pratiksha Daftari from Aequitas Investments. Please go ahead.

Pratiksha Daftari: First, I just wanted to confirm that you mentioned if we were to consider the current quota approvals you've got for import of GPC, we will be operating at 72% capacity utilization.

T. Srinivasa Rao: That is correct.

Pratiksha Daftari: So how do we expect like, how much have we applied for in terms of like our application in terms of the quantity of GPC we want and how do we see the overall impact of these ban on volumes on calendar year 2019 versus calendar year 2018 business?

Jagan Reddy Nellore: See, basically what is going to happen is, while we did get actually only 72% allocation, but we do have inventory in our site. So basically, that will enable us to operate the Indian plant currently at full capacity. So that should not be a concern. We should be able to operate our current plant at full capacity. And then when we apply now for the new allocation we are also applying for our new plant. The SEZ plant also, we are applying for quota. As we have said in the earlier calls that we actually plan to use the material from our inventories, our new allocations and the Indian-sourced GPC and the SEZ also permits us to import certain materials. We need to get permission for that, but hopefully, we should get that. Considering all of these things, we should be able to operate the plant at optimum capacity.

Pratiksha Daftari: So, when you say sir currently you will be able to operate at full capacity, we are referring to what .. Like are we seeing 2019 net-net to full capacity .. Or are we talking about a couple of quarters from here?

Jagan Reddy Nellore: No, from here actually, the existing plant should be able to operate at fully capacity in 2019 because of the existing inventory. 2019, we are not seeing any issue with the existing plant. But the SEZ plant, once it starts up, I think there should be sufficient inventory to be able to operate. But 2019, whatever we can produce, I think the petroleum coke import ban should not have an impact on CPC production. But on CPC imports, there is an issue because earlier we used to import about 300,000 tons of CPC from the US to India to blend it. That, we are prohibited to do so at this point of time. So that will have an impact on the overall plant per se because of that has resulted in reduced capacity utilization in the United States. So we'll have to work through that. That is what the main impact is going to be.

Pratiksha Daftari: Okay and sir, would our margins since now will be using some amount of raw material from Indian refineries, would you feel that, that could impact our quality of output in some way Or would it impact our margins in some way?

Jagan Reddy Nellore: No, it should not be because, hopefully, the materials that we procure from India should be comparable, it should be a lower-priced material. But that also means, since we have the ability to blend overseas, we can actually take the material and also blend this material overseas. So it will enable us to produce the inferior-grade quality in India and go blended it up with the higher-quality material elsewhere because the main thing what we are targeting to achieve from this new plant is density, which is actually weaker. So once that can be addressed, so hopefully, outside India, we should be able to do that. So that should not be an issue.

Moderator: Thank you. The next question is from Jimesh Sanghvi from Principal Pnb Asset management. Please go ahead.

Jimesh Sanghvi: Can you share if there was any onetime inventory write-down during this quarter, if it was there and secondly, what is your overall price outlook on the Carbon business from here on?

T. Srinivasa Rao: To your first question, there is no inventory write-down in the current quarter, but the margins are under compression because of the high cost inventory what we procured in August or September of 2018 we are using in October and December of 2018. We always maintain three to four months of inventory. We will be maintaining and will be procuring ahead of our manufacturing plan. So whatever cost of goods sold and what is the expenses we already incurred during 2018 is reflecting the high cost inventory, and there is no specific write-down of inventories as at December 31, 2018.

Jimesh Sanghvi: Okay and on the outlook on the Carbon...?

Gerard Sweeney: When you say outlook, sir, 2019 pricing, are you talking about a specific product or...

Jimesh Sanghvi: Largely, the CPC and the CT pitch, how do you see...

Gerard Sweeney: Well, we don't provide specific guidance. I mean, obviously, the sales price of those products are down, but they are down differentially depending on regions. I mean, for example, in India, fourth quarter price for CPC of 2018 was down already $100 from the prior year and so the trend will continue in the rest of the world as well as the pressure is continuing down within India going into 2019. At this point, it is impossible to say where essentially that will average out. From a coal tar pitch perspective, prices are still reducing. Basically, we are seeing perhaps not as severe trend because the limitation of producers and available capacity will rationalize itself, but clearly, a downward trend in both. We expect that with what we are seeing right now in the market, prices should settle down around the midyear 2019, meaning they will settle at a new level that will be supported, and everything can shake out from there from a cost perspective.

Moderator: Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: A couple of questions. One, given the import ban of CPC on us, has the reset in business strategy for CPC business already done? You just mentioned that the blending can be done outside India, so are we already implementing it and how long this transition would take?

Jagan Reddy Nellore: So blending means, basically, once our new SEZ plant comes in, we are actually expecting to ship outside India that can be blended in our overseas plants. But otherwise, the materials that whatever we are importing to India because it was in the middle of the year this ban became effective, we take some time to find new customers because of the very large volume. So we are working towards that, and we should be able to reasonably successful in actually placing that volume in 2019.

Anubhav Sahu: Okay sir and secondly, on the margin side, once we are able to exhaust the high-cost inventory, so what is a sustainable margin we are looking at ... Would that be around 18% to 20% as it used to be Or would it be something different we are looking at now?

Jagan Reddy Nellore: It should be somewhere in that region for the Carbon business, for the CPC business.

Moderator: Thank you The next question is from the line of Vaibhav Chaudhary as an individual investor. Please go ahead.

Vaibhav Chaudhary: So one question I had regarding our bond prices in the U.S. have been falling, the new bonds that we have placed. So, what can be the possible reason for that. Is there deteriorating financial, you can say, numbers for the two quarters and are we planning to buy back some of those bonds at the reduced prices?

Jagan Reddy Nellore: See, the bond markets are weak, it is not just our Bonds, but generally, the bond market is not doing very well. Especially, the secondary offerings have come down mainly because the LIBOR is increasing. Because of that, the bond prices have been falling. So hopefully, while Carbon business may be contributing little bit, but I think majority like some external macro factors, which is not in our control. We are not contemplating buying any bonds at this point of time, and when we do, we will keep the investors informed.

Vaibhav Chaudhary: But initially, the bond prices fell, but then we have again seen that rally back in the other bonds, high yield bonds, but our bonds have not gone up that much. Can there be any possible reason for that?

Jagan Reddy Nellore: Look, basically, I think, because now the LIBOR is increasing, so they may be looking at other investments at this point of time and I think the India pet coke ban and other things are causing the volatile environment. Otherwise, I don't think from financial perspective, there are any issues.

Vaibhav Chaudhary: Okay. The other question was regarding the pricing environment that you said that we might be looking down at the carbon pricing. So still, are we confident of maintaining the 18% to 20% margin even if the prices so are the spreads intact which we saw maybe in 2018 or mid 2017?

Jagan Reddy Nellore: We do expect to come to more normalized margins. You please have to appreciate that 18% to 20% means the raw material prices will come down and the finished products prices also are coming down. So there will be the time lag between the CPC prices falling and GPC prices falling is where we have compression in one or two quarters.

Gerard Sweeney: Yes, I would like to just clarify that... please note that the Jagan is talking about more normalized margins. The margins in 2017 and 2018 were the result of an opportunity margin type of environment globally. We had very strong demand for our products, both

CPC and coal tar pitch, which allowed us an above average type of margin. Our expectation is to come back to more normalized margins related to the businesses.

Moderator: Thank you. The next question is from the line of Samit Sahu as an individual investor. Please go ahead.

Samit Sahu: My question is, after seeing this, is the worst is over?

Jagan Reddy Nellore: We are hoping so.

Gerard Sweeney: Yes, certainly hoping, sir. But yes, to tell you where we sit today, it is our belief that the worst is behind us with the revealing of this quarter.

Samit Sahu: Okay, so going forward, will we be maintaining the margins which we were expecting and which we did in 2017 and 2018, eventually?

Jagan Reddy Nellore: We don't like to comment, we don't give guidance. But that's the reason we are saying this is normalized, which means we should be doing well. But we just cannot comment on any particular numbers.

Moderator: Thank you. The next question is from the line of Ajay Surya as an individual investor. Please go ahead.

Ajay Surya: The depreciation cost in this quarter has gone up substantially. So any reason for that? Is it because of the new expansion you did, sir?

T. Srinivasa Rao: No, it is not because of the new expansion. As we indicated in Q3 results also, the management has taken a decision to shut down two plants in Germany and whatever is the value of those assets, we are writing it down completely. Because the carrying value of those assets unless we dispose of them will not be known. So because of that, whatever is the value of those assets, we have to write it down as full depreciation.

Moderator: Thank you. The next question is from the line of Nirav Doshi as an individual investor. Please go ahead.

Nirav Doshi: My question is on the white-water resin facility that it is coming up? So what kind of, I mean, I know you don't give guidance, but what kind revenues and profit margins are expected from that product?

T. Srinivasa Rao: It is a project cost of about US$70 million, and we expect a payback of about four years.

Nirav Doshi: Okay. Sir, and the profit margins from the product. I understand it is probably in terms of per ton. So I believe the product is already there in the market. So what kind of margins do existing players enjoy?

Jagan Reddy Nellore: See, basically the reason why we are setting up a white-water resin project, as Gerry mentioned earlier, we have certain raw materials we are not able to use, say, for example, printing ink and other things where the demand is going down. So we want to be able to use our raw materials more effectively to use those products. So they have certain benefits compared to the other market players, so we cannot say about any particular numbers or other things. But one thing I can say is this product is in demand.

Moderator: Thank you. The next question is from the line of Arvind Kothari from Niveshaay Investments. Please go ahead.

Arvind Kothari: My question was regarding the availability of GPC and also regarding the pricing that we have seen the price of GPC fall substantially since the past five, six months. But in our inventory, still we are not seeing that. What could be the possible reason for such a prolonged high-cost inventory that we are carrying?

Gerard Sweeney: Your question is essentially addressed in the opening remarks. We have inventory that we bought when it was high-priced in the marketplace, just as you're saying, that was committed to six months ago and has been in our inventory. The India pet coke ban has not allowed us to move that inventory. So the GPC costs have not come down. We are waiting to capture that, and we are comfortable and confident that when we are able to move to buy inventory and get the replacement value through, it will reinstitute a more normalized margin for us in the business.

Arvind Kothari: So are the GPC that is available in the market at a very normalized price now? Are we able to source that? Is the availability not a challenge because of...

Gerard Sweeney: The availability is not an issue. There is reduced demand of GPC because there is overall less calcining taking place because the aluminum industry has pulled back a little bit and China has slowed down. So availability is not the issue now like it was in 2018, especially in the first half. So availability is there. We just need to get the reduced cost through the systems that we can enjoy the more normalized margins.

Arvind Kothari: Got it. And slowdown, it seems that the contribution of China inventory of raw material coming out would be a bit less next year next? Or it would be higher than what it was this year?

Gerard Sweeney: You were breaking up a little bit. The GPC raw material?

Arvind Kothari: The CPC coming out of China?

Gerard Sweeney: CPC coming out of China we expect more than what we saw in 2018 because the demand in China is down.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that would be the last question. I now hand the conference over to Mr. Jagan Mohan Reddy for closing comments. Thank you, and over to you, sir.

Jagan Reddy Nellore: Thank you.

2018 was clearly a turbulent year ... a "Tale of Two Halves," if you will. A number of issues surfaced during the year that were completely unforeseen. There were sanctions and tariffs, and bans and embargoes that affected world trade in many different ways.

We are now happy to turn the page, and hopefully move beyond these issues in 2019. While they did impact our business in a meaningful way, and caused disruptions in our end markets, we remain very confident that the future holds more opportunity than peril for our company.

We look forward to returning to more normalized earnings in our businesses in the new year. In addition, we are eager to complete our new calcining and advanced materials facilities and realize the contributions they can make to our growth and bottom line.

Finally, we look forward to continuing to manage our business and balance sheet aggressively, investing in our business, cutting costs wherever possible, and realizing the benefits of our "Quest for Zero" safety initiative in the years to come.

Thank you for joining our call today. We look forward to speaking with you in May.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Rain Industries Limited, that concludes today's conference. Thank you all for joining us. And you may now disconnect your lines.