

Q2 highlights:

- Various uncertainties due to various geo-political reforms. Despite such turbulence, Rain delivered solid Q2.
- Sales volume and realization improved. Protected margins and profitability.
- Aluminium demand to continue. LME inventory level continues to decrease, which supported aluminium prices to stay above 2000\$ in the last 6 months. Lower the LME inventory, higher the aluminium prices, and good for Rain.
- Aluminium production keeps going up in Asia (ex-China) and Middle East.
- ALCOA restarted 2 out of 3 and Century restarted 1 out of 3 curtailed plotlines, slower than expected due to lack of skilled labour.

Safety:

- Best safety performance in the history of Rain in Q2.
- Always a top priority, focus, and an area of ongoing investment.
- Company has a new vice-president position for Safety, health, and environment.
- Expanding engagement with DuPont Sustainable Solutions to gain better understanding of strengths, gaps in Rain's current safety culture, and to identify opportunities for improvement

US sanctions on Rusal: Rusal will comply with requirements and the sanctions will be lifted in due time. Seeing signs of progress – change in the composition of Rusal board of directors. Oleg Deripaska has agreed to cut his London-listed Entity to below 45% from around 70%. Rusal is an important customer to Rain, but it's just 1.5% of global sales revenue. Even if sanctions go through, there is growing demand for CTP in the middle east and throughout Asia, and can easily move CTP to these markets.

GPC:

- Supply may tighten due to MARPOL, which limits on sulphur content in marine fuels starting in 2020.
- But Rain can overcome any unavailability of GPC due to long-term relationship with the suppliers, globally integrated facilities, and superior blending capability. MARPOL will positively benefit the distillation business. i.e. more supply of very affordable feedstock in the distillation business.
- Not necessarily that the volumes will go down, but the quality of GPC (that's necessary for calcining) will go down because of MARPOL. It could impact the calcinable coke that's available globally. Because of Rain's ability to scrub sulphur, can take more marginal cokes, that's actually a **competitive cost advantage** if it's going to affect the global GPC supply.

CPC:

- Increase in volume and realization in Q2.
- Focused on protecting margins by reducing production because of higher input costs. But in Q3, GPC prices have moderated and levelled off, so not concerned anymore. Will resume usual level of CPC production.
- There should be no concerns on demand going forward.
- Not seeing any market correction in prices over the next few quarters.
- Overall carbon segment is operating at 80 to 85% utilization (maintenance shutdowns)

CTP:

- Volumes slightly down. CTP price is stable, but realization is lesser because of appreciation of USD against Euro. So in USD terms, there is minor decline, but in Euro terms, it's not. It's stable.
- Prices have gone up substantially in the last 1 year and continued in the first half of this year, due to surging raw materials.

Advanced Materials:

- Raw materials that Rain produces makes the produce that we rely on possible – for e.g. a car – everything from frame and tyres, plastics, and paint.
- Strongest segment from growth potential perspective.
- Comprises of 200 products. Realization may go up or down based on some products demand and seasonality.
- Some raw materials are indexed to crude. Since crude went up, costs went up too. Another reason for costs being high is Euro has been depreciating against USD, most of costs are incurred in Euro and realization is partly in USD.
- Will get stronger demand during warmer season as well. Q2 and Q3 are stronger.

Cement:

- Increase in volume in AP, Telengana, and Kerala. But decrease of volume in Tamil Nadu, Karnataka, Maharashtra, Goa, Orissa, and Pondicherry.
- Realizations decreased by 18% YoY, partially offset by increase in volume by 2.9%
- Revenue decreased by 16.4%, EBITDA decreased by 44.5% - due to increase in operating costs, and lower cement clinker ratio.
- Trying to achieve energy efficiency.
- Operating at 55% capacity.

Inventory:

- 2500cr of inventory. Lead time for getting raw material in India is high. But in US, raw materials are procured in the local market, so less inventory. But in India, holding inventory for 3 months.

Capex:

- 370,000 vertical shaft calcination facility – work progressing as schedule. Q3CY19 target.
- 60 million euro for hydrogenated hydro carbon plant in Germany. Q3CY19 target for commissioning. Ralf Meixner from BASF is on board as Head of Advanced Material segment.
- Technology upgradation of cement facility. 42cr project.
- Debottlenecking of petro tar distillation facility – will complete in Q4CY18.
- 4.1MW WHR power plant, Nalgonda cement plant – will commence in Jan 2019.
- Most of the capex will be met through internal accrual, no plans for further borrowings.

Ban on petcoke import:

- Company doesn't use pet coke as fuel, but uses as feedstock.
- Company scrubs 99% of SO₂, which is consistent with what is permitted, still it's not consumed as a fuel too, so there should be no problems in getting the allowance.
- Got back to the Supreme Court for clarification and awaiting.

- Company has 3 months of pet coke inventory on site, so no immediate impact.
- Already permitted 4 industries using pet coke as feedstock, so company is hoping that the clarification comes soon.

Goodwill:

- Increased by 324cr from Q1 to Q2.
- There was no new acquisition. It was due to the depreciation of INR. All the assets and goodwill on the balance sheet are reinstated in INR current numbers.
- Impairment assessment has to be done mandatorily annually.

Effective tax rate: Around 33%. US tax rate is 21% (dropped from 35%). In India 36 to 37%. In Belgium 29%. In Germany 34%. Because of tax being on higher side in some countries, the average tax rate is on the higher side.

Chinese winter curtailment:

- Aluminium production will continue, not be curtailed.
- Only the carbon production will be curtailed – calcining etc, which will be favourable for Rain.
- If calcining is reduced, then GPC supply may go up, which is again a plus for Rain.
- But the impact will not be much more like it was last year.