

**Navigating Geopolitical Headwinds:
Near-Term Pressures, Structural Tailwinds**

CMP: INR 112

Rating: BUY

Target Price: INR 327.5

Stock Info

BSE	500339
NSE	RAIN
Bloomberg	RAIN:IN
Sector	Petrochemicals
Face Value (INR)	2
Mkt Cap (INR Bn)	37.9
52w H/L (INR)	176/99.8
Avg yearly Vol (in 000')	2,388

Shareholding Pattern %

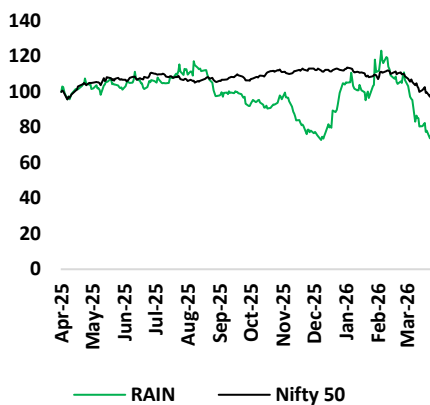
(As on Dec, 2025)

Promoters	41.19%
Public & Others	58.81%

Stock Performance (%)

	1m	6m	12m
Rain Industries	-20.4	-12.2	-18.1
Nifty 50	-8.4	-8.3	-1.6

Rain Ind Vs Nifty 50



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Rain Industries sits at a strategic inflection point. The geopolitical crisis is causing near-term operational disruption in the Middle East while also tightening global Calcined Petroleum Coke (CPC) and Coal Tar Pitch (CTP) supply, raising carbon prices, and accelerating aluminium capacity additions in the United States, a market in which RIL has a natural and well-established competitive position. The company consecutively reported positive net income in the last three quarters, with improving EBITDA from INR 12,741 mn in CY2024 to INR 21,372 mn in CY2025, grew by +68% YoY, and a reported Net-D/EBITDA ratio declining from 3.9x to 3.2x, with capex at USD 53 mn one of lowest in last 5 years and expects 2026 capex to be in the range of USD 60-65 mn. The issues with the Strait of Hormuz and resulting Middle East aluminium smelter curtailments are tightening global aluminium supply, with 9% of the global aluminium supply coming from middle east region. Rain Industries does not expect any major impact on its overall revenue. The company's exposure to the Middle Eastern market is relatively limited, representing only 5% of its total revenue. Furthermore, of its total Indian production of 0.9 mn tons, ~216k tons or 25% is supplied to the Middle East region.

Key Highlights:

The US & Israel-Iran War and the Hormuz Disruption: Iran's strikes have effectively halted commercial shipping through the Strait of Hormuz, through which ~25% of globally traded crude volumes and 20% of LNG supply normally transit. The energy costs have climbed sharply across global markets. Natural gas prices have spiked as LNG supply from Qatar has been curtailed due to attacks. Freight rates in the Pacific have risen 30-50% from pre-war levels, depending on vessel size. This energy crisis has largely impacted European refiners, including Rain Industries, as it has its plant in this region, leading to pressure on production capability and realization. The company remains cautious on the advanced material segment and expects this issue to remain for a mid to long term basis.

Logistic and Shipping Constraints: The closure of the Strait of Hormuz has effectively halted oil, LNG, and aluminium shipments to export markets in the United States and Europe. Freight costs in the Pacific have risen by 30-50% since the conflict began. Drone and missile attacks on tankers have led insurance providers to hike premiums or cancel war-risk coverage, preventing transit through the region. Some producers are attempting to truck raw materials from ports outside the Strait, though transporting bulk alumina and bauxite via road remains logistically difficult.

Impact on Aluminium Production: The aluminium industry accounts for ~40% of Rain Industries overall revenue. Middle East aluminium production, representing ~9% of global supply, has been hit due to energy disruption and strikes on plants. Alba (Bahrain) has idled ~300k tons or 16% of total capacity by shutting one line of production. Qatalum and Emirates Global Aluminium have also curtailed their supply due to gas supply disruption and airstrikes on plants. The net impact has been a sharp spike in LME aluminium prices to approximately USD 3,453-USD 3,492 per ton, reaching four-year highs. LME warehouse stocks, which had already fallen ~60% from May 2025 peaks, now stand at around 418,675 tons, leaving the market with very little backup against continued supply disruption.

Carbon segment - CPC, GPC dynamics: The permanent structural shift in the carbon market is the rising demand for GPC from the BAM industry in demand for low sulphur GPC, historically the exclusive feedstock for CPC, which has increased GPC prices. The BAM sector continues to expand rapidly, and Chinese anode shipments rose 38% YoY to a record 2.9 mn tons in 2025, which remains on an upward trend.

The CPC Margin Compression and Price Lag: The rising GPC input cost and delayed CPC output price adjustment resulted in a lag when GPC prices rise, and CPC prices remained constrained; this has improved after two years in 2025, with realizations improved for the company, resulting in better support to margins and EBITDA rising from INR 12,741 mn in CY24 to INR 21,372 mn in CY25. If Hormuz remains effectively closed for an extended period, the resulting tightness in both GPC availability and CPC supply could accelerate the repricing conversation with aluminium smelter customers. Aluminium smelters are unlikely to shut down production, as doing so results in restart costs that are higher than running at lower utilizations. CPC represents a relatively small ~10-12% of the total cost of production. With the rising crude oil prices (with Brent crude futures rising to a 54% monthly high at USD 113.05 per barrel, and US crude at USD 102.9 per barrel, heading towards a 54% monthly rise) will result in higher GPC prices due to the direct correlation between crude and GPC, CPC prices remain lagged due to contract with clients typically happens one quarter ahead of supply, with sharp increase in GPC prices will impact the spreads.

Improved Calcination Capacity Utilization Across Plants: The company's two Indian calcination plants with a total capacity of 0.9 mn tons, which includes a 0.4 mn-ton vertical shaft plant in a SEZ. Both plants are currently operating at ~90% of capacity, following the relaxation of import restrictions that previously constrained GPC availability. The company's 60% of Indian output serves domestic clients, while 25% was traditionally exported to the Middle East and the remaining 15% is exported to SEA and Australia.

On the company's US facility operates with a total of 1.5 mn tons of capacity across multiple plants running at ~60-65% utilization levels up from 50% in CY24. 60% of the US production is sold domestically, and 10% shipped to the Indian SEZ plant, where it is blended with high-quality CPC from the Indian facility to achieve better operating cost efficiency.

Freight Cost Implication: For the US plant, the company sources GPC primarily from US Gulf Coast (USGC) refineries, where fob prices have now crossed ~\$100/t for 6.5% sulphur material. Freight from USGC to Rain's US plants is domestic and largely road or rail, protected from seaborne freight volatility for the domestic transit. The company's Indian calcination plant, which depends on imported GPCs. The key route from US to west coast of India are assessed to be down due to temporary vessel surplus in the Gulf. However, it is offset by expected higher GPC prices being quoted at USD 155-160/ton in April-26. The last shipment of CPC to Middle east was done in Mar-26, and next expected shipment is to be done in Jun-26. Overall, the CPC segment will not face much impact in Q1CY26 as company contracts are done one quarter in advance and are expected to deliver margins in line compared previous three quarters, due to lower freight costs in the US. From Q2 onward, there will be some impact on freight and logistics cost of the overall landed cost, and affected by the Middle East situation, which represents only 5% of total revenue.

Route	Freight Rate	WoW Change	Implication
USGC → West Coast India (50kt)	\$48.76/t	\$3.45/t decline WoW	Temporary relief; bunker vol. surplus in USGC
USGC → China (50kt)	\$54.13/t	\$4.22/t decline WoW	USGC freight softening vs. Pacific rising
USWC → Japan (70kt Supra)	Higher	+\$5.49/t WoW	Pacific basin tightening sharply
USWC → China (70kt Supra)	Higher	+\$5.91/t WoW	Drives up CFR China vs. lower FOB USWC
Guinea → China (Capesize)	\$30.35/t	+\$5.60 from \$24.75 pre-war	Bauxite economics near breakeven; supply risk
Brazil → China (30kt)	High \$80s/t	Up from high \$40s-\$50s	Anode GPC spot deals hit by freight surge
EC Saudi Arabia → WC India	\$14.75/t	Muted; Saudi loading disrupted	Satorp halted; Yasref facing Red Sea risk

Source: Aриhant Capital Research

For its US plants, Rain Industries primarily sources GPC from US Gulf Coast (USGC) refineries, where FOB prices for 6.5% sulfur material have recently surpassed USD 100/t. However, because the transit from the USGC to Rain's US facilities is domestic, relying largely on road or rail, these operations are protected from the volatility of global seaborne freight costs. In contrast, the company's Indian calcination plants depend heavily on imported GPC. Currently, seaborne freight rates for the key route from the US Gulf to the west coast of India have dropped due to a temporary surplus of vessels in the Gulf region. However, these freight savings are being offset by surging raw material costs, with April 2026 GPC shipments currently being quoted at USD 155-USD 160/ton on a landed cost basis to India's west coast.

Middle East Exports Near Term Implications: Regarding exports to the Middle East, the company's last shipment of CPC was completed in Mar-2026, and the next shipment is scheduled for Jun-26. Overall, the CPC segment is not expected to face much disruption during the Q1CY26. Because Rain operates on contracts that finalize prices and shipments one quarter in advance, management expects Q1 margins to remain unimpacted, delivering similar or slightly better results compared to previous quarters. Moving into Q2CY26, the company expects the ongoing geopolitical situation to have some impact on overall freight and logistics costs. This will primarily affect shipments to the Middle East, though this market represents only 5% of the group's total revenue.

GPC/CPC Realizations: The GPC input costs (cfr India 6.5% sulphur) have risen ~35% from the CY2025 average of \$111.62/t to current offers of \$150-160/t. CPC output prices (fob USGC 3% sulphur) have risen only ~10% over the same period, from ~\$480/t to \$510-530/t. The gap between input cost inflation and output price recovery is the compression that is expected to build margin squeeze for Rain Industries near-term calcination margins. Due to high demand for anode-grade low-sulfur GPC by battery manufacturers, Rain no longer limits its procurement to ideal low-sulfur grades; instead, the company focuses on sourcing diverse grades of GPC and blend it by leveraging its in-house ACP technology, allowing the company to use diverse grades of GPC and produce high-grade anode quality suitable for Aluminium smelting.

Grade / Market	Dec '25 (\$/t)	Jan '26 (\$/t)	Feb '26 (\$/t)	% Chg	Expected impact on Rain
FOB USGC - 6.5% S GPC	\$89.50	\$98.50	\$101	+13%	Rising fob lifts RAIN's US calciner input cost
CFR India - 6.5% S GPC	\$111.62	\$134	\$150.50	+35%	India plants absorb a higher landed cost; spread vs domestic CPC compresses
CFR China - 6.5% S GPC	\$128.00	\$135.00	\$151.50	+18%	China BAM demand + freight = floor keeps rising
CPC FOB USGC - 3% S	~\$480	\$495	\$510-530	+10%	CPC lagging GPC; margin squeeze evident in the gap
CPC CIF Mideast - 3% S	~\$540	\$540	\$580-640	+15%	Mideast CPC prices rising but demand at risk
CPC CIF Europe - 1.5% S	~\$460	\$448	\$450-530	+9%	Soft; Europe smelter activity remain subdued

Source: Arihant Capital Research

Us Aluminium Revival & Strategic Positioning: The United States' aluminium industry faces a unique crisis. Domestic primary aluminium production has dropped from ~1.6 mn tons to 700k tons over the past decade close to 57% decline. Recently the US had significantly announced aluminium industry expansion both through increased utilization at existing smelters and the planned construction of the first greenfield smelter in the country in several decades. The recent two announced greenfield projects are Century Aluminium's proposed facility in Ohio and Emirates Global Aluminium's planned smelter in Oklahoma. Both targeting ~500k-700ktpa of capacity. Projected investments reach USD 4 bn with operational timelines around 2030E. All this new and expanded capacity will require carbon anodes, which in turn require CPC and CTP as key raw materials. Rain will be a significant beneficiary to serve this growth, given its geographic footprint in North America and long-standing relationships with these aluminium producers.

Advanced Materials Segment - Near-Term Headwinds Persist: The Advanced Materials segment continues to operate at ~60% utilization, showcasing a strategic shift toward higher-margin products even as total volumes remain below full capacity. The segment faced meaningful headwinds in 2025 that management expects to continue through H1CY26E. The Resins business is currently at, with already impacting higher energy costs in Europe, which have expanded due to attacks on energy sources in middle east, resulting in a shortage of LNG, which directly affected production economics and by increased pricing competition from Asian suppliers. Both factors are structural rather than temporary in nature: European energy costs are unlikely to normalise quickly given the current geopolitical issues, and Asian competitive pricing is a sustained feature of the market. The Engineered Products business, offerings such as CARBORES and PETRORES, continued to advance its market position but also faces higher energy cost impacting margins.

Working Capital: Net working capital is expected to rise further in H1CY26, with normalisation expected in H2. If the H2 release is delayed due to continued GPC import quota timing issues and rising tensions in the Middle East, resulting freight and logistic issues.

Valuation & Outlook: The company reported Q4CY25 revenue of INR 43,007 Mn (-3.9% QoQ), supported by the core Carbon segment's 26.8% YoY growth on higher CPC volumes and better pricing. To counter tight raw material supplies, the company shipped US production to its Indian SEZ facility, while the distillation business faced pressure from volatile commodity prices. It faces near-term margin pressure stemming from rising input costs, freight disruptions, and subdued demand in its Advanced Materials segment, largely a consequence of the ongoing Strait of Hormuz conflict. The company's advance contracting model provides safety to earnings visibility through Q1CY26, though Q2 onwards is expected to see impact of elevated GPC costs and logistics constraints. The Advanced Materials division remained weak due to high energy costs and margin pressure in Europe from cheap Asian imports. Management is focusing on funding early-stage battery research and collaborating with next-gen battery companies. The Cement segment saw lower demand from extended monsoons, forcing a pause in the Telangana capacity expansion to protect capital in an oversupplied market. Financial discipline remains a priority, with capex restricted to USD 53 Mn for essential maintenance to help manage a stretched Net Debt/EBITDA ratio of 3.21x. Supported by strong liquidity of USD 340 Mn and no major debt maturities until Oct-2028, the stock trades at a CY25 EV/EBITDA of 5.3x. At the current market price of INR 112, we maintain a "BUY" rating with an SOTP-based target price of INR 327 per share, implying an upside of 191.9%.

Valuation summary Y/E Mar, Rs mn	CY2024	CY25E	CY26E	CY27E	CY28E
Net Sales	153,744	169,458	190,735	223,809	247,627
EBIDTA	12,741	21,372	25,661	28,399	31,402
EBIDTA M	8%	13%	13%	13%	13%
Net Profit	(4,499)	1,359	6,306	8,044	10,008
Net Profit M	-3%	1%	3%	4%	4%
Diluted EPS	(13.38)	4.04	18.75	23.91	29.75
PER, x	(8.42)	27.87	6.01	4.71	3.78
ROE, %	-7%	2%	9%	10%	11%

Exhibit: Quarterly Performance

INR Mn (Consolidated)	Q4CY25	Q3CY25	Q4CY24	Q-o-Q	Y-o-Y	CY25	CY24	Y-o-Y
Net Revenue	43,007	44,757	36,757	-3.91%	17.00%	1,69,458	1,53,744	10.22%
Raw Material Costs	24,709.1	25,696.3	21,686.5	-3.84%	13.94%	96,522	88,531	9.03%
Gross Profit	18,298	19,061	15,071	-4.00%	21.41%	72,936	65,213	11.84%
Gross Margin	42.55%	42.59%	41.00%	-4bps	155bps	43.04%	42.42%	62bps
Employee costs	3,493	3,259	3,039	7.17%	14.94%	13,186	14,091	-6.42%
Other Expenses	9,798	9,533	8,573	2.77%	14.29%	38,378	38,381	-0.01%
EBITDA	5,008	6,269	3,460	-20.12%	44.75%	21,372	12,741	67.75%
EBITDA margin	11.64%	14.01%	9.41%	-236bps	223bps	12.61%	8.29%	433bps
Other Non Operating Income	505	350	343	44.33%	47.19%	1,384	2,456	-43.64%
Depreciation	2,540	2,357	2,372	7.76%	7.07%	9,218	8,071	14.22%
EBIT	2,974	4,262	1,431	-30.23%	107.80%	13,538	7,125	90.01%
Finance costs	2,318	2,373	2,274	-2.33%	1.92%	9,216	9,406	-2.01%
Exceptional Items	-	-	-	0.00%	0	-	-	0.00%
Share of P/L of Associates	-	24	24			24	24	
PBT	656	1,913	(819)	-65.72%	-180.08%	4,346	(2,281)	-290.53%
Tax Expense	279.15	610.04	517.82	-54.24%	-46.09%	2986.72	2242.54	33.18%
Effective tax rate	43%	32%	-63%			69%	-98%	
PAT	376.79	1303.24	-1336.92	-71.09%	-128.18%	1358.94	-4523.31	-130.04%
PAT margin	0.9%	2.9%	-3.6%	-204bps	451bps	0.8%	-2.9%	374bps
EPS	1.12	3.87	-3.97	-71.09%	-128.18%	4.04	-13.45	-130.04%

Source: Company Reports, Arihant Capital Research

Exhibit: Segment-Wise Result Performance

Carbon Segment INR Mn (Consolidated)	Q4CY25	Q3CY25	Q4CY24	Q-o-Q	Y-o-Y	CY25	CY24	Y-o-Y
Net Revenue	34,857	34,666	27,488	0.55%	26.81%	1,32,454	1,13,692	16.50%
Operating Profit	4,811	5,136	2,798	-6.33%	71.94%	19,861	10,400	90.97%
OP Margin	13.80%	14.82%	10.18%	-101bps	362bps	14.99%	9.15%	585bps
Advanced Materials Segment INR Mn (Consolidated)	Q4CY25	Q3CY25	Q4CY24	Q-o-Q	Y-o-Y	CY25	CY24	Y-o-Y
Net Revenue	8,393	9,977	8,700	-15.88%	-3.53%	35,927	37,435	-4.03%
Operating Profit	228	844	435	-72.99%	-47.59%	1,542	2,187	-29.49%
OP Margin	2.72%	8.46%	5.00%	-574bps	-228bps	4.29%	5.84%	-155bps
Carbon Segment INR Mn (Consolidated)	Q4CY25	Q3CY25	Q4CY24	Q-o-Q	Y-o-Y	CY25	CY24	Y-o-Y
Net Revenue	2,406	2,759	2,639	-12.79%	-8.83%	35,927	37,435	-4.03%
Operating Profit	-	192	(123)	-100.00%	-100.00%	482	(15)	-3313.33%
OP Margin	0.00%	6.96%	-4.66%	-696bps	466bps	1.34%	-0.04%	138bps

Exhibit: Income Statement (Consol)

Income Statement					
Y/E Mar, Rs mn	CY2024	CY2025A	CY2026E	CY2027E	CY2028E
Net sales	1,53,744	1,69,458	2,03,290	2,35,974	2,60,923
Growth, %	-15%	10%	20%	16%	11%
Raw material expenses	88,531	96,522	1,15,876	1,32,818	1,46,378
Employee expenses	14,091	13,186	15,857	18,878	20,874
Other Operating expenses	38,381	38,378	46,601	54,158	60,164
EBITDA (Core)	12,741	21,372	24,957	30,121	33,507
Growth, %	36.53%	67.75%	16.77%	20.69%	11.24%
Margin, %	8.29%	12.61%	12.28%	12.76%	12.84%
Depreciation	8,071	9,218	9,510	9,608	10,148
Interest paid	9,406	9,216	7,955	6,986	6,427
Other Income	2,456	1,384	1,200	1,200	1,200
Non-recurring Items					
Pre-tax profit	4,670	12,154	15,447	20,512	23,359
Tax provided	2,243	2,987	3,042	5,154	6,346
Profit after tax	(4,499)	1,359	5,650	9,572	11,786
PAT Adj.	(4,499)	1,359	5,650	9,572	11,786
Growth, %	-43.49%	-130.20%	315.76%	69.42%	23.13%
Unadj. shares (m)					
Wtd avg shares (m)	-	-	-	-	-

Exhibit: Balance Sheet (Consol)

Balance Sheet					
As at 31st Mar, Rs mn	CY2024	CY2025A	CY2026E	CY2027E	CY2028E
PPE	43,603	48,114	37,875	32,766	28,618
CWIP	4,731	3,359	9,113	9,338	9,638
Goodwill	62,437	69,632	69,632	69,632	69,632
Rights Of Use Assets	5,757	7,646	7,646	7,646	7,646
Financial Assets	445	428	428	428	428
Other Non Current Assets	1,714	1,084	1,084	1,084	1,084
Total Non current Assets	1,18,860	1,30,483	1,25,998	1,21,115	1,17,266
Inventories	30,521	36,229	38,096	41,847	44,114
Receivables	17,303	20,527	23,941	27,644	30,967
Cash & CE	13,212	9,257	3,303	7,683	14,335
Bank Balances	5,492	6,005	-	-	-
Other Current Assets	3,569	4,602	5,006	5,451	5,940
Other Financial Assets	412	495	542	593	650
Total Current Assets	70,509	77,115	70,888	83,218	96,006
Total assets	1,89,369	2,07,598	1,96,886	2,04,333	2,13,273
Total Equities	68,250	76,908	82,557	92,129	1,03,915
Non current borrowings	64,842	72,558	54,882	50,492	46,452
Other Non current liabilities	15,995	16,986	16,986	16,986	16,986
Total Non current liabilities	80,837	89,544	71,868	67,478	63,438
Current borrowings	13,768	17,910	11,653	10,721	9,863
Trade Payables	15,209	12,430	20,000	23,198	25,249
Other Current Liabilities	11,305	10,807	10,807	10,807	10,807
Total Current Liabilities	40,282	41,147	42,460	44,725	45,919
Total equity & liabilities	1,89,369	2,07,598	1,96,886	2,04,333	2,13,273

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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