

Carbon business drives growth; Advanced Materials rebounds sharply

CMP: INR 144

Rating: BUY

Target Price: INR 331

Stock Info

BSE	500339
NSE	RAIN
Bloomberg	RAIN:IN
Sector	Petrochemicals
Face Value (INR)	2
Mkt Cap (INR Bn)	48.37
52w H/L (INR)	176/99.8
Avg yearly Vol (in 000')	2,652

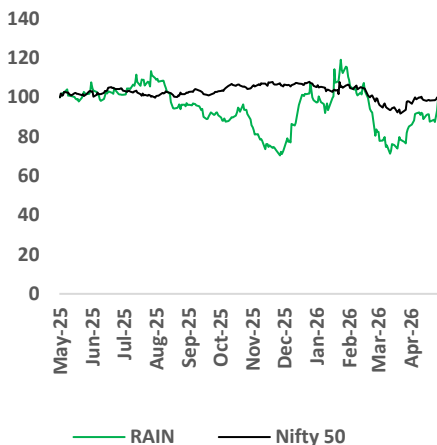
Shareholding Pattern %

(As on Dec, 2025)

Promoters	41.35%
Public & Others	58.65%

Stock Performance (%)	1m	6m	12m
Rain Industries	+17	+12.3	+0.46
Nifty 50	+0.5	-5.47	-3

Rain Ind Vs Nifty 50



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Rain Ind. reported revenue of INR 45,207 Mn in Q1CY26 (+19.98% YoY/+5.12% QoQ), ahead of our estimate of INR 44,297 Mn, led by sequential growth in Carbon business and recovery in Advanced Materials. EBITDA stood at INR 6,966 Mn (+83.14% YoY/+39.10% QoQ), ahead of our estimate of INR 6,116 Mn. EBITDA margin expanded by (+531 bps YoY/+377 bps QoQ) to 15.41% vs 10.10% in Q1CY25, with better product mix, advance order bookings, procurement efficiencies, and structural cost optimization initiatives. PAT came in at INR 1,578.64 Mn vs INR 376.79 Mn in Q4CY25, with PAT margin improving to 3.5% vs -3.0% in Q1CY25.

Key Highlights:

Core Carbon delivers strong earnings growth amid Middle East supply disruptions: Revenue stood at INR 35,276 Mn in Q1CY26 (+1.20% QoQ / +22.39% YoY) vs INR 34,857 Mn in Q4CY25, driven by higher calcination volumes and improved realizations. Indian CPC plants operated at ~90-95% capacity utilization following import relaxations and the company's global blending strategy, which supports structural cost and quality while protecting against recent Middle East supply disruptions. Disruptions in Mideast Gulf exports, along with rising freight rates due to rerouting and the Strait of Hormuz blockade, led to a sharp rally in anode grade GPC and CPC prices. The company's diversified raw material sourcing limited the impact, with only ~5% of CPC production sold in the Middle East affected, resulting in no material impact on the overall carbon business. Rising LME aluminium prices also supported near-term demand. Around ~3.2 Mn MT (~4.6%) of global aluminium smelting capacity remains offline and ~1.5 mn ton of GPC capacity impacted in the Middle East due to Iran war; global supply conditions remain tight and supporting aluminium-linked pricing dynamics. Adj EBITDA increased by INR 2.35 Bn YoY (+57.3%) in Q1CY26, while translation gains were aided by EUR and USD appreciating ~17.5% and ~5.5%, respectively, against INR.

Advanced Materials rebounds strongly on higher volumes and demand recovery: The segment recovered sharply with healthy sales volumes in chemical intermediates: Revenue stood at INR 9,750 Mn in Q1CY26 (+16.18% QoQ / +20.80% YoY) vs INR 8,393 Mn in Q4CY25, supported by recovery from seasonal softness. Growth was primarily driven by a healthy increase in sales volumes to 68k tons compared to 60k tons in Q1CY25. The chemical intermediates and resins subsegment reflected broader demand recovery, supported by targeted customer engagements in North America. Revenue growth was also supported by higher finished product prices amid limited market supplies, while Euro appreciation of ~17.5% against INR further aided segment performance. Additionally, early-stage research in MCMB and battery anode materials continues to leverage the company's core distillation and calcination expertise.

Cement segment impacted by competitive pressure; recovery expected in H2CY26: The cement segment, revenue stood at INR 2,738 Mn in Q1CY26 (+13.82% QoQ / -4.93% YoY), vs INR 2,406 Mn in Q4CY25. The YoY decline was primarily due to lower volumes amid intensified competition in South India following acquisitions by pan-India cement players. The company expects H2CY26 to be favorable as elections have concluded and expects normalization with labor availability and incremental demand.

Valuation & Outlook: Q1CY26 remained healthy, with Carbon running at near-full capacity in India, the global blending strategy back in full swing, and Advanced Materials recovering well on higher volumes and stronger customer relationships in North America. The Middle East conflict has taken roughly 3.2 mn tons of aluminium smelting capacity and around 1.5 mn tons of regional petroleum coke supply offline, prices for GPC and CPC have risen but have not yet fully reflected the tight supply market, expects more pricing upside if disruptions persist. The company's blending strategy benefit when that repricing happens. The company holds USD 362 mn in liquidity and faces no major debt repayment until Oct-2028. At the current market price of INR 144, we maintain a "BUY" rating with an SOTP-based target price of INR 331 per share, implying an upside of 130%.

Exhibit: Valuation Summary

Valuation summary					
Y/E Mar, Rs mn	CY2024	CY25	CY26E	CY27E	CY28E
Net Sales	1,53,744	1,69,458	1,85,636	2,17,267	2,35,776
EBIDTA	12,741	21,372	27,309	31,790	34,630
EBIDTA M	8.29%	12.61%	14.71%	14.63%	14.69%
Net Profit	(4,499)	1,359	4,910	6,684	8,294
Net Profit M	-2.93%	0.80%	2.65%	3.08%	3.52%
Diluted EPS	(13.38)	4.04	14.60	19.87	24.66
PER, x	(10.76)	35.64	9.86	7.25	5.84
ROE, %	-6.78%	1.82%	6.76%	8.43%	9.47%

Exhibit: Quarterly Performance

Rain Industries Q1CY26 Result	Actuals				
	Q1CY26	Q4CY25	Q1CY25	Q-o-Q	Y-o-Y
INR Mn (Consolidated)					
Net Revenue	45,207	43,007	37,680	5.12%	19.98%
Raw Material Costs	24,271.7	24,709.1	21,052.6	-1.77%	15.29%
Gross Profit	20,936	18,298	16,628	14.41%	25.91%
Gross Margin	46.31%	42.55%	44.13%	376bps	218bps
Employee costs	3,757	3,493	3,137	7.57%	19.76%
Other Expenses	10,213	9,798	9,687	4.24%	5.43%
EBITDA	6,966	5,008	3,803	39.10%	83.14%
EBITDA margin	15.41%	11.64%	10.09%	376bps	531bps
Other Non Operating Income	461	505	253	-8.72%	82.17%
Depreciation	2,486	2,540	2,073	-2.10%	19.95%
EBIT	4,941	2,974	1,984	66.16%	149.02%
Finance costs	2,383	2,318	2,244	2.82%	6.21%
Exceptional Items	-	-	-	0.00%	0
Share of P/L of Associates	-	-	-		
PBT	2,558	656	(259)	289.94%	-1085.65%
Tax Expense	979.12	279.15	891.54	250.75%	9.82%
Effective tax rate	38%	43%	-344%		
PAT	1578.64	376.79	-1151.04	318.97%	-237.15%
PAT margin	3.5%	0.9%	-3.1%	262bps	655bps
EPS	4.69	1.12	-3.42	318.97%	-237.15%

Source: Company Reports, Arihant Capital Research

Exhibit: Segment-Wise Result Performance

Carbon Segment INR Mn (Consolidated)	Q1CY26	Q4CY25	Q1CY25	Q-o-Q	Y-o-Y
Net Revenue	35,276	34,857	28,824	1.20%	22.39%
Operating Profit	6,202	4,811	4,126	28.90%	50.31%
OP Margin	17.58%	13.80%	14.31%	378bps	327bps
Advanced Materials Segment INR Mn (Consolidated)	Q1CY26	Q4CY25	Q1CY25	Q-o-Q	Y-o-Y
Net Revenue	9,750	8,393	8,072	16.18%	20.80%
Operating Profit	639	228	(83)	180.77%	-871.07%
OP Margin	6.56%	2.71%	-1.03%	384bps	758bps
Carbon Segment INR Mn (Consolidated)	Q1CY26	Q4CY25	Q1CY25	Q-o-Q	Y-o-Y
Net Revenue	2,738	2,406	2,880	13.82%	-4.93%
Operating Profit	(11)	-	47	0.00%	-123.93%
OP Margin	-0.41%	0.00%	1.64%	-41bps	-206bps

Exhibit: Income Statement (Consol)

Income Statement					
Y/E Mar, Rs mn	CY2024	CY2025	CY2026E	CY2027E	CY2028E
Net sales	1,53,744	1,69,458	1,85,636	2,17,267	2,35,776
Growth, %	-15.25%	10.22%	9.55%	17.04%	8.52%
Raw material expenses	88,531	96,522	1,02,471	1,20,149	1,30,384
Employee expenses	14,091	13,186	14,480	16,947	18,391
Other Operating expenses	38,381	38,378	41,376	48,381	52,372
EBITDA (Core)	12,741	21,372	27,309	31,790	34,630
Growth, %	36.53%	67.75%	27.78%	16.41%	8.93%
Margin, %	8.29%	12.61%	14.71%	14.63%	14.69%
Depreciation	8,071	9,218	10,359	10,854	11,394
Interest paid	9,406	9,216	9,770	9,770	9,770
Other Income	2,456	1,384	1,799	1,799	1,799
Non-recurring Items					
Pre-tax profit	4,670	12,154	16,949	20,936	23,236
Tax provided	2,243	2,987	4,068	6,281	6,971
Profit after tax	(4,499)	1,359	4,910	6,684	8,294
PAT Adj.	(4,499)	1,359	4,910	6,684	8,294
Growth, %	-43.49%	-130.20%	261.35%	36.12%	24.09%
Unadj. shares (m)					
Wtd avg shares (m)	-	-	-	-	-

Exhibit: Balance Sheet (Consol)

Balance Sheet					
As at 31st Mar, Rs mn	CY2024	CY2025	CY2026E	CY2027E	CY2028E
PPE	43,603	48,114	49,745	44,390	38,996
CWIP	4,731	3,359	9,114	9,389	9,689
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	1,37,869	1,32,789	1,27,695
Inventories	30,521	36,229	33,689	37,855	39,294
Receivables	17,303	20,527	21,862	25,453	27,982
Cash & CE	13,212	9,257	11,329	18,981	29,130
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	72,428	88,333	1,02,996
Total assets	1,89,369	2,07,598	2,10,297	2,21,122	2,30,691
Total Equities	68,250	76,908	75,062	81,746	90,040
Non current borrowings	64,842	72,558	72,558	72,558	72,558
Other Non current liabilities	15,995	16,986	16,986	16,986	16,986
Total Non current liabilities	80,837	89,544	89,544	89,544	89,544
Current borrowings	13,768	17,910	17,910	17,910	17,910
Trade Payables	15,209	12,430	16,975	21,116	22,392
Other Current Liabilities	11,305	10,807	10,807	10,807	10,807
Total Current Liabilities	40,282	41,147	45,691	49,833	51,108
Total equity & liabilities	1,89,369	2,07,598	2,10,297	2,21,122	2,30,691

Cash Flow Statement					
Y/E Mar, Rs mn	CY2024	CY2025	CY2026E	CY2027E	CY2028E
Net profit after tax	(4,499)	1,359	4,910	6,684	8,294
Other Income	(2,456)	(1,384)	(1,799)	(1,799)	(1,799)
Finance Costs	9,406	9,216	9,770	9,770	9,770
Depreciation & Amortisation Expenses	8,071	9,218	10,359	10,854	11,394
Profit Before WCC	10,522	18,410	23,241	25,509	27,659
Inventories	1,244	(5,709)	2,540	(4,166)	(1,439)
Trade receivables	4,398	(3,224)	(1,335)	(3,591)	(2,530)
Trade payables	1,715	(2,779)	4,544	4,142	1,275
Other financial assets	2,091	(89)	(45)	(50)	(55)
Other current assets	(127)	(1,367)	(404)	(445)	(489)
Short term Borrowings	5,210	4,142	-	-	-
Other current liabilities	(454)	(49)	-	-	-
Other financial liabilities	92	(552)	-	-	-
Deferred tax liabilities (net)	(633)	9	-	-	-
Income-tax-assets (net)	204	15	-	-	-
Loans	2	(2)	(1)	(2)	(2)
CFO	24,265	8,806	28,539	21,398	24,420
CFI					
Property, plant and equipment	(5,576)	(13,729)	(11,990)	(5,500)	(6,000)
Capital work-in-progress	(411)	1,372	(5,755)	(275)	(300)
Rights of Use Assets	(999)	(1,889)	-	-	-
Goodwill	209	(7,196)	-	-	-
other intangible assets	25	2	-	-	-
Intangible Assets Under development	(20)	(49)	-	-	-
Non current tax assets (net)	541	304	-	-	-
Other non-current assets	191	311	-	-	-
Investment	(71)	24	-	-	-
Other Income	2,456	1,384	1,799	1,799	1,799
CFI	(3,655)	(19,465)	(15,946)	(3,976)	(4,501)
CFF					
Equity share capital	-	-	0	-	-
Other equity	(2,549)	6,756	(6,756)	-	-
non - controlling interest	(2,356)	543	-	-	-
Others financial assets	-	-	-	-	-
Long term Borrowings	(8,335)	7,715	-	-	-
Loans	-	-	-	-	-
Lease liabilities (Non-current)	639	970	-	-	-
Lease liabilities	527	471	-	-	-
Provisions (Non-Current)	(822)	36	-	-	-
Other non-current liabilities	(22)	(1)	-	-	-
Provisions	761	(412)	-	-	-
Dividend	-	-	-	-	-
Current Tax Liabilities(net)	(399)	357	-	-	-
Finance Costs	(9,406)	(9,216)	(9,770)	(9,770)	(9,770)
CFF	(21,962)	7,217	(16,526)	(9,770)	(9,770)
NET	(1,352)	(3,442)	(3,933)	7,652	10,148
Opening Cash	20,056	18,704	15,262	11,329	18,981
Closing Cash	18,704	15,262	11,329	18,981	29,130

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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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