

Strong Carbon Segment Recovery Offsets Drag in Advanced Materials and Cement

CMP: INR 149

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)	50
52w H/L (INR)	176/99.8
Avg yearly Vol (in 000')	2,160

Shareholding Pattern %

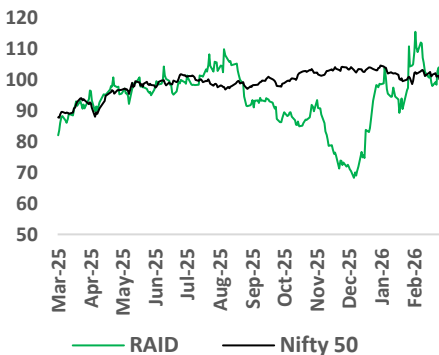
(As on Dec, 2025)

Promoters	41.19%
Public & Others	58.81%

Stock Performance (%)

	1m	6m	12m
Rain Industries	+7.6	+43.6	+23.1
Nifty 50	+1	+2.9	+12.8

Rain Ind Vs Nifty 50



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Rain Industries reported revenue of INR 43,007 Mn in Q4CY25 (+17.00% YoY/-3.91% QoQ), above our estimates of INR 42,029 Mn. EBITDA stood at INR 5,008 Mn (+44.75% YoY/-20.12% QoQ), above our estimates of INR 4,929 Mn. EBITDA margin improved by 223 bps YoY (down by 236 bps QoQ) to 11.64% vs 9.41% in Q4CY24. PAT stood at INR 376.79 Mn vs INR -1,336.92 Mn in Q4CY24. Margin stood at 0.9% vs -3.61% in Q4CY24, showing a (+451 bps YoY/-204 bps QoQ). For the CY25, Carbon segment operating profit stood at INR 19,861 Mn vs INR 10,400 Mn in CY24, nearly doubling, which was the primary driver of the overall turnaround.

Key Highlights:

Core Carbon segment maintained stable volumes with improved realizations: Q4CY25 carbon revenue stood at INR 34,857 Mn (+0.55% QoQ/+26.80% YoY), driven by higher CPC volumes and better realizations compared to a weak base in Q4CY24. The company's distillation business saw a modest 6% volume decline and 4% drop during Q2FY26, pressured by commodity price volatility, although an appreciation of the EUR/USD provided a boost to overall financials. The calcination business benefited from improved global demand and a CPC pricing reset earlier in CY25. On the raw material side, supply remained tight as the GPC market was under pressure from battery and EV sector competition, acting as a structural margin headwind. This competition for low-to-mid sulfur GPC has forced CPC producers to pay premium prices. To manage this, the company is looking for alternative sourcing and protecting its utilization and margins by optimizing its supply chain, by shipping US-produced CPC to its SEZ facility in India to develop cost competitiveness.

Advance Material facing macro headwinds: The advance material business remains under pressure due to high energy and labor cost, as well as regulatory issues. Segment revenue stood at INR 8,393 Mn in Q4CY25 (-15.88% QoQ / -3.54% YoY). The US tariff of 10% on aluminium and steel remains unchanged, redirecting low-cost Asian products into Europe, pressuring Rain's regional margins. But management remains optimistic on next-gen battery/graphite initiatives by investing in R&D (MCMB) and collaborations. It is still at an early stage with long-term plans.

Weakness in regional cement demand and Pause of capacity expansion: The legacy cement business reported a sequential decline due to extended monsoons across the southern states and typical seasonality in cement demand during Q4. The company has paused its Telangana brownfield expansion; this strategic move is taken to preserve capital and avoid additional capacity to an already oversupplied southern market.

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. 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 149, we maintain a "BUY" rating with an SOTP-based target price of INR 327 per share, implying an upside of 119.6%.

Exhibit: Valuation Summary

Valuation summary Y/E Mar, Rs mn	CY2024	CY25A	CY26E	CY27E	CY28E
Net Sales	1,53,744	1,69,458	2,03,290	2,35,974	2,60,923
EBIDTA	12,741	21,372	24,957	30,121	33,507
EBIDTA M	8%	13%	12%	13%	13%
Net Profit	(4,499)	1,359	5,650	9,572	11,786
Net Profit M	-3%	1%	3%	4%	5%
Diluted EPS	(13.38)	4.04	16.80	28.46	35.04
PER, x	(11.14)	36.88	8.87	5.24	4.25
ROE, %	-7%	2%	7%	11%	12%

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%
<i>Gross Margin</i>	<i>42.55%</i>	<i>42.59%</i>	<i>41.00%</i>	<i>-4bps</i>	<i>155bps</i>	<i>43.04%</i>	<i>42.42%</i>	<i>62bps</i>
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%
<i>EBITDA margin</i>	<i>11.64%</i>	<i>14.01%</i>	<i>9.41%</i>	<i>-236bps</i>	<i>223bps</i>	<i>12.61%</i>	<i>8.29%</i>	<i>433bps</i>
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%
<i>Effective tax rate</i>	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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