

VICE CHAIRMAN'S MESSAGE

FORGING AHEAD ON THE BACK OF JUDICIOUS PLANNING

Dear Shareholders,

2018 was a turbulent year for your Company, characterised by shifting market dynamics, a continued deceleration of the Chinese economy and government actions that had a decidedly tangible impact on our businesses.

We began 2018 by continuing to ride a wave of momentum that began in mid-2017, as global aluminium production and demand for our calcination and distillation products steadily increased, leading to corresponding improvements in selling prices and margins. The global economy also continued to strengthen, especially in the US, where import tariffs and rising prices for aluminium and steel motivated US manufacturers to restart mothballed facilities and increase capacity utilisations.

By the end of March, however, markets started showing early signs of weakness – particularly as an anticipated rebound in the Chinese economy and infrastructure development failed to materialise. As the year progressed, additional unexpected headwinds emerged in the form of a slowdown of Europe's auto manufacturing sector – a major market for our Advanced Materials business – and a temporary ban on the imports of pet coke into India.

At the same time, the spread between our raw material costs and prices for our finished products began to shrink, reversing a trend that was a principle factor in our strong earnings and EBITDA in 2017. However, it is important to note that as prices for commodities and products decrease, it does not have a domino effect on our costs, 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.

Despite these challenges, headwinds and unexpected issues in 2018, our combined businesses generated ₹21,471 million of Adjusted EBITDA compared to a Company-record of ₹22,727 million of Adjusted EBITDA in 2017. Looking ahead, the fundamentals of each of our businesses remain strong, and I believe we are poised to maintain our market-leading positions, thanks to prudent investments to grow and

modernise our Advanced Materials, Carbon and Cement operations.

In the Carbon sector – which contributes more than 75% of our Adjusted EBITDA – we broke ground on a new vertical-shaft calciner in the Special Economic Zone near Visakhapatnam (Vizag) in Andhra Pradesh, India. Once commissioned in the third quarter of 2019, our new calciner will have a production capacity of 370,000 tonnes per year – adding to our current global capacity of 2.1 MT. This will leverage technology that will allow us to produce high-density calcined petroleum coke (CPC) from lower-cost feedstock while consuming less energy than our other calciners.

While the new shaft calciner will position your Company to meet the growing CPC demand in Asia and the Middle East, we are also focusing on the ruling by the Honourable Supreme Court in July to ban the import of green petroleum coke (GPC) and CPC, as part of the government's effort to reduce air pollution. This did have an adverse impact on our operations in India.

In October 2018, the Honourable Supreme Court relaxed the restriction on the importation of GPC by Indian calciners, permitting the industry to import 1.4 MT per year in aggregate as feedstock in the production of CPC.

At the same time, the Honourable Supreme Court passed an order to allow aluminium smelters to import 500,000 MT of CPC annually; however,

the prohibition on CPC imports by the calcining industry for the purposes of producing blended CPC remained intact. Our inability to import CPC into India for blending at our Vizag plant has resulted in a temporary reduction of CPC production at our US plants.

Nonetheless, we continue to pursue discussions with the Indian authorities regarding our GPC allocation and our ability to import CPC. In terms of the new shaft calciner, the project is on schedule to be commissioned during Q3 2019. Once operational, we believe the supply of raw materials for the shaft calciner will come from the current 1.4 MT import allocation, since the Ministry of Commerce has stated that the industry's allotment already contemplates future expansions. As a result, your Company will focus on rationalising raw materials between our two Indian plants and supplementing our raw material needs by utilising proprietary technologies to calcine lower-quality GPC available within India to produce anode-grade CPC.

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

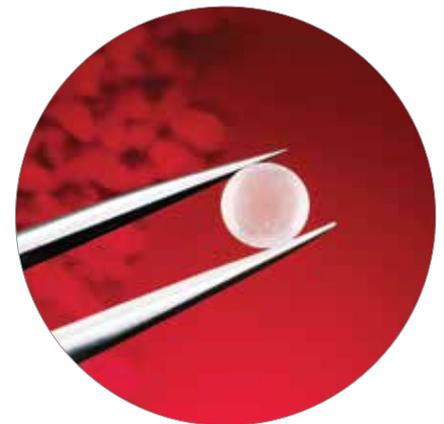
In Europe, we began building a new hydrogenated hydrocarbon resins (HHCR) production facility in June 2018. Once commissioned in

the third quarter of 2019, the plant will produce up to 30,000 tonnes of "water-white" resins per year, including our newly introduced product, NOVARES[®] pure. This will enable customers to meet evolving regulatory requirements and the growing demand for cleaner and safer raw materials in consumer products such as food packaging and sanitary products. Beyond the technical advantages of hydrogenated resins, NOVARES[®] pure will be produced in Germany, which means that European customers will have a local source for water-white resins, significantly shortening their supply chain. Currently, European manufacturers rely heavily on imported volumes of hydrogenated resins, mostly from China.

It was announced last April that as part of a realignment of our Carbon and former Chemicals sectors, the HHCR facility would serve as the centrepiece of our Advanced Materials business, going forward. This reflects an increasing focus on transforming by-products of our coal tar and petrochemical feedstock distillation activities to produce raw materials that support high-growth products of the future. The shift to Advanced Materials also allows us to place greater emphasis on premium products such as CARBORES[®] and PETRORES[®], which are used in specialty applications such as lithium-ion batteries and energy storage.

Consistent with the change in reporting segments, your Company

Once the hydrogenated hydrocarbon resins (HHCR) production facility is commissioned in Europe in the third quarter of 2019, it will produce up to 30,000 tonnes of "water-white" resins per year, including our newly introduced product, NOVARES[®] pure.



VICE CHAIRMAN'S MESSAGE (CONTINUED)

spent much of 2018 evaluating our existing product portfolio to ensure that we have the right product mix and that our offerings support our increased focus on high-growth areas. As a result, we are shutting down production lines in Germany that rely on outdated technology or whose products are no longer competitive or fail to meet the needs of a changing market. We expect this restructuring to provide an annual cost savings of approximately \$4 million. Moreover, we continue to evaluate other parts of our business to see where we can improve efficiencies, optimise logistics and maximise the use of our assets to eliminate non-value-added expenditures.

As a result of prudent investments to grow and modernise our calcination and distillation operations, we believe that both our Carbon and Advanced Materials businesses are well positioned to meet the increased demand for raw materials that are essential for cleaner, faster and lighter 21st-century applications. These initiatives will contribute to the future earnings of your Company and enhance the medium- to long-term viability of our businesses.

Going forward, we also expect that the aluminium industry will continue to be a major customer for our products. As the world's leading coal tar pitch (CTP) producer and number-two calciner, we provide two irreplaceable ingredients in the anodes that are required in the

electrolytic process of producing this versatile metal.

Aluminum pricing weakened during the second half of 2018 despite unusually low LME inventory levels. However, we believe these price levels are not sustainable given the production costs of global smelters. Moreover, demand for aluminium is expected to grow as it continues to gain traction as the metal of choice in a growing number of applications, thanks to its high-strength, durable, lightweight, corrosion-resistant and recyclable nature.

Electric vehicles are an example of the potential growth in aluminium demand. They typically use 25-27% more aluminium than automobiles equipped with internal combustion engines. Also, electric vehicles' share of the global automotive fleet is forecast to increase from 4% in 2017 to 30% in 2030. This means smelters will need to increase their production capacity to meet rising demand, thereby requiring more CPC and CTP for anodes during the next decade. It's also worth noting that as the number of electric vehicles increases, so will the need for additional lithium-ion batteries that power the automobiles. We expect this to benefit your Company, as we are a leading supplier of advanced materials used in the coatings that extend the life of lithium-ion batteries and enable them to maintain a prolonged charge.

To help enhance the competitiveness of our cement operations, we have installed a 7 MW power plant at our Kurnool facility and are further installing a 4.1 MW power plant at our Nalgonda facility.



Our raw materials are also essential ingredients in the production of concrete and asphalt, gypsum wallboard, PVC piping, paints and, of course, aluminium. Therefore, our products will play a significant role in the modernisation of developing countries.

Moreover, in India – where our business was born – we are optimistic that Priya Cement will provide a solid foundation for much of the infrastructure development and new housing that is contemplated in the southern states of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Kerala.

We expect growth in India’s infrastructure and housing sectors to positively impact demand for cement in the coming years. This growth, coupled with limited expansion of the cement industry’s production capacity, should result in steady improvement of plant utilisation across India and a multi-year earnings growth cycle where cement gains pricing and operating leverage.

To help enhance the competitiveness of our cement operations, we have installed a 7 MW power plant at our Kurnool facility and are further installing a 4.1 MW power plant at our Nalgonda facility. Together, they will generate 11.1 MW of clean electricity, using the waste gases produced in the manufacturing process. In addition, we have upgraded a cooler at the Nalgonda plant to achieve greater energy efficiency and we are upgrading the cement-grinding facility

at our Kurnool plant to improve its efficiency.

Alongside each of these activities, RAIN Group maintains a steady focus on workplace safety, occupational health and environmental stewardship – and I am proud to report that 2018 was the safest year in the history of your Company. The limestone mining operation at our Nalgonda cement facility is a prime example of our commitment to workplace safety. During National Safety Week 2018, the mine received first-place recognition from India’s Directorate General of Mines Safety in the Drilling and Blasting, and Safe Mine Workings categories and second-place recognition in the Loading and Transportation, and Lighting and Electrical Installation categories, resulting in a first-place award for Overall Performance.

While 2018 was a record year in terms of our safety performance, we aspire to further improve our safety standards. In fact, we are working with DuPont Sustainable Solutions to develop a behaviour-based safety culture as part of a Company-wide initiative called Quest for Zero – a two-year journey to become an incident-free organisation.

Of course, being a global leader requires us to expand our focus beyond profit margins to ensure that we are enhancing the quality of life of people in the communities where we operate. Our Pragnya Priya Foundation operates three ambulatory care hospitals and three secondary schools

in rural Andhra Pradesh and Telangana, helping drive positive socio-economic changes in the remote areas of South India. In the US, our operations and employees have donated more than \$1 million and contributed countless volunteer hours to help local charities, schools and sports organisations. In Europe, the RÜTGERS Foundation provides financial support for science-focused education and has reached more 10,000 students during the past 15 years.

As we enter 2019 – after a year of challenges and turbulence – we remain confident that the future holds more opportunities than risks for your Company. We look forward to returning to more normalised earnings in our businesses in 2019, and we are eager to complete our new calcining and advanced materials facilities and realise their contributions to our growth and bottom line. I want RAIN Group to be more than a Company that you invest in – I want it to be a Company that you are proud to own.

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

Sincerely,

Jagan Mohan Reddy Nellore

Vice Chairman