

BOARD OF DIRECTORS

Mr. N. Radhakrishna Reddy

Mr. N. Jagan Mohan Reddy

Mr. N. Sujith Kumar Reddy

Mr. R. S. Vidyasagar

Mr. P. Venugopal Reddy

Mr. G. Krishna Prasad

Chairman

Managing Director

Executive Director

Nominee Director,
Industrial Development Bank of India Limited

Director

Director

CHIEF GENERAL MANAGER

Mr. G. R. Kumar

COMPANY SECRETARY

Mr. S. Venkat Ramana Reddy

AUDITORS

M/s. Price Waterhouse,
Chartered Accountants,
8-2-293/82A/1131A,
Road No.36,
Jubilee Hills
Hyderabad-500 034.

REGISTERED OFFICE

"Rain Center",
34, Srinagar Colony,
Hyderabad-500 073,
Andhra Pradesh, India
Phone No.040-40401234
Fax No.040-40401214

BANKS AND FINANCIAL INSTITUTIONS

Indian Bank
ICICI Bank Limited
Citibank
Industrial Development Bank of India Limited
State Bank of India
State Bank of Hyderabad
State Bank of Indore
Life Insurance Corporation of India
Citicorp Finance (India) Limited

PLANTS**Unit-I**

Ramapuram Village,
Mellacheruvu Mandal,
Nalgonda Dist,
Andhra Pradesh.

Unit - II

Boincheruvupalli Village,
Peapully Mandal,
Kurnool Dist,
Andhra Pradesh.

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NOTICE

Notice is hereby given that the 33rd Annual General Meeting of the Members of Rain Commodities Limited will be held on Wednesday, the 25th Day of June, 2008 at 11:00 A. M at KLN Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce & Industry(FAPCCI), Red Hills, Hyderabad-500 004, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance sheet as at 31st December, 2007, Profit and Loss Account for the period ended on 31st December, 2007 and reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the Financial year ended 31st December, 2007.
3. To appoint a Director in place of Mr. G. Krishna Prasad, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Venugopal Reddy, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Price Waterhouse, Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this 33rd Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix the remuneration of Auditors.

SPECIAL BUSINESS :

6. **To Consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the 'Act') read with Schedule XIII thereto, consent of the shareholders of the company be and is hereby accorded to the Appointment of Mr. N. Jagan Mohan Reddy as the Managing Director of the Company, for a period of five years with effect from 24th November, 2007 (i.e., from 24th November, 2007 to 23rd November, 2012) without remuneration. Out of pocket expenses incurred by Mr. N. Jagan Mohan Reddy shall be reimbursed by the company".

7. **To Consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the 'Act') read with Schedule XIII thereto, consent of the shareholders of the company be and is hereby accorded to the appointment of Mr. N. Sujith Kumar Reddy as the Executive Director of the Company, for a period of five years with effect from 24th November, 2007(i.e., from 24th November, 2007 to 23rd November, 2012) on the following terms and conditions:

(A) Remuneration comprising of salary, commission and leave travel allowance shall be:

- (i) Salary: Rs.3,00,000 per month. This will include dearness allowance and all other allowances not otherwise specified herein.
- (ii) Commission: Such amount of commission (in addition to

salary and perquisites hereinafter stated) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or a Committee of Directors which together with the salary and monetary value of perquisites shall not exceed the ceiling laid down in Section 309 of the Companies Act, 1956.

- (iii) Leave Travel Allowance: For self and family equivalent to one month's salary in a year.

(B) Perquisites/Benefits:

- (i) Residential Accommodation:
- (a) Rent free accommodation for which 10% of the salary shall be recovered. or
- (b) In case no accommodation is provided by the Company, house rent allowance at 20% of the salary, shall be paid. In addition, free use of the Company's owned furniture and other consumer durables, if required.
- (ii) Contribution to Provident Fund, Superannuation Fund and Gratuity:
- (a) Company's contribution to Provident Fund and Superannuation fund shall not exceed 25% of the Salary.

The excess of such contribution over the maximum amount, either singly or put together, not

taxable under the Income-tax Act, shall be considered and included for the purpose of calculating the ceiling on perquisites given in B (iii) below.

- (b) As per the payment of Gratuity Act or Company's Gratuity Scheme, whichever is higher.
- (iii) Other Perquisites:
- (a) Gas, electricity, water, house maintenance and furnishings, the monetary value of which shall be valued as per the Income Tax Rules, 1962 and subject to a ceiling of ten percent of the salary of the Executive Director.
- (b) Personal Accident Insurance shall not exceed Rs.10,000/- per annum and Medical reimbursement for self and family equivalent to one month's salary in a year or three months salary in a block of three years.
- (c) Fees of club, subject to a maximum of two clubs excluding admission and life membership fees.
- (d) Provision of a car with driver for use on Company's business and telephone/fax facility at residence.
- (e) The perquisites shall be evaluated at cost to the Company and where such evaluation is difficult, it shall be evaluated as per the Income Tax Rules.

(C) Minimum Remuneration:

Where in any financial year, during the currency of tenure of Mr. N. Sujith Kumar Reddy, the Company has no profits or its profits are inadequate the Company shall pay to Mr. N. Sujith Kumar Reddy, remuneration by way of Salary and perquisites not exceeding the limits specified in Schedule-XIII of the Companies Act, 1956 including any statutory modifications thereof for the time being in force.

The Executive Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof".

8. To Consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the shareholders of the company be and is hereby accorded for alteration of Articles of Association in the manner and to the extent set out below:

That after existing Article 28, following new Article shall be inserted:

28a: Buy Back of Shares

Notwithstanding anything contained in these articles, the Board of Directors may, when and if thought fit, buy-back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act or any statutory Modification

thereto and such other regulations and guidelines as may be issued in this regard.

That after existing Article 105, following new Article shall be inserted:

105a: Postal Ballot

The Company may, and in case of resolutions relating to such business as the Central Government may by notification, declare to be conducted only by means of postal ballot as defined in the Companies Act, 1956, or any other allied legislation, shall get any resolution passed by means of postal ballot, instead of transacting the business in general meeting of the Company in accordance with the provisions of Section 192A of the Companies Act, 1956 and the Companies (Passing of the Resolution by Postal Ballot) Rules 2001 (including any statutory modifications or re-enactment thereof, for the time being in force) or any amendment made thereto from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take all such actions and do all such things as may be necessary from time to time for giving effect to the above resolution and matters incidental thereto".

9*. To consider and if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for alteration of existing Main Object Clause i.e., Clause III(A) of the

Memorandum of Association of the Company by deleting the existing Clause 6 and adding the following new Clauses 6, 7 and 8 after the existing Clause 5 of Clause III(A) (Main Objects):

6. To carry on the business of Calcinators of any metallic and non-metallic substances including petroleum coke and needle coke in India and elsewhere and for that purpose, carry on the business of importers, exporters, manufacturers, refiners, processors, buyers, sellers, dealers, brokers, agents of any of the raw materials pertaining to calcined products and any of its by-products and combinations thereof and such other allied or analogous to the foregoing or any of them or any thing connected therewith.
7. To engage in rendering technical and management consultancy services of all kinds in Calcining including making drawings, plans, process charts, preparation of project reports, transfer of technical know-how and undertaking turnkey projects.
8. To carry on the business of generating, co-generating, supply, sale, transmission or in any other manner transfer electricity and in that connection own, install, operate, control, manage run any electricity generator, co-generation facility and combination thereof and such other allied or analogous to the foregoing or any of them or anything connected therewith.

RESOLVED FURTHER THAT the Directors and Secretary of the Company be and are hereby severally authorized to file necessary documents with the Registrar of

Companies and to do all such acts, deeds and things as may be necessary to give effect to this resolution."

10*. To consider and if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for alteration of the Objects Incidental or Ancillary to the attainment of the Main Objects Clause i.e., Clause III(B) of the Memorandum of Association of the Company by adding the following new Clauses 34, 35, 36 and 37 after the existing Clause 33.

34. To Purchase, take on lease, purchase on hire finance or acquire in any other mode Ships, Vessels and other forms of water transportation and to establish, maintain and operate shipping and all ancillary services for carriage, storage, import and export of goods and materials either in India or Outside India for the purpose of Company's business.
35. To purchase, take on lease, or otherwise acquire any undertaking, business and property or any part thereof of any company or companies carrying on business as manufacturers of cement and Mineral Industries in India or else where.
36. To carry on any business or branch of a business which this company is authorised to carry on by means or through Subsidiary Company(s) and to enter into any arrangements with such Subsidiary Company(s) for taking the profits and bearing the losses of

any business or branch so carried on or for financing any such subsidiary company(s) or guaranteeing the liabilities of the subsidiary company(s) or to make any other arrangement which may seem desirable with reference to any business of branch carried on including power at any time and enter temporarily or permanently to close and such branch of business.

37. To guarantee the performance of contracts and obligations of debts of any other company, corporation, firm and generally to give securities, guarantees and indemnities with or without consideration.

RESOLVED FURTHER THAT the Directors and Secretary of the Company be and are hereby severally authorized to file necessary documents with the Registrar of Companies and to do all such acts, deeds and things as may be necessary to give effect to this resolution."

- 11*. To consider and if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:**

"**RESOLVED THAT** pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for alteration of the Other Object Clause i.e., Clause III(C) of the Memorandum of Association of the Company by adding the following new Clause 20 after the existing Clause 19

20. To carry on the business of operation of ships, to establish, maintain and operate shipping and all ancillary services, to carry on the business of ship owners and of carriage of mails,

passengers, goods and cattle either by its own ships, vessels and other forms of water transportation, or by or over the ships, vessels, and modes of water transportation of others and to charter, hire, equip, load on commission, or otherwise use, repair, let out on hire or on lease, and trade in ships or other vessels and to establish and maintain any shipping lines of ships and other seagoing vessels between any ports in India or elsewhere for carrying passengers or cargo or both on high seas, inland waterways, or other waters subject to such approvals as may be required in the matter.

RESOLVED FURTHER THAT the Directors and Secretary of the Company be and are hereby severally authorized to file necessary documents with the Registrar of Companies and to do all such acts, deeds and things as may be necessary to give effect to this resolution."

- 12*. To consider and if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:**

"**RESOLVED THAT** pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to the Company for Commencement of business specified in Clause 6, 7 and 8 of main objects and Clause 20 of other Objects of Memorandum of Association of the Company.

RESOLVED FURTHER THAT the Directors and Secretary of the Company be and are hereby severally authorized to file necessary documents with the Registrar of Companies and to do all such acts, deeds and things as may be necessary to give effect to this resolution."

13. To consider and if thought, to pass the following Resolution with or without modification(s), as a SPECIAL RESOLUTION:

"**RESOLVED THAT** Pursuant to the provisions of Section 163 and all the other applicable provisions of the Companies Act, 1956 (the Act) (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Company hereby approves that the Register of Members, Index of Members and the Returns and the Documents specified in Section 159 of the Act, together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act, or any more or one of them, instead of being kept at the Company's Registered Office at Rain Center, 34, Srinagar Colony, Hyderabad - 500073 be kept at the Company's Share Transfer Agents at Karvy Computershare

Private Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034, where the necessary Register, Index and the Returns and the Documents specified in the Section as mentioned above shall remain open for inspection during business hours of the Company and Share Transfer Agent from 10:00 a.m. to 5:30 p.m. except Saturdays."

***Note: Resolutions mentioned at Item No. 9, 10, 11 and 12 will be passed through Postal ballot for which a separate notice along with the postal ballot form is sent.**

By order of the Board
for **RAIN COMMODITIES LIMITED**

S. VENKAT RAMANA REDDY
COMPANY SECRETARY

Place : Hyderabad
Date : May 21, 2008

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote instead of himself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 18th June, 2008 to 25th June, 2008 (both days inclusive).
3. The Shareholders who have not encashed the dividend warrant(s) so far for the Financial Year 2006-07, are requested to make their claim to the Secretarial Department, Rain Commodities Limited, Rain Center, 34, Srinagar colony, Hyderabad - 500073.
4. Dividend on equity shares @ 28% on the paidup Equity share capital i.e., Rs.2.80/- per Equity Share as recommended by the Board of Directors, if declared by the Shareholders at the meeting, will be paid to those shareholders whose names appear on the Register of Members of the Company as on 18th June, 2008 and also to the Beneficial Owners of equity shares held in electronic form on the said date as per the details furnished by the Depositories for this purpose.
5. The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs have made it mandatory for all the Listed Companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment etc. In view of the above:
 - (i) Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete ECS form attached to this Annual Report and forward the same to the Company's Registrar and Share Transfer Agent.
 - (ii) Shareholders holding shares in Dematerialized Form are requested to provide the Bank details to their Depository Participants for incorporation in their records. The Depository in turn would forward the required information to the Company.
6. The above information should be made available to the Company's Registrars M/s. Karvy Computershare Private Limited, (Unit: Rain Commodities Limited), Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034, on or before 15th June, 2008.
7. The Company's equity shares are Listed at (i) Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 and (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot # C/1, Bandra (East), Mumbai - 400051 and the Company has paid the Annual Listing Fees to the said Stock Exchanges for the year 2008-09.
8. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Share Transfer Agent at Karvy Computershare Private Limited (Unit: Rain Commodities Limited), Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034.

By order of the Board
for **RAIN COMMODITIES LIMITED**

S. VENKAT RAMANA REDDY
COMPANY SECRETARY

Place : Hyderabad

Date : May 21, 2008

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO.6

Mr. N. Jagan Mohan Reddy was appointed as the Managing Director for a period of 5 years with effect from 24th November, 2007(i.e., from 24th November, 2007 to 23rd November, 2012) by the Board of Directors at their meeting held on 23rd November, 2007.

Profile of Mr. N. Jagan Mohan Reddy is given below:

Mr. N. Jagan Mohan Reddy aged about 41 years has a Bachelor's of Science degree in Industrial Engineering from Purdue University, U.S.A. He is the founder of Rain CII Carbon (India) Limited (Successor of Rain Calcining Limited) that has started operations in 1998. He was instrumental in Rain CII Carbon (India) Limited acquiring Rain CII Carbon LLC (formerly CII Carbon LLC) in 2007, making the combined entity the world's largest producer of Calcined Petroleum Coke. Rain Commodities Limited, a sick company, was not only turned around in less than 2 years after Mr. N Jagan Mohan Reddy was appointed as Managing Director, but has also doubled the cement capacity to 3.2 Million Metric tonnes per annum. Under the management of Mr. N Jagan Mohan Reddy, the annual sales of Rain Group will exceed Rs.4000 Crores or US \$1 Billion in 2008.

He is presently the Managing Director of Rain Commodities Limited and Rain CII Carbon (India) Limited and Director in Rain CII Carbon LLC, Rain Commodities (USA) Inc, Moonglow Company Business Inc., Sujala Investments Private Limited and Focus India Brands Private Limited.

Mr. N. Jagan Mohan Reddy holds 17,17,348 equity shares in the Company.

Mr. N. Jagan Mohan Reddy is son of Mr.N.Radhakrishna Reddy, Chairman and

brother of Mr. N. Sujith Kumar Reddy, Executive Director. Other than the said Directors, Mr. N Jagan Mohan Reddy is not connected to any other Director of the Company.

None of the Directors except Mr. N. Sujith Kumar Reddy, Mr. N. Radhakrishna Reddy and Mr. N. Jagan Mohan Reddy are interested in the above Resolution.

Your Directors recommend the above Resolution for your approval.

ITEM NO.7

Mr. N. Sujith Kumar Reddy was appointed as the Executive Director for a period of 5 years with effect from 24th November, 2007(i.e., from 24th November, 2007 to 23rd November, 2012) by the Board of Directors at their meeting held on 23rd November, 2007.

Profile of Mr. N. Sujith Kumar Reddy is given below:

Mr. N. Sujith Kumar Reddy, aged about 36 years, has a degree in Commerce. He has more than 13 years of experience in the fields of manufacturing industry. Currently, he is also on the board of PCL Financial Services Limited, Nivee Property Developers Private Limited, Arunachala Holdings Limited, Apeetha Enterprises Limited and Nivee Holdings Limited. He has been a director of our Company since 1993.

Mr. N. Sujith Kumar Reddy holds 20,05,754 equity Shares in the Company.

Mr. N. Sujith Kumar Reddy is son of Mr.N.Radhakrishna Reddy, Chairman and brother of Mr. N. Jagan Mohan Reddy, Managing Director. Other than the said Directors, Mr. N Sujith Kumar Reddy is not connected to any other Director of the Company.

None of the Directors except Mr. N. Sujith Kumar Reddy, Mr. N. Radhakrishna Reddy and Mr. N. Jagan Mohan Reddy are interested in the above Resolution.

Your Directors recommend the above Resolution for your approval.

ITEM NO. 8

Sections 77A, 77AA and 77B of the Companies Act, 1956 stipulate provisions for purchase of own shares and other specified securities by a Company. However, pursuant to Clause (a) of sub-section (2) of Section 77A of the said Act, the Company is required to have necessary Authorisation in its Articles of Association for buy-back of securities.

Accordingly, it is proposed to alter the Articles of Association of the Company by insertion therein of a new Article 28a immediately after the existing Article 28. The new Article contains the powers of the Company to buy-back its own shares and securities in accordance with the applicable statutory provisions and guidelines.

The Companies (Amendment) Act 2000 has added a new Section 192A to enable shareholders to exercise voting right by Postal Ballot in respect of matters as are/or may be prescribed by the Central Government from time to time. It is therefore proposed to incorporate a new Article 105a to enable the shareholders to cast their vote by way of Postal Ballot.

Your Directors therefore recommend the special resolution for approval of the Members.

None of the Directors of the Company is, in any way concerned or interested in the said resolution.

Item No. 9

The Company is engaged in the business of manufacture and sale of Cement and its Wholly owned subsidiaries are engaged in the manufacture and sale of Calcined Petroleum Coke and Generation and Distribution of Power. In view of the increased demand for Calcined Petroleum Coke, the Company proposes to engage in the business of Calcined Petroleum Coke and generation of Electric Power. Hence,

it is proposed to include the Calcined Petroleum Coke and generation of electric Power business related objects in the Main objects.

As per the provisions of Section 17 and other applicable provisions of the Companies Act, 1956 any amendment to the Memorandum of Association requires approval of the Members by way of a special resolution.

The Board of Directors, accordingly, recommends the resolution set out at Item No. 9 of the accompanying Notice for the approval of the Members by voting by Postal Ballot in terms of the provisions of Section 192A of the Companies Act, 1956, read with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Except to the extent of shares, if any, held by the directors, none of the Directors of the Company is, in any way, concerned or interested in the resolution as set out at item no.9.

Item No. 10

The Company proposes to acquire Ships and Vessels for the business purpose for captive use.

From time to time, the Company is required to Guarantee the obligations of subsidiary Companies and also other Companies for the purpose of business of the Company.

Hence, it is proposed to include the above items in the objects Incidental or Ancillary to the attainment of main Objects i.e., Clause III(B) and also in Other Objects III(C) of the Memorandum of Association.

As per the provisions of Section 17 and other applicable provisions of the Companies Act, 1956 any amendment to the Memorandum of Association requires approval of the Members by way of a special resolution.

The Board of Directors, accordingly, recommends the resolution set out at Item No.10 of the accompanying Notice for the approval of the Members by voting by Postal

Ballot in terms of the provisions of Section 192A of the Companies Act, 1956, read with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Except to the extent of shares, if any, held by the directors, none of the Directors of the Company is, in any way, concerned or interested in the resolution as set out at item no.10.

Item No. 11

The Company proposes to acquire Ships and Vessels for the business purpose for captive use and in case the ships and vessels are idle the same will be given on hire or on lease to third parties, hence, it is proposed to include shipping related objects in the other objects of the Memorandum of Association of the Company.

As per the provisions of Section 17 and other applicable provisions of the Companies Act, 1956 any amendment to the Memorandum of Association requires approval of the Members by way of a special resolution.

The Board of Directors, accordingly, recommends the resolution set out at Item No.11 of the accompanying Notice for the approval of the Members by voting by Postal Ballot in terms of the provisions of Section 192A of the Companies Act, 1956, read with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Except to the extent of shares, if any, held by the directors, none of the Directors of the Company is, in any way, concerned or interested in the resolution as set out at item no.11.

Item No. 12

As per the provisions of section 149(2A) of the Companies Act, 1956, if the Company proposes to commence any new business, Shareholders approval has to be taken.

As the Company proposes to carry on the objects specified at Clause 6, 7 and 8 of the main Objects and Clause 20 of the Other objects of Memorandum of Association of the Company,

the Board of Directors, accordingly, recommends the resolution set out at Item No. 12 of the accompanying Notice for the approval of the Members by voting by Postal Ballot in terms of the provisions of Section 192A of the Companies Act, 1956, read with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Except to the extent of shares, if any, held by the directors, none of the Directors of the Company is, in any way, concerned or interested in the resolution as set out at item no.12.

ITEM NO. 13

The Securities and Exchange Board of India vide its circular No. D & CC/FITTC/CIR-15/2002 dated 27th December 2002 has directed all the listed companies to maintain a single point Share Transfer Registry in terms of both physical and electronic mode of transfers. As the transfers in electronic mode and physical form is handled by Karvy Computershare Private Limited, now, it is proposed to shift the Register of Members, Index of Members, the Register & copies of Annual Returns and the copies of certificate & documents under Section 159 of the Companies Act, 1956 from the Registered Office: Rain Center, 34, Srinagar Colony, Hyderabad - 500073 to Karvy Computershare Private Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500034. Under Section 163 of the Companies Act, 1956, the approval of the members is required for this purpose.

Your Directors therefore recommend the special resolution for approval of the Members.

None of the Directors of the Company is, in any way concerned or interested in the said resolution.

By order of the Board
for **RAIN COMMODITIES LIMITED**

S. VENKAT RAMANA REDDY
COMPANY SECRETARY

Place : Hyderabad

Date : May 21, 2008

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the 33rd Annual Report and the Audited Statement of Accounts for the period ended on 31st December, 2007.

FINANCIAL RESULTS (STANDALONE) :

The performance during the period ended on 31st December, 2007 has been as under:

	(Rs. in Million)	
	31st December, 2007 (9 months)	31st March, 2007 (12 Months)
Sales	4620.64	–
Profit/(Loss) before Interest & Depreciation	1384.05	11.24
Less: Interest & Financial Charges	272.19	16.71
Profit/(Loss) after Interest but before Depreciation	1111.86	(5.47)
Less: Depreciation	101.17	0.09
Profit/(Loss) before Tax	1010.69	(5.56)
Less: Provision for Taxation	155.33	0.02
Profit/(Loss) after Tax (before Extra Ordinary Items)	855.36	(5.58)
Extra Ordinary Items	602.10	–
Profit After Tax (after Extraordinary Items)	253.26	(5.58)
Balance brought Forward from Previous Year	1884.37	258.70
Profit available for appropriation	<u>2137.63</u>	<u>253.12</u>
Appropriations		
Transferred to Debenture Redemption Reserve	6.95	–
Transferred to General Reserve	25.70	–
Provision for proposed dividend	197.32	112.39
Provision for tax on proposed dividend	33.52	19.10
Surplus Carried to Balance Sheet	<u>1874.14</u>	<u>121.63</u>

FINANCIAL RESULTS (CONSOLIDATED) :

The performance during the period ended on 31st December, 2007 has been as under:

	31st December, 2007 (9 months)	31st March, 2007 (12 Months)
		(Rs. in Million)
Sales	15,928.01	4,954.76
Profit/(Loss) before Interest & Depreciation	3,007.14	1,872.51
Less: Interest & Financial Charges	1,577.56	679.83
Profit/(Loss) after Interest but before depreciation	1,429.58	1,192.68
Less: Depreciation	573.83	148.19
Profit/(Loss) before tax	855.75	1,044.49
Less: Provision for Taxation	80.09	141.22
Profit/(Loss) after Tax (before Extra Ordinary Items)	775.66	903.27
Extra Ordinary Items	(316.38)	328.66
Profit After Tax (after Extraordinary Items)	459.28	1,231.93
Share of profit/ (loss) in Associate	(5.25)	(12.83)
Balance brought Forward from Previous Year	22.93	(933.15)
Transferred from Rain Calcining Limited pursuant to the Scheme of Arrangement (Refer Note III on Schedule V)	1312.97	–
Profit available for appropriation	1789.93	285.95
Appropriations		
Transferred to Debenture Redemption Reserve	6.95	131.53
Transferred to General Reserve	25.70	–
Provision for proposed dividend	197.32	112.39
Provision for tax on proposed dividend	33.52	19.10
Surplus Carried to Balance Sheet	1526.44	22.93

OPERATIONS

During the period under review, the Company has achieved a turnover of Rs. 4620.64 Million, earned a Net Profit of Rs.253.25 Million and production was recorded at 1.15 Million Metric tonnes.

FUTURE OUTLOOK

Outlook for Cement Industry continues to be moderate in the year 2008. Although growth may be moderate in short term but macroeconomic fundamentals continue to be strong. Given the current rate of growth of the economy, the number of infrastructure projects under implementation, and the construction boom, any slowdown in demand is unlikely in the near future which is likely to provide support to the prices. With the initiatives taken by the Government of India for development of infrastructure, the demand for Cement is expected to grow further in the year 2008. The irrigation and Housing Projects being under taken by the Government of Andhra Pradesh will further increase the demand for Cement in Andhra Pradesh, where the Company sells major portion of its production. The overall Cement consumption has increased substantially with the growth in the Housing Sector and concentration of Government on the development of infrastructure. The Company continues to concentrate on the reduction of Cost like Freight, Power and other inputs, so as to improve its profitability.

However, government tough stand on inflation control new expansion plants commencing operations and further change in policies in order to keep a check on prices may affect the performance of the industry.

EXPANSION OF CAPACITY

The Company has undertaken expansion of its plant capacity by 1.66 Million Metric tonnes per annum at Unit-II situated at Sreepuram, Peapully Mandal, Kurmool District, Andhra Pradesh with a project cost of Rs.334 Crores. The Project cost has been met out of internal accruals and term loans from Banks and Financial Institutions. Total Production capacity of the Company after expansion will be 3.16 Million Metric Tonnes per annum. The New capacity will come into operation with effect from May, 2008.

OVERVIEW OF CALCINED PETROLEUM COKE (CPC) BUSINESS

Rain CII Carbon (India) Limited (Formerly Rain Industries Limited) or RCCIL and Rain CII Carbon, LLC (Formerly CII Carbon, L.L.C.) or RCC, are two wholly owned subsidiaries of Rain Commodities Limited.

RCCIL is operating a 100% Export Oriented Unit in Visakhapatnam, Andhra Pradesh, India with an installed capacity of 480,000 Tons per annum of Calcined Petroleum Coke. RCCIL also generates 49MW of electricity from its co-generation plant.

RCCIL has acquired 100% of equity interests of RCC on July 19, 2007 for an aggregate cash purchase consideration of US\$ 595 million. RCC operates seven facilities to manufacture CPC in U.S., with an aggregate capacity of 1,895,000 Tons per annum. As a result of the RCC acquisition, the Group became the largest producer of CPC in the world.

The Group sells CPC for two principal end uses, the production of aluminum and the production of titanium dioxide. Rain CII also produces energy through co-generation as a by-product of the calcining process, which it sells in the form of steam or electricity.

Demand for CPC:

Aluminum industry, which is the largest end user of CPC, is growing world wide at about 5.0% per annum and is expected to continue to grow at a rate of 5.0% to 5.5% in the next ten years. Majority of the growth in the Aluminum industry is taking place in Asia and Middle East. China alone is contributing for significant growth of the Aluminum industry. With increase in production of aluminum, the demand for CPC continues to grow in the medium term, as there is no known substitute for CPC in aluminum smelting. Accordingly, all the eight CPC plants of the Group are expected to operate at their full rated capacity during the foreseeable future.

Availability of Green Petroleum Coke (GPC):

The raw material (Anode Grade Green Petroleum Coke) required for manufacturing CPC, is a refinery by-product and is in short supply. The supply of Anode Grade GPC is not increasing at the same pace at which the demand for Anode Grade GPC is growing. Due to long history of continued relationship by RCC with the refineries across the world, the Group is able to procure the Anode Grade GPC for its plants in India and US.

Integration of US and Indian CPC Operations:

The Group has been able to integrate its CPC businesses of RCCIL, India and RCC, U.S. seamlessly and initiated the process for implementing the best manufacturing practices followed by RCC in the CPC plant of RCCIL, India. Further, RCC, US has taken additional responsibilities of procuring GPC for RCCIL's Indian operations and also in the marketing of CPC manufactured by RCCIL's plant in India, post termination of the arrangement with Oxbow Carbon & Minerals LLC, by RCCIL, India.

Greenfield Expansions:

The Group is carrying out the feasibility and location studies for setting-up two Green Field CPC plants in Visakhapatnam, India and in China. These Greenfield CPC plants with aggregate capacity of 6,00,000 tonnes are expected to commence commercial operations partly in second half of Calendar Year 2009 and the remaining in Calendar year 2010.

Carbon Emission Reductions:

The CPC Plant of RCCIL is approved as a Project under Clean Development Mechanism of United Nations Framework Convention on Climate Change on July 12, 2007 and is eligible for 164,777 Carbon Emission Reductions per annum for a period of ten years from July 12, 2007.

CHANGE OF FINANCIAL YEAR

The Company has changed its financial Year from April - March to January- December. Accordingly, the current financial year shall be from 1st April, 2007 to 31st December, 2007(9 Months) and subsequent financial years shall be from 1st January to 31st December (12 Months).

DIVIDEND

The Board of Directors of the Company have recommended a Dividend @ 28% on the Paid up Equity Share Capital of the Company, i.e., Rs.2.80 Per Equity Share for the financial year ended 31st December, 2007.

SCHEME OF ARRANGEMENT AMONG THE COMPANY, RAIN CALCINING LIMITED, RAIN INDUSTRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

The Scheme of arrangement among the Company, Rain Calcining Limited, Rain Industries Limited and their respective shareholders consisting of the following is approved by the Hon'ble High Court of Andhra Pradesh on 25th October, 2007:

- (a) Transfer of Cement Business from Rain Industries Limited (Wholly Owned Subsidiary) to the Company with effect from 1st July, 2006(Appointed date);
- (b) Amalgamation of Rain Calcining Limited with the Company with effect from 1st April, 2007(appointed date); and
- (c) Transfer of Calcined Petroleum Coke (CPC) and Power Business from the Company to Rain Industries Limited with effect from 1st April, 2007(appointed date);

The Company has filed the Form No. 21 with the Registrar of Companies, Andhra Pradesh, Hyderabad on 23rd November, 2007. Accordingly, the scheme of Arrangement has become effective from 23rd November, 2007 taking effect from the appointed dates specified in the Scheme of Arrangement.

ALLOTMENT OF EQUITY SHARES

Consequent to the Amalgamation of Rain Calcining Limited with the Company as per the approval of Hon'ble High Court of Andhra Pradesh to the Scheme of arrangement on 25th October, 2007, the Board of Directors of the Company fixed 2nd January, 2008 as the Record date for determining the shareholders of Rain Calcining Limited entitled for allotment of equity shares of the Company in the ratio of 2:7. The Board of Directors of the Company at their meeting held on 4th January, 2008 allotted 3,48,61,286 Equity Shares to the shareholders of Rain Calcining Limited in the ratio of 2:7 i.e., two Equity Shares of the Company were allotted for every seven equity Shares held in Rain Calcining Limited as on record date i.e., 2nd January, 2008.

LISTING OF EQUITY SHARES

The Company's Equity shares are listed at (i) Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot # C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051 and the company has paid the Annual Listing Fees to the said Stock Exchanges for the financial year 2008-2009.

JOINT VENTURE

Upon completion of merger of Rain Calcining Limited with the Company, Petroleum Coke Industries Company, Kuwait (PCIC) became a Joint Venture of the Company. PCIC is in the process of setting up a Calcination plant with a capacity to manufacture 350,000 MTPA of CPC and your Company, as a promoter has subscribed to 11.5% of the equity of PCIC amounting to Rs.258 million (equivalent to US\$5,817,897). The construction of the plant is in progress and major contracts have been awarded. The Company's wholly owned subsidiary Company namely Rain CII Carbon (India) Limited (RCCIL) has an Operation &

Maintenance Contract with PCIC and once the plant commences production, RCCIL will receive a fee linked to production for a period of five years from the date of commencement of commercial operations.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs (MCA), Government of India vide their letter No.47/144/2008-CL-III, dated 2nd May, 2008 granted exemption from attaching the Balance Sheet, Profit & Loss Account, Directors Report and Auditors Report of Subsidiary Companies to the Balance sheet of the Company. Your Company will make available copy of the Annual Accounts of the subsidiary companies and other related information upon request by any member of your Company or its Subsidiary Companies. The Annual Accounts of the Subsidiary Companies are kept for inspection by any investor at the registered office of your Company and the subsidiary companies.

A statement of Rain Commodities Limited (Holding Company) interest in Rain CII Carbon (India) Limited, Rain Commodities (USA) Inc, Moonglow Company Business Inc and Rain CII Carbon LLC (Subsidiary Companies/step subsidiary Companies) is enclosed as required under Section 212 of the Companies Act, 1956.

The information of Subsidiary companies as required to be disclosed as per the directions given by MCA while granting exemption under section 212(8) of the Companies Act, 1956 is enclosed and forms part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

As prescribed by Accounting Standards-21 issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements are annexed. The Company has consolidated the Accounts of Rain CII Carbon (India) Limited, Rain Commodities (USA) Inc, Moonglow Company Business Inc and Rain CII Carbon LLC, wholly owned subsidiaries.

FIXED DEPOSITS

The Company has not accepted any deposits from the public in terms of Section 58A of the Companies Act, 1956.

DIRECTORS

Mr. P. Venugopal Reddy and Mr. G. Krishna Prasad, Directors of the Company who retires by rotation and being eligible offer themselves for reappointment.

Mr. R.S. Vidyasagar is appointed as the Nominee Director of Industrial Development Bank of India Limited with effect from 14th March, 2008.

Mr. P. Prasen Kumar has resigned from the Directorship of the Company with effect from 14th March, 2008.

With effect from 24th November, 2007, Mr. N. Radhakrishna Reddy has resigned as Managing Director of the Company but continue to be a Director and Chairman of the Company, Mr. N. Jagan Mohan Reddy is appointed as Managing Director and Mr. N. Sujith Kumar Reddy is appointed as the Executive Director.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants, Auditors of the Company retires at the ensuing Annual General Meeting. They have expressed their willingness to accept re-appointment.

M/s. Price Waterhouse, Chartered Accountants have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224(1B) of the companies Act, 1956.

COST AUDIT

As per the Government's directive, the Company's cost records in respect of Cement for the financial year ended 31st December, 2007 are being audited by Cost Auditor Mr. Dantu Mitra who is appointed by the Board with the approval of the Central Government.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms:

- (i) That in the preparation of the Annual Accounts for the Financial year ended 31st December, 2007, the applicable accounting standards have been followed;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2007 and of Profit and Loss Account of the Company for the period ended 31st December, 2007;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the Annual Accounts for the Financial Year ended 31st December, 2007 on a going concern basis.

AUDIT COMMITTEE

Audit Committee consists of the following Directors namely Mr. P. Venugopal Reddy, Chairman, Mr. G Krishna Prasad, Member and Mr. R.S. Vidya Sagar, Member.

All the members of the Audit Committee are independent Directors.

CORPORATE GOVERNANCE

A separate report on Corporate Governance and Management discussion and analysis is annexed as a part of the Annual Report along with the Auditor's Certificate on its compliance.

INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AND PARTICULARS OF EMPLOYEES.

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 217(1)(e) of the Act read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 and information on particulars of employees under Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975 (as amended) form part of this Report.

ACKNOWLEDGEMENTS

The Directors take this opportunity to place on record their sincere thanks to the Banks and Financial Institutions, Insurance Companies, Central and State Government Departments and the shareholders for their support and co-operation extended to the Company from time to time. Directors are pleased to record their appreciation of the sincere and dedicated services of the employees and workmen at all levels.

On behalf of the Board of Directors

for **RAIN COMMODITIES LIMITED**

N. Radhakrishna Reddy
Chairman

Place : Hyderabad **N. Jagan Mohan Reddy**
Date : May 21, 2008 Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors Report for the period ended 31st December, 2007.

A. CONSERVATION OF ENERGY.

(a) Energy conservation measures taken:

Unit - I (Ramapuram)

1. To improve the production from the Kiln, the Company installed a loss and weigh system along with dozing valves and load cells from M/s Transweigh, in place of the old Belt weigh feeder and screw feeder.
2. In order to reduce the power consumption in pre-heater fan, a modification was carried out on the static parts by which a reduction of 50 kwh power consumption was achieved.
3. Old Thyristor DC drive for the kiln firing coal is replaced with A/c Variable Frequency Drive for better control.
4. In order to reduce the existing gas temperatures from 300°C to 250°C, Water injection system was installed for cooling the cooler exhaust gases.
5. The Company acquired high pressure water pump for breaking snow man in cooler to avoid unwanted stoppages of the kiln.
6. The company installed imported chain in packing plant to avoid frequent failures of chains, which are subjected to high wear because of usage of fly ash.

Unit - II (Sreepuram)

1. In order to improve the production rate from the Cement Mill and also to add more fly ash, the present chain bucket elevator is found to be under capacity and the belt bucket elevators 450T of capacity is procured and erection work is under progress.
2. As a part of Energy management and Environmental management system we have introduced wet/pond fly ash feeding system to increase fly ash addition in PPC Cement production.
3. As a part of Environmental management system, the Company has installed DURAG make on line dust emission monitoring system in Kiln main stack to control the environment condition continuously.
4. In order to improve the cement mill availability, the existing silo bucket elevator replaced with higher capacity to avoid shutdowns and increase the productivity.
5. In order to increase Kiln availability by avoiding Kiln feed air lift jamming its transport line directed to II cyclone gas duct and avoiding bag filter system jamming/ kiln breakdowns.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of Energy

Unit - I (Ramapuram)-

1. The Company is installing a belt bucket elevator for cement silo No 1&2 to improve the life of the components and also to increase the capacity to handle the extra output

- after close circuiting of cement mill no:1. Part materials already received and erection is in progress.
2. The Company proposes to install a Dynamic separator for coal mill to improve the production and reduce power.
 3. The Company proposes to install a MIS for energy metering for total plant, for monitoring the energy consumption and identify areas where energy conservation measures can be implemented.
 4. Upgradation of the Plant Automation System with new PLC.
 5. The Company proposes to install a fly ash handling system to improve the consumption of fly ash in PPC and to improve the energy consumption in cement grinding.
- (c) **Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**
1. Power consumption has been reduced by 1.05kwh/t Of Cement.
- (d) **Total energy consumption and energy consumption per unit of production as per Form A is given below:**

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	1st April, 2007 to 31st December, 2007 (9 Months)	1st April, 2006 to 31st March, 2007 (12 Months)
A. Power and Fuel Consumption		
1. ELECTRICITY		
a) Purchased		
Unit (No.) (Kwh)	100582153	135970527
Total Amount (Rs.)	332722690	417779212
Rate/Unit(Rs.)	3.31	3.07
b) Own Generation		
i) Through Generator		
Unit (No.)	160490	60229
Unit per Litre of Diesel Oil (No)	3.64	3.22
Cost/Unit (Rs.)	5.76	6.3
ii) Through Steam turbine/Generator		
Units (KWH)	Nil	Nil
Units per litre of fuel Oil & Gas	Nil	Nil
Cost/unit (Rs.)	Nil	Nil

2. COAL		
Quantity(Tonnes)	193115	229924.65
Total Cost(Rs.)	450926673	534331329
Average Rate(Rs.)	2335	2323.94
3. FURNACE OIL		
Quantity (K Ltrs)	33478	12823
Total Amount (Rs.)	532300.20	200738
Average Rate (Rs.)	15.9	15.65
4. Other Fuels (HSD OIL & LUB OIL)		
Quantity	10664	Nil
Total Cost	392010.45	Nil
Rate/unit	36.76	Nil
5. Consumption per Metric tonne of Cement Production		
Production (Cement)	1151481	1621903
Electricity (Kwh)	83.75	84.18
Furnace Oil (KL)	0.029	0.008
Coal (%)	16.77	14.18

B. TECHNOLOGY ABSORPTION :

efforts made in technology absorption as per Form B:

FORM - B

Form for disclosure of particulars with respect to absorption

RESEARCH AND DEVELOPMENT(R&D):

1. Specific areas in which R & D carried out by the Company. : Nil
2. Benefits derived as a result of the above R & D. : Nil
3. Future plan of action : Nil
4. Expenditure on R&D : Nil

TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : At Unit-I situated at Ramapuram Village, the Manufacturing process is based on know-how from ONODA Engineering Consulting Company Limited, Japan. Contineous coordination is being maintained with the collaborators to avail the benefits of further development in technology.

At Unit-II situated at Sreepuram Village the plant and equipment is supplied by Fuller India Limited., as per the FLS & Fuller Technology.

2. Benefits derived as a result of the above efforts, eg. Product development, import substitution, etc., : The usage of imported technology and upgradation according to the changes in the Technology has resulted into increased productivity and reduction in the energy consumption.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial year), following information may be furnished. : No technology has been imported during the last five years.
- a) Technology imported : Nil
- b) Year of Import : Not applicable
- c) Has Technology been fully absorbed : Not applicable
- d) If not fully absorbed, area where this has not taken place reasons therefor and future plans of action : Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for production and service and export plans. : The Company is engaged in manufacturing of Cement and the entire Cement produced is sold within India.

b) Total foreign exchange used and earned :		(Rs. in Million)
	1st April, 2007 to 31st December, 2007 (9 Months)	1st April, 2006 to 31st March, 2007 (12 Months)
(i) Foreign Exchange earned	Nil	Nil
(ii) Foreign Exchange Used	0.05	Nil

On behalf of the Board of Directors
for **RAIN COMMODITIES LIMITED**

Place : Hyderabad
Date : May 21, 2008

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Annexure to the Directors Report

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the period ended December 31, 2007

Sl. No.	Name of the Employee & (Age)	Designation/ Nature of Duty	Gross Remune- ration (Rupees)	Qualification	Experience in years	Date of commen- ment of Employment	Particulars of last employ- ment
1.	Mr. N. Sujith Kumar Reddy (37 years)	Executive Director	63,27,460	B.Com	15 Years	22.03.1992	First Employment
2.	Mr. P.B. Gopala Krishna (53 years)	President (Operations)	38,23,221	B.Tech (Mech)	32 Years	22.05.2006	Madras Cements Limited as Vice President (Manufacturing)

Notes:

- Gross Remuneration includes salary, taxable allowances, commission, value of perquisites as per the Income-tax Rules, 1962 and Company's contribution to provident fund/superannuation fund.
- The nature of employment is contractual.
- None of the above are related to each other.

By order of the Board
For **RAIN COMMODITIES LIMITED**

Place : Hyderabad
Date : May 21, 2008

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

India is the second largest producer of cement in the world after China with an installed capacity of 173.08 million tons as on 31st December, 2007. Total production for first nine months of the financial year 2007 was 121.77 million tons as compared to 113.54 million tons in the corresponding period last year. Overall capacity utilization increased from 92% to 94%. South Indian region is the largest cement producing regions in the country. South India is witnessing an upsurge in cement consumption. Last year as compared to overall growth of 10% in cement consumption on an all India basis, cement consumption grew by 16% in Tamil Nadu, 19% in Andhra Pradesh and 4% in Karnataka.

Rain Commodities Limited (herein after referred to as "RCOL") is primarily engaged in manufacture and sale of Cement including OPC and PPC. In the domestic market, RCOL operates through a net work of Dealers for sale of its products. Its major markets include Andhra Pradesh, Karnataka and Tamilnadu. Considering robust growth in cement consumption your company has undertaken a capacity expansion of 1.66 Million Metric Tonnes which is likely to commence commercial production by May, 2008. Post expansion total capacity will increase to 3.16 Million Metric Tonnes.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

Government's impetus on infrastructure development, strong demand from housing segment and thrust on capacity expansion by companies across industries is driving the growth in cement consumption. Southern states are witnessing huge investments in real estate primarily in residential complexes and various

technology parks. The growth is happening in both Tier 1 cities like Hyderabad, Bangalore, Chennai and also in tier 2 cities like Mysore, Vizag, Coimbatore etc.

THREATS

As per the latest notification, Coal India has hiked the pithead prices of all the grades of coal produced by domestic coal companies with effect from 13th December 2007. The recent hike in coal prices by 10% - 15% is expected to hit the cement industry, as the cost of coal constitutes around 12% of total operating cost. Supply may run ahead of demand. Cement industry is all set to raise its production capacity by 110 million tons over next three years (2010) by investing around Rs.50,000 crores. This may exert downward pressure on cement prices, most likely from latter part of Calender Year 2009.

RISKS AND CONCERNS

Though the overall industry looks moderate, but political uncertainties, rising energy prices, high growth of inflation, etc may affect the Cement Industry.

The shortage of Coal is a major bottleneck for the industry. The shortage of Coal will have an effect on the Generation of Power, which is a major input for the production of Cement.

Other major concern is the problem relating to the rising freight cost.

OUTLOOK

Outlook for Cement Industry continues to be moderate in the year 2008. The prices of Cement are stable and sustained demand for cement is likely to provide a floor price to the realization. However, government tough stand on inflation control and further change in

policies in order to keep a check on prices may affect the performance of the industry. RCOL is concentrating on the reduction of cost, increasing production of blended cement and also increasing the efficiency and capacity utilization.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

RCOL has adequate internal control systems and procedures with regards to purchase of stores, raw materials including components, Plant and machinery, equipment, sale of goods and other assets.

RCOL has clearly defined roles and responsibilities for all managerial positions and all operating parameters are monitored and controlled.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review RCOL has achieved a turnover of Rs.4620.64 million and a production of 1.15 Million Metric Tonnes.

During the year RCOL has earned a profit after tax of Rs.253.25 Million.

The Earnings per share of the RCOL as on 31st December, 2007 is Rs.7.89 (Basic) and Rs.3.43 (diluted).

The Paid up Share Capital of RCOL as on 31st December, 2007 is Rs.32,11,00,000/- comprising of 3,21,10,000 Equity Shares of Rs.10/- each and as on 31st March, 2008 is Rs.70,47,12,860 comprising of 7,04,71,286 Equity Shares of Rs.10/- each.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

RCOL believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements. Industrial relations during the year continued to be cordial and RCOL is committed to maintain good industrial relations through negotiations, meetings etc.

As on 31st December, 2007, RCOL has a total strength of 664 Employees.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the RCOL's objectives, projections, estimates, expectations may be forward-looking statements. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the RCOL's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the RCOL operates, changes in the Government regulations, tax laws, statutes and other incidental factors.

On behalf of the Board of Directors
for **RAIN COMMODITIES LIMITED**

N Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad

Date : May 21, 2008

REPORT ON CODE OF CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in India, compliance with the requirements of Corporate Governance is set out below:

1. COMPANY'S PHILOSOPHY:

Rain Commodities Limited ("RCOL"/the "Company") is committed to implement sound corporate governance practices with a view to bring about transparency in its operations and maximizing shareholder value. The Company's core philosophy on the code of Corporate Governance is to ensure:

- Fair and transparent business practices;
- Accountability for performance;
- Compliance of applicable statute;
- Transparent and timely disclosure of financial and management information;
- Effective management control and monitoring of executive performance by the Board; and
- Adequate representation of promoter, executive and independent directors on the Board.

2. BOARD OF DIRECTORS :

The present composition of the Board of Directors ("Board") consists of six Directors out of which two are Whole Time Directors, one is Non-Executive promoter Director and three are Non-Executive Independent Directors. The composition and the category of Directors are as under:

S.No.	Name of the Director	Designation	Category
1	Mr. N. Radhakrishna Reddy #	Chairman	Non - Executive Director (Promoter)
2	Mr. N. Jagan Mohan Reddy @	Managing Director	Executive Director (Promoter)
3	Mr. N. Sujith Kumar Reddy @@	Executive Director	Executive Director (Promoter)
4	Mr. G. Krishna Prasad	Director	Independent Director
5	Mr. P. Venugopal Reddy	Director	Independent Director
6	Mr. P. Prasen Kumar *	Director	Independent Director
7	Mr. R.S.Vidyasagar **	Nominee Director	Independent Director-Nominee of Industrial Development Bank of India Limited

Mr. N. Radhakrishna Reddy, has resigned as Managing Director of the Company with effect from 24th November, 2007 but continues as the Director and Chairman of the Company.

@ Mr. N. Jagan Mohan Reddy is appointed as Managing Director of the Company, with effect from 24th November, 2007.

@@ Mr. N. Sujith Kumar Reddy is appointed as Executive Director of the Company with effect from 24th November, 2007.

* Mr. P. Prasen Kumar, has resigned from the Directorship of the Company with effect from 14th March, 2008.

** Mr. R.S. Vidyasagar, is appointed as Nominee Director of Industrial Development Bank of India Limited with effect from 14th March, 2008.

None of the Directors hold Directorships in more than 15 companies.

Other Directorships:

The number of directorships and memberships in the committees held by the Directors as on December 31, 2007 are as under:

Name of the Director	Other Directorship	Committee Membership	Committee Chairmanship
Mr. N. Radhakrishna Reddy	6	-	-
Mr. N. Jagan Mohan Reddy	5	-	-
Mr. N. Sujith Kumar Reddy	5	-	-
Mr. G. Krishna Prasad	2	-	-
Mr. P. Prasen Kumar	1	-	-
Mr. P. Venugopal Reddy	-	-	-

Board Meetings held from 1st April, 2007 to 31st December, 2007 :

During the period from 1st April, 2007 to 31st December, 2007, Six board meetings were held as against the minimum requirement of four meetings. The maximum time gap between any of the two meetings was not more than four months.

The dates on which the Board meetings were held are:

4th May, 2007, 5th June, 2007, 18th August, 2007, 30th October, 2007, 23rd November, 2007 and 6th December, 2007

Attendance of Directors in the meetings:

The details of the attendance of the Directors at the Board meetings held during the period from 1st April, 2007 to 31st December, 2007 and the last Annual General Meeting ("AGM") are given below:

Name of the Director	Board Meetings Attended	Attendance at last AGM held on 3rd August, 2007
Mr. N. Radhakrishna Reddy	6	Yes
Mr. N. Jagan Mohan Reddy	5	Yes
Mr. N. Sujith Kumar Reddy	6	Yes
Mr. G. Krishna Prasad	5	Yes
Mr. P. Venugopal Reddy	6	Yes
Mr. P. Prasen Kumar	6	Yes

Re-appointment of Directors

Brief resume of the Directors being reappointed, nature of their expertise in specific functional areas and name of companies in which they hold directorship and the membership of the committees of the Board are furnished hereunder:

- **Mr. N. Jagan Mohan Reddy**

Mr. N. Jagan Mohan Reddy aged about 41 years has a Bachelor's of Science degree in Industrial Engineering from Purdue University, U.S.A. He is the founder of Rain CII Carbon (India) Limited (successor of Rain Calcining Limited) that had started operations in 1998. He was instrumental in Rain CII Carbon (India) Limited acquiring Rain CII Carbon LLC (formerly CII Carbon LLC) in 2007, making the combined entity the world's largest producer of Calcined Petroleum Coke. Rain Commodities Limited, a sick company, was not only turned around in less than 2 years after Mr. N Jagan Mohan Reddy was appointed as Managing Director, but has also doubled the cement capacity to 3.2 Million tons per annum. Under the management of Mr. N Jagan Mohan Reddy, the annual sales of Rain Group will exceed Rs.4000 Crores or US \$1 Billion in 2008.

He is presently the Managing Director of Rain Commodities Limited and Rain CII Carbon (India) Limited and Director in Rain CII Carbon LLC, Rain Commodities (USA) Inc., Moonglow Company Business Inc., Sujala Investments Private Limited and Focus India Brands Private Limited.

Mr. N. Jagan Mohan Reddy holds 17,17,348 equity shares in the Company.

Mr. N. Jagan Mohan Reddy is son of Mr. N. Radhakrishna Reddy, Chairman and brother of Mr. N. Sujith Kumar Reddy, Executive Director. Other than the said Directors, Mr. N Jagan Mohan Reddy is not related to any other Director of the Company.

- **Mr. N. Sujith Kumar Reddy**

Mr. N. Sujith Kumar Reddy, (37 years), has a degree in Commerce. He has more than 15 years of experience in the fields of manufacturing industry. Presently, he is also on the board of PCL Financial Services Limited, Nivee Property Developers Private Limited, Arunachala Holdings Limited, Apeetha Enterprises Limited and Nivee Holdings Limited.

Mr. N. Sujith Kumar Reddy holds 20,05,754 equity shares in the Company.

Mr. N. Sujith Kumar Reddy is son of Mr.N.Radhakrishna Reddy, Chairman and brother of Mr. N. Jagan Mohan Reddy, Managing Director. Other than the said Directors, Mr. N Sujith Kumar Reddy is not related to any other Director of the Company.

- **Mr. P. Venugopal Reddy**

Mr. P. Venugopal Reddy, (42 years), has a Masters degree in Commerce, Bachelor's Degree in Law and he is a Chartered Accountant. Mr. P. Venugopal Reddy has over 10 years of experience in the areas of Audit, Finance and Accounts. He is not a Director in any other Company.

Mr. P. Venugopal Reddy does not hold any equity Shares in the Company and is not related to any Director of the Company.

- **Mr. G. Krishna Prasad**

Mr. G. Krishna Prasad, (39 years) and he holds a Bachelor's degree in Electronics Engineering from India and a Masters degree in Computer Science from Wayne State University, Detroit. He worked earlier with Ford Motor Company in Detroit prior to starting his companies in India. Mr. G. Krishna Prasad is at present Managing Director in Emergency Dictation Software Services Private Limited and Tecra Systems Private Limited and a Director in Rain CII Carbon (India) Limited.

Mr. G. Krishna Prasad does not hold any equity shares in the Company and is not related to any Director of the Company.

- Mr. N Radhakrishna Reddy, Chairman is the father of Mr. N. Jagan Mohan Reddy, Managing Director and Mr. N. Sujith Kumar Reddy, Executive Director. Other than the said Directors, Mr. N Radhakrishna Reddy is not related to any other Director.
- Mr. R S Vidyasagar is the Nominee Director of Industrial Development Bank of India Limited and he is not related to any Director of the Company.

3. Board Committees:

The Company has the following standing committees of the Board:

a) Audit Committee

Composition, name of the members and Chairman

In Compliance with Clause-49 of the Listing Agreement and Section 292A of the Companies Act, 1956, the Board of Directors of the Company has constituted an Audit Committee comprising of the following Non-Executive Independent Directors:

✓ Mr. P. Venugopal Reddy	-	Chairman
✓ Mr. G. Krishna Prasad	-	Member
✓ Mr. R.S. VidyaSagar*	-	Member
✓ Mr. P. Prasen Kumar **	-	Member

* Mr. R.S. Vidyasagar has been appointed as member of the Audit Committee with effect from 14th March, 2008.

** Mr. P. Prasen Kumar has resigned from the Directorship of the Company with effect from 14th March, 2008.

The Statutory Auditors, Internal Auditors and Cost auditors are invited to attend the Audit Committee meetings and the Company Secretary acts as the Secretary of the Committee.

The minutes of the meetings of the Audit Committee are circulated to all the members of the Board along with the Board Agenda.

Terms of Reference:

In terms of Clause 49 of the Listing Agreement (as amended) and Section 292A of the Act, the terms of reference of the Audit Committee is as under:

To oversee the Company's financial reporting process and disclosure of its financial information, recommend the appointment of Statutory, Internal and Cost Auditors and fixation of their fees, review and discuss with the Auditors about internal control systems, determine the scope of Audit including the observations of the Auditors, adequacy of the internal audit system, major accounting policies, practices and transactions, compliances with accounting standards and listing agreements entered into with the stock exchanges and other legal requirements concerning financial statements and related party transactions, if any, review the Company's financial and risk management policies and discuss with the Internal Auditors any significant findings for follow-up thereon, review the quarterly, half-yearly and annual financial statements before they are submitted to the Board of Directors.

Attendance of the members at the Audit Committee meetings:

During the period from 1st April, 2007 to 31st December, 2007, Four Audit Committee Meetings were held on 5th June, 2007, 18th August, 2007, 30th October, 2007 and 23rd November, 2007.

Name of the Director	No. of Meetings Attended
Mr. P. Venugopal Reddy	4
Mr. G Krishna Prasad	3
Mr. P. Prasen Kumar	4

b) Remuneration Committee:

The Remuneration Committee has been constituted to formulate and recommend to the Board all elements of the remuneration package of the Managing Director and Executive Director, including performance/achievement bonus and perquisites payable to the whole-time Directors.

Composition, name of the members and Chairman

✓	Mr. P. Venugopal Reddy	-	Chairman
✓	Mr. G Krishna Prasad	-	Member
✓	Mr. R.S.VidyaSagar*	-	Member
✓	Mr. P. Prasen Kumar **	-	Member

* Mr. R.S. Vidyasagar has been appointed as member of Remuneration Committee with effect from 14th March, 2008.

** Mr. P. Prasen Kumar has resigned from the Directorship of the Company with effect from 14th March, 2008.

All the members of the Committee are Independent and Non-Executive Directors.

During the period from 1st April, 2007 to 31st December, 2007 one Remuneration Committee Meeting was held on 23rd November, 2007.

Remuneration policy:

The compensation of the executive directors comprises of fixed component and commission. The compensation is determined based on the remuneration prevailing in the industry and the performance of the Company. The remuneration package of the executive directors are periodically reviewed and suitable revision is recommended to the Board.

The executive directors are not paid sitting fees for any Board/Committee meeting attended by them.

Details of remuneration to all the Directors:

The Details of sitting fees paid to the Non-Executive Directors for attending Board Meetings and Committee Meetings held during the period from 1st April, 2007 to 31st December, 2007 are as follows:

Name of Director	(Rs.)
Mr. P. Venugopal Reddy	7,500
Mr. G. Krishna Prasad	6,500
Mr. P. Prasen Kumar	7,500

The Remuneration paid to the Whole-time Directors during the period from 1st April, 2007 to 31st December, 2007 are as follows:

Rupees

Name of Director and Designation	Salary and Perquisites
Mr. N. Radhakrishna Reddy, Chairman and Managing Director.	4,34,933
Mr. N. Jagan Mohan Reddy, Managing Director	–
Mr. N. Sujith Kumar Reddy, Executive Director	63,27,460
Total	67,62,393

With effect from 24th November, 2007, Mr. N. Radhakrishna Reddy has resigned as Managing Director of the Company but continue to be a Director and Chairman of the Company, Mr. N. Jagan Mohan Reddy is appointed as Managing Director with out remuneration and Mr. N. Sujith Kumar Reddy is appointed as the Executive Director.

The Company does not have any stock option plan or performance linked incentive for the Executive Directors. The appointments are made for a period of five years on the terms and conditions contained in the respective resolutions passed by the Members in the General Meetings.

Shares held by Non-Executive Directors:

Name of the Non-Executive Director	No. of Equity Shares held in the Company
Mr. N. Radhakrishna Reddy	20,76,746
Mr. G. Krishnaprasad	-
Mr. P. Prasen Kumar*	-
Mr. P. Venugopal Reddy	-
Mr. R.S.Vidyasagar**	-

* Mr. P. Prasen Kumar has resigned from the Directorship of the Company with effect from 14th March, 2008

** Mr. R.S.Vidyasagar is appointed as nominee director of Industrial Development Bank of India Limited with effect from 14th March, 2008

c) Shareholders/Investors' Grievance Committee:**Composition and brief terms of reference.**

The Committee consists of the following:

- ✓ Mr. N Radhakrishna Reddy - Chairman
- ✓ Mr. N Sujith Kumar Reddy - Member
- ✓ Mr. N Jagan Mohan Reddy - Member

The Shareholders/Investors Grievance Committee oversees and reviews all matters connected with the securities transfers and also looks into redressing of shareholders complaints like transfer of shares, non-receipt of annual reports/dividends etc. The Committee oversees the performance of the Registrar and Transfer agents and recommends measures for overall improvement in the quality of investor services.

Name and designation of Compliance Officer.

Mr. S. Venkat Ramana Reddy, Company Secretary

Email-id for Investor Grievances :

secretarial@priyacement.com

Number of Shareholders complaints received so far.

During the period from 1st April, 2007 to 31st December, 2007, the Company has received and resolved 97 complaints and there were no pending complaints. Number of complaints not resolved to the satisfaction of shareholders are Nil .

4. GENERAL BODY MEETINGS :

The details of date, location and time of the last three Annual General Meetings held are as under:

Financial year	Date	Venue	Time
2006-2007	3rd August, 2007	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	11.00 am
2005-2006	14th September, 2006	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	11:00 am
2003-2005	15th September, 2005	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	3.00 pm

Special Resolutions passed during the previous three Annual General Meetings:

- ✓ 32nd Annual General Meeting,
No special resolutions have been passed.
- ✓ 31st Annual General Meeting,
No special resolutions have been passed
- ✓ 30th Annual General Meeting,
A Special Resolution was passed, amending the Articles of Association, so as to include certain Articles as suggested by Citicorp Finance (India) Limited, the subscriber for Equity Warrants.

Special resolution passed last year through postal ballot-details of voting pattern

No special resolution was passed through postal ballot during the last year, consequently, disclosures related to the postal ballot information are not applicable.

5. DISCLOSURES:

- a) **Disclosures on materially significant related party transactions, i.e., transactions of the Company of Material nature with the promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large:**

The disclosures with regard to transactions with related parties are given in the Notes to the Accounts of the audited financial statements for the period ended December 31, 2007. These transactions are not in conflict with the interests of the Company.

- b) **Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to the Capital Markets during the last three years:**

There were no instances of non-compliance, penalty or strictures on any matter related to the capital markets, during the last three years.

c) **Disclosure of Accounting Treatment:**

In the preparation of financial statements, the Company has followed the accounting standards issued by Institute of Chartered Accountants of India. The significant accounting policies, which are consistently applied, have been set out in the Notes to the Accounts of the audited financial statements for the year ended December 31, 2007.

d) **Whistle Blower policy**

The company does not have an Whistle Blower Policy, however, no person is denied access to the Audit Committee.

e) **Board Disclosures**

(i) **Risk Management**

Currently, the Company's risk management approach comprises of the following:

- Governance of Risk
- Identification of Risk
- Assessment and control of Risk

The risks have been prioritized through a company wide exercise. Members of Senior Management have undertaken the ownership and are working on mitigating the same through co-ordination among the various departments, insurance coverage, directors and officers' liability policy, security policy and personal accident coverage for lives of all employees.

Your Company has put in place the risk management framework, which helps to identify various risks cutting across its business lines. The risks are identified and are discussed by the representatives from various functions.

Presentation to the Board of Directors and the Audit Committee is made on risk management. The Board and the Audit Committee provide oversight and review the risk management policy periodically.

(ii) **Internal Control System**

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances. The Company uses ERP (Enterprise Resource Planning) system to record data for accounting and connects to different locations for efficient exchange of information. This process ensures that all transaction controls are continually reviewed and risks of inaccurate financial reporting, if any, are dealt with immediately.

The Company's internal control system covers the following aspects:

- Financial propriety of business transactions
- Safeguarding the assets of the Company
- Compliance with prevalent statutes, listing agreement, management authorizations, policies and procedures

The Audit Committee of the Board periodically reviews audit plans, observations and recommendations of the Internal and External Auditors, with reference to the significant risk areas and adequacy of internal controls and keeps the Board of Directors informed of its major observations from time to time.

f) Code of Conduct

The Board has laid down a Code of Conduct covering the ethical requirements to be complied with covering all the Board members and Senior Management Personnel of the Company. An affirmation of compliance with the code is received from them on an annual basis.

g) CEO / CFO Certification:

The CEO / CFO certification on the financial statements and internal controls is separately annexed.

6. MEANS OF COMMUNICATION:

a) Quarterly results

The quarterly results of the Company are published in accordance with the requirements of the listing agreement, in the newspapers having wide circulation. viz. Business Standard (English Daily) & Andhra Prabha (Telugu Daily)

b) News releases, presentations etc:

Official news releases, detailed presentations made to media, analysts, institutional investors, etc. if any, will be displayed on the Company's website : www.priyacement.com

c) Management Discussion and Analysis (MDA) Report

The report on MDA forms part of the Annual Report and Accounts sent to the shareholders.

7. GENERAL SHAREHOLDER INFORMATION

- a) Annual General Meeting : 33rd Annual General Meeting
 Date : 25th June, 2008
 Time : 11:00 A.M
 Venue : KLN Prasad Auditorium,
 Federation of Andhra Pradesh
 Chambers of Commerce &
 Industry (FAPCCI), Red Hills,
 Hyderabad-500 004, Andhra
 Pradesh.

- b) Financial Calendar : 1st January, 2008 to 31st December, 2008
 Tentative Schedule for considering Financial Results
 For the Quarter ending 31st March, 2008 : 22nd April 2008
 For the Quarter ending 30th June, 2008 : July 2008
 For the Quarter ending 30th September, 2008 : October 2008
 For the Quarter/Year ending 31st December, 2008 : March 2009
- c) Dates of Book Closure : 18th June, 2008 to 25th June, 2008
 (both days inclusive)
- d) Dividend Payment Date : On or after 25th June, 2008
- e) Listing on Stock Exchanges :

Name and Address of the Stock Exchange	Scrip Code
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal street, Mumbai-400 001.	500339
National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot # C/1, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051	RAINCOM

The listing fees for the year 2008-09 have been paid to the above stock exchanges.

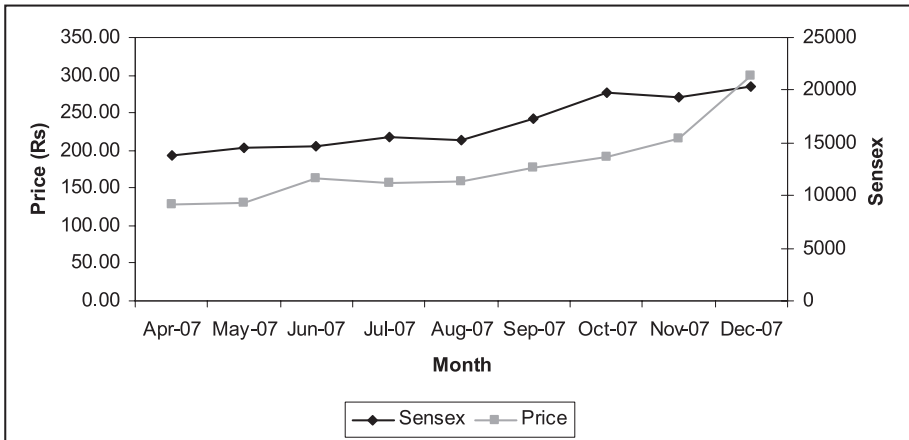
The Company has listed on the National Stock Exchange of India Limited, with effect from March 3, 2008.

- f) **Market Price Data: High, low during each month from 1st April, 2007 to 31st December, 2007**

**BOMBAY STOCK EXCHANGE LIMITED
 SHARE PRICE (Rs.)**

Month	High (Rs.)	Low (Rs.)	No. of Shares traded
April, 2007	128.30	108.00	4876
May, 2007	129.40	109.10	5051
June, 2007	162.00	120.50	14855
July, 2007	156.35	135.10	4179
August, 2007	158.00	125.10	4281
September, 2007	177.40	138.50	6396
October, 2007	190.50	142.35	5046
November, 2007	215.00	149.00	7557
December, 2007	299.95	188.15	18072

g) Performance in comparison to broad based indices such as BSE Sensex:



h) Registrar & Share Transfer Agents:

(for Shares held in both Physical and Demat mode)

Karvy Computershare Private Limited
 (Unit: Rain Commodities Limited)
 46 Avenue 4, Street No. 1,
 Banjara Hills,
 Hyderabad 500 034.
 Phone # 91-40-23420815, 23420820;
 Fax # 91-40-23420814, 23431551
 Email id: ussingh@karvy.com

i) Share transfer System:

The Physical share transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the documents being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All requests for Dematerialisation of shares are processed and the confirmation is given to the respective Depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), with in 21 days of receipt.

j) Distribution of Share holding:

(i) Share holding pattern as on 31st December, 2007 (Pre-allotment)

Sl. No.	Category	No. of Shares held	Percentage of shareholding
1.	Promoters/Directors/ Associates	1,27,95,227	39.85
2.	Mutual Funds and UTI	5,83,220	1.82
3.	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	8,600	0.03
4.	FII's	20,64,123	6.43
5.	Private Corporate Bodies	98,36,004	30.63
6.	Indian Public	57,96,412	18.05
7.	NRIs / OCBs	9,43,744	2.93
8.	Others(Clearing Members)	82,670	0.26
	Total	3,21,10,000	100.00

(ii) Share holding pattern as on 31st March, 2008*

Sl. No.	Category	No. of Shares held	Percentage of shareholding
1.	Promoters/Directors/ Associates	2,88,20,723	40.90
2.	Mutual Funds and UTI	44,20,429	6.27
3.	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	2,50,115	0.36
4.	FII's	78,14,957	11.09
5.	Private Corporate Bodies	1,30,67,727	18.54
6.	Indian Public	1,21,98,807	17.31
7.	NRIs/OCBs	34,23,924	4.86
8.	Others(Clearing Members)	4,74,604	0.67
	Total	7,04,71,286	100.00

*After allotment of 3,48,61,286 equity shares to the shareholders of Rain Calcining Limited on 4th January, 2008 and 35,00,000 equity shares to Focus India Brands Private Limited on 11th March, 2008 consequent to conversion of 35,00,000 equity warrants into equity shares.

(iii) Distribution of Share holding as on 31st December, 2007:

Nominal Value (in Rs.)	Holders		Amount	
	Number of shareholders	% to Total No. of Shareholders	In Rs.	% to Total paidup capital
1 - 5,000	18,498	91.63	2,85,74,080	8.90
5,001 - 10,000	896	4.44	74,32,850	2.32
10,001 - 20,000	364	1.80	55,69,420	1.73
20,001 - 30,000	138	0.68	36,59,780	1.14
30,001 - 40,000	54	0.27	19,46,890	0.61
40,001 - 50,000	55	0.27	26,24,500	0.81
50,001 - 1,00,000	66	0.33	50,64,630	1.58
1,00,001 and above	117	0.58	26,62,27,850	82.92
TOTAL	20,188	100.00	32,11,00,000	100.00

(iv) Distribution of Share holding as on 31st March, 2008

Nominal Value (in Rs.)	Holders		Amount	
	Number of shareholders	% to Total No. of Shareholders	In Rs.	% to Total paidup capital
1 - 5,000	56579	92.83	6,17,32,230	8.76
5,001 - 10,000	2266	3.72	1,66,72,700	2.37
10,001 - 20,000	1022	1.68	1,48,93,920	2.11
20,001 - 30,000	362	0.59	93,84,380	1.33
30,001 - 40,000	116	0.19	40,68,940	0.58
40,001 - 50,000	135	0.22	61,57,940	0.87
50,001 - 1,00,000	191	0.33	1,45,41,940	2.06
1,00,001 and above	256	0.44	57,72,60,810	81.92
TOTAL	60927	100.00	70,47,12,860	100.00

k) Dematerialisation of Shares & Liquidity

The Company's shares are available for dematerialisation on both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

As on 31st December, 2007, 2,42,31,829 equity shares were dematerialised representing 75.47% of the total paid up equity share capital of the Company.

As on 31st March, 2008, 5,20,69,602 equity shares were dematerialised representing 73.89% of the total paid up equity share capital of the Company.

ISIN: INE855B01017

l) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company has issued 68,00,000 equity warrants on 29th November, 2006 and the warrant holder have the option to convert the same into equal number of equity shares on or before 28th May, 2008 i.e., within eighteen months from the date of allotment. Out of the 68,00,000 Equity Warrants, 35,00,000 of Equity Warrants were converted into Equity Shares on 11th March, 2008. The share capital of the Company will increase proportionately with the number of equity warrants converted into equity shares.

m) Plant Locations:

Unit-I : Ramapuram Village,
Mellacheruvu Mandal,
Nalgonda Dist,
Andhra Pradesh.

Unit-II : Boincheruvupalli Village,
Peapully Mandal,
Kurnool Dist,
Andhra Pradesh.

n) Address for Correspondence:

Company Secretary

Rain Commodities Limited

Regd. Off: "Rain Center", 34, Srinagar Colony,
Hyderabad - 500 073. Andhra Pradesh.

Phone No.040- 40401234, 040-40401259

Fax No. 040-40401214.

E-mail:secretarial@priyacement.com

o) Registrar and Share Transfer Agents (for shares held in both Physical and Demat Mode):

Karvy Computershare Private Limited

(Unit: Rain Commodities Limited)

46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034.

Phone # 91-40-23420815, 23420820;

Fax # 91-40-23420814, 23431551

On behalf of the Board of Directors
for **RAIN COMMODITIES LIMITED**

Place : Hyderabad
Date : May 21, 2008

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

DECLARATION

As provided under Clause-49 of the Listing Agreement with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended 31st December, 2007.

for **RAIN COMMODITIES LIMITED**

Place : Hyderabad
Date : May 21, 2008

N. Jagan Mohan Reddy
Managing Director

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of
Rain Commodities Limited

We have examined the compliance of conditions of Corporate Governance by Rain Commodities Limited ('the Company'), for the period from 1st April, 2007 to 31st December 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

P. Rama Krishna
Partner

Membership Number: 22795

Place: Hyderabad
Date: May 21, 2008

For and on behalf of
Price Waterhouse
Chartered Accountants

CEO/CFO CERTIFICATE

We hereby certify that :

- a) We have reviewed financial statements including the cash flow statement for the period from 1st April, 2007 to 31st December, 2007 ('financial year') and certify that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee that there are no:
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system over financial reporting.
- e) We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current financial year.

for **RAIN COMMODITIES LIMITED**

Place : Hyderabad

N. Jagan Mohan Reddy

G N V S R R Kumar

Date : March 21, 2008

Managing Director

Chief General Manager (F&A)

AUDITORS' REPORT

TO THE MEMBERS OF
RAIN COMMODITIES LIMITED

1. We have audited the attached Balance Sheet of Rain Commodities Limited, as at December 31, 2007, and the related Profit and Loss Account and the Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on December 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2007;
- (ii) in the case of the Profit and Loss Account, of the profit for the period ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna

Partner

Membership Number: 22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Place: Hyderabad

Date: March 21, 2008

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Rain Commodities Limited on the financial statements for the period ended December 31, 2007]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the period.
2. (a) The inventory has been physically verified by the management during the period. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

- (b) The company has taken unsecured loans, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the period and the period - end balance of such loan aggregates to Rs. 120,000,000 and Rs. 120,000,000 respectively.
- (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
- (d) In respect of the aforesaid loans, the company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, where applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the period have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and Section 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, investor education and protection fund is not applicable to the Company during the period.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, wealth tax, service tax, customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of sales tax and excise duty as at December 31, 2007 which have not been deposited on account of dispute are given below:

Name of the Statute	Nature of dues	Amount in Rupees	Period to which the amount relates	Forum where the dispute is pending
Andhra Pradesh General Sales Tax Act, 1957	Tax levied on issue of diesel to the transporters / tax on Second sales / turnover not covered by 'G' forms etc.,	32,868,748	1992-93 to 2002-03	Various cases pending before Sales Tax Appellate Tribunal, Andhra Pradesh,
The Central Sales Tax Act, 1956	Turnover not covered by forms, concessional rate not allowed, tax on transport charges, sales tax on issue of diesel to transporters etc.	5,604,197	1993-94 to 1998-99 and 2001-02	Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad
The Central Sales Tax Act, 1956	Tax levied on issue of Diesel to the transporters	10,971,732	1996-97 to 1999-00	Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad, Appellate Deputy Commissioner of Commercial Taxes, Hyderabad and Rural Division, Hyderabad
Tamil Nadu General Sales Tax Act, 1959	Claim of exemption on discounts not allowed by the assessing authority.	2,940,059	1998-2001	Additional Deputy Commissioner, Chennai
Central Excise Act, 1944	Modvat credit availed on DG Sets	1,689,981	1998-2001	Additional Commissioner, Hyderabad
Central Excise Act, 1944	Cenvat credit utilized on service tax paid on outward freight for ex-factory sales	1,144,749	2005-2006	Commissioner (Appeals), Guntur
Central Excise Act, 1944	Cenvat credit utilized on service tax paid on outward freight for ex-factory sales	2,747,281	2005-2006	Additional Commissioner, Tirupati

10. The Company has no accumulated losses as at December 31, 2007 and it has not incurred any cash losses in the financial period ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the period, are not prejudicial to the interest of the Company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short- term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the period.
19. The Company has created security or charge in respect of debentures issued and outstanding at the period end.
20. The Company has not raised any money by public issues during the period.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.
22. The other clauses, (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current period, since in our opinion there is no matter which arises to be reported upon under the aforesaid order.

P. Rama Krishna

Partner

Membership Number: 22795

For and on behalf of

Price Waterhouse

Place: Hyderabad

Date : March 21, 2008 Chartered Accountants

BALANCE SHEET AS AT DECEMBER 31, 2007

(Rs. in Million)

	SCHEDULE	December 31, 2007	As at March 31, 2007	As at March 31, 2007
SOURCES OF FUNDS				
Shareholders' Funds				
a) Capital	A	321.10	321.10	
b) Capital Suspense	B	348.61	–	
c) Share Application Money pending allotment		136.00	136.00	
d) Reserves and Surplus	C	<u>2,885.46</u>	<u>584.36</u>	
			3,691.17	1,041.46
Loan Funds				
a) Secured Loans	D	2,849.98	–	
b) Unsecured Loans	E	<u>716.94</u>	–	
			3,566.92	–
Deferred Tax Liability				
			<u>243.70</u>	–
TOTAL		<u><u>7,501.79</u></u>		<u><u>1,041.46</u></u>
APPLICATION OF FUNDS				
Fixed Assets				
a) Gross Block	F	2,056.60	–	
b) Less: Depreciation/Amortisation		<u>101.06</u>	–	
c) Net Block		1,955.54	–	
d) Capital Work In Progress		<u>2,418.23</u>	–	
			4,373.77	–
Investments				
	G		<u>2,406.37</u>	1,061.95
Current Assets, Loans and Advances				
a) Inventories	H	299.64	–	
b) Sundry Debtors	I	432.20	–	
c) Cash and Bank balances	J	140.69	0.50	
d) Other Current Assets	K	1.18	–	
e) Loans and Advances	L	<u>1,265.35</u>	119.04	
		2,139.06	119.54	
Less : Liabilities and Provisions				
a) Liabilities	M	1,164.74	8.54	
b) Provisions	N	<u>252.67</u>	131.49	
		1,417.41	140.03	
Net Current Assets			<u>721.65</u>	(20.49)
TOTAL		<u><u>7,501.79</u></u>		<u><u>1,041.46</u></u>
Notes to the Accounts	V			

Schedules A to N and V form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

N. RADHAKRISHNA REDDY
Chairman
S. VENKAT RAMANA REDDY
Company Secretary

N. JAGAN MOHAN REDDY
Managing Director
G R KUMAR
CGM - Finance & Accounts

Place: Hyderabad
Date : March 21, 2008

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2007 (Rs. in Million)

	SCHEDULE	Period ended December 31, 2007	Year ended March 31, 2007
INCOME			
Sales (Gross)	O	5,273.75	-
Less: Excise duty		<u>653.11</u>	-
Sales (Net)		4,620.64	-
Other Income	P	24.89	17.37
Increase/ (Decrease) in stock in trade	Q	<u>72.76</u>	-
		<u>4,718.29</u>	<u>17.37</u>
EXPENDITURE			
Payments and Benefits to Employees	R	113.26	1.51
Manufacturing Expenses	S	1,797.31	-
Administrative, Selling and Distribution Expenses	T	<u>1,423.67</u>	4.62
Total		<u>3,334.24</u>	<u>6.13</u>
GROSS OPERATING PROFIT			
Interest and Finance Charges	U	1,384.05	11.24
		272.19	16.71
PROFIT BEFORE DEPRECIATION AND TAXATION			
Depreciation and Amortisation		101.17	0.09
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM			
Provision for Taxation		1,010.69	(5.56)
- Current Tax		160.00	-
- Deferred Tax		(6.50)	-
- Fringe Benefit Tax		1.83	0.02
PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM			
Extraordinary Item		855.36	(5.58)
- Loss on transfer of calcination and power business (Refer Note III on Schedule V)		602.10	-
PROFIT/ (LOSS) AFTER TAXATION			
Surplus brought forward from Previous Year		253.26	(5.58)
		<u>1,884.37</u>	<u>258.70</u>
AVAILABLE FOR APPROPRIATION			
APPROPRIATIONS			
Transfer to Debenture Redemption Reserve		6.95	-
Transfer to General Reserve		25.70	-
Provision for Proposed Dividend		197.32	112.39
Provision for Tax on Proposed Dividend		<u>33.52</u>	<u>19.10</u>
SURPLUS CARRIED TO BALANCE SHEET			
		<u>1,874.14</u>	<u>121.63</u>
Notes to Accounts V			
Earnings/(Loss) Per Share before Extraordinary item-Basic-Rs.		26.64	(0.24)
Earnings/(Loss) Per Share after Extraordinary item-Basic-Rs.		7.89	(0.24)
Earnings/(Loss) Per Share before Extraordinary item-Diluted-Rs.		11.59	(0.24)
Earnings/(Loss) Per Share after Extraordinary item-Diluted-Rs.		3.43	(0.24)

Schedules O to V form an integral part of the Profit and Loss Account
This is the Profit and Loss Account referred to in our report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Place: Hyderabad
Date: March 21, 2008

N. RADHAKRISHNA REDDY
Chairman
S. VENKAT RAMANA REDDY
Company Secretary

N. JAGAN MOHAN REDDY
Managing Director
G R KUMAR
CGM - Finance & Accounts

CASH FLOW STATEMENT

(Rs. in Million)

	Nine Months Ended December 31, 2007	Year Ended March 31, 2007
A. Cash Flow From Operating Activities		
Net Profit before Taxation & Extraordinary item	1,010.69	(5.56)
Adjustments for:		
Depreciation	101.17	0.09
Discount On Issue of Debentures Amortised	19.17	–
Unrealized (Gain)/Loss on Restatement of Monetary Liabilities	1.04	–
Interest on deposits with Banks and others	(13.36)	(14.88)
Provision for doubtful debts	0.80	–
Interest and finance charges	253.02	14.68
Liability No Longer Required Written Back	(0.03)	(1.24)
Loss on Sale of Fixed Asset/ Fixed Assets Written off	0.11	0.85
Advances Written off	–	0.76
Inventories Written off	–	0.22
Dividend Received	(7.47)	(0.80)
Operating profit before Working Capital changes	1,365.14	(5.88)
Adjustments for:		
Sundry Debtors	(372.72)	–
Inventories	(92.89)	–
Loans and Advances and other current assets	78.04	(12.53)
Current Liabilities and Provisions	330.35	(12.63)
	1307.92	(31.04)
Taxes paid	174.31	(0.02)
Net cashflow from/(used in) operating activities	1,133.61	(31.02)
B. Cash Flow from Investing activities		
Purchase of Fixed Asset	(1,755.39)	–
Proceeds from sale of Fixed Assets	1.60	–
Purchase of Investments	(272.73)	(240.00)
Additional Investment in RCUSA	(530.84)	–
Interest Received	13.99	14.88
Dividend Received	7.47	0.80
Net Cash flow used in Investing Activities	(2,535.90)	(224.32)

CASH FLOW (Contd.)

(Rs. in Million)

	Nine Months Ended December 31, 2007	Year Ended March 31, 2007
C. Cash Flow From Financing Activities		
Proceeds from Long term borrowings	1,248.92	(226.73)
Working Capital	(18.70)	-
Sales tax deferrment	57.81	-
Interest paid	(248.74)	(14.69)
(Repayment of)/Proceeds from Security Deposits	24.34	-
Unsecured Loan	120.00	-
Dividend Distributed	(131.48)	-
Share Application Money/Increase in Share Capital	-	496.00
Net Cash Flow from / (used in) Financing Activities	1,052.15	254.58
Net (Decrease)/Increase in Cash and Cash equivalents	(350.14)	(0.76)
Cash and Cash equivalents - Opening Balance*	490.83	1.26
Cash and Cash equivalents - Closing Balance*	140.69	0.50
*includes money held on margin money deposit accounts		

Notes

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements.

This is the Cash Flow Statement referred to in our Report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

N. RADHAKRISHNA REDDY
Chairman

S. VENKAT RAMANA REDDY
Company Secretary

N. JAGAN MOHAN REDDY
Managing Director

G R KUMAR
CGM - Finance & Accounts

Place: Hyderabad
Date : March 21, 2008

SCHEDULES TO THE BALANCE SHEET

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
A. SHARE CAPITAL		
Authorised		
118,000,000 (March 31, 2007 - 67,000,000) Equity Shares of Rs. 10 each	1,180.00	670.00
4,900,000 (March 31, 2007 - 10,000,000) Redeemable Preference Shares of Rs. 100 each	490.00	1,000.00
	<u>1,670.00</u>	<u>1,670.00</u>
Issued, subscribed and paid up		
32,110,000 Equity Shares of Rs. 10 each	321.10	321.10
	<u>321.10</u>	<u>321.10</u>
B. CAPITAL SUSPENSE		
Capital Suspense	348.61	-
34,861,286 Equity Shares of Rs. 10 each fully paid-up, to be issued pursuant to the Scheme of Arrangement between the Company, Rain Industries Limited and Rain Calcining Limited (Refer Note III on Schedule V)		
	<u>348.61</u>	<u>-</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
C. RESERVES AND SURPLUS		
Capital Reserve		
As at the commencement of the period	2.73	2.73
Less: Per Scheme of Arrangement - On transfer of cement business from Rain Industries Limited (Refer Note III on Schedule V)	(4.06)	-
Add: Per Scheme of Arrangement - On merger of erstwhile Rain Calcining Limited with the Company (Refer Note III on Schedule V)	384.32	-
	<u>382.99</u>	<u>2.73</u>
Securities Premium Account		
As at the commencement of the period	300.00	-
Add: Per Scheme of Arrangement - On merger of erstwhile Rain Calcining Limited with the Company (Refer Note III on Schedule V)	2.19	-
Add: Premium received on issue of additional equity shares	-	300.00
	<u>302.19</u>	<u>300.00</u>
Debenture Redemption Reserve		
As at the commencement of the period	-	-
Add: Per Scheme of Arrangement - On transfer of cement business from Rain Industries Limited (Refer Note III on Schedule V)	136.06	-
Add: Transferred from Profit and Loss Account	6.95	-
	<u>143.01</u>	<u>-</u>
General Reserve		
As at the commencement of the period	160.00	160.00
Add: Transferred from Profit and Loss Account	25.70	-
Less: Adjustment on account of initial adoption of Accounting Standard 15 (revised 2005) on 'Employee Benefits' (Refer Note XII on Schedule V) (net of tax)	2.57	-
	<u>183.13</u>	<u>160.00</u>
Profit and Loss Account	<u>1,874.14</u>	<u>121.63</u>
	<u>2,885.46</u>	<u>584.37</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
D. SECURED LOANS*		
Debentures		
11,278,000 (March 31, 2007 - Nil), 9.39% Redeemable Non - Convertible Debentures of Rs. 100 each (privately placed)	572.02	-
Term Loans		
- Banks	1,123.98	-
- Financial Institutions	1,017.54	-
- Interest accrued and due	5.06	-
Working Capital Loans from Banks	130.55	-
Hire Purchase Loan from Banks	0.83	-
	2,849.98	-
E UNSECURED LOANS		
Other than short term		
Sales Tax Deferment	515.20	-
Security Deposit from Customers	81.74	-
Inter Corporate Deposit	120.00	-
	716.94	-

***Notes:**

1. Debentures and Term Loans are :
 - a) Secured by pari passu first charge on all immovable properties of the Company
 - b) Secured by additional security of farm land at Nellore and land owned by certain Directors;
 - c) Secured by personal guarantee of certain promoter Directors;
2. Cash Credit is secured by first charge on the whole of the present and future current assets of the company.
3. Hire Purchase Loan is secured by hypothecation of pay loader.
4. The Debentures are redeemable in ten half yearly installments commencing from September 30, 2005 and ending by March 31, 2010. The Company has paid upto December 31, 2007 Rs.555.78 Million.

SCHEDULES TO THE BALANCE SHEET (Contd.)

F. FIXED ASSETS

Description	(Rupees in Million)							
	As at April 1, 2007	On Arrangement - Transfer of Cement business*	Adjusted balance as at April 1, 2007	On Arrangement - Receipt of Calculation and Power business**	On Arrangement - Transfer of Calculation and Power business***	Additions during the period	Deletions during the period	As at December 31, 2007
I. INTANGIBLE ASSETS								
Goodwill	-	-	-	-	-	-	-	-
Software	-	0.88	0.88	-	-	-	-	0.88
	-	0.88	0.88	-	-	-	-	0.88
II. TANGIBLE ASSETS								
Land - Free Hold	-	50.01	50.01	-	-	2.91	-	52.92
Land - Mining	-	12.75	12.75	-	-	3.70	-	16.45
Buildings	-	444.97	444.97	726.53	726.53	0.95	1.62	444.30
Railway Siding	-	1.80	1.80	-	-	-	-	1.80
Plant and Machinery	-	1,395.17	1,395.17	2,666.70	2,666.70	11.29	-	1,406.46
Furniture and Fixtures	-	20.32	20.32	85.49	8.12	3.50	-	101.19
Office Equipments	-	16.21	16.21	4.91	4.91	8.39	-	24.60
Vehicles	-	5.37	5.37	3.34	3.34	2.63	-	8.00
	-	1,946.60	1,946.60	3,486.97	3,409.60	33.37	1.62	2,055.72
Total	-	1,947.48	1,947.48	3,486.97	3,409.60	33.37	1.62	2,056.60
Year ended March 31, 2007	1.55	-	1.55	-	-	-	1.55	-
Capital work in Progress								

* Represents the assets of the cement business taken over, pursuant to the Scheme of Arrangement between the Company, Rain CII Carbon (India) Limited and Rain Calcining Limited (Refer Note III on Schedule V), after adjustments for the additions/depreciation for the period from July 1, 2006 to March 31, 2007.

** Represents assets of Calculation and Power business taken over, pursuant to the Scheme of Arrangement between the Company, Rain CII Carbon (India) Limited and Rain Calcining Limited (Refer Note III on Schedule V).

*** Represents transfer of assets of the Calculation and Power business, pursuant to the Scheme of Arrangement between the Company, Rain CII Carbon (India) Limited and Rain Calcining Limited (Refer Note III on Schedule V).

Notes:

Capital Work in progress includes capital advances of Rs. 122.42 Million (March 31, 2007 Rs. Nil)

SCHEDULES TO THE BALANCE SHEET (Contd.)

F. FIXED ASSETS (Contd.)

Description	DEPRECIATION/ AMORTISATION				NET BLOCK	
	Up to April 1, 2007	For the Period	On Deletions	Up to December 31, 2007	As at December 31, 2007	As at March 31, 2007
I. INTANGIBLE ASSETS						
Goodwill	-	-	-	-	-	-
Software	-	0.66	-	0.66	0.22	-
	-	0.66	-	0.66	0.22	-
II. TANGIBLE ASSETS						
Land - Free Hold	-	-	-	-	52.92	-
Land - Mining	-	0.08	-	0.08	16.37	-
Buildings	-	11.56	0.11	11.45	432.85	-
Railway Siding	-	0.08	-	0.08	1.72	-
Plant and Machinery	-	80.98	-	80.98	1,325.48	-
Furniture and Fixtures	-	5.07	-	5.07	96.12	-
Office Equipments	-	2.22	-	2.22	22.38	-
Vehicles	-	0.52	-	0.52	7.48	-
	-	100.51	0.11	100.40	1,955.32	-
Total	-	101.17	0.11	101.06	1,955.54	-
Year ended March 31, 2007	0.62	0.09	0.71	-	-	-
Capital work in Progress					2,418.23	-

(Rupees in Million)

SCHEDULES TO THE BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
G. INVESTMENTS		
(Long Term - At Cost)		
Unquoted		
Other than Trade*		
Government Securities - National Savings Certificates	0.09	-
Trade Investments*		
a) Andhra Pradesh Gas Power Corporation Limited 134,000 (March 31, 2007 - Nil) Equity Shares of Rs. 10 each fully paid up	16.00	-
b) Petroleum Coke Industries Company, Kuwait 17,250,000 (March 31, 2007 - Nil) Equity shares of KD 0.10 each, fully paid up	257.73	-
Subsidiary Companies		
a) Rain CII Carbon (India) Limited 29,805,000 (March 31, 2007 - 20,800,000) Equity Shares of Rs. 10 each fully paid up 9,005,000 Equity Shares of Rs. 10 each fully paid up have been allotted pursuant to the Scheme of Arrangement (Refer Note III on Schedule V)	2,128.11	1,047.51
b) Rain Commodities (USA) Inc 20 Common Stock at face value of USD 0.01 per share	4.44	4.44
Quoted		
a) Rain Calcining Limited Nil (March 31, 2007-1,000,000) Equity shares of Rs. 10 each fully paid up	-	10.00
	2,406.37	1,061.95

*Represents investments taken over pursuant to the Scheme of Arrangement between the Company, Rain Industries Limited and Rain Calcining Limited (Refer Note III on Schedule V).

SCHEDULES TO THE BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
H. INVENTORIES		
Stores and Spare Parts *	55.24	-
Raw Materials *	122.37	-
Stock In Trade		
Finished Goods **	31.15	-
Work -in-Progress **	90.88	-
	<u>299.64</u>	<u>-</u>
Raw Material includes goods in transit of	11.05	-
* at cost or below		
** at lower of cost and net realisable value		
I. SUNDRY DEBTORS		
(Considered good, unless otherwise stated)		
Secured		
Considered Good		
- Debts Outstanding for a period exceeding six months	7.10	-
- Other debts	27.21	-
Unsecured		
Considered Good		
- Debts Outstanding for a period exceeding six months	-	-
- Other debts		
From Rain CII Carbon (India) Limited, Subsidiary Company	331.88	-
From Others	66.01	-
Considered Doubtful		
- Debts Outstanding for a period exceeding six months	14.96	3.78
- Other debts	-	-
Less: Provision	(14.96)	(3.78)
	<u>432.20</u>	<u>-</u>
J. CASH AND BANK BALANCES		
Cash and Cheques on Hand	37.53	-
With Scheduled Banks		
- Current Accounts	38.56	0.50
- Fixed Deposit Accounts	6.03	-
- Margin Money Deposit Accounts	53.29	-
- Dividend Account	5.28	-
	<u>140.69</u>	<u>0.50</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
K. OTHER CURRENT ASSETS		
Interest accrued on Investments and Deposits	1.18	—
	<u>1.18</u>	<u>—</u>
L. LOANS AND ADVANCES (Unsecured and Considered Good, unless otherwise stated)		
Loans to Employees	0.03	0.01
Advances recoverable in cash or kind or for value to be received	398.85	—
Advances to:		
- Rain Commodities (USA) Inc., a Subsidiary Company (Maximum amount outstanding during the period - Rs. 637.57 million; March 31, 2007-Rs 107.59 million)	637.57	107.59
- Other body corporates	—	7.68
Balance with Government and Public Bodies	187.89	0.33
Deposits with Others	24.39	—
Advance Tax (Net of Provision)	16.62	3.43
	<u>1,265.35</u>	<u>119.04</u>
M. LIABILITIES		
Sundry Creditors		
- Dues to Micro, Small and Medium Enterprises	—	—
- Dues to Small Scale Industrial Undertakings	—	—
- Dues to other than Small Scale Industrial Undertakings	785.46	0.97
Dues to Rain CII Carbon (India) Limited, Subsidiary Company	240.00	7.55
Advance from Customers	40.82	—
Other Liabilities	83.40	0.02
Interest accrued but not due on loans	9.78	—
Unclaimed Dividends*	5.28	—
	<u>1,164.74</u>	<u>8.54</u>
* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.		
N. PROVISIONS		
Gratuity	10.47	—
Leave Encashment	10.83	—
Fringe Benefit Tax	0.53	—
Proposed Dividend	197.32	112.39
Tax on Proposed Dividend	33.52	19.10
	<u>252.67</u>	<u>131.49</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in Million)

	Period ended December 31, 2007	Year ended March 31, 2007
O. SALES		
Cement	4,779.17	—
Green Petroleum Coke	494.58	—
	<u>5,273.75</u>	<u>—</u>
P. OTHER INCOME		
Interest on deposits with Banks and Others [Tax deducted at Source - Rs.2.96 million (March 31, 2007 - Rs 3.34 million)]	13.36	14.88
Scrap sales	3.50	—
Liability no longer required Written back	0.03	1.23
Miscellaneous Income	0.53	0.46
Dividend Income	7.47	0.80
	<u>24.89</u>	<u>17.37</u>
Q. INCREASE/ (DECREASE) IN STOCK*		
Closing Stock		
Finished Goods	31.15	—
Work in Progress	90.88	—
	<u>122.03</u>	<u>—</u>
Opening Stock*		
Finished Goods	28.36	—
Work in Progress	20.91	—
	<u>49.27</u>	<u>—</u>
Increase/(Decrease) in Stock	71.76	—
Increase/(Decrease) in Excise Duty on Stock	1.00	—
	<u>72.76</u>	<u>—</u>
*Represents stock taken over, pursuant to the Scheme of Arrangement between the Company, Rain CII Carbon (India) Limited and Rain Calcining Limited (Refer Note III on Schedule V)		
R. PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	88.82	1.36
Contribution to Provident Fund and Other Funds	11.57	0.13
Workmen and Staff Welfare Expenses	12.87	0.02
	<u>113.26</u>	<u>1.51</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd.)

(Rs. in Million)

	Period ended December 31, 2007	Year ended March 31, 2007
S. Manufacturing Expenses		
Raw Materials Consumed	213.18	-
Purchase of Goods for Resale	486.14	-
Packing Material Consumed	133.50	-
Stores and Spare Parts Consumed	108.74	-
Power and Fuel	785.60	-
Repairs		
- Buildings	0.40	-
- Machinery	28.48	-
Royalty and Cess	65.27	-
	1,821.31	-
Less: Cement consumption for expansion project	24.00	-
	1,797.31	-
T. Administrative, Selling and Distribution Expenses		
Rent	5.84	-
Rates and taxes	555.18	0.05
Repairs to Others	11.41	-
Insurance	6.77	-
Director's sitting fees	0.14	0.04
Commission to Directors	3.50	-
Auditor's Remuneration		
Audit Fees	1.80	0.40
Certification Fees	0.29	-
Listing and filing fees	0.19	0.21
Selling and Distribution Expenses	791.38	0.37
Communication Expenses	4.13	0.30
Travelling and Conveyance	8.66	0.33
Legal and Professional Charges	14.40	0.72
Provision for Doubtful Debts	0.80	-
Loss on Sale of Fixed Asset/Written off	0.11	0.85
Miscellaneous Expenses	18.03	1.36
Loss/(Gain) on Foreign Exchange Fluctuation	1.04	-
	1,423.67	4.62
U. Interest and Finance Charges		
Interest on Debentures	45.75	-
Interest on Term Loans	184.84	14.68
Interest on Cash Credit and Others	3.78	-
Discount on issue of Debentures amortised	19.17	-
Interest on Unsecured Loans	6.22	-
Other Interest	6.87	-
Bank Charges	5.56	2.03
	272.19	16.71

V. NOTES TO ACCOUNTS

I. Organisation:

Rain Commodities Limited ('the Company') is engaged in the manufacture and sale of cement. The Company has two wholly owned subsidiaries - Rain CII Carbon (India) Limited (formerly Rain Industries Limited) and Rain Commodities (USA), Inc. Rain CII Carbon (India) Limited is engaged in the manufacturing and trading of Calcined Petroleum Coke and generation of Power through the waste heat recovery. Rain Commodities (USA), Inc. incorporated in the state of Delaware, United States of America is primarily an investment vehicle.

During the period, Rain CII Carbon (India) Limited, through its subsidiaries acquired all of the outstanding equity interests of CII Carbon L.L.C., USA. Rain Commodities (USA), Inc. has also made strategic investments in CII Carbon L.L.C., USA.

The Board of Directors of the Company, at its meeting held on August 18, 2007, has approved the change in financial year of the Company from "April - March" to "January - December". Accordingly the current financial year is for a period of nine months from April 1, 2007 to December 31, 2007.

The financial statements has been compiled after considering the impact of the Scheme of Arrangement, between the Company, Rain Industries Limited and Rain Calcining Limited, approved by the Hon'ble High Court of Judicature at Andhra Pradesh on October 25, 2007. Consequently, the figures of the current period represent cement business activities and those of previous year relate to the investment activities, hence not comparable.

II. Significant Accounting Policies

a) Basis of Preparation of Financial Statements

The financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards covered by the Accounting Standard Rules and the relevant provisions of the Companies Act, 1956.

b) Revenue Recognition

Sales are recognised on despatch of goods to customers. Gross sales include excise duty and sales tax recovered and are net of trade discounts.

c) Fixed Assets and Depreciation

Fixed assets are stated at actual cost less depreciation. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, and other incidental expenses.

Assets under construction as at the balance sheet date are shown as Capital work in progress. Advances paid towards acquisition of fixed assets are also included under Capital work in progress.

Depreciation on buildings and plant and machinery is computed on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 or based on the remaining estimated economic useful lives determined by an independent valuer, whichever is higher.

Depreciation on other assets is computed on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Goodwill is being amortised on Straight Line Method over a period of ten years. Software is amortized evenly over a three-year period.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss, being the excess of carrying value over the recoverable value of the assets, is charged to the Profit and Loss Account in the respective financial years. The impairment loss recognized in the prior years is reversed in cases where the recoverable value exceeds the carrying value, upon reassessment in the subsequent years.

d) Inventories

Inventories are valued at cost or below. Raw materials cost is computed on the basis of weighted average cost per unit of measurement after providing for cost of obsolescence, if any. Finished goods and work in progress are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and comprises of material, labour and applicable overhead expenses. Stores and spares are valued at cost on weighted average basis, or below.

Goods in transit are valued at cost, which represents the costs incurred upto the stage at which the goods are in transit.

e) Employee Benefits

i) Defined contribution Plans

Contributions paid/payable under defined contribution plans are recognised in the Profit and Loss Account each year. Contribution plans comprises of Provident Fund, administered and managed by the Government of India. The Company makes monthly contributions and has no further obligations under the plan beyond its contributions.

ii) Defined Benefit Plans

The Company has a defined benefit Gratuity plan covering all its employees. Gratuity is covered under a Scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognised in the Profit and Loss Account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 (revised 2005) on 'Employee Benefits' issued by the Institute of Chartered Accountants of India ('revised AS 15') as at the end of the period.

iii) Other long term employee benefits

Other long term employee benefits comprise of leave encashment which is provided for based on the actuarial valuation carried out in accordance with revised AS 15 as at the end of the period.

iv) Short term employee benefits

Short term employee benefits including accumulated compensated absences as at the Balance Sheet date are recognised as an expense as per Company's schemes based on expected obligation on an undiscounted basis.

f) Earnings Per Share (EPS)

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

Dilutive potential equity shares are deemed to be converted as of the beginning of the year, unless they have been issued at a later date. The number of shares used for computing the diluted EPS is the weighted average number of shares outstanding during the year after considering the dilutive potential equity shares.

g) Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised on timing differences being the differences between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods subject to consideration of prudence. Deferred tax assets are not recognized unless there is reasonable certainty that there will be sufficient future taxable income available to realize such asset. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

h) Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and monetary liabilities relating to foreign exchange transactions remaining unsettled at the end of the year are translated at the prevailing year end rates and the resultant gain or loss is dealt with in the Profit and Loss Account.

i) Investments

Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments.

III. Scheme of Arrangement between the Company, Rain CII Carbon (India) Limited and Rain Calcining Limited

Pursuant to the Scheme of Arrangement ('the Scheme') between the Company, its wholly owned subsidiary Rain CII Carbon (India) Limited (RCCIL) and Rain Calcining Limited (RCL), as approved by the respective shareholders of the Company and RCL, in the Extra-ordinary General Meetings held on June 4, 2007, and subsequently approved by the Hon'ble High Court of Judicature at Andhra Pradesh on October 25, 2007, and filed with the Registrar of Companies on November 23, 2007:

- a) the cement business of RCCIL have been transferred to and vested in the Company with effect from July 1, 2006;
- b) the entire business and undertaking of RCL including all assets, liabilities, duties and obligations have been transferred to and vested in the Company with effect from April 1, 2007; and
- c) Subsequent to the amalgamation of RCL with the Company, the Calcined Petroleum Coke and Power Business have been transferred to and vested in RCCIL on April 1, 2007.

The scheme has been accordingly given effect to in these financial statements.

A. Transfer of cement business of RCCIL to the Company

- a) RCCIL was principally engaged in the business of manufacturing and sale of cement.
- b) In accordance with the Scheme, the assets and liabilities of the cement business of RCCIL have been transferred to and vested in the Company with effect from July 1, 2006 for a consideration of Rs. 320 million. The assets and liabilities taken over have been given below:

Particulars	Rs. in million
Assets	
Fixed Assets (net of goodwill Rs.134.92)	1,990.41
Capital Work in Progress	19.65
Investments	16.09
Inventories	176.99
Sundry Debtors	84.05
Cash and Bank Balances	333.72
Loans and Advances	448.14
Other Current Assets	0.82
TOTAL	3,069.87
Liabilities	
Secured Loans	1,814.06
Unsecured Loans	417.54
Current Liabilities and Provisions	517.81
Debenture Redemption Reserve	4.52
TOTAL	2753.93
Net Assets	315.94

- c) In accordance with the Scheme, the assets and liabilities of cement business of RCCIL have been taken over at their book values as on July 1, 2006 and Rs.4.06 million being the excess consideration paid over the book value of the net assets has been adjusted to the Capital Reserve as prescribed under the Accounting Standard 14 "Accounting for Amalgamations".
- d) Investments, assets, liabilities and licenses held in the name of Rain Industries Limited are in the process of being transferred in the name of the Company.

- e) Particulars of the cement business activities for the nine months period from July 1, 2006 to March 31, 2007, after giving effect to the Scheme are given below :

Particulars	Rs. in million
Income	
Net Sales	3,730.66
Other Income	52.81
Increase /(Decrease) in Stock	(10.45)
TOTAL	3,773.02
Expenditure	
Payments and Benefits to Employees	89.51
Manufacturing Expenses	1,219.79
Administration, Selling and Other Expenses	1,317.82
Interest and Finance Charges	215.15
Depreciation	96.42
TOTAL	2,938.69
Profit Before Taxation	834.33
Provision for Tax	
Current Tax	105.57
MAT Credit Entitlement	(105.57)
Deferred Tax*	251.50
Fringe Benefit Tax	1.54
Profit after Tax	581.29
Transfer to Debenture Redemption Reserve	131.53
Surplus included in the Profit and Loss Account	449.76

*based on assessment as on March 31, 2007.

B. Amalgamation of RCL with the Company

- In terms of the Scheme, the entire business and undertaking of RCL have been transferred to and vested in the Company with effect from April 1, 2007.
- RCL is engaged in the manufacturing and trading of Calcined Petroleum Coke and generation of Power through the waste heat recovery.
- The Amalgamation has been accounted for under the 'Pooling of Interests Method' as prescribed by Accounting Standard 14, "Accounting for Amalgamations". Accordingly, the assets, liabilities and other reserves of the erstwhile RCL have been taken over at their book values.
- As per the Scheme, 7,473,499 Equity Shares of Rs 10 each of RCL held by the Company, stands cancelled.

- e) In terms of the Scheme, the Company is required to allot 34,861,286 Equity Shares of Rs 10 each as fully paid-up to the shareholders of RCL in the proportion of two fully paid-up Equity Shares of Rs 10 each of the Company for every seven fully paid-up Equity Shares of Rs 10 each of RCL. Pending allotment as at December 31, 2007, the amount of Rs 348.61 million being the nominal value of the shares has been included in Capital Suspense Account. These shares have been allotted on January 4, 2008.
- f) In accordance with the Scheme, the difference between the value of net assets taken over and the paid-up value of the Equity Shares to be issued to the shareholders of RCL has been credited to Capital Reserve Account, after adjusting the cost of investments of the Company in RCL.

C. Transfer of Calcined Petroleum Coke business and Power business to RCCIL

- a) Consequent to the amalgamation of Rain Calcining Limited with the Company, on April 1, 2007, all the assets, liabilities, duties and obligations of the restructured Company pertaining to its Calcined Petroleum Coke and Power business have been transferred to and vested in RCCIL.
- b) In accordance with the Scheme, the assets and liabilities pertaining to Calcined Petroleum Coke and Power business of the Company have been transferred for a consideration of Rs. 1,400.60 million. The book values of the assets and liabilities transferred have been given below:

Particulars	(Rs. in million)
Assets	
Fixed Assets (Net Block)	3,409.58
Capital Work in Progress	21.49
Investments	0.22
Inventories	2,244.14
Sundry Debtors	248.92
Cash and Bank Balances	249.32
Loans and Advances	101.62
Other Current Assets	2.06
TOTAL	6,277.35
Liabilities	
Secured Loans	2,090.38
Current Liabilities and Provisions	1,709.34
Deferred Tax Liability	474.93
TOTAL	4,274.65
Net Assets	2,002.70

- c) As per the Scheme, the consideration of Rs. 1,400.60million receivable by the Company is partly adjusted against the consideration of Rs. 320.00million payable by the Company for the acquisition of cement business from RCCIL. The balance consideration of Rs 1,080.60 million has been settled by the RCCIL by issue and allotment of 9,005,000 Equity Shares of Rs 10 each at a premium of Rs 110 each to the Company.
- d) The loss on transfer of Calcined Petroleum Coke and Power business amounting to Rs. 602.10 million being the excess of the book value of the net assets over the consideration receivable have been shown as "Extraordinary Item" in Profit and Loss Account of the Company.

IV. Contingent liabilities not provided for in respect of:

(Rupees in million)

	As at December 31, 2007	As at March 31, 2007
Matters under dispute:		
Sales Tax	52.38	–
Excise Duty	8.10	–
Claims against the Company not acknowledged as debts	22.96	–
Corporate Guarantee issued on behalf of wholly owned subsidiary	2,957.63	–

- V. Estimated amount of contracts remaining to be executed on capital accounts not provided for as on December 31, 2007 - Rs. 247.22 million (March 31, 2007 - Rs. Nil).
- VI. Lease payments for the current period under cancellable operating leases amounting to Rs. 5.84 million (March 31, 2007 - Rs. Nil) have been recognised as an expense in the profit and loss account. The company has not entered into any non-cancellable operating leases and finance leases.
- VII. (i) Directors' Remuneration in Schedules R and T includes:

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2007
Salary	2.53	0.60
Other Benefits	0.73	0.07
Commission	3.50	–
Sitting Fees	0.14	0.04
TOTAL	6.90	0.71

The remuneration paid to the Executive Director of Rs. 6.76 million is subject to the approval of the shareholders of the Company.

- (ii) Computation of Net Profit for determination of Managerial Remuneration in accordance with section 349 read with Sec 198 of the Companies Act, 1956:

(Rupees in million)

	Period ended December 31, 2007
Profit before Tax and after Extraordinary Item as per Profit and Loss account	408.59
Add: Depreciation as per books of account	101.18
Remuneration to directors	6.90
	516.67
Less: Depreciation as per Section 350 of the Companies Act, 1956	101.18
Net Profit in accordance with Section 349 of Companies Act, 1956	415.49
Maximum Managerial Remuneration permissible	37.77
Total Remuneration restricted to	6.76

VIII. Earnings per Share (EPS)

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2007
a. Profit/ (Loss) after Tax before Extraordinary item	855.36	(5.58)
b. Extraordinary Item	602.10	-
c. Profit/(Loss) after Tax	253.26	(5.58)
Basic		
d. Weighted average number of equity shares of Rs.10 each outstanding during the year	32,110,000	26,278,219
Dilution		
e. Equity shares to be allotted as per the arrangement (Number)	34,861,286	-
f. Equity Shares to be allotted against Equity Share Warrants (Number)	6,800,000	232,877
g. Weighted average number of equity shares of Rs.10 each outstanding during the year (Number)	73,771,286	26,511,096
Earnings per Share		
h. Basic before extraordinary item-[a]/[d]-(Rs.)	26.64	(0.21)
i. Basic after extraordinary item-[c]/[d]-(Rs.)	7.89	(0.21)
j. Diluted before extraordinary item-[a]/[g]-(Rs.)	11.59	(0.21)
k. Diluted after extraordinary item-[c]/[g]-(Rs.)	3.43	(0.21)

IX. The Deferred Tax Liability (Net) is as under:

(Rupees in million)

	As at December 31, 2007	As at March 31, 2007
Deferred Tax Liability - on account of depreciation	255.99	-
Deferred Tax Asset -on account of fiscal differences	12.29	-
Deferred Tax Liability (Net)	243.70	-

X. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956:

(a) Installed Capacity and Production

The Company is not subject to industrial licensing. Installed capacity is as certified by the management

Class of goods	Unit	Installed capacity	Production	
			Period Ended Dec. 31, 2007	Year Ended March 31, 2007
Cement	MT	1,400,000 (p.a.)	1,151,481	-

(b) Particulars of Stocks

Cement and Clinker	Opening Stock		Closing Stock	
	Qty (Mt)	Rs. in million	Qty (Mt)	Rs. in million
December 31, 2007	15,580	28.36	15,617	31.14
March 31, 2007	-	-	-	-

(c) Particulars of Sales

Sales	Period Ended December 31, 2007		Year Ended March 31, 2007	
	Qty (Mt)	Rs. in million	Qty (Mt)	Rs. in million
Cement	1,138,362	4,779.17	-	-
Green Petroleum Coke	63,998	494.58	-	-
Total		5,273.75		

Note: Sales does not include 12,640 MT used for captive consumption. Closing stock excludes excesses/ shortages including damaged stocks and captive consumption, etc.

(d) Details of Raw Materials purchases & consumption

Raw Materials Consumed	Period Ended December 31, 2007		Year Ended March 31, 2007	
	Qty (Mt)	Rs. in million	Qty (Mt)	Rs. in million
Limestone/ Shale/ Dolomite	1,360,001	30.03	–	–
Gypsum/ Carbon Black	50,607	53.21	–	–
Iron ore/ Lime sludge/ Slag	24,859	9.19	–	–
Laterite/ Bauxite/ Low Grade Laterite	47,789	25.87	–	–
Fly Ash	219,622	94.88	–	–
Total		213.18		
Purchase of Goods for resale	63,998	486.14		

(e) Value of Raw material, Stores and spare parts consumed

Raw Materials	Period Ended December 31, 2007		Year Ended March 31, 2007	
	Rs. in million	%	Rs. in million	%
Imported	–	–	–	–
Indigenous	213.18	100.00	–	–
Total	213.18	100.00	–	–

Stores and Spares	Period Ended December 31, 2007		Year Ended March 31, 2007	
	Rs. in million	%	Rs. in million	%
Imported	0.60	0.55	–	–
Indigenous	108.14	99.45	–	–
Total	108.74	100.00	–	–

(f) CIF Value of Imports

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2007
Stores and spare parts	1.49	–
Capital goods	124.44	–
Green Petroleum Coke	486.14	–

(g) Expenditure in foreign currency

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2007
Travel and related expenses	0.05	–

XI. Related Party Transactions

a) Names of related parties and description of relationship:

(i)	Subsidiary	a) Rain CII Carbon (India) Limited ('Rain CII') b) Rain Commodities (USA) Inc ('RC USA') c) Moonglow Company Business Inc, BVI ('Moonglow') (from April 1, 2007) d) Rain CII Holdings Inc, USA (from May 22, 2007 to August 14, 2007) e) CII Carbon LLC, USA ('CII Carbon') (from July 19, 2007)
(ii)	Enterprise where key managerial personnel along with their relatives exercise significant influence	a) Sujala Investments Private Limited ('Sujala') b) Rain Commodities (Canada) Inc.
(iii)	Key Management Personnel	a) Mr. N. Radha Krishna Reddy Chairman. b) Mr. N. Jagan Mohan Reddy Managing Director c) Mr. N. Sujith Kumar Reddy Executive Director.

b) Transactions with related parties:
Period Ended December 31, 2007

Nature of Transactions	Subsidiary Company	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	(Rupees in million)	
			Key Management Personnel	Balance
Sales - Rain CII				
Cement	1.53	-	-	-
Green Petroleum Coke	494.58	-	-	-
Purchases				
- Rain CII (Power)	200.87	-	-	65.43
- CII Carbon (Coke)	-	248.44	-	247.88
Loan given	494.08	-	-	637.57
- RC USA				
Loans taken	-	120.00	-	120.00
- Sujala				
Rent received	0.14	-	-	-
- Rain CII				
Advance given/taken (net)	40.69	-	-	173.07
- Rain CII				
Amount payable (on account of merger)	240.00	-	-	240.00
- Rain CII				
Interest expense - Sujala	-	6.22	-	-
Salary and Perquisites	-	-	6.76	3.50

b) Transactions with related parties:
Year Ended March 31, 2007

Nature of Transactions	Subsidiary Company	(Rupees in million)		
		Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance
Advances received - Rain CII	263.54	-	-	-
Advances repaid - Rain CII	256.00	-	-	-
Advances given - RC USA	-	7.69	-	7.69
Interest on loan given - Rain CII	14.87	-	-	-
Loan given - Rain CII	270.00	-	-	-
Repayment/Adjustment of Loans given - Rain CII	270.00	-	-	-
Loan repaid - Sujala	-	106.73	-	-
Salary and Perquisites	-	-	0.67	-
Investments made through Equity (including premium) - Rain CII	240.00	-	-	-
Proceeds for issuance of equity shares (including premium) - Sujala	-	57.57	-	-

XII. Employee Benefits**a) Transitional obligations on account of adoption of Accounting Standard 15**

Effective April 1, 2007, the Company has adopted the Accounting Standard 15 (revised 2005) on 'Employee Benefits' issued by the Institute of Chartered Accountants of India. Pursuant to the adoption, the transitional obligation of the Company on account of the defined contribution plans and the defined benefit plans amounted to Rs. 3.87 million. As per the requirements of the Accounting Standard, an amount of Rs. 2.57 million (net of related deferred tax asset of Rs. 1.3 million) has been adjusted against the opening General Reserve of the Company.

b) Defined benefit plans

The following table sets forth the status of the Gratuity Plan of the Company and the amounts recognized in the Balance Sheet and Profit and Loss Account.

(Rupees in million)

Particulars	Gratuity Plan
Projected benefit obligation at the beginning of the period	15.16
Current service cost	0.99
Interest cost	1.15
Actuarial loss/(gain)	4.60
Benefits paid	(1.57)
Projected benefit obligation at the end of the period	20.33
Amounts recognised in the balance sheet	
Projected benefit obligation at the end of the period	20.34
Fair value of plan assets at end of the period	9.87
Funded status of the plans - (asset)/ liability	
Liability recognized in the balance sheet	10.47
Cost for the period	
Current service cost	0.99
Interest cost	1.15
Expected return on plan assets	(0.63)
Net actuarial (gain)/loss recognised in the period	4.67
Net cost recognized in Profit and Loss Account	6.18
Assumptions	
Discount rate	9.10%
Estimated rate of return on plan assets	7.50%
Expected rate of salary increases	10% for the first 2 years and 7 % thereafter

Note: This being the first year of disclosure, previous year figures have not been furnished.

c) **Defined contribution plans**

In respect of the defined contribution plans, an amount of Rs. 6.02 million has been recognised in the Profit and Loss Account during the period.

XIII. Capital Work-in-Progress includes the following indirect expenses in relation to Project expansion:

(Rupees in million)

Particulars	As at December 31, 2007	As at March 31, 2007
Rent	0.75	–
Salaries and wages	11.16	–
Traveling and Conveyance	3.37	–
Communication expenses	0.37	–
Administration expenses	0.83	–
Total	16.48	–

XIV. The Board of Directors has proposed the dividend at 28% on the paid up equity share capital of the company i.e. Rs. 2.80 per equity share. The proposed dividend is computed after considering the 34,861,286 equity shares allotted to the erstwhile Rain Calcining Limited's shareholders on January 4, 2008 and 3,500,000 equity shares allotted on March 11, 2008 consequent to the part conversion of equity share warrants.

XV. Comparative figures of the previous year where necessary, have been regrouped to conform to those of the current period. The figures for the current period are for a period of nine months and those of the previous period are for twelve months, hence are not comparable.

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

State Code

01

Registration No. 1 6 9 3Balance sheet Date 3 1 - 1 2 - 0 7

Date Month Year

II Capital raised during the year (Rs. In Thousands)

Public Issue N I L Right Issue N I LBonus Issue N I L Private Placement N I L

III Position of Mobilisation and Deployment of Funds (Rs. In Thousands)

Total Liabilities 8 9 1 9 2 0 1 Total Assets 8 9 1 9 2 0 1

SOURCES OF FUNDS

Paid-up Capital 3 2 1 1 0 0 Reserves & Surplus 2 8 8 5 4 6 2Share Capital Suspende 3 4 8 6 1 3 Unsecured Loans 7 1 6 9 4 0Share Application Money pending allotment 1 3 6 0 0 0 Secured Loans 2 8 4 9 9 7 6Deferred Tax Liability 2 4 3 7 0 0

APPLICATION OF FUNDS

Net Fixed Assets 4 3 7 3 7 7 3 Investments 2 4 0 6 3 6 8Net Current Assets 7 2 1 6 5 2 Misc. Expenditure N I LAccumulated Losses N I L

IV Performance of Company (Rs in Thousands)

Turnover 4 6 4 5 5 2 8 Total Expenditure 3 6 3 4 8 4 0Profit/(Loss) Before Tax 1 0 1 0 6 8 8 Profit / (loss) After Tax 2 5 3 2 6 2Earning per Share in Rs. 2 6 . 6 4 Dividend Rate % 2 8

V Generic Names of Three Principal Products/Services of Company (as per monetary term)

Item Code No.

(ITC Code) 2 5 2 3 2 9 . 0 1Product Description C E M E N T On behalf of the Board

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad

Date : March 21, 2008

S. Venkat Ramana Reddy
Company Secretary

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

1. Name of the subsidiary : Rain CII Carbon (India) Limited
2. Financial year ending of the Subsidiary : 31st December, 2007
3. Holding Companies interest : Rain Commodities Limited is holding 2,98,05,000 Equity Shares of Rs.10/- each Aggregating to Rs.29,80,50,000 representing 100% of the Total Paid up Equity Share Capital of Rain CII Carbon (India) Limited.
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Profit of Rs. 166.39 Million
5. The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss of Rs. 356.64 Million

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad
Date : May 21, 2008

S. Venkat Ramana Reddy
Company Secretary

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

1. Name of the subsidiary : Rain Commodities (USA) Inc
2. Financial year ending of the Subsidiary : 31st December, 2007
3. Holding Companies interest : Rain Commodities Limited is holding 20 Shares of USD 0.01 each representing 100% of the Total Paid up Share Capital of Rain Commodities (USA) Inc.
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss of Rs. 351.27 Million
5. The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company.
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss of Rs. 238.07 Million

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad
Date : May 21, 2008

S. Venkat Ramana Reddy
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

1. Name of the subsidiary : Moonglow Company Business Inc
2. Financial year ending of the Subsidiary : 31st December, 2007
3. Holding Companies interest : The Company's wholly owned subsidiary namely Rain CII Carbon (India) Limited is holding 89805000 Equity Shares of USD.1/- representing 100% of the Total Paid up Share Capital of Moonglow Company Business Inc.
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss of Rs. 0.09 Million
5. The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss of Rs. 0.05 Million

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad
Date : May 21, 2008

S. Venkat Ramana Reddy
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

1. Name of the subsidiary : Rain CII Carbon L.L.C.
2. Financial year ending of the Subsidiary : 31st December, 2007
3. Holding Companies interest : The Company's wholly owned subsidiary namely Rain CII Carbon (India) Limited(RCCIL) is holding 50 Class-A Common Stock of USD.0.01 each and RCCIL's subsidiary namely Moonglow Company Business Inc also holds 898 Class-A Common Stocks of USD 0.01, the aggregate of the same represents 100% of the total paid up share capital of Rain CII Carbon LLC, USA. Further the Company's Subsidiary Rain Commodities (USA) Inc. hold 920 Class B common stock without voting rights.
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss of Rs. 590.34 Million
5. The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company.
 - a. dealt with or provided for in the accounts of the holding Company : Not applicable*
 - b. not dealt with or provided for in the accounts of the holding Company : Not applicable*
*Since it has become wholly owned subsidiary on July 19, 2007.

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad
Date : May 21, 2008

S. Venkat Ramana Reddy
Company Secretary

Details of Rain CII Carbon (India) Limited as at 31st December, 2007

Rs. in million

PARTICULARS	
Capital	298.05
Reserves	2,432.15
Total Assets	9975.41
Total Liabilities	9975.41
Investments	3,856.67
Total Income	5569.71
Profit/(loss) before Taxation	189.57
Provision for taxation	23.18
Profit/(loss) after Taxation	166.39
Proposed Dividend	–

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad
Date : May 21, 2008

S. Venkat Ramana Reddy
Company Secretary

Details of Rain Commodities (USA) Inc. as at 31st December, 2007

Rs. in million

PARTICULARS	
Capital	3.87
Reserves	(574.76)
Total Assets	3,804.33
Total Liabilities	3,804.33
Investments	3,628.48
Total Income	–
Profit/(loss) before Taxation	(351.27)
Provision for taxation	–
Profit/(loss) after Taxation	(351.27)
Proposed Dividend	–

Note: Exchange rate considered as on 31st December, 2007: 1USD = Rs.39.44 for Balance Sheet Item and 1USD = Rs.40.44 for Income Statement Items.

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad
Date : May 21, 2008

S. Venkat Ramana Reddy
Company Secretary

Details of Moonglow Company Business Inc. as at 31st December, 2007

Rs. in million

PARTICULARS	
Capital	3,541.46
Reserves	0.01
Total Assets	3,541.47
Total Liabilities	3,541.47
Investments	3,541.26
Total Income	–
Profit/(loss) before Taxation	(0.09)
Provision for taxation	–
Profit/(loss) after Taxation	(0.09)
Proposed Dividend	–

Note: Exchange rate considered as on 31st December, 2007: 1USD = Rs.39.44 for Balance Sheet Item and 1USD = Rs.40.44 for Income Statement Items.

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad

S. Venkat Ramana Reddy
Company Secretary

Date : May 21, 2008

Details of Rain CII Carbon, LLC, USA as at 31st December, 2007

Rs. in million

PARTICULARS	
Capital	7,367.39
Reserves	(316.90)
Total Assets	30,825.59
Total Liabilities	30,825.59
Investments	–
Total Income	15612.75
Profit/(loss) before Taxation	(436.10)
Provision for taxation	–
Profit/(loss) after Taxation	(436.10)
Proposed Dividend	–

Note: Exchange rate considered as on 31st December, 2007: 1USD = Rs.39.44 for Balance Sheet Item and 1USD = Rs.40.44 for Income Statement Items.

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place : Hyderabad

S. Venkat Ramana Reddy
Company Secretary

Date : May 21, 2008

Auditors' Report

To the Board of Directors of Rain Commodities Limited

1. We have audited the attached Consolidated Balance Sheet of Rain Commodities Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at December 31, 2007, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain consolidated entities, whose financial statements reflect total assets of Rs.27,305.30 millions as at December 31, 2007, total revenues of Rs.7,518.54 millions and net cash flows of Rs. 6,972.75 millions for the period ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements" and Accounting Standard 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and on the basis of the separate audited financial statements of the Company, its subsidiaries and associate included in the Consolidated Financial Statements.
5. Based on our audit and on consideration of separate audit reports on individual audited financial statements of the Company and its consolidated subsidiaries, subject to our comments in para 3 above, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2007;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit for the period ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna

Partner

Membership No.22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Hyderabad
Date : March 21, 2008

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2007

(Rs. in Million)

	SCHEDULE	As at December 31, 2007	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
a) Capital	A	321.10	321.10
b) Capital Suspense	B	348.61	–
c) Share Application Money pending allotment		136.00	136.00
d) Reserves and Surplus	C	<u>2,099.68</u>	<u>704.22</u>
		2,905.39	1,161.32
Loan Funds			
a) Secured Loans	D	19,489.56	7,049.84
b) Unsecured Loans	E	<u>10,492.88</u>	<u>514.79</u>
		29,982.44	7,564.63
Deferred Tax Liability			
TOTAL		<u>34,416.46</u>	<u>8,725.95</u>
APPLICATION OF FUNDS			
Fixed Assets			
a) Gross Block	F	28,755.77	2,646.89
b) Less: Depreciation/Amortisation		<u>1,023.62</u>	<u>579.48</u>
c) Net Block		27,732.15	2,067.41
d) Capital Work In Progress		<u>2,744.93</u>	<u>699.27</u>
		30,477.08	2,766.68
Investments			
	G	<u>268.57</u>	<u>4,784.25</u>
Current Assets, Loans and Advances			
a) Inventories	H	4,145.58	206.75
b) Sundry Debtors	I	2,078.44	60.27
c) Cash and Bank balances	J	803.03	1,045.06
d) Other Current Assets	K	5.60	33.70
e) Loans and Advances	L	<u>1,080.91</u>	<u>434.00</u>
		8,113.56	1,779.78
Less : Liabilities and Provisions			
a) Liabilities	M	3,838.85	454.26
b) Provisions	N	<u>603.90</u>	<u>150.50</u>
		4,442.75	604.76
Net Current Assets			
TOTAL		<u>3,670.81</u>	<u>1,175.02</u>
		34,416.46	<u>8,725.95</u>
Notes to the Accounts			
	V		

Schedules A to N and V form an integral part of the Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

N. RADHAKRISHNA REDDY
Chairman
S. VENKAT RAMANA REDDY
Company Secretary

N. JAGAN MOHAN REDDY
Managing Director
T. SRINIVASA RAO
Vice President - Finance

Place: Hyderabad
Date : March 21, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2007 (Rs. in Million)

	SCHEDULE	Period ended December 31, 2007	Year ended March 31, 2007
INCOME			
Sales (Gross)	O	16,817.79	5,633.65
Less: Excise duty		889.78	678.89
Sales (Net)		15,928.01	4,954.76
Other Income	P	283.05	391.66
Increase/ (Decrease) in stock in trade	Q	69.00	9.71
		<u>16,280.06</u>	<u>5,356.13</u>
EXPENDITURE			
Payments and Benefits to Employees	R	572.40	115.74
Manufacturing Expenses	S	10,705.20	1,607.11
Administrative, Selling and Distribution Expenses	T	1,995.32	1,760.77
Total		<u>13,272.92</u>	<u>3,483.62</u>
GROSS OPERATING PROFIT			
Interest and Finance Charges	U	3,007.14	1,872.51
		1,577.56	679.83
PROFIT BEFORE DEPRECIATION AND TAXATION			
Depreciation and Amortisation		1,429.58	1,192.68
		573.83	148.19
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM			
Provision for Taxation		855.75	1,044.49
- Current Tax		141.72	149.72
- MAT credit Entitlement		-	(105.58)
- Deferred Tax		(65.38)	95.24
- Fringe Benefit Tax		3.75	1.84
PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM			
Extraordinary Items (net of tax) (Refer Note V on Schedule V)		775.66	903.27
		<u>(316.38)</u>	<u>328.66</u>
PROFIT AFTER TAXATION			
Share of profit/ (loss) in Associate		459.28	1,231.93
		<u>(5.25)</u>	<u>(12.83)</u>
PROFIT AFTER TAXATION			
Surplus brought forward from Previous Year		454.03	1,219.10
Transferred from Rain Calcining Limited pursuant to the Scheme of Arrangement (Refer Note III on Schedule V)		22.93	(933.15)
		<u>1,312.97</u>	-
AVAILABLE FOR APPROPRIATION			
		1,789.93	285.95
APPROPRIATIONS			
Transfer to Debenture Redemption Reserve		6.95	131.53
Transfer to General Reserve		25.70	-
Provision for Dividend		197.32	112.39
Provision for Dividend Tax		33.52	19.10
SURPLUS CARRIED TO BALANCE SHEET			
		<u>1,526.44</u>	<u>22.93</u>
Notes to Accounts	V		
Earnings/ (Loss) Per Share before Extraordinary item - Basic		23.99	33.89
Earnings/ (Loss) Per Share after Extraordinary item - Basic		14.14	46.39
Earnings/ (Loss) Per Share before Extraordinary item - Diluted		10.44	33.59
Earnings/ (Loss) Per Share after Extraordinary item - Diluted		6.15	45.98

Schedules O to V form an integral part of the Consolidated Profit and Loss Account
This is the Consolidated Profit and Loss Account referred to in our report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Place: Hyderabad
Date : March 21, 2008

N. RADHAKRISHNA REDDY
Chairman

S. VENKAT RAMANA REDDY
Company Secretary

N. JAGAN MOHAN REDDY
Managing Director

T. SRINIVASA RAO
Vice President - Finance

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Million)

	Nine Months Ended December 31, 2007	Year Ended March 31, 2007
A. Cash Flow From Operating Activities		
Net Profit before Taxation and Extra-ordinary items	855.75	1,044.49
Adjustments for:		
Depreciation	573.83	148.19
Discount On Issue of Debentures Amortised	19.17	25.56
Premium on Unsecured Loan	-	1.76
Unrealized (Gain)/Loss on Restatement of Monetary Liabilities	(253.45)	-
Interest on deposits with Banks and others	(73.39)	(346.15)
Provision for doubtful debts	0.80	0.32
Interest and finance charges	1,577.56	663.63
Liability No Longer Required Written Back	(8.55)	(37.28)
Loss on Sale of Fixed Asset/ Fixed Assets Written off	0.11	-
Dividend	(13.46)	(5.89)
Operating profit before Working Capital changes	<u>2,678.37</u>	<u>1,494.63</u>
Adjustments for:		
Sundry Debtors	217.51	(10.73)
Inventories	963.92	(85.79)
Loans and Advances and other current assets	(693.41)	228.37
Current Liabilities and Provisions	<u>1,713.84</u>	<u>(74.66)</u>
	<u>4,880.23</u>	<u>1,551.82</u>
Taxes paid	<u>(172.81)</u>	<u>(142.03)</u>
Net cash flow from/(used in) operating activities	<u><u>4,707.42</u></u>	<u><u>1,409.79</u></u>
B. Cash Flow from Investing activities		
Purchase of Fixed Asset	(2,170.37)	(746.91)
Proceeds from sale of Fixed Assets	1.60	0.90
Purchase of Investments	(24,470.11)	(0.01)
Sale of Investments	5,458.48	-
Termination Fee received	-	328.66
Interest Received	72.39	344.71
Dividend Received	13.46	65.33
Net Cash flow used in Investing Activities	<u><u>(21,094.55)</u></u>	<u><u>(7.32)</u></u>

CONSOLIDATED CASH FLOW (Contd.)

(Rs. in Million)

	Nine Months Ended December 31, 2007	Year Ended March 31, 2007
C. Cash Flow From Financing Activities		
Proceeds from Loans	38,552.99	775.02
Proceeds from Short term loans	214.44	-
Repayment of Loans	(19,879.99)	(1,216.42)
Sales tax deferment	57.81	-
Interest and Finance Charges paid	(3,081.20)	(662.85)
Proceeds from Security Deposit	24.34	9.85
Payment of dividend and tax thereon	(282.97)	-
Share Application Money/Increase in Share Capital	-	496.00
Net Cash Flow from / (used in) Financing Activities	15,605.42	(598.40)
Net (Decrease)/Increase in Cash and Cash equivalents	(781.71)	804.07
Cash and Cash equivalents - Opening Balance*	1,535.40	240.99
Cash and Cash equivalents on acquisition of CII Carbon L.L.C.	49.34	-
Cash and Cash equivalents - Closing Balance*	803.03	1,045.06
*includes money held on margin money deposit accounts		

Notes

1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard- 3 on Cash Flow Statements.
2. Opening Balance as on April 1, 2007 includes Cash acquired pursuant to the scheme of arrangement - On merger of erstwhile Rain Calcining Limited with the Company.

This is the Cash Flow Statement referred to in our Report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

N. RADHAKRISHNA REDDY
Chairman

S. VENKAT RAMANA REDDY
Company Secretary

N. JAGAN MOHAN REDDY
Managing Director

T. SRINIVASA RAO
Vice President - Finance

Place: Hyderabad
Date : March 21, 2008

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
A. SHARE CAPITAL		
Authorised		
118,000,000 (March 31, 2007 - 67,000,000) Equity Shares of Rs. 10 each	1,180.00	670.00
4,900,000 (March 31, 2007 - 10,000,000) Redeemable Preference Shares of Rs. 100 each	490.00	1,000.00
	<u>1,670.00</u>	<u>1,670.00</u>
Issued, subscribed and paid up		
32,110,000 Equity Shares of Rs. 10 each	321.10	321.10
	<u>321.10</u>	<u>321.10</u>
B. CAPITAL SUSPENSE		
Capital Suspense	348.61	-
34,861,286 (March 31, 2007 - Nil) Equity Shares of Rs. 10 each fully paid-up, to be issued pursuant to the Scheme of Arrangement between the Company, Rain Industries Limited and Rain Calcining Limited (Refer Note III on Schedule V).		
	<u>348.61</u>	<u>-</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
C. RESERVES AND SURPLUS		
Capital Reserve	2.73	2.73
Securities Premium Account		
As at the commencement of the period	300.00	–
Add: Per Scheme of Arrangement - On merger of erstwhile Rain Calcining Limited with the Company "(Refer Note III on Schedule V)"	2.19	–
Add: Premium received on issue of additional equity shares	–	300.00
	<u>302.19</u>	<u>300.00</u>
Debenture Redemption Reserve		
As at the commencement of the period	136.06	4.53
Add: Transferred from Profit and Loss Account	6.95	131.53
	<u>143.01</u>	<u>136.06</u>
General Reserve		
As at the commencement of the period	160.00	160.00
Add: Transferred from Profit and Loss Account	25.70	–
Less: Adjustment on account of initial adoption of Accounting Standard 15 (revised 2005) on 'Employee Benefits' (Refer Note XIII (a) on Schedule V)	2.57	–
	<u>183.13</u>	<u>160.00</u>
Foreign Currency Translation Reserve	(57.82)	82.50
Profit and Loss Account	1,526.44	22.93
	<u>2,099.68</u>	<u>704.22</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
D. SECURED LOANS*		
Debentures		
11,278,000, 9.39% Redeemable Non - Convertible Debentures of Rs. 100 each (privately placed)	572.02	684.80
Term Loans		
Banks		
- Foreign Currency Loans	7,710.66	-
- Rupee Loans	8,222.27	5,616.54
Financial Institutions	1,017.54	596.88
Interest accrued and due	5.06	0.78
Working Capital Loans		
Banks	1,961.18	149.33
Hire Purchase Loan from Banks	0.83	1.51
	19,489.56	7,049.84

***Notes:**

- Debentures and Term Loans of Cement business are :
 - Secured by pari passu first charge on all immovable properties of the cement business of the Group
 - Secured by additional security of farm land at Nellore and land owned by certain Directors;
 - Secured by personal guarantee of certain promoter Directors of the Company;
- Working capital loan in Cement business is secured by first charge on the whole of the present and future current assets, of the cement business of the Group
- Foreign Currency and Rupee Term Loans and Working Capital Loans in Calcined Petroleum Coke business carried on through Wholly Owned Subsidiaries of the Company are:
 - Secured/to be secured by an irrevocable undertaking to provide security over all immovable assets of the CPC business and further secured by first ranking fixed charge on the Escrow account of the Wholly Owned Subsidiaries of the Company and first ranking floating charge on the moveable assets of the Wholly Owned Subsidiary, both present and future.
 - Secured by the pledge of shares held by the Company in its Wholly Owned Subsidiaries; and by the tangible and intangible assets of its wholly owned subsidiaries.
 - Further secured through a Cross-default corporate guarantee by the Wholly Owned Subsidiaries. The corporate guarantee by the Wholly Owned Subsidiary in India is restricted to US\$ 150 million.
- Term loan of Rain Commodities (USA) Inc. is secured by corporate guarantee of US\$ 75 million by the Company.
- Hire Purchase Loan is secured by hypothecation of pay loader.
- The Debentures are redeemable in ten half yearly installments commencing from September 30, 2005 and ending by March 31, 2010 The Company has paid upto December 31, 2007 Rs. 555.78 Millions

E UNSECURED LOANS**Other than short term**

11.125% (2015) Senior Subordinated Notes**	9,266.94	-
10.000% (2018) Junior Subordinated Notes	509.00	-
Sales Tax Deferment	515.20	457.39
Security Deposit from Customers	81.74	57.40
Inter Corporate Deposits	120.00	-
	10,492.88	514.79

** Moonglow Company Business Inc. and all of the existing and future direct and indirect subsidiaries of Rain CII Carbon L.L.C. have guaranteed the obligations under the Senior Secured Facility.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET (Contd.)

F. FIXED ASSETS

ASSET	GROSS BLOCK						DEPRECIATION/AMORTISATION			NET BLOCK	
	As at April 01, 2007	Addition due to Merger and Acquisition	Additions during the period	Deletions during the period	As at December 31, 2007	As at April 1, 2007	For the Period	on deletions	As at December 31, 2007	As at March 31, 2007	
I. INTANGIBLE ASSETS											
Goodwill (on consolidation)	199.88	16,861.19	-	199.88	16,861.19	79.95	-	79.95	-	119.93	
Software	2.65	-	-	1.77	0.88	1.76	0.66	1.76	0.66	0.89	
	202.53	16,861.19	-	201.65	16,862.07	81.71	0.66	81.71	0.66	120.82	
II. TANGIBLE ASSETS											
Land - Free Hold	50.01	468.72	2.91	-	521.64	-	3.27	-	3.27	50.01	
Land - Mining	13.14	-	3.70	-	16.84	0.38	0.08	-	0.46	12.76	
Buildings	504.18	1,000.94	18.61	1.62	1,522.11	59.21	53.69	0.11	112.79	444.97	
Railway Siding	2.22	-	-	-	2.22	0.42	0.08	-	0.50	1.80	
Plant and Machinery	1,822.71	7,806.59	81.02	48.30	9,662.02	427.55	505.46	47.03	885.98	1,395.16	
Furniture and Fixtures	23.05	85.49	4.00	-	112.54	2.72	5.76	-	8.48	20.33	
Office Equipments	23.43	10.30	8.60	0.83	41.50	7.23	3.90	0.84	10.29	16.20	
Vehicles	5.62	3.34	5.87	-	14.83	0.26	0.93	-	1.19	5.36	
	2,444.36	9,375.38	124.71	50.75	11,893.70	497.77	573.17	47.98	1,022.96	1,946.59	
Total	2,646.89	26,236.57	124.71	252.40	28,755.77	579.48	573.83	129.69	1,023.62	2,067.41	
Year ended March 31, 2007	2,591.87	-	56.63	1.61	2,646.89	431.99	148.19	0.70	579.48	-	
Capital work in Progress										2,744.93	
										699.27	

(Rs. in Million)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
G. INVESTMENTS		
(Long Term - At Cost)		
Unquoted		
Other than Trade		
Government Securities - National Savings Certificates	0.09	0.09
Trade Investments		
a) Andhra Pradesh Gas Power Corporation Limited 1,34,000 (March 31, 2007 - Nil) Equity Shares of Rs. 10 each fully paid up	16.00	16.00
b) Petroleum Coke Industries Company, Kuwait 17,250,000 Equity shares of KD 0.10 each, fully paid up Less: Share of loss in Associate	257.73 (5.25) 252.48	- - -
c) GLC Carbon USA Inc. - Nil { March 31, 2007 - 9,324,327 Class B Common Stock (Stapled Interest) par value of USD 0.01 per share and 1,029,974 Class B Common Stock (Spinster Interest) par value USD 0.01 per share} Less: Dividend Received Add: Share of profit/ (loss) for the year	- - - - -	2,031.22 (59.44) (12.83) 1,958.95
d) GLC Securityholder LLC Notes of Cn\$ 63,964,883.03 maturing August 12, 2013	- -	2,401.78
Quoted		
Rain Calcining Limited Nil (March 31, 2007 - 7,473,499) Equity Shares of Rs 10 each fully paid up	- 268.57	407.43 4,784.25

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
H. INVENTORIES		
Stores and Spare Parts *	259.49	59.97
Raw Materials *	2,645.21	97.51
Stock In Trade		
Finished Goods **	1,149.42	28.36
Work -in-Progress **	91.46	20.91
	<u>4,145.58</u>	<u>206.75</u>
Raw Material includes goods in transit of	80.32	-
* at cost or below		
** at lower of cost and net realisable value		
I. SUNDRY DEBTORS		
(Considered good, unless otherwise stated)		
Secured		
Considered Good		
- Debts Outstanding for a period exceeding six months	7.10	9.50
- Other debts	27.20	9.28
Unsecured		
Considered Good		
- Debts Outstanding for a period exceeding six months	0.47	1.42
- Other debts *	2,043.67	40.07
Considered Doubtful		
- Debts Outstanding for a period exceeding six months	14.96	14.16
- Other debts	-	-
Less: Provision	(14.96)	(14.16)
	<u>2,078.44</u>	<u>60.27</u>
*Includes unbilled revenue of	19.90	-
J. CASH AND BANK BALANCES		
Cash and Cheques on Hand	68.12	91.12
With Scheduled Banks		
- Current Accounts	515.66	6.57
- Fixed Deposit Accounts	6.03	371.16
- Margin Money Deposit Accounts	142.36	21.98
- Dividend Account	5.28	-
With Non-Scheduled Banks		
- Current Accounts	5.07	6.17
- Deposit Accounts	60.51	548.06
	<u>803.03</u>	<u>1,045.06</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in Million)

	As at December 31, 2007	As at March 31, 2007
K. OTHER CURRENT ASSETS		
Interest accrued on Investments and Deposits	5.60	33.70
	<u>5.60</u>	<u>33.70</u>
L. LOANS AND ADVANCES (Unsecured and Considered Good)		
Loans to Employees	0.03	0.23
Advances recoverable in cash or kind or for value to be received	809.85	319.27
Balance with Government and Public Bodies	246.64	3.76
Deposits with Others	24.39	5.16
MAT Credit Entitlement	-	105.58
	<u>1,080.91</u>	<u>434.00</u>
M. LIABILITIES		
Sundry Creditors		
- Dues to Micro, Small and Medium Enterprises	-	-
- Dues to Small Scale Industrial Undertakings	-	0.16
- Dues to other than Small Scale Industrial Undertakings	2,645.69	330.01
Advance from Customers	916.61	33.86
Other Liabilities	255.21	71.03
Interest accrued but not due on loans	16.06	19.20
Unclaimed Dividends*	5.28	-
	<u>3,838.85</u>	<u>454.26</u>
* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.		
N. PROVISIONS		
Taxation (Net of advances)	0.82	9.34
Proposed Dividend	197.32	112.39
Tax on Proposed Dividend	33.52	19.10
Fringe Benefit Tax	1.06	0.50
Gratuity	354.40	4.94
Leave Encashment	16.78	4.23
	<u>603.90</u>	<u>150.50</u>

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Million)

	Period ended December 31, 2007	Year ended March 31, 2007
O. SALES		
Cement	4,777.64	5,633.65
Green Petroleum Coke	17.27	-
Calcined Petroleum Coke	11,107.08	-
Energy	915.80	-
	<u>16,817.79</u>	<u>5,633.65</u>
P. OTHER INCOME		
Interest on deposits with Banks and Others [Tax deducted at Source - Rs.3.83 million and (March 31, 2007 - Rs 5.99 million)]	30.69	13.52
Dividend Income	13.46	5.89
Interest from Investments	42.70	332.62
Income from Emission Rights Certificates	59.98	-
Gain/ (Loss) on Foreign Exchange Fluctuation	119.16	(11.11)
Liability no longer required Written back	8.55	37.28
Miscellaneous Income	8.51	13.46
	<u>283.05</u>	<u>391.66</u>
Q. INCREASE/ (DECREASE) IN STOCK*		
Closing Stock		
Finished Goods	1,157.84	28.36
Work in Progress	91.46	20.91
	<u>1,249.30</u>	<u>49.27</u>
Opening Stock*		
Finished Goods	1,158.84	7.32
Work in Progress	21.46	32.24
	<u>1,180.30</u>	<u>39.56</u>
	<u>69.00</u>	<u>9.71</u>
*Represents stock taken over, pursuant to the Scheme of Arrangement among the Company, Rain Industries Limited and Rain Calcining Limited. (Refer Note III on Schedule V)		
R. PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	446.27	92.35
Contribution to Provident Fund and Other Funds	111.16	8.91
Workmen and Staff Welfare Expenses	14.97	14.48
	<u>572.40</u>	<u>115.74</u>

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Million)

	Period ended December 31, 2007	Year ended March 31, 2007
S. Manufacturing Expenses		
Raw Materials Consumed	8,162.15	266.73
Purchase of Goods for Resale	518.49	-
Packing Material Consumed	133.50	182.26
Stores and Spare Parts Consumed	635.24	102.37
Freight Inward	210.07	-
Water Charges	18.43	-
Power and Fuel	658.96	952.95
Repairs		
- Buildings	6.52	1.55
- Machinery	267.48	26.86
- Others	53.09	-
Royalty and Cess	65.27	88.42
	<u>10,729.20</u>	<u>1,621.14</u>
Less: Cement consumption for expansion project	24.00	14.03
	<u>10,705.20</u>	<u>1,607.11</u>
T. Administrative, Selling and Distribution Expenses		
Rent	34.83	7.30
Rates and taxes	618.33	666.68
Repairs - Others	49.01	9.07
Insurance	68.81	9.40
Director's sitting fees	0.60	0.08
Commission to Directors	11.55	-
Listing and filing fees	0.19	0.21
Rebate on power sales	45.22	-
Selling and Distribution Expenses	916.12	1,017.09
Communication Expenses	14.00	5.14
Travelling and Conveyance	41.81	14.02
Printing and Stationery	12.47	-
Legal and Professional Charges	112.10	4.99
Provision for Doubtful Debts	0.80	0.32
Loss on Sale of Fixed Asset/Written off	0.11	-
Miscellaneous Expenses	69.37	26.47
	<u>1,995.32</u>	<u>1,760.77</u>
U. Interest and Finance Charges		
Interest on Debentures	45.75	87.12
Interest on Term Loans	1,085.91	436.35
Interest on Cash Credit and Others	117.25	123.31
Interest on Unsecured Loans	172.91	-
Discount on issue of Debentures amortised	19.17	25.56
Bank Charges	136.57	7.49
	<u>1,577.56</u>	<u>679.83</u>

SCHEDULE V. CONSOLIDATED NOTES TO ACCOUNTS

I. Organisation:

Rain Commodities Limited ('the Company') is engaged in the manufacture and sale of cement. The Company is also engaged in the manufacture and trading of Calcined Petroleum Coke and generation of Energy (by waste heat recovery process) through its two wholly owned subsidiaries.

During the period, Rain CII Carbon (India) Limited, through its subsidiary has acquired all the outstanding equity interests of CII Carbon L.L.C., USA. Rain Commodities (USA), Inc. has also made strategic investment in CII Carbon L.L.C., USA.

The financial statements has been compiled after considering the impact of the Scheme of Arrangement, among the Company, Rain CII Carbon (India) Limited (Formerly Rain Industries Limited) and erstwhile Rain Calcining Limited, approved by the Hon'ble High Court of Judicature at Andhra Pradesh on October 25, 2007. Consequently, the figures of the current period are not comparable with those of the previous year.

The Board of Directors of the Company, at its meeting held on August 18, 2007, has approved the change in financial year of the Company from "April - March" to "January - December". Accordingly, the current financial year is for a period of nine months from April 1, 2007 to December 31, 2007.

II. Principles of Consolidation & Significant Accounting Policies

a) Basis of preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards covered by the accounting standard rules and the relevant provisions of the Companies Act, 1956.

These financial statements have been prepared in accordance with the Accounting Standard 21 - "Consolidated Financial Statements" ('AS -21') and Accounting Standard 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" ('AS -23').

Investments in associates are accounted for by using the equity method whereby the investments are initially recorded at cost and adjusted thereafter for the post acquisition changes based on share of profit or losses since the acquisition.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between group companies are eliminated.

The Companies considered in the consolidated financial statements which along with the Rain Commodities Limited constitute the group ("the Group") are:

Sl. No.	Name of the Company	Relation-ship	Country of Incorporation	Percentage of voting power	
				December 31, 2007	March 31, 2007
1.	Rain CII Carbon (India) Limited. (formerly Rain Industries Limited)	Subsidiary	India	100.00	100.00
2.	Rain Commodities (USA)Inc.	Subsidiary	U.S.A	100.00	100.00
3.	Moonglow Company Business Inc,	Subsidiary	B.V.I.	100.00	–
4.	Rain CII Carbon L.L.C. (Formerly CII Carbon L.L.C.)	Subsidiary	U.S.A	100.00	100.00
5.	Petroleum Coke Industries, Kuwait	Associate	Kuwait	11.50	–
6.	GLC Carbon USA Inc.,	Associate	U.S.A	–	20.22

The ownership interest as given above has been calculated based on the effective interest of Rain Commodities Limited in the various companies after considering the investments made by its subsidiaries.

The exchange rates adopted for converting 1 USD into Indian Rupees of the foreign subsidiaries with respect to:

	December 31, 2007	March 31, 2007
Balance sheet items	39.44	43.44
Revenue items	40.44	44.14

The financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards covered by the Accounting Standard Rules and the relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

c) Revenue Recognition

- (i) Calcined Petroleum Coke - Sales are recognized on dispatch of goods to customers. Sales are inclusive of excise duty, as applicable.
- (ii) Energy (Electricity/Steam) - Sale of energy is exclusive of electricity duty payable to the State Government. Unbilled revenue included in debtors represents revenue recognised based on power supplied in advance of billing in accordance with contract terms.
- (iii) Cement - Sales are recognized on dispatch of goods to customers. Sale of cement is inclusive of excise duty; sales tax recovered and are net of trade discounts wherever applicable.
- (iv) Insurance claims to the extent considered recoverable during the period are taken into account. However, claims whose recovery cannot be ascertained with reasonable certainty are accounted for on acceptance / actual receipt basis.

d) Fixed Assets and Depreciation

Fixed assets are stated at actual cost less depreciation. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, and other incidental expenses.

Assets under construction as at the balance sheet date are shown as Capital work in progress. Advances paid towards acquisition of fixed assets are also included under Capital work in progress.

Depreciation on buildings and plant and machinery is computed on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 or based on the remaining estimated economic useful lives determined by an independent valuer, whichever is higher.

Depreciation on other assets is computed on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Software is amortized evenly over a three-year period.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss, being the excess of carrying value over the recoverable value of the assets, is charged to the Profit and Loss Account in the respective financial years. The impairment loss recognized in the prior years is reversed in cases where the recoverable value exceeds the carrying value, upon reassessment in the subsequent years.

(e) Goodwill

Goodwill (on consolidation) represents the difference between the purchase price and the book value of the assets and liabilities acquired after considering reserves transferred.

The excess of cost of the Parent Company of its investments in the Subsidiary Company is recognized in the consolidated financial statements as Goodwill.

f) Inventories

Inventories are valued at cost or below. Raw materials cost is computed on the basis of weighted average cost per unit of measurement after providing for cost of obsolescence, if any. Finished goods and work in progress are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and comprises of material, labour and applicable overhead expenses. Stores and spares are valued at cost on weighted average basis, or below.

Goods in transit are valued at cost, which represents the costs incurred upto the stage at which the goods are in transit.

g) Employee Benefits**i) Defined contribution Plans**

In accordance with Indian law, all employees of the Group in India are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. The Group's monthly contributions are recognized in the profit and loss account period as and when they are incurred.

The Group has established separate group savings plan for all hourly and salaried employees in the United States of America. Employer contributions are made at the discretion of the employer.

ii) Defined Benefit Plans

The Group has a defined benefit retirement plan covering all its employees in India (the 'Gratuity Plan') and employees in United States of America (the 'Pension Plan'). The Gratuity Plan provides a lump sum payment to eligible employees in India at retirement or termination of employment based on the respective employee's salary and years of employment with the Group. The Pension Plan covers hourly employees in United States of America under which the hourly employees are paid based on respective years of service and age.

The Group sponsors two defined benefit postretirement plans that cover certain employees in United States of America. One plan provides post retirement medical and dental benefits, the other plan provides life insurance benefits. Both plans are non contributory and neither is funded.

The Group makes annual contributions to the Life Insurance Corporation of India ("LIC") for the gratuity plan. The Group contributes to the pension plan to at least meet the minimum requirements as required by law in the United States of America. The Group contributes to post retirement plan based on pay-as-you-go policy.

iii) Other long term employee benefits**Superannuation Plan**

The senior employees of the Group in India are entitled to receive benefits under the Superannuation Plan, a defined contribution plan. The Group makes monthly

contributions under the Superannuation plan administered and managed by ICICI Prudential, based on a specified percentage (upto 15%) of each covered employee's basic salary. The Group has no further obligations under the plan beyond its contributions. The Group's monthly contributions are recognized in the income statement in the period they are incurred.

iv) Short term employee benefits

Short term employee benefits including accumulated compensated absences as at the Balance Sheet date are recognised as an expense as per Group's schemes based on expected obligation on an undiscounted basis.

h) Segment Reporting

The company has considered business segment as the primary segment for reporting. The products considered as business segment are:

- Calcined Petroleum Coke (CPC)
- Cement

The above business segments have been identified based on the nature of products, risks and return, organization structure and internal financial reporting.

The geographical segments considered for disclosures are:

- Sales within India - represents sales made to customers located within India
- Sales outside India-represents sales made to customers located outside India.

i) Earnings Per Share (EPS)

The earnings considered in ascertaining the Group's Earnings Per Share comprises the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the period.

Dilutive potential equity shares are deemed to be converted as of the beginning of the period, unless they have been issued at a later date. The number of shares used for computing the diluted EPS is the weighted average number of shares outstanding during the period after considering the dilutive potential equity shares.

j) Taxes on Income

Income tax expense comprises of current tax, deferred tax charge or credit and fringe benefit tax. Current tax is determined based on the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised on timing differences being the differences between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods subject to consideration of prudence. Deferred tax assets are not recognized unless there is reasonable certainty that there will be sufficient future taxable income available to realize such asset. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

k) Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currency are translated at the rate of exchange as at the Balance Sheet date and resultant gain/loss is recognized in the Profit and Loss Account.

Foreign Subsidiaries:

All subsidiaries of the Group are in the nature of non-integral operations in terms of Accounting Standard 11, "The effects of change in foreign currency rates". All monetary and non monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. All revenue and expense transactions during the year are reported at average rate. The resultant translation adjustment is reflected as a separate component of Shareholders' Funds as 'Foreign Currency Translation Reserve'.

l) Investments

Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognized in the year in which it is accrued and stated at gross.

III. Scheme of Arrangement among the Company, Rain CII Carbon (India) Limited and erstwhile Rain Calcining Limited

Pursuant to the Scheme of Arrangement ('the Scheme') among the Company, its wholly owned subsidiary, Rain CII Carbon (India) Limited (RCCIL), and Rain Calcining Limited (RCL), as approved by the respective shareholders of the Company and RCL, in the Extra-ordinary General Meetings held on June 4, 2007, and subsequently approved by the Hon'ble High Court of Judicature at Andhra Pradesh on October 25, 2007, and filed with the Registrar of Companies on November 23, 2007:

- a) the cement business of RCCIL have been transferred to and vested in the Company with effect from July 1, 2006;
- b) the entire business and undertaking of RCL including all assets, liabilities, duties and obligations have been transferred to and vested in the Company with effect from April 1, 2007; and
- c) Subsequent to the amalgamation of RCL with the Company, the Calcined Petroleum Coke and Power Business have been transferred to and vested in RCCIL on April 1, 2007.

The scheme has been accordingly given effect to in these financial statements.

A. Transfer of cement business of RCCIL to the Company

- (i) RCCIL was principally engaged in the business of manufacturing and sale of cement.
- (ii) In accordance with the Scheme, the assets and liabilities of the cement business of RCCIL have been transferred to and vested in the Company with effect from July 1, 2006 for a consideration of Rs. 320 million since RCCIL was a wholly owned subsidiary, there is no impact of such transaction on the financial statements, included in previous year.
- (iii) Investments, assets, liabilities and licenses held in the name of Rain Industries Limited are in the process of being transferred in the name of the Company.

B. Amalgamation of RCL with the Company

- (i) In terms of the Scheme, the entire business and undertaking of RCL have been transferred to and vested in the Company with effect from April 1, 2007.
- (ii) RCL is engaged in the manufacturing and trading of Calcined Petroleum Coke and generation of Power through the waste heat recovery.
- (iii) The Amalgamation has been accounted for under the 'Pooling of Interests Method' as prescribed by Accounting Standard 14, "Accounting for Amalgamations". Accordingly, the assets, liabilities and other reserves of the erstwhile RCL have been taken over at their book values.
- (iv) As per the Scheme, 7,473,499 Equity Shares of Rs 10 each of RCL held by the Company, stands cancelled.
- (v) In terms of the Scheme, the Company is required to allot 34,861,286 Equity Shares of Rs 10 each as fully paid-up to the shareholders of RCL in the proportion of two fully paid-up Equity Shares of Rs 10 each of the Company for every seven fully paid-up Equity Shares of Rs 10 each of RCL. Pending allotment as at December 31, 2007, the amount of Rs 348.61 million being the nominal value of the shares has been included in Capital Suspense Account. These shares have been allotted on January 4, 2008.

C. Transfer of Calcined Petroleum Coke business and Power business to RCCIL

- (i) Consequent to the amalgamation of Rain Calcining Limited with the Company, on April 1, 2007, all the assets, liabilities, duties and obligations of the restructured Company pertaining to its Calcined Petroleum Coke and Power business have been transferred to and vested in RCCIL.
- (ii) In accordance with the Scheme, the assets and liabilities pertaining to Calcined Petroleum Coke and Power business of the Company have been transferred for a consideration of Rs. 1,400.60 million which is partly adjusted against the consideration of Rs. 320.00 million payable by the Company for the acquisition of cement business from RCCIL. The balance consideration of Rs 1,080.60 million has been settled by the RCCIL by issue and allotment of 9,005,000 Equity Shares of Rs 10 each at a premium of Rs 110 each to the Company.

- IV.** On July 19, 2007 Rain/CII Holdings Inc., the wholly owned subsidiary of the Rain CII Carbon (India) Limited., acquired all of the outstanding equity interests of Juniper Investment LLC, which in turn owned all of the outstanding equity interests of CII Carbon L.L.C., from Cadogan Holdings B.V. The aggregate purchase price was USD 604.9 million in cash and a junior subordinated promissory note with a principal amount of USD 12.9 million. The cash purchase price included the repayment of USD 326.70 million of indebtedness of Juniper Investments LLC and CII Carbon L.L.C. Rain/CII Holdings Inc, has merged with CII Carbon L.L.C., USA with effect from August 14, 2007. Consequent to the said merger, CII Carbon L.L.C., USA has become a wholly owned subsidiary of Rain CII Carbon (India) Limited and the Company.

V. Extraordinary Item includes :

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2006
1 Gain on sale of investment	1025.48	–
2 Termination fee	–	328.66
3 Expenses incurred towards acquisition and financial restructuring (net of tax)	(1341.86)	–
Total	(316.38)	328.66

- a) Gain on sale of investments of Rs.1,025.48 millions is on account of the profit on sale of its investments in GLC Carbon USA Inc. during the period ended December 31, 2007.
- b) Rain Commodities (USA) Inc. (RCUSA) has decided during March 2007, not to pursue the acquisition of the remaining ownership interest in GLC Carbon (USA) Inc. considering the counter offer at a higher price received from another company. Consequently, based on the definitive agreement, RCUSA has received the termination fees on March 30, 2007.
- c) Expenses (net of tax) of Rs.1,341.86 millions represents the financial, legal and other costs incurred by the Group for the acquisition of Rain CII Carbon L.L.C. of Rs. 1256.12 millions and refinancing costs of Rs. 85.74 millions.

VI. On July 12, 2007, the Co-Generation facility of the Rain CII Carbon (India) Limited, has been registered with United Nations Framework Convention on Climate Change ('UNFCCC'). This was notified by UNFCCC message received on August 2, 2007. The Company is eligible to get 164,677 Carbon Emission Reductions per annum (equivalent of 164,777 metric tonnes CO₂ per annum) for a period of ten years from July 12, 2007 to July 11, 2017.

VII. Contingent liabilities and commitments :

- a) During 2002, the erstwhile Rain Calcining Limited had disputed the order of Andhra Pradesh Electricity Regulatory Commission ('APERC') in respect of wheeling charges before the Hon'ble High Court of Andhra Pradesh. The Hon'ble High Court of Andhra Pradesh had set aside the order of APERC. Transmission Corporation of Andhra Pradesh ('AP Transco') filed a Special Leave Petition in the Supreme Court of India against the order of the High Court. The final verdict of Supreme Court of India is awaited. This contingent liability computed on the basis of imputed cost till December 31, 2007 is Rs.504.21 million.(March 31, 2007 - Rs. Nil) as per the terms of the said APERC Order.

b) Others

(Rupees in million)

	As at December 31, 2007	As at March 31, 2007
Matters under dispute:		
Sales Tax	52.38	56.15
Excise Duty	8.10	8.09
Income tax	51.21	-
Claims against the Company not acknowledged as debts	22.96	22.96
Bank guarantees outstanding*	317.61	-
Customers ' bills discounted under Letters of Credit	208.24	-

*includes bank guarantees given to AP Transco - Rs. 146.96 million (March 31, 2007 - Rs. Nil)

- c) Estimated amount of contracts remaining to be executed on capital accounts not provided for as on December 31, 2007 - Rs. 247.22 Million (March 31, 2007 - Rs. 1476.55 Million).

VIII. Lease payments for the current period under cancellable operating leases amounting to Rs. 34.83 million (March 31, 2007 - Rs.7.30 million) have been recognised as an expense in the profit and loss account. The company has not entered into any non-cancellable operating leases and finance leases.

IX. Derivative Financial Instruments

The Group's activities expose it to a variety of financial risks, including the effects of changes in natural gas futures put options, foreign currency exchange rates and interest rates. The Group uses derivative financial instruments such as natural gas futures put options, foreign exchange contracts and interest rate swaps to minimize exposure to changes in natural gas price, foreign exchange fluctuation and interest costs, respectively.

(i) Natural Gas Price Risk

The Group has entered into hedge derivative instruments of natural gas futures options covering 2,115,000 MMBTU for the period from January 1, 2008 through September 30, 2008. The natural gas futures put options set a floor on the natural gas price, to which the Group's steam sales at its facilities in the United States of America are indexed, at USD 6.50 per MMBTU. At December 31, 2007, the fair value aggregated to Rs. 15.90 million.

(ii) Foreign Currency Risk

The Group has obtained foreign currency loans, imports raw material and makes export sales denominated in foreign currency and is therefore exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Group uses derivative instruments such as forward contracts, principal only swaps, currency swaps, range accruals etc. to minimize its exposure to foreign currency risk.

(iii) Interest Rate Risk

The Group has a mix of fixed rate and floating rate loans, and uses interest rate swaps which have the economic effect of converting borrowings from fixed rates to floating rates and vice versa. The interest rate swaps allow the Group to raise long-term borrowings at fixed rates and swap them into floating rates that are lower than those available if the Group borrowed at floating rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts plus a net-off of calls taken on other parameters to derive the interest cost benefit.

The Group has charged to the profit and loss account exchange loss on all the above derivatives assessed on marked to market basis as at December 31, 2007 Rs. 196.43 millions (March 31, 2007 - Rs. Nil).

X. Earnings Per Share (EPS)

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2007
a. Profit/ (Loss) after Tax before Extraordinary item	770.41	890.44
b. Extraordinary Item (net)	(316.38)	328.66
c. Profit after Taxation	454.03	1219.10
Basic		
d. Weighted average number of equity shares of Rs 10 each outstanding during the year (Nos.)	32,110,000	26,278,219
Dilution		
e. Equity shares to be allotted as per the arrangement (Nos.)	34,861,286	-
f. Equity Shares to be allotted against Equity Share Warrants (Nos.)	6,800,000	232,877
g. Weighted average number of equity shares of Rs 10 each outstanding during the year (Nos.)	73,771,286	26,511,096
Earnings per Share		
h. Basic before extraordinary item-[a]/[d]-(Rs.)	23.99	33.89
i. Basic after extraordinary item-[c]/[d]-(Rs.)	14.14	46.39
j. Diluted before extraordinary item-[a]/[g]-(Rs.)	10.44	33.59
k. Diluted after extraordinary item-[c]/[g]-(Rs.)	6.15	45.98

XI. The Deferred Tax Liability (Net) is as under:

(Rupees in million)

	Period ended December 31, 2007	Year ended March 31, 2007
Deferred Tax Liability		
- on account of depreciation	1,835.22	–
Deferred Tax Asset		
-on account of unabsorbed losses	153.81	–
-on account of other fiscal differences	152.78	–
Total	306.59	–
Deferred Tax Liability (Net)	1,528.63	–

XII. Related Party Transactions

a) Names of related parties and description of relationship:

(i)	Enterprise where key managerial personnel along with their relatives exercise significant influence	a) Sujala Investments Private Limited ('Sujala')
(ii)	Key Management Personnel	a) Mr. N. Radhakrishna Reddy Chairman. b) Mr. N. Jagan Mohan Reddy Managing Director c) Mr. N. Sujith Kumar Reddy Executive Director. d) Mr. Y. Santoshkumar Reddy Executive Director

b) Transactions with related parties:

		(Rupees in million)		
Nature of Transactions	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance	
Period Ended December 31, 2007				
Loans taken - Sujala	120.00	-	120.00	
Interest expense - Sujala	6.22	-	-	
Salary and Perquisites	-	23.54	11.76	
		(Rupees in million)		
Nature of Transactions	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance	
Year Ended March 31, 2007				
Sales	2.75	-	7.68	
Purchases	231.41	-	26.40	
Advances received	60.00	-	-	
Advances repaid	60.00	-	-	
Advances given	7.89	-	-	
Loan repaid / adjusted - Sujala	106.73	-	-	
Salary and Perquisites	-	1.77	-	
Application money received (including premium) and for the issuance of equity shares and share warrants	193.56	-	-	

XIII. Employee Benefits**a) Transitional obligations on account of adoption of Accounting Standard 15**

Effective April 1, 2007, the Group has adopted the Accounting Standard 15 (revised 2005) on 'Employee Benefits'. Pursuant to the adoption, the transitional obligation of the Group on account of the defined contribution plans and the defined benefit plans amounted to Rs. 3.87 million. As per the requirements of the Accounting Standard, an amount of Rs. 2.57 million (net of related deferred tax asset of Rs. 1.30 million) has been adjusted against the opening General Reserve of the Group.

b) Defined benefit plans

The following table sets forth the status of the Gratuity Plan of the Group and the amounts recognized in the Balance Sheet and Profit and Loss Account.

(Rupees in million)

Particulars	Amount
Projected benefit obligation at the beginning of the period	112.39
Current service cost	17.50
Interest cost	40.86
Actuarial loss/(gain)	62.75
Benefits paid	(29.21)
Projected benefit obligation at the end of the period	204.29
Amounts recognised in the balance sheet	
Projected benefit obligation at the end of the period	204.30
Fair value of plan assets at end of the period	162.78
Funded status of the plans - (asset)/ liability	
Liability recognized in the balance sheet	41.51
Cost for the period	
Current service cost	17.50
Interest cost	40.86
Expected return on plan assets	(0.84)
Amortisation of Actuarial (gain) / Loss	(0.04)
Net actuarial amortization of (gain)/loss recognised in the period	4.67
Net cost recognized in Profit and Loss Account	62.15
Assumptions	
Discount rate	6.00% to 9.10%
Estimated rate of return on plan assets	7.50% to 8.00%
Expected rate of salary increases	10% for the first 2 years and 7 % thereafter

Note: This being the first year of disclosure, previous year figures have not been furnished.

c) **Defined contribution plans**

In respect of the defined contribution plans, an amount of Rs. 10.32 million has been recognised in the Profit and Loss Account during the period.

XIV. Balances with Non-Scheduled Banks

(Rupees in million)

Name of the Bank	Outstanding Balance	Maximum Outstanding Balance
Citibank, DOA, London	0.08	1.16
Citibank, N.A, London	0.03	0.11
Chase Bank, USA	–	0.18
Citibank, N.A, USA	451.00	793.79

XV. Capital Work-in-Progress includes the following indirect expenses in relation to Project expansion:

(Rupees in million)

Particulars	As at December 31, 2007	As at March 31, 2007
Rent	0.75	–
Salaries and wages	11.16	–
Traveling and Conveyance	3.37	–
Communication expenses	0.37	–
Administration expenses	0.83	–
Total	16.48	–

XVI. Segmental Reporting

I. Business Segment

(Rupees in millions)

	Period ended December 31, 2007			Year ended March 31, 2007
	Cement	Carbon Products	Total	Cement
Revenue				
External Sales (net of excise duty)	4,124.53	11,803.48	15,928.01	4,954.76
Inter- Segment Sales	1.53	200.87	202.40	–
Total Sales	4,126.06	12,004.35	16,130.41	4,954.76
Less Eliminations	1.53	200.87	202.40	–
Total Revenue	4,124.53	11,803.48	15,928.01	4,954.76
Result				
Segment Result	1,245.01	768.67	2,013.68	1,325.17
Operating Profit	–	–	2,013.68	1,325.17
Interest Expenses (net)	–	–	(1,410.30)	(658.82)
Other Income	2.87	193.34	196.21	378.14
Unallocated income	–	–	56.16	–
Extra-ordinary Item - Miscellaneous	–	–	(316.38)	328.66
Share of Profit in Associate	–	–	(5.25)	(12.83)
Profit Before Taxation	–	–	534.12	1,360.32
Taxation				
- Current	–	–	141.72	149.72
- MAT Credit entitlement	–	–	–	(105.58)
- Deferred	–	–	(65.38)	95.24
- Fringe Benefit Tax	–	–	3.75	1.84
Net Profit	–	–	454.03	1,219.10
Segment Assets	4,612.59	29,584.96	34,197.55	8,725.95
Unallocated Corporate Assets	–	–	218.91	–
Total Assets	4,612.59	29,584.96	34,416.46	8,725.95
Segment Liabilities	3,566.92	26,415.52	29,982.44	8,725.95
Unallocated Corporate Liabilities	–	–	4,434.02	–
Total Liabilities	3,566.92	26,415.52	34,416.46	8,725.95
Capital Expenditure	1,755.39	414.98	2,170.37	743.87
Depreciation	101.18	472.65	573.83	148.10

II. Geographic Segment

(Rupees in Millions)

	Revenue from external customers	Segment Assets	Revenue from external customers	Segment Assets
	December 31, 2007		March 31, 2007	
India	5,376.47	25,450.94	4,954.76	4,365.22
Outside India	10,551.54	8,965.52	–	4,360.73
	15,928.01	34,416.46	4,954.76	8,725.95

- XVII.** The Board of Directors has proposed the dividend at 28% on the paid up equity share capital of the company i.e. Rs. 2.80 per equity share. The proposed dividend is computed after considering the 34,861,286 equity shares allotted to the erstwhile Rain Calcining Limited's shareholders on January 4, 2008 and 3,500,000 equity shares allotted on March 11, 2008 consequent to the part conversion of equity share warrants.
- XVIII.** Comparative figures of the previous year where necessary, have been regrouped to conform to those of the current period. The figures for the current period are for a period of nine months and those of the previous period are for twelve months, hence are not comparable.