

BOARD OF DIRECTORS

Sri N.Radhakrishna Reddy	Chairman & Managing Director
Sri N.Jagan Mohan Reddy	Director
Sri N. Sujith Kumar Reddy	Director
Sri G. Krishna Prasad	Director
Sri P. Koteswara Rao	Director
Sri P. Venugopal Reddy	Director

**VICE-PRESIDENT(FINANCE) &
COMPANY SECRETARY**

Sri G.R.Chari

AUDITORS

M/s. Price Waterhouse,
Chartered Accountants,
6-3-550, IInd Floor,
L B Bhavan,
Somajiguda,
Hyderabad-500 082.

REGISTERED OFFICE

Plot No.34, "Green Tower",
Srinagar Colony,
Hyderabad-500 073,
Andhra Pradesh.

BANKERS

Citi Bank,
Begumpet,
Hyderabad.

NOTICE

Notice is hereby given that the 31st Annual General Meeting of the Members of Rain Commodities Limited (formerly Priyadarshini Cement Limited) will be held on Thursday, the 14th day of September, 2006 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 March, 2006, Profit and Loss Account for the period ended on 31st March, 2006 and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri P. Koteswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri G. Krishna Prasad, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Price Waterhouse, Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this 31st 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:

5. To Consider and if thought fit to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri P. Venugopal Reddy, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting of the members of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company whose period of office shall be liable to Determination by retirement of Directors by rotation".

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

G.R. CHARI
VICE-PRESIDENT (FINANCE)
& COMPANY SECRETARY

Place: Hyderabad
Date : 27.07.2006

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 12th September, 2006 to 14th September, 2006 (both days inclusive).
3. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1998 has been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956 and the dividend for the financial year ended 31st March, 1999, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

For the Financial year	Date of declaration	Due for transfer on
1998-99	29.09.1999	10.11.2006

The Shareholders who have not encashed the dividend warrant(s) so far for the Financial year ended 31st March, 1999 are requested to make their claim to the Company at its Registered Office. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund (IEPF) no claim shall lie in respect thereof.

4. Shri G. Krishna Prasad and Shri P. Koteswara Rao does not hold any Equity Shares in the Company.
5. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business set out above is annexed hereto.

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

G.R. CHARI
VICE-PRESIDENT (FINANCE)
& COMPANY SECRETARY

Place: Hyderabad
Date : 27.07.2006

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

Item No.5

Shri P. Venugopal Reddy was appointed as the Additional Director of the Company by the Board of Directors at its meeting held on 25th November, 2005 and his term of Office expires with the conclusion of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. A Notice under Section 257 of the Act, proposing the appointment of Shri P.Venugopal Reddy as a Director, liable for retirement by rotation, has been received from a member together with the requisite deposit.

Shri P. Venugopal Reddy does not hold any Shares in the Company.

None of the Directors except Shri P.Venugopal Reddy is interested in the above Resolution.

Your Directors recommend the above Resolution for your approval.

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

G.R. CHARI
VICE-PRESIDENT (FINANCE)
& COMPANY SECRETARY

Place : Hyderabad
Date : 27.07.2006

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 31st Annual Report and the Audited Statement of Accounts for the Year ended on 31st March, 2006.

FINANCIAL RESULTS:

The performance during the Year ended 31st March, 2006 has been as under:

	(Rs. Lakhs)	
	2005-2006 (12 Months) (01.04.2005 to 31.03.2006)	2003-2005 (18 Months) (01.10.2003 to 31.03.2005)
Sales	Nil	66
Profit/(Loss) before interest & Depreciation (after adjusting Prior year Income/Expenses)	(31)	(78)
Less: Interest & Financial Charges	1200	20
Profit/(Loss) after interest but before depreciation		(98)
Less: Depreciation	1	12
Profit/(Loss) before tax	(1232)	(109)
Less: Provision for Taxation		
– Current Tax	–	–
– Deferred Tax	–	–
– Fringe Benefit Tax	0.11	–
Profit/(Loss) after Tax	(1232.11)	(109)
Balance brought Forward	3819	3928
	<u>2586.89</u>	<u>3819</u>
Appropriations		
Transferred to General Reserve	–	–
Balance carried to Balance Sheet	2586.89	3819
Total	<u>2586.89</u>	<u>3819</u>

OPERATIONS

The Company has not undertaken any operations during the Financial Year 2005-2006. The Company is the holding Company of Rain Industries Limited, to which Cement division was transferred as per Section 391 & 394 of the Companies Act, 1956 with the approval of Hon'ble High Court of Andhra Pradesh. The Company also holds 100% of the shares of Rain Commodities (USA) Inc. During the period under review the Company has incurred a Loss of Rs.1232 Lakhs as against previous year Loss of Rs.109 Lakhs. During the year, the Company has absorbed a Liability of Rs.1200 Lakhs from Rain Industries Limited a wholly owned subsidiary of the Company.

ACQUISITION OF RAIN COMMODITIES (USA) INC

The Company has acquired 100% outstanding Equity of Rain Commodities (USA) Inc and also funded a loan to the extent of Rs. 10,67,33,000. In view of the said acquisition, Rain Commodities (USA) Inc has become wholly owned subsidiary of the Company. Rain Commodities (USA) Inc in turn has acquired 100% outstanding shares of AIP/GLC Holdings, LLC, USA at an aggregate purchase price of approximately Cdn \$123.2 million in cash. AIP/GLC Holdings, LLC, USA owns and controls approximately 20.22% of the outstanding equity of GLC Carbon USA Inc. ("GLC"). GLC Carbon USA Inc. ("GLC") is the world's largest producer of Calcinating Petroleum Coke(CPC), which is a critical raw material for the aluminum industry. Rain Commodities USA Inc. has also acquired 4.99% stake in Rain Calcining Limited at a cost of Rs 40,62,12,062. The cost of acquisition of AIP/GLC Holdings, LLC, USA and also cost of acquisition of 4.99% stake in Rain Calcining Limited is funded by consortium of Banks lead by ICICI Bank UK Limited.

ALLOTMENT OF 10,00,000 EQUITY SHARES

The Company has allotted 10,00,000 Equity Shares of Rs.40/- each (Rs.10/- Face value + Rs.30/- Premium) to Citicorp Finance (India) Limited consequent to the conversion of 10,00,000 Equity Warrants on 15th July, 2006. These Equity Warrants were allotted on 14th May, 2005.

FUTURE OUTLOOK

The Company has two wholly owned subsidiaries namely Rain Industries Limited and Rain Commodities (USA) Inc. The Company has transferred its Cement Division to Rain Industries Limited as per the Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh. Rain Industries Limited manufactures and sells Cement under the brand name Priya Cement. Rain Commodities (USA) Inc holds 100% shares in Rain/GLC Holdings LLC and Rain/GLC Holdings LLC in turn holds approximately 20.22% of the outstanding equity of Great Lakes Carbon USA. Great Lakes Carbon USA is the world's largest producer of Calcinating Petroleum Coke(CPC), which is a critical raw material for the aluminum industry. The performance of the Company depends on the performance of its subsidiaries.

DIVIDEND

In view of the loss during the Financial year, the Board of Directors does not recommend any dividend on the Equity Shares.

LISTING OF EQUITY SHARES

The Company's Equity shares are listed at The Hyderabad Stock Exchange Limited(Regional Stock Exchange), 6-3-654, Somajiguda, Hyderabad and The Bombay Stock Exchange

Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001, and the company has paid the Listing Fees to the said Stock Exchanges.

SUBSIDIARY COMPANY

A statement of Rain Commodities Limited (Holding Company) interest in Rain Industries Limited and Rain Commodities (USA) Inc (Subsidiary Companies), Financial Statements, Directors Report and Auditors Report of Rain Industries Limited are enclosed as required under Section 212 of the Companies Act, 1956. However the Annual Accounts of Rain Commodities (USA) Inc are not enclosed, since this is the first Financial year and the said Company became subsidiary in January, 2006 and their Financial year is from January to December.

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 Industries Limited, a wholly owned subsidiary of the Company. But the Company has not considered Rain Commodities (USA) Inc, (a wholly owned subsidiary of the Company) Financial statements for consolidation, because Rain Commodities (USA) Inc has become subsidiary of the Company with effect from 13th January, 2006 and also in view of the short time availability from the date of investment by Rain Commodities (USA) Inc in AIP/GLC Holdings LLC and also the financial year of Rain Commodities (USA) Inc being January to December. Investment in Rain Commodities (USA) Inc has been accounted as per Accounting Standard 13, Accounting for Investments.

FIXED DEPOSITS

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

DIRECTORS

Shri G. Krishna Prasad and Shri P. Koteswara Rao Directors of the Company who retires by rotation and being eligible offer themselves for reappointment. Shri P. Venugopal Reddy is appointed as the Additional Director of the Company with effect from 25th November, 2005 by the Board of Directors at their meeting held on 25th November, 2005. Shri G Ram Prasad resigned from the Board of the Company due to pre-occupation with effect from 26th November, 2005.

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.

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 March, 2006, 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 March, 2006 and of Profit and Loss Account of the Company for the period ended 31st March, 2006;

- (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 March, 2006 on a going concern basis.

AUDIT COMMITTEE

Audit Committee consists of the following Directors namely Shri P Koteswara Rao-Chairman, Shri G Krishna Prasad-Member, Shri P.Venugopal Reddy- Member.

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.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information required 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 are given in Annexure-I and form part of this report.

EMPLOYEES

Company has no employee whose remuneration exceeds the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, the information required under the said section, read with the Companies (Particulars of the Employees) Rules, 1975, has not been given in the 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 & Managing Director

N. Jagan Mohan Reddy
Director

Place : Hyderabad
Date : 27.07.2006

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 March, 2006.

A. CONSERVATION OF ENERGY.

- (a) Energy conservation measures taken:
Nil

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

- (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.
Nil

- (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

A. Power and Fuel Consumption	2005 - 2006 (12 Months)	2003 - 2005 (18 Months)
1. ELECTRICITY		
a) Purchased		
Unit (No.) (Kwh)	Nil	Nil
Total Amount (Rs.)	Nil	Nil
Rate/Unit(Rs.)	Nil	Nil
b) Own Generation		
i) Through Generator		
Unit (No.)	Nil	Nil
Unit per Litre of Diesel Oil (No.)	Nil	Nil
Cost/Unit (Rs.)	Nil	Nil
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)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
3. FURNACE OIL		
Quantity (K Ltrs)	Nil	Nil
Total Amount (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil

4. OTHERS/INTERNAL GENERATORS

Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate/unit	Nil	Nil

5. Consumption per Metric tonne of Cement Production

Production (Cement)	Nil	Nil
Electricity (Kwh)	Nil	Nil
Furnace Oil (KL)	Nil	Nil
Coal(%)	Nil	Nil

B. TECHNOLOGY ABSORPTION :

(e) 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 : Nil
2. Benefits derived as a result of the above efforts, eg. Product development, import substitution, etc., : Nil
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. : Nil
- b) Total foreign exchange used and earned :

	2005-2006	2003-2005
	(Rs. in Lakhs)	
(i) Foreign Exchange earned	Nil	Nil
(ii) Foreign Exchange Used	Nil	Nil

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

Place : Hyderabad
Date : 27.07.2006

N. Radhakrishna Reddy **N. Jagan Mohan Reddy**
Chairman & Managing Director Director

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company's Philosophy on Corporate Governance aims at assisting the management of the Company in the efficient conduct of the business and in meeting its responsibilities to all the stake holders. The Company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as:

- Fair and transparent business practices.
- Effective Management Control by Board.
- Adequate representation of promoter, executive and independent directors on the Board.
- Accountability for performance.
- Monitoring of executive performance by the Board.
- Compliance of Laws.
- Transparent and timely disclosure of financial and management information.

2. BOARD OF DIRECTORS :

The Board of Rain Commodities Limited as on 31st March, 2006 comprises of Six Directors out of which One is a Whole Time Director, Two are Non-Executive promoter Directors and Three are Non-Executive Independent Directors.

Names, designation and Category of Board of Directors are given below:

S.No.	Name of the Director	Designation	Category
1	Sri N. Radhakrishna Reddy	Chairman & Managing Director	Executive Director (Promoter)
2	Sri N. Jagan Mohan Reddy	Director	Non-Executive Director (Promoter)
3	Sri N. Sujith Kumar Reddy	Director	Non-Executive Director (Promoter)
4	Sri G. Krishna Prasad	Director	Independent Director
5	Sri P. Koteswara Rao	Director	Independent Director
6	Sri P. Venugopal Reddy	Director	Independent Director

Attendance Record for the Financial Year ended 31st March, 2006 (1st April, 2005 to 31st March, 2006):

Sl. No.	Name of the Director	Category	Board Meetings Attended	Attendance at last AGM held on 15th September, 2005
1.	Shri N Radhakrishna Reddy	Promoter-Executive Director	10	Yes
2.	Shri N Jagan Mohan Reddy	Promoter-Non-Executive Director	10	Yes
3.	Shri N Sujith Kumar Reddy	Promoter-Non-Executive Director	10	Yes
4.	Shri G Krishna Prasad	Independent, Non-Executive Director	10	Yes
5.	Shri P Koteswara Rao	Independent, Non-Executive Director	10	Yes
6.	Shri G Ram Prasad*	Independent, Non-Executive Director	6	Yes
7.	Shri P. Venugopal Reddy**	Independent, Non-Executive Director	5	N A

* Resigned on 26th November, 2005

** Appointed as additional Director on 25th November, 2005

Details of the other Directorships and Committee membership/Chairmanship are given against their respective names for the year 2005-2006:

Sl. No.	Name of the Director	Other Directorship	Committee Membership	Committee Chairmanship
1.	Sri N Radhakrishna Reddy	6	Nil	Nil
2.	Sri N Jagan Mohan Reddy	5	2	Nil
3.	Sri N Sujith Kumar Reddy	5	Nil	Nil
4.	Sri G Krishna Prasad	2	Nil	Nil
5.	Sri P Koteswara Rao	1	Nil	Nil
6.	Sri G Ram Prasad	1	Nil	Nil
7.	Sri P. Venugopal Reddy	Nil	Nil	Nil

Number of Board Meetings held and the date on which held:

Ten Board Meetings were held during the year ended 31st March, 2006.

The dates on which the Board meetings were held are:

4th April, 2005, 13th May, 2005, 14th May, 2005, 25th June, 2005, 29th August, 2005, 25th November, 2005, 9th January, 2006, 13th January, 2006, 24th February, 2006 and 28th February, 2006.

Re-appointment of Directors

The brief particulars of the Directors who are proposed to be re-appointed at the ensuing Annual General Meeting are as follows:

- 1) Shri G Krishna Prasad is aged about 36 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 own companies in India.

Shri G Krishna Prasad is at present Managing Director in the following Companies:

- (i) Emergency Dictation Software Services Private Limited and
- (ii) Tecra Systems Private Limited.

- 2) Shri P. Koteswara Rao is aged about 50 Years and he holds a Master degree in Commerce, Bachelor Degree in Law, Diploma in Business Management and Passed CAIIB examination. He has about 22 years of experience in Banking Sector and about 3 years of experience in Teaching.

Shri P. Koteswara Rao is Director in Rain Industries Limited.

- 3) Shri P. Venugopal Reddy was appointed as the Additional Director of the Company with effect from 25th November, 2005 by the Board of Directors at their meeting held on 25th November, 2005. Shri P. Venugopal Reddy is aged about 40 Years and he holds a Masters degree in Commerce, Bachelor's Degree in Law and he is a Qualified Chartered Accountant. He has over 10 Years of experience in the field of Audit, Finance and Accounts. Shri P. Venugopal Reddy is not a Director in any other Company.

3. AUDIT COMMITTEE:

A) 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 3 Non-Executive Independent Directors:

1. Shri P. Koteswara Rao - Chairman
2. Shri G. Krishna Prasad - Member
3. Shri P. Venugopal Reddy - Member

B) The terms of reference stipulated by the Board to the Audit Committee includes review of the following:

- Quarterly and Annual Financial Statements

- Any related party transaction i.e., transactions of the Company of material nature with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- Adequacy of internal control system.
- Adequacy of internal audit function.
- Company's financial and risk management policies.

C) Meetings and attendance during the period from 1st April, 2005 to 31st March, 2006:

During the period ending 31st March, 2006 (i.e., from 1st April, 2005 to 31st March, 2006), Four Audit Committee Meetings were held on 25th June, 2005, 29th August, 2005, 25th November, 2005 and 28th February, 2006.

Sl. No.	Name of the Director	No. of Meetings Attended
1	Shri G. Krishna Prasad	4
2	Shri P. Koteswara Rao	4
3	Shri G. Ram Prasad	3
4	Shri P. Venugopal Reddy	1

4. REMUNERATION COMMITTEE :

a) Brief description of terms of reference.

To formulate a remuneration policy and approve the remuneration or revision in the remuneration payable to the Managing /Whole time Directors.

b) Composition, Name of Members and Chairman

1. Shri P. Koteswara Rao - Chairman
2. Shri G. Krishna Prasad - Member
3. Shri P. Venugopal Reddy - Member

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

c) Attendance during the period ended 31st March, 2006

During the period between 1st April, 2005 to 31st March, 2006, the Remuneration Committee has not met, since there was no item pertaining to the Remuneration.

d) Remuneration policy:

To periodically review the remuneration package of Managing/Whole-time Directors and recommend suitable revision to the Board.

e) 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 during the period ended 31st March, 2006 are as follows:

Sl.No.	Name of Director	Sitting Fees paid (Rs.)
1.	Shri G. Ramprasad	6,000
2.	Shri P. Koteswara Rao	10,000
3.	Shri G. Krishna Prasad	10,000
4.	Shri P. Venugopal Reddy	4,000

The Remuneration paid to the Whole-time Directors during the period ended 31st March, 2006 are as follows:

Sl. No.	Name of Director and Designation	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
1.	N Radhakrishna Reddy, Chairman and Managing Director	6,00,000	Nil	6,00,000

f) 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 respective resolutions passed by the Members in the General Meetings, which do not provide for severance fees.

g) Shares held by Non-Executive Directors :

S.No.	Name of the Non-Executive Director	No. of Equity Shares held in the Company
1	N. Jagan Mohan Reddy	1,660,403
2	N. Sujith Kumar Reddy	2,006,952
3	G. Krishnaprasad	Nil
4	P. Koteswara Rao	Nil
5	P. Venugopal Reddy	Nil

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

a) Composition and brief terms of reference.

Shareholders/Investors Grievance Committee consists of the following:

- (i) Shri N Sujith Kumar Reddy - Chairman
- (ii) Shri N Radhakrishna Reddy - Member and
- (iii) Shri 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 balance sheet, non-receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer agents and recommend measures for overall improvement in the quality of investor services.

b) Name and designation of Compliance Officer.

Shri G.R.Chari, Vice-President (Finance) & Company Secretary

c) Number of Shareholders complaints received so far.

The Total number of Complaints received and replied to the satisfaction of shareholders during the period under review was 427. There are no outstanding complaints as on 31st March, 2006.

d) Number not solved to the satisfaction of shareholders.

NIL

e) Number of pending complaints.

NIL.

6. GENERAL BODY MEETINGS :

a) Location and time for last 3 Annual General Meetings were:

Financial year	Date	Venue	Time
2003-2005	15.09.2005	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	3:00 P M
2002-2003	08.11.2004	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	11.30 AM
2001-2002	23.09.2002	Sri Sathya Sai Nigamagamam, (Kalyana Mandapam) Srinagar Colony, Hyderabad	3.00 PM

b) Whether any Special resolutions passed in the previous 3 AGMs

At the 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 of Equity Warrants.

At the Adjourned 29th Annual General Meeting, two Special Resolutions were passed, one pertained to Change of name of the Company from Priyadarshini Cement Limited to Rain Commodities Limited and the Second Special Resolution pertained to Shifting of Register of Members from Registered office of the Company to M/s. Aarthi Consultants Private Limited, the Registrars and Share Transfer Agents.

At the 28th Annual General Meeting, a Special Resolution was passed, for shifting the Register of members to Registered Office of the Company from its present location.

- c) **Whether any special resolution passed last year through postal ballot-details of voting pattern**
No Resolution was passed through postal ballot during the last year.
- d) **Person who conducted the postal ballot exercise**
NOT APPLICABLE
- e) **Whether any special resolution is proposed to be conducted through postal ballot.**
There is no matter proposed to be passed by the Company through Postal Ballot.
- f) **Procedure for postal ballot**
Since no resolution is proposed to be passed by the Company through Postal ballot, the procedure for postal ballot is not applicable.

7. 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 Particulars of transactions between the Company and its related parties as per the Accounting Standard 18 "Related party Disclosures" issued by the Institute of Chartered Accountants of India(ICAI) are set out at the appropriate place in the Annual Report. However these Transactions are not in conflict with the interest 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 3 years:
No strictures/penalties have been imposed on the Company by the Stock Exchanges or the Securities and Exchange Board of India(SEBI) or any statutory authority on any matters related to capital markets during the last three years.
- c) Company does not have Whistle Blower policy, but however no person is denied access to Audit Committee.
- d) Company has not adopted the Non-mandatory requirements.
- e) In the preparation of Financial Statements, the Company has followed the Accounting Standards issued by ICAI. The Significant accounting policies which are consistently applied have been set out in the Notes to the Accounts. The Company has consolidated the financials of Rain Industries Limited, a wholly owned subsidiary and whereas the Financials of Rain Commodities (USA) Inc, a wholly owned subsidiary, has not been considered for consolidation for the reasons as mentioned in Point No. 3 of the consolidated Notes to Accounts.
- f) Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management. The said code has been communicated to the Directors and the members of the Senior Management.
- g) Company has complied with all the Mandatory requirements.

8. MEANS OF COMMUNICATION:

- a) Quarterly results
The results of the Company are published in the Newspapers having wide circulation.
- b) Newspapers in which Quarterly results are published.
1. Business Standard (English Daily)
 2. Andhra Bhoomi (Telugu Daily)
- c) Website, where the results and other official news releases are displayed.
www.priyacement.com
- d) Whether the Management Discussion and Analysis is a part of the Annual Report.
Management Discussion and Analysis is part of the Annual Report.

9. GENERAL SHAREHOLDER INFORMATION

- a) Annual General Meeting : 31st Annual General Meeting
Date : 14th September, 2006
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 : Current Financial year is 1st April, 2006 to
31st March, 2007

Tentative Schedule for considering Financial Results

- For the Quarter ending 30th June, 2006 - July/August, 2006
For the Quarter ending 30th September, 2006 - October/November, 2006
For the Quarter ending 31st December, 2006 - January/February, 2007
For the Quarter and Financial year ending
31st March, 2007 - April/May/June, 2007
- c) Dates of Book Closure : 12th September, 2006 to 14th September, 2006
(both days inclusive)
- d) Dividend Payment Date : Not Applicable
- e) Listing on Stock Exchanges :

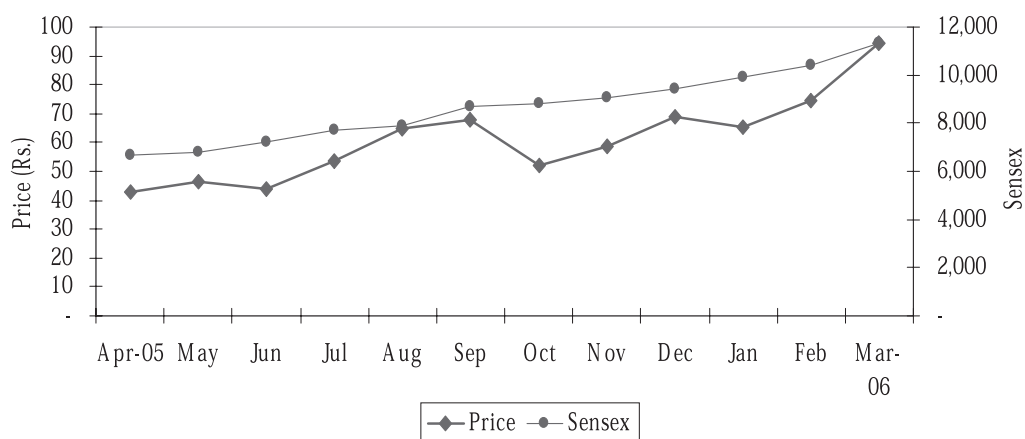
Sl.No	Name and Address of the Stock Exchange	Scrip Code
1.	The Hyderabad Stock Exchange Limited, 6-3-654, Somajiguda, Hyderabad-500 082.	PCM
2.	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal street, Mumbai-400 001.	500339

f) Market Price Data: High, low during each month in last financial year

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

Month	High (Rs.)	Low (Rs.)	No. of Shares traded
April, 2005	43.00	32.00	1445419
May, 2005	46.45	35.25	1045673
June, 2005	43.80	35.65	1020299
July, 2005	53.80	39.15	2724423
August, 2005	64.95	47.00	1728647
September, 2005	68.00	47.50	1250599
October, 2005	52.00	38.00	437595
November, 2005	58.55	45.10	627050
December, 2005	68.65	52.05	1086834
January, 2006	65.25	56.00	627062
February, 2006	74.35	52.70	995981
March, 2006	94.55	69.15	1665588

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)

M/s. Aarathi Consultants Private Limited
(Unit: Rain Commodities Limited),
H.No.1-2-285, Domalguda,
Hyderabad-500 029,
Andhra Pradesh, India,
Phone No.040-27642217,
27634445,27638111,
Fax No.040-27632184.
Email:info@aarthiconsultants.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 Company. 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 March, 2006

Sl. No.	Category	No. of Shares held	Percentage of shareholding
1.	Promoters/Directors/ Associates	11200599	50.66%
2.	Mutual Funds and UTI	542245	2.45%
3.	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-Government Institutions)	8800	0.04%
4.	FII's	700	0.00
5.	Private Corporate Bodies	1632974	7.39%
6.	Indian Public	7454359	33.71%
7.	NRIs/OCBs	1227499	5.55%
8.	Others(Clearing Members)	42824	0.19%
	Total	22110000	100.00%

(ii) Distribution of Share holding as on 31st March, 2006

Nominal Value (in Rs.)	Holders		Amount	
	Number of shareholders	% to Total No. of Shareholders	In Rs.	% to Total paidup capital
1 - 5000	19597	91.43	32259770	14.59
5001 - 10000	1047	4.88	8866700	4.01
10001 - 20000	378	1.76	5802230	2.62
20001 - 30000	117	0.55	3080900	1.39
30001 - 40000	47	0.22	1716660	0.78
40001 - 50000	68	0.32	3240800	1.47
50001 - 100000	67	0.31	5124160	2.32
100001 and above	112	0.52	161008780	72.82
TOTAL	21433	100.00	221100000	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 31.03.2006, 17772383 Equity shares were Dematerialised representing 80.38% 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 1,00,00,000 Equity Warrants and the Equity warrant holders have option to convert the same into Equal Number of Equity Shares on or before 13th November, 2006 i.e., within 18 months from the date of allotment. The Share capital of the Company will increase proportionately with the number of Equity warrants converted into Equity Shares.

m) Plant Locations:

Nil

RAIN COMMODITIES LIMITED*(Formerly Priyadarshini Cement Limited)***31st Annual Report**

n) Address for Correspondence:
Company Secretary
Rain Commodities Limited
Secretarial Department
34, Green Tower, Srinagar Colony,
Hyderabad-500 073. Andhra Pradesh.
Phone No. 040-23308436/23308540.
23747774, 23740737
Fax No. 040-23306836.
E-mail:secretarial@priyacement.com

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

M/s. Aarathi Consultants Private Limited
(Unit: Rain Commodities Limited),
H.No.1-2-285, Domalguda,
Hyderabad-500 029,
Andhra Pradesh, India,
Phone No. 040-27642217,
27634445, 27638111,
Fax No. 040-27632184.
Email:info@aarthiconsultants.com

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

Place : Hyderabad
Date : 27.07.2006

N. Radhakrishna Reddy
Chairman & Managing Director

N. Jagan Mohan Reddy
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 March, 2006.

for **RAIN COMMODITIES LIMITED**

Place : Hyderabad
Date : 27.07.2006

N Radhakrishna Reddy
Chairman & Managing Director

Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To the Members of
Rain Commodities Limited

We have examined the compliance of conditions of Corporate Governance by Rain Commodities Limited, for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s) 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.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For and on behalf of

Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: July 27, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

The Cement division of the Company is transferred to Rain Industries Limited pursuant to the Scheme of Arrangement between both the Companies as approved by the Hon'ble High Court of Andhra Pradesh. In view of the said transfer of Cement division to subsidiary, the Management discussion and Analysis of Rain Industries Limited (a 100% Subsidiary of the Company) is given to reflect the correct position.

During January and February, 2006 your company has acquired 100% share holding of M/s Rain Commodities (USA) Inc. and funded a loan to the extent of Rs. 10,67,33,000. Rain Commodities (USA) Inc in turn acquired 100% of AIP/GLC Holdings, LLC USA at a cost of CAD 123.2 Million which in turn hold around 20.22% common stock in Great Lake Carbons (GLC) Inc. Rain Commodities (USA) Inc has also acquired 4.99% stake in Rain Calcining Limited at a cost of Rs. 406.20 Million. The entire acquisition cost is funded by consortium of Banks lead by ICICI Bank UK Limited.

INDUSTRY STRUCTURE AND DEVELOPMENT:

Rain Industries Limited (here in after referred to as "RIL") is primarily engaged in manufacture and sale of Cement with different product mix including OPC and PPC. In the domestic market, RIL operates through a net work of Dealers for sale of its products.

Cement Industry over the years has grown substantially. Indian Cement Industry has been using the most advanced technology which has resulted into high efficiency and productivity and thus benefiting the customers with high quality of Cement.

The Demand for Cement has grown by around 10% with the Government's support for the Development of Infrastructure and Housing Sectors.

In Cement Industry lot of Consolidations are happening by way of Takeovers/ Mergers and Expansions to enhance the market share.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

The Government of India is focusing on the development of infrastructure like express highways, Modernisation of Airports, etc and similarly the Government of Andhra Pradesh is undertaking major irrigation projects. There is also high growth in the Housing Sector with liberalized sanctioning of Loans by Banks and financial institutions and also with Government's commitment for the construction of Houses for the poor. In view of the above projects, there is a high demand for Cement.

THREATS

The high level of international crude prices and their impact on the domestic prices of petroleum products and sharp increase in the delivered price of Coal are likely to increase in the cost of production and thus reduce the profitability of the RIL.

RISKS AND CONCERNS

Though the overall industry looks positive, but the rise in energy prices, high growth of inflation, political uncertainties etc may effect 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 transportation of Cement due to Load restriction for trucks. The Load restriction will escalate cost of transportation of Cement, which will reduce the profit margin.

OUTLOOK

Outlook for Cement Industry is bright in the year 2006-2007. The prices of Cement are

encouraging when compared to the last few years. The anticipated demand growth is expected to bridge the gap between the Cement industry's capacity and demand and help the industry to perform at full capacity utilization, which will result into reduction of cost of production and contribute to the profit margins. RIL is concentrating on the reduction of cost and also increasing the efficiency and capacity utilization.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

RIL 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.

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

RIL has appointed M/s. A F Ferguson & Associates., Chartered Accountants as the internal Auditors and also implemented Enterprise Resource and Planning(ERP) for having better control on the operations.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review RIL has achieved a turnover of 38031.41 Lakhs as against Rs.29603 Lakhs in the previous year. RIL achieved a production of 1468688 Metric Tonnes as against 1269976 Metric Tonnes in the previous year.

During the year RIL has earned a profit of Rs.45.25 Lakhs as against Loss of Rs.1938 Lakhs in the previous year.

RIL has provided deferred tax Liability for an amount of Rs. 672.87 Lakhs as against Rs. 346 Lakhs Deferred tax Asset in the previous year.

The Earnings per share of the RIL as on 31st March, 2006 is Rs. 0.25 as against Rs. (13.09) in the previous year.

The Paid up Share Capital of RIL as on 31st March, 2006 is Rs.18,80,00,000/- comprising of 1,88,00,000 Equity Shares of Rs.10/- each.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

RIL 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 RIL is committed to maintain good industrial relations through negotiations, meetings etc.

As on 31st March, 2006, RIL has a total strength of about 1058 Employees.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the RIL'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 RIL's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the RIL 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 & Managing Director

N. Jagan Mohan Reddy
Director

Place : Hyderabad
Date : 27.07.2006

AUDITORS' REPORT

TO THE MEMBERS OF
RAIN COMMODITIES LIMITED

1. We have audited the attached Balance Sheet of Rain Commodities Limited ("the Company"), as at March 31, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and 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 March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 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 March 31, 2006;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
- P. Rama Krishna**
Partner
Membership Number: 22795
- For and on behalf of
Price Waterhouse
Place : Hyderabad Chartered Accountants
Date : 18.05.2006

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 year ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory has been physically verified by the management during the year. 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 and have been adjusted in the books of account.
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 year and the year-end balance of such loans aggregates to Rs. 106,733,000.
- (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, 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 year 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 Sections 58A and 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. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
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, investor education and protection 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.
- (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, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

10. The company has no accumulated losses as at March 31, 2006 and it has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
 11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders 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. 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 year, 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 year.
 19. The company has not issued any debentures during the period.
 20. The company has not raised any money by public issues during the year.
 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 year, nor have we been informed of such case by the management.
- The other clauses (iii)(b), (iii)(c), (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 year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner

Membership Number: 22795

For and on behalf of

Place : Hyderabad

Date : 18.05.2006

Price Waterhouse

Chartered Accountants

BALANCE SHEET AS AT MARCH 31, 2006

	SCHEDULE No.	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
I SOURCES OF FUNDS			
1			
Shareholders' Funds			
(a) Capital	A	221,100,000	221,100,000
(b) Share Application Money Pending Allotment		40,000,000	–
(c) Reserves and Surplus	B	421,432,524	544,645,201
		682,532,524	765,745,201
2			
Unsecured Loan	C	226,733,000	–
TOTAL		909,265,524	765,745,201
II APPLICATION OF FUNDS			
1			
Fixed Assets			
(a) Gross Block	D	1,552,198	1,552,198
(b) Less: Depreciation		616,517	495,725
(c) Net Block		935,681	1,056,473
2			
Investments	E	821,949,115	777,534,235
3			
Current Assets, Loans and Advances			
(a) Inventories	F	217,886	219,886
(b) Sundry Debtors	G	–	5,100
(c) Cash and Bank Balances	H	1,261,496	2,295,468
(d) Loans and Advances	I	107,497,255	850,163
		108,976,637	3,370,617
Less: Current Liabilities and Provisions			
(a) Liabilities	J	22,374,932	15,997,124
(b) Provisions	K	220,977	219,000
		22,595,909	16,216,124
Net Current Assets		86,380,728	(12,845,507)
TOTAL		909,265,524	765,745,201
4			
NOTES TO ACCOUNTS	Q		

Schedules A to K and Q 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

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
Date : 18.05.2006

N. RADHA KRISHNA REDDY
Chairman and Managing Director

G.R.KUMAR
G.M.-Finance and Accounts

N.JAGAN MOHAN REDDY
Director

S.VENKAT RAMANA REDDY
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	SCHEDULE No.	Twelve Months ended March 31, 2006 Rupees	Eighteen Months ended March 31, 2005 Rupees
INCOME			
Sales		–	6,583,178
Other Income	L	134,023	3,183,433
		134,023	9,766,611
EXPENDITURE			
Payments and Benefits to Employees	M	678,636	2,718,099
Manufacturing Expenses	N	–	6,447,021
Administrative and Selling Expenses	O	2,524,855	8,365,862
		3,203,491	17,530,982
GROSS OPERATING (LOSS)/PROFIT		(3,069,468)	(7,764,371)
Interest and Finance Charges	P	120,011,081	1,982,668
LOSS BEFORE DEPRECIATION AND TAXATION		(123,080,549)	(9,747,039)
Depreciation		120,792	1,144,472
LOSS BEFORE TAXATION		(123,201,341)	(10,891,511)
Provision for Taxation			
Current		–	–
Deferred		–	–
Fringe Benefit Tax		11,336	–
LOSS AFTER TAX		(123,212,677)	(10,891,511)
SURPLUS BROUGHT FORWARD		381,911,626	392,803,137
SURPLUS CARRIED TO BALANCE SHEET		258,698,949	381,911,626
Earning/(Loss) Per Share - Basic (Rs.)		(5.57)	(0.49)
NOTES TO ACCOUNTS		Q	

Schedules L to Q 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

P. Rama Krishna

Partner
For and on behalf of

Price Waterhouse
Chartered Accountants

Hyderabad

Date : 18.05.2006

N. RADHA KRISHNA REDDY
Chairman and Managing Director

G.R.KUMAR
G.M.-Finance and Accounts

N.JAGAN MOHAN REDDY
Director

S.VENKAT RAMANA REDDY
Company Secretary

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2006

	Year ended March 31, 2006 Amount in Rs.	Eighteen Months ended March 31, 2005 Amount in Rs.
A Cash Flow From Operating Activities		
Net Profit before Taxation	(123,201,341)	(10,891,511)
Adjustments for :		
Depreciation	120,792	1,144,472
Interest Expense	-	1,977,076
Provision for doubtful debts	5,100	-
Operating profit before Working Capital changes	<u>(123,075,449)</u>	<u>(7,769,963)</u>
Adjustments for :		
Sundry Debtors	-	2,316,716
Inventories	2,000	5,721,694
Loans and Advances	(106,647,092)	946,867
Current Liabilities and Provisions	6,379,785	(74,198,513)
	<u>(100,265,307)</u>	<u>(65,213,236)</u>
Cash generated from operations	<u>(223,340,756)</u>	<u>(72,983,199)</u>
Taxes Paid	(11,336)	-
Net cash flow from operating activities	<u>(223,352,092)</u>	<u>(72,983,199)</u>
B Cash Flow from Investing activities		
Purchase of Fixed Asset	-	-
Proceeds from Sale of Fixed Assets	-	72,685,385
Sale of Investments	30,000	-
Purchase of Investments	(44,444,880)	(504,235)
Net Cash used in Investing Activities	<u>(44,414,880)</u>	<u>72,181,150</u>

CASH FLOW (Contd.)

	Year ended March 31, 2006 Amount in Rs.	Eighteen Months ended March 31, 2005 Amount in Rs.
C Cash Flow From Financing Activities		
Proceeds from Long term borrowings(Secured)	-	-
Proceeds from Long term borrowings (Un Secured)	226,733,000	-
Repayment of Secured Loans	-	-
Interest paid on Secured Loans	-	(1,977,076)
Repayment of the Unsecured Loans	-	-
Interest paid on Unsecured Loans	-	-
(Repayment of)/Proceeds from Security Deposits	-	-
Share Application Money/Increase in Share Capital	40,000,000	-
Net Cash from Financing Activities	266,733,000	(1,977,076)
Net (Decrease)/Increase in Cash and Cash equivalents	(1,033,972)	(2,779,125)
Cash and Cash equivalents - Opening Balance*	2,295,468	5,074,592
Cash and Cash equivalents - Closing Balance*	1,261,496	2,295,467

*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 issued by the Institute of Chartered Accountants of India

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

For and on behalf of the Board

P. Rama Krishna

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

Hyderabad

Date : 18.05.2006

N. RADHA KRISHNA REDDY

Chairman and Managing Director

G.R.KUMAR

G.M.-Finance and Accounts

N.JAGAN MOHAN REDDY

Director

S.VENKAT RAMANA REDDY

Company Secretary

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
A. SHARE CAPITAL		
Authorised (37,000,000 Equity Shares of Rs.10 each)	370,000,000	240,000,000
Issued and Subscribed (22,110,000 Equity Shares of Rs.10 each fully paid up)	221,100,000	221,100,000
	<u>221,100,000</u>	<u>221,100,000</u>
B. RESERVES AND SURPLUS		
General Reserve	160,000,000	160,000,000
Capital Reserve	2,733,575	2,733,575
Profit and Loss Account	258,698,949	381,911,626
	<u>421,432,524</u>	<u>544,645,201</u>
C. UNSECURED LOANS		
Short Term		
From Others	106,733,000	-
Other than Short Term		
From Bank	120,000,000	-
	<u>226,733,000</u>	<u>-</u>

Note :* These Investments are pledged with Banks and Financial Institutions as security for Loan Sanctioned to the subsidiary company.

****** 1,000,000 Equity shares of Rain Calcining Limited are under a negative lien to Banks and Financial Institutions for the loan sanctioned to the subsidiary company.

SCHEDULES TO THE BALANCE SHEET

D. FIXED ASSETS

(Amount in Rupees)

	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at April 01, 2005	Additions	Deletions	As at March 31, 2006	As at April 1, 2005	For the year	on deletions	As at March 31, 2006	As at March 31, 2005
Furniture and Fixtures	777,865	-	-	777,865	184,170	49,644	-	544,051	593,695
Office Equipments	774,333	-	-	774,333	311,555	71,148	-	391,630	462,778
Total	1,552,198	-	-	1,552,198	495,725	120,792	-	935,681	1,056,473
For the Eighteen Months Ended March 31, 2005	92,450,795	-	90,898,597	1,552,198	17,564,464	1,144,472	18,213,213	1,056,475	

SCHEDULES TO THE BALANCE SHEET (Cont.)

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
E. INVESTMENTS		
Long Term at Cost		
Unquoted		
Subsidiary Company		
*Rain Industries Limited		
18,800,000 (March 31, 2005 -14,800,000)		
Equity Shares of Rs.10 fully paid up	807,504,235	767,504,235
Rain Commodities (USA) Inc		
20 (March 31,2005 -Nil)Equity Shares of		
USD 1000 fully paid up	4,444,880	-
Quoted		
**Rain Calcining Limited		
1,000,000 equity shares of Rs.10 each fully paid up	10,000,000	10,000,000
State Bank of Travancore	-	30,000
50 Equity Shares of Rs.100 each fully paid up		
[Aggregate market value of the quoted investments		
Rs.41,450,000 (March 31,2005- Rs.25,301,255)]	821,949,115	777,534,235
F. INVENTORIES		
Stores and Spare Parts	717,886	719,886
Raw Materials	-	-
Less: Provision for obsolescence	500,000	500,000
	217,886	219,886
G. SUNDRY DEBTORS		
(Unsecured)		
Considered Good		
Debts Outstanding for a period exceeding six months	-	5,100
Other debts	-	-
Considered Doubtful		
Debts Outstanding for a period exceeding six months	3,780,774	3,775,674
Less: Provision	3,780,774	3,775,674
	-	5,100

SCHEDULES TO THE BALANCE SHEET (Cont.)

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
H. CASH AND BANK BALANCES		
With Scheduled Banks		
On Current Account	399,952	82,809
On Unpaid Dividend Account	861,544	2,212,659
	<u>1,261,496</u>	<u>2,295,468</u>
I. LOANS AND ADVANCES		
(Unsecured)		
Loan to Subsidiary Company -Rain Commodities (USA) Inc.	106,732,750	-
Advances recoverable in cash or in kind or for value to be received		
Considered Good	59,325	67,658
Considered Doubtful	18,000	18,000
Less: Provision for doubtful advances	18,000	18,000
	<u>59,325</u>	<u>67,658</u>
Deposits With Others	705,180	782,505
	<u>107,497,255</u>	<u>850,163</u>
J. LIABILITIES		
Sundry Creditors		
Due to Small Scale Industrial Undertakings	-	-
Dues to Other Than Small Scale Industrial Undertakings	1,357,655	1,150,450
Subsidiary Company- Rain Industries Limited	20,127,173	12,615,181
Investors Education and Protection Fund shall be credited by the following amount:		
Unclaimed Dividend	861,544	2,212,659
Other Liabilities	28,560	18,834
	<u>22,374,932</u>	<u>15,997,124</u>
K. PROVISIONS		
Provision for Taxation	219,000	219,000
Fringe Benefit Tax	1,977	-
	<u>220,977</u>	<u>219,000</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Twelve Months ended March 31, 2006 Rupees	Eighteen Months ended March 31, 2005 Rupees
L. OTHER INCOME		
Miscellaneous Income	6,523	1,488,700
Profit on sale of Investment	127,500	-
Scrap sales	-	155,098
Liability No Longer Required Written Back	-	1,539,635
	134,023	3,183,433
M. PAYMENT AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	600,000	2,538,540
Contribution to Provident Fund	78,636	30,059
Workmen and Staff Welfare Expenses	-	149,500
	678,636	2,718,099
N. MANUFACTURING EXPENSES		
Raw Materials Consumed	-	5,817,973
Stores and Spareparts Consumed	-	441,217
Power and Fuel	-	145,886
Repairs to	-	-
- Buildings	-	37,285
- Machinery	-	4,660
	-	6,447,021

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT(Cont.)

	Twelve Months ended March 31, 2006 Rupees	Eighteen Months ended March 31, 2005 Rupees
O. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	-	225,629
Rates and taxes	800,518	643,040
Repairs to Others	-	127,063
Insurance	-	146,767
Directors Sitting Fee and Travelling Expenses	-	32,000
Auditor's Remuneration		
Audit Fees	110,200	110,200
Other Certification Fees	77,140	-
Printing and Stationery	757,764	-
Legal and Professional Charges	487,226	296,635
Travelling and Conveyance	168,392	860,946
Selling and Distribution Expenses	-	1,582,982
Postage, Telephone and Telex	-	303,351
Board Meeting Expenses	8,010	-
Bad Debts Written Off	-	1,775,779
Provision for Bad and Doubtful Debts	5,100	-
Miscellaneous Expenses	110,505	2,261,470
	2,524,855	8,365,862
P. INTEREST AND FINANCE CHARGES		
Interest on Fixed Loans	120,000,000	1,977,076
Bank Charges	10,435	5,592
Other Interest	646	-
	120,011,081	1,982,668

Q. NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. 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 issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

1.2. Revenue Recognition

Sales are recognised on despatch of goods to customers. Sales include sales tax recovered

1.3. 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.

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

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 year. 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.

1.4. Inventories

Raw materials, stores and spare-parts, and work in progress are valued at cost after providing for cost of obsolescence, if any. Finished goods are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition. Cost of work-in-progress and finished goods includes all applicable manufacturing overheads.

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

1.5. 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.

1.6. 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 recognized on timing differences being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period subject to consideration of prudence, Deferred Tax Assets are recognized unless there is a virtual certainty that there will be sufficient future taxable income to realize such asset. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

1.7. 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.

2. Contingent liabilities not provided for Rs. Nil (March 31, 2005 - Rs. Nil)
3. Estimated amount of contracts remaining to be executed on capital account not provided for as on March 31, 2006- Rs. Nil (March 31, 2005- Rs.Nil)
4. During January and February,2006 your company has acquired 20 Equity shares being 100% of share capital of M/s. Rain Commodities (USA) Inc. at an aggregate cost of Rs.44.45 Million and funded a loan to the extent of Rs.106.73 Million.

M/s. Rain Commodities (USA) Inc. acquired 100 % holding in AIP/GLC Holdings, LLC, USA at a cost of CAD 123.2 Million, which in turn holds approximately 20.22% equity in Great Lake Carbons (GLC) Inc. M/s. Rain Commodities (USA) Inc. has also acquired 4.99% stake in Rain Calcining Limited at a cost of Rs.406.21 Million. The entire cost of acquisitions to M/s. Rain Commodities (USA) Inc. is funded by consortium of banks lead by ICICI Bank UK Limited.

5. Earnings Per Share

	Year Ended March 31, 2006 Rs.	Eighteen Months Ended March 31, 2005 Rs.
a. Profit / (Loss) after tax	(123,212,677)	(10,891,511)
b. Weighted average number of Equity Shares of Rs. 10 each outstanding during the period.	22,110,000	22,110,000
c. Earnings/ (Loss) Per Share - Basic and Diluted (Rs.)	(5.57)	(0.49)

6. There are no dues to Small Scale Industrial undertakings as on March 31, 2006.

7. Segment Reporting

At present, the Company is carrying only Investment activities; hence the segment information as per Accounting Standard 17, 'Segment Reporting', issued by ICAI has not been disclosed.

8. Related Party Disclosure

a) Names of related parties and description of relationship:

- | | |
|---|--|
| (i) Subsidiary Companies | Rain Industries Limited
Rain Commodities USA Inc., |
| (ii) Enterprises where key managerial personnel along with their relatives exercise significant influence | Sujala Investments Private Limited
Nivee Investments and Finance Limited
Nivee Property Developers Private Limited
Rain Calcining Limited |
| (iii) Key Management Personnel | Mr. N.Sujith Kumar Reddy
Mr. N.Jagan Mohan Reddy
Mr. N.Radhakrishna Reddy |

b) Transactions for the Year ended March 31, 2006:

(Amount in Rs.)

	Subsidiary Company	Enterprises where Key Managerial Personnel exercise significant influence	Key Managerial Personnel	Total
Salary and Perquisites	Nil	Nil	693,425 (1,003,543)	693,425 (1,003,543)
Amount received for meeting expenditure	7,511,992 (13,679,204)	Nil	Nil	7,511,992 (13,679,204)
Loan taken	Nil (Nil)	106,733,000 (Nil)	Nil (Nil)	106,733,000 (Nil)

c) Balances Outstanding as on:

(Amount in Rs.)

March 31, 2006

Payable to Subsidiary Company	20,127,173 (12,615,181)
Advance given to Key Managerial Personnel	Nil (8,333)
Loan taken from Enterprises where key managerial personnel exercise significant influence	106,733,000 (Nil)

9. Pursuant to the Scheme of Arrangement ('the Scheme') between the Company and Rain Industries Limited ('RIL'), a subsidiary company, approved by the Honorable High Court of Andhra Pradesh, by the respective shareholders of the said companies and also by the lenders of the Company through a Credit Restructuring Package, the business of cement manufacturing ('the Undertaking') consisting of (i) cement manufacturing unit located at Kurnool and Nalgonda and the related investment in Andhra Pradesh Gas Power Corporation Limited (APGPCL) and (ii) all branch and marketing operation/offices located at various places and the corporate office, has been transferred to RIL with effect from April 1, 2003 ('the appointed date'). The effective date of the Scheme was August 30, 2004 and accordingly the Scheme has been given effect in the books of account for the eighteen months period ended September 30, 2003.

As per provisions of the Scheme 14,750,000 equity shares of Rs. 10 each fully paid up at a premium of Rs. 42 per share of RIL have been issued to the Company on September 25, 2004.

10. Management is of the view that on the basis of debt restructuring proposals cleared by the banks and financial institutions and other measures initiated by the subsidiary the diminution in the value of the Investments is of temporary in nature. Therefore no provision is considered at this stage. In terms of Debt Restructuring Scheme, Liability accepted by the Company for Rs.1200 lakhs, has been considered as Interest and finance charges.
11. Deferred tax asset on account of depreciation and losses were not considered during the previous period on the basis of prudence and considering the projected financial performance of the Company. Similarly deferred tax asset on account of unabsorbed depreciation and carry forward losses has not been recognised during the current Year.
12. Payment and Benefits to employees (Schedule M) include Managerial Remuneration :

	(Amount in Rs.)
Salary	614789 (832,333)
Contribution to Provident Fund and Other Perquisites	78,636 (171,210)
Commission	-
Total	693,425 (1,003,543)

* Eighteen months ended previous year figures have been given in brackets.

13. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956.

(a) Installed Capacity and Production

Class of Goods	Unit	Installed capacity		Production	
		Year Ended March 31, 2006		Eighteen Months Ended March 31, 2005	
Ready Mix Concrete	Cubic Metres	Nil *		Nil *	
		(90,000)		(4,374)	

* Ready Mix Concrete Business was sold.

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

(b) Particulars of Stocks and Sales

Year Ended March 31, 2006

	Unit	Opening stock		Sales		Closing stock	
		Quantity	(Rs.)	Quantity	(Rs.)	Quantity	(Rs.)
Ready Mix Concrete	Cubic Metres	Nil	Nil	Nil	Nil	Nil	Nil

(c) Details of Raw Materials Consumed

	Unit	Year Ended March 31, 2006		Eighteen Months Ended March 31, 2005	
		Quantity	(Rs.)	Quantity	(Rs.)
Sand	Cubic Metres.	Nil	Nil	4,507	1,209,655
Metal	Cubic Metres	Nil	Nil	5,108	1,27,685
Cement	MT	Nil	Nil	1,399	784,026

(d) Value of Raw Materials, Stores and Spare Parts Consumed

	Year Ended March 31, 2006		Eighteen Months Ended March 31, 2005	
	Per cent	(Rs.)	Per cent	(Rs.)
Raw Materials				
Imported	Nil	Nil	Nil	Nil
Indigenous	Nil	Nil	100	5,817,973
Total	Nil	Nil	100	5,817,973
	Per cent	(Rs.)	Per cent	(Rs.)
Stores and Spare Parts				
Imported	Nil	Nil	Nil	Nil
Indigenous	Nil	Nil	100	441,217
Total	Nil	Nil	100	441,217

(e) Earnings in Foreign Exchange

	Year Ended March 31, 2006	Eighteen Months Ended March 31, 2005
	Rs.	Rs.
FOB Value of Exports	Nil	Nil

(f) Value of Imports on CIF basis

	Year Ended March 31, 2006	Eighteen Months Ended March 31, 2005
	Rs.	Rs.
Raw Material	Nil	Nil
Stores and Spare Parts	Nil	Nil
Capital Goods	Nil	Nil

(g) Expenditure in Foreign Currency

	Year Ended March 31, 2006	Eighteen Months Ended March 31, 2005
	Rs.	Rs.
Travel and Related Expenses	Nil	Nil

14. Comparative figures in the case of Balance Sheet items has been regrouped to conform to those of the current period.

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

Registration No. -

Balance sheet Date - -

Date Month Year

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

Public Issue Right Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

APPLICATION OF FUNDS

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

IV Performance of Company (Rs in Thousands)

Turnover Total Expenditure

Profit/(Loss) Before Tax Profit / (loss) After Tax

Earning per Share in Rs. Dividend Rate %

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

Item Code No.

(ITC Code)

Product Description On behalf of the Board

N. Radhakrishna Reddy
Chairman & Managing Director

N. Jagan Mohan Reddy
Director

Place : Hyderabad
Date : 18.05.2006

G.R. Kumar
G.M.(Finance and Accounts)

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 Industries Limited
2. Financial year ending of the Subsidiary : 31st March 2006
3. Holding Companies interest : Rain Commodities Limited is holding 1,88,00,000 Equity Shares of Rs.10/- each Aggregating to Rs.18,80,00,000 representing 100% of the Total Paid up Equity Share Capital of Rain Industries 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 : Rs. 45,25,483
 - b. not dealt with or provided for in the accounts of the holding Company : Nil
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 : Rs. 33,63,90,887
 - b. not dealt with or provided for in the accounts of the holding Company : Nil

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman & Managing Director

N. Jagan Mohan Reddy
Director

Place : Hyderabad
Date : 27.07.2006

G.R. Chari
Vice-President (Finance)
& 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, 2006
3. Holding Companies interest : Rain Commodities Limited is holding 20 Shares of USD 1000 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 : Nil
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 : Nil

for and on behalf of the Board of Directors

N. Radhakrishna Reddy
Chairman & Managing Director

N. Jagan Mohan Reddy
Director

Place : Hyderabad
Date : 27.07.2006

G.R. Chari
Vice-President (Finance)
& Company Secretary

Auditors' Report on the Consolidated Financial Statements

To the Board of Directors of Rain Commodities Limited

1. We have audited the attached Consolidated Balance Sheet of Rain Commodities Limited ("the Company") as at March 31, 2006, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow statement for the year 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 report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated subsidiary, included in the Consolidated Financial Statements, except to the extent of non consolidation of Rain Commodities (USA) Inc. and its subsidiary, as referred to in note 3 of Schedule U to the Consolidated Financial Statements.
4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidated subsidiary, subject to 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 consolidated state of affairs of the Company and its consolidated subsidiary as at March 31, 2006;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated subsidiary for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its consolidated subsidiary, for the year ended on that date.

P. Rama Krishna

Partner

Membership No.22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Hyderabad
May 18, 2006

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

	SCHEDULE No.	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
I SOURCES OF FUNDS			
1			
Shareholders' funds			
(a) Capital	A	221,100,000	221,100,000
(b) Share Application Money Pending Allotment		40,000,000	—
(c) Reserves and Surplus	B	7,259,058	2,733,575
		268,359,058	223,833,575
2			
Loan funds			
(a) Secured Loans	C	1,894,139,689	2,074,645,233
(b) Unsecured Loans	D	584,975,710	245,135,672
		2,479,115,399	2,319,780,905
		2,747,474,457	2,543,614,480
II APPLICATION OF FUNDS			
1			
Fixed Assets			
(a) Gross Block	E	2,591,865,184	2,535,092,385
(b) Less Depreciation and Amortisation		431,989,445	285,841,770
(c) Net Block		2,159,875,739	2,249,250,615
(d) Capital Work-In-Progress		8,992,785	37,112,126
		2,168,868,524	2,286,362,741
2			
Goodwill on Consolidation		4,235	4,235
3			
Investments		30,529,880	26,115,000
4			
Deferred Tax Asset -Net		95,240,877	162,528,255
5			
Current Assets, Loans and Advances			
(a) Inventories	G	120,960,507	127,036,950
(b) Sundry Debtors	H	49,858,934	43,622,119
(c) Cash and Bank Balances	I	107,657,330	116,607,333
(d) Other Current Assets	J	391,397	56,612
(e) Loans and Advances	K	622,159,752	387,076,262
		901,027,920	674,399,276
Less:Current Liabilities and Provisions			
(a) Liabilities	L	564,460,293	601,183,358
(b) Provisions	M	8,854,344	6,516,650
		573,314,637	607,700,008
Net Current Assets		327,713,283	66,699,268
6			
Profit and Loss Account	N	125,117,657	1,904,981
		2,747,474,457	2,543,614,480
7			
NOTES TO ACCOUNTS	U		

Schedules A to N and U 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

P. Rama Krishna
Partner

N. RADHA KRISHNA REDDY
Chairman

N. JAGAN MOHAN REDDY
Managing Director

For and on behalf of
Price Waterhouse
Chartered Accountants

G.R. Kumar
GM - Finance and Accounts

S. VENKAT RAMANA REDDY
Company Secretary

Hyderabad
Date : 18.05.2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	SCHEDULE No.	Twelve Months ended March 31, 2006 Rupees	Eighteen Months ended March 31, 2005 Rupees
INCOME			
Sales (Gross)		3,803,141,613	3,769,479,487
Less: Excise Duty		600,040,785	656,541,623
Sales (Net)		3,203,100,828	3,112,937,864
Other Income	O	163,486,170	79,320,017
(Decrease)/Increase in Stock in Trade	P	(6,635,581)	42,904,204
		3,359,951,417	3,235,162,085
EXPENDITURE			
Payments and Benefits to Employees	Q	101,161,717	110,480,014
Manufacturing Expenses	R	1,425,849,778	1,669,870,195
Administrative and Selling Expenses	S	1,375,727,679	1,250,196,521
		2,902,739,174	3,030,546,730
GROSS OPERATING PROFIT			
Interest and Finance Charges	T	457,212,243	204,615,355
		360,656,114	419,610,840
PROFIT/(LOSS) BEFORE DEPRECIATION AND TAXATION			
Depreciation and amortisation		96,556,129	(214,995,485)
		146,226,492	214,651,092
PROFIT/(LOSS) BEFORE TAXATION			
Provision for Taxation		(49,670,363)	(429,646,577)
Current		-	-
Deferred		67,287,378	82,364,179
Fringe Benefit Tax		1,729,452	-
PROFIT/(LOSS) AFTER TAXATION			
Transferred to Debenture Redemption Reserve		(118,687,193)	(347,282,398)
Loss Brought forward		4,525,483	-
		(161,904,981)	185,377,417
DEFICIT CARRIED TO BALANCE SHEET			
		(285,117,657)	(161,904,981)
Earning/(Loss) Per Share - Basic and Diluted		(5.37)	(15.71)
NOTES TO ACCOUNTS			
	U		

Schedules O to U 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

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
Date : 18.05.2006

N. RADHA KRISHNA REDDY
Chairman
G.R. Kumar
GM - Finance and Accounts

N. JAGAN MOHAN REDDY
Managing Director
S. VENKAT RAMANA REDDY
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED
MARCH 31, 2006**

	Year Ended March 31, 2006 Amount in Rs.	Period Ended March 31, 2005 Amount in Rs.
A Cash Flow from Operating Activities		
Net Profit before Taxation	(49,670,363)	(429,646,577)
Adjustments for :		
Depreciation	146,226,492	214,651,092
Discount On Issue of 9.39% Debentures and Others Amortised	28,806,671	-
(Profit)/Loss on Foreign Exchange fluctuation	1,373,085	-
Interest Income	(3,334,868)	(4,039,435)
Provision for doubtful debts	5,049,006	-
Other Interest	-	-
Interest Expense	188,751,079	344,434,103
Liability No Longer Required Written Back	(152,971,500)	-
Other Credit Balance Written Back	(7,279,021)	-
Sales Tax Deferment	71,337,880	106,185,410
Loss on Sale of Fixed Asset	118,530	193,500
Amortisation of Deferred Charges	-	150,000
Operating profit before Working Capital changes	<u>228,406,991</u>	<u>231,928,093</u>
Adjustments for :		
Sundry Debtors	(6,241,915)	(18,880,931)
Inventories	(7,218,102)	(68,047,806)
Loans and Advances	(225,381,692)	(18,631,057)
Current Liabilities and Provisions	(66,601,422)	(106,461,931)
Other Current Assets	(334,785)	-
	<u>(305,777,916)</u>	<u>(212,021,725)</u>
Cash generated from operations	<u>(77,370,926)</u>	<u>19,906,368</u>
Taxes Paid	(4,553,947)	-
Net cash flow from operating activities	<u>(81,924,872)</u>	<u>19,906,368</u>
B. Cash Flow from Investing activities		
Purchase of Fixed Asset	(28,653,458)	(35,476,004)
Proceeds from Sale of Fixed Assets	-	31,100,000
Loss on sale of Fixed assets	(118,530)	-
Sale of Investments	30,000	25,000
Interest Received	3,000,083	4,143,771
Goodwill on Consolidation	-	(4,235)
Purchase of Investments	(4,444,880)	-
Net Cash used in Investing Activities	<u>(30,186,785)</u>	<u>(211,468)</u>

CONSOLIDATED CASH FLOW (Contd.)

	Year Ended March 31, 2006 Amount in Rs.	Period Ended March 31, 2005 Amount in Rs.
C Cash Flow From Financing Activities		
Proceeds from Long term borrowings(Secured)	1,081,456,473	240,000,000
Proceeds from Long term borrowings (Un Secured)	292,938,153	49,301,851
Repayment of Secured Loans	(1,135,293,320)	(120,866,053)
Interest paid on Secured Loans	(155,696,295)	(71,372,577)
Repayment of the Unsecured Loans	(17,055,994)	(34,000,000)
Interest paid on Unsecured Loans	(206,074)	(2,135,836)
(Repayment of)/Proceeds from Security Deposits	(2,981,288)	5,045,229
Share Application Money/Increase in Share Capital	40,000,000	-
Net Cash from Financing Activities	(103,161,655)	65,972,614
Net (Decrease)/Increase in Cash and Cash equivalents	(8,950,003)	85,667,514
Cash and Cash equivalents - Opening Balance*	116,607,333	30,939,759
Cash and Cash equivalents - Closing Balance*	107,657,330	116,607,333

*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 issued by the Institute of Chartered Accountants of India
- 2 Following are the material non-cash transactions:
 - (i) Discount on Issue of Non-Convertible 9.39% Debentures Rs25,560,000 to Citicorp Finance (India) Limited and premium on Unsecured Loan of IL&FS Ltd., amounting to Rs.3,246,671
 - (ii) Deferment of sales tax amounting to Rs.7,13,37,880 pertaining to the the current period.
 - (iii) Waiver of Outstanding Dues from Banks and Financial Institutions as per CDR Package. Rs 125,061,437 is included under "Liability no longer required Written Back"

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

For and on behalf of the Board

P. Rama Krishna

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

Hyderabad

Date : 18.05.2006

N. RADHA KRISHNA REDDY

Chairman and Managing Director

G.R.KUMAR

G.M.-Finance and Accounts

N.JAGAN MOHAN REDDY

Director

S.VENKAT RAMANA REDDY

Company Secretary

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
A. SHARE CAPITAL		
Authorised (37,000,000 Equity Shares of Rs.10/- each)	<u>370,000,000</u>	<u>240,000,000</u>
Issued and subscribed (22,110,000 (31st March, 2005 - 22,110,000) Equity Shares of Rs.10/- each)	<u>221,100,000</u>	221,100,000
	<u>221,100,000</u>	<u>221,100,000</u>
B. RESERVES AND SURPLUS		
Capital Reserves	2,733,575	2,733,575
General Reserve	-	-
At the Commencement of the Period	-	160,000,000
Less: Deferred Tax Asset Reversed	-	-
	<u>2,733,575</u>	<u>160,000,000</u>
Debenture Redemption Reserve		
At the commencement of the year	-	-
Add: Transferred from Profit and Loss Account	4,525,483	-
	<u>7,259,058</u>	<u>-</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
C. SECURED LOANS		
Debentures		
11,278,000, 9.39% Redeemable		
Non- Convertible Debentures of Rs.100/- each (Privately placed)	1,060,132,000	–
Term Loans		
From Financial Institutions	107,865,140	278,438,289
From Banks	644,246,758	1,517,143,091
Working Capital Term Loans		
From Banks	–	279,063,853
Cash Credit from Bank	79,482,075	–
Hire Purchase Loan	2,413,716	–
	<u>1,894,139,689</u>	<u>2,074,645,233</u>

Notes:

- 1 Debentures and Term Loans are :
 - a) Secured by a first charge on pari passu basis on all immovable properties of the Company and by pledge of 18,800,000 equity shares of the company held by Rain Commodities Limited the Holding Company
 - b) Also Secured by the additional Security of farm land at Nellore and land owned by certain Directors and also personal guarantee of certain Directors
 - c) Further Secured by negative lien on the Shares of Rain Calcining Limited held by Rain Commodities Limited, the Holding Company
- 2 The Debenture is redeemable in ten installments commencing from September 30, 2005 and ending by March 31, 2010, accordingly the first and second instalment of redemption has been effected on September 30, 2005 and March 31, 2006.
- 3 Cash Credit is secured by first charge on the whole of the present and future current assets of the company
- 4 Hire Purchase Loan is Secured by Hypothecation of Pay Loader

D. UNSECURED LOANS		
Short Term		
From Others	106,733,000	17,055,994
Other than Short Term		
Sales Tax Deferment	241,245,796	169,907,916
Security Deposit	47,545,090	58,171,762
From Others	69,451,824	–
From Bank	120,000,000	–
	<u>584,975,710</u>	<u>245,135,672</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

E. FIXED ASSETS

(Amount in Rupees)

ASSET	GROSS BLOCK			DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 01, 2005	Additions	Deletions	As at April 1, 2005	For the Period	on deletions	As at March 31, 2006	As at March 31, 2006	As at April 01, 2005
I. Intangible Assets									
Goodwill	199,884,928	-	-	39,976,985	19,988,493	-	59,965,478	139,919,450	159,907,943
Software	-	2,647,153	-	-	882,384	-	882,384	1,764,769	-
Sub-Total	199,884,928	2,647,153	-	39,976,985	20,870,877	-	60,847,862	141,684,219	159,907,943
II. Tangible Assets									
Land-Free Hold	41,413,736	194,470	-	-	-	-	-	41,608,206	41,413,736
Land - Mining	12,009,111	-	-	186,644	96,073	-	282,716	11,726,395	11,822,467
Buildings	490,689,564	-	-	29,565,976	14,788,690	-	44,354,667	446,334,898	461,123,588
Railway Siding	2,224,169	-	-	211,296	105,648	-	316,945	1,907,225	2,012,873
Plant & Machinery	1,762,157,886	50,725,965	-	211,104,841	107,657,363	-	318,762,205	1,494,121,647	1,551,053,044
Furniture & Fixtures	9,492,124	-	-	1,449,147	589,533	-	2,038,681	7,453,444	8,042,977
Office Equipments	16,686,553	3,503,559	-	3,243,828	2,073,940	-	5,317,769	14,872,343	13,442,725
Vehicles	534,313	-	298,347	103,050	44,368	78,816	68,602	167,365	431,263
Sub-Total	2,335,207,456	54,423,994	298,347	245,864,782	125,355,615	78,816	371,141,585	2,018,191,522	2,089,342,674
Grand Total	2,535,092,385	57,071,147	298,347	285,841,767	146,226,492	78,816	431,989,447	2,159,875,741	2,249,250,617
As at March 31st, 2005	2,622,621,011	3,602,290	91,130,916	160,081,821	144,011,919	18,251,972	285,841,770	2,249,250,617	-
Capital Work-in-Progress (Including Capital Advance)								8,992,785	37,112,126

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
F. INVESTMENTS		
Long Term - At Cost		
UNQUOTED - TRADE		
Andhra Pradesh Gas Power Corporation Limited 1,34,000 (2005-134,000) Equity Shares of Rs.10 each fully paid up	16,000,000	16,000,000
Rain Calcining Limited 1,000,000 (2005 - 1,000,000) Equity Shares of Rs.10 each fully paid up	10,000,000	10,000,000
Rain Commodities (USA)Inc 20(2005-Nil) Equity Shares of USD 1000 fully paid up	4,444,880	-
State Bank of Travancore 50 (2005 - 50) Equity Shares of Rs.100 each fully paid up	-	30,000
Investment in Government Securities National Saving Certificates	85,000	85,000
	30,529,880	26,115,000
G. INVENTORIES		
Stores and Spare Parts	42,711,761	57,547,031
Less : Provision for obsolescence	12,794,545	-
	29,917,216	57,547,031
Raw Materials	51,485,675	23,296,722
Stock In Trade		
Finished Goods	7,321,655	13,314,507
Work -in-Progress	32,235,961	32,878,690
	120,960,507	127,036,950
H. SUNDRY DEBTORS		
Considered Good		
Debts Outstanding for a period exceeding six months	6,169,181	9,643,505
Other debts	43,689,753	33,978,614
Considered Doubtful		
Debts Outstanding for a period exceeding six months	22,678,702	18,976,875
Less: Provision	22,678,702	18,976,875
	49,858,934	43,622,119
I. CASH AND BANK BALANCES		
Cash and Cheques on Hand	62,878,456	49,961,765
With Scheduled Banks		
On Current Account	33,156,096	64,010,913
On Margin Money Deposit Account	10,761,234	421,996
On Unpaid Dividend Account	861,544	2,212,659
	107,657,330	116,607,333

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
J. OTHER CURRENT ASSETS		
Interest accrued on Investments and Deposits	391,397	56,612
	<u>391,397</u>	<u>56,612</u>
K. LOANS AND ADVANCES (Unsecured and Considered Good)		
Loan to Subsidiary Company - Rain Commodities(USA)Inc,	106,732,750	-
Advances recoverable in cash or kind or for value to be received		
Considered Good	372,026,502	323,962,918
Considered Doubt	18,000	18,000
Less:Provision	18,000	18,000
Balances with Government and Public Bodies	138,276,482	56,981,696
Deposit with others	4,883,164	6,085,171
Loans to Employees	240,854	46,477
	<u>622,159,752</u>	<u>387,076,262</u>
L. CURRENT LIABILITIES		
Sundry Creditors		
Due to Small Scale Industrial Undertakings	1,000,786	2,602,830
Due to Other than Small Scale Industrial Undertakings	396,649,233	467,455,303
Advance from Customers	46,696,342	51,698,784
Interest accrued but not due on loans	32,806,527	-
Investors Education and Protection Fund shall be credited by the following amount:		
Unclaimed Dividend	861,544	2,212,659
Other Liabilities	86,445,861	77,213,782
	<u>564,460,293</u>	<u>601,183,358</u>
M. PROVISIONS		
Provision for Taxation	219,000	219,000
Gratuity	5,073,413	3,211,006
Leave Encashment	3,471,067	3,086,644
Fringe Benefit Tax	90,865	-
	<u>8,854,344</u>	<u>6,516,650</u>
N. PROFIT AND LOSS ACCOUNT		
General reserve	160,000,000	-
Profit & Loss Account	(285,117,657)	(161,904,981)
	<u>(125,117,657)</u>	<u>(161,904,981)</u>

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Twelve Months ended March 31, 2006 Rupees	Eighteen Months ended March 31, 2005 Rupees
O. OTHER INCOME		
Interest on deposits with Banks and Others [Tax Deducted at Source Rs.664,787/- (quarter ended March 31, 2005 - Rs.493,573)]	3,334,868	4,039,435
Scrap sales	3,351,529	3,719,601
Liability no longer required Written back	152,971,500	65,199,069
Profit on sale of Investment/Assets	127,500	-
Miscellaneous Income	3,700,773	6,361,912
	<u>163,486,170</u>	<u>79,320,017</u>
P. INCREASE/ (DECREASE) IN STOCK IN TRADE		
Closing Stock		
Finished Goods	7,321,655	13,314,507
Work-in-Progress	32,235,961	32,878,690
	<u>39,557,616</u>	<u>46,193,197</u>
Opening Stock		
Finished Goods	13,314,507	1,426,658
Work-in-Progress	32,878,690	1,862,335
	<u>46,193,197</u>	<u>3,288,993</u>
	<u>(6,635,581)</u>	<u>42,904,204</u>
Q. PAYMENT AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	82,421,549	87,198,448
Contribution to Provident and Other Funds	7,144,324	9,253,361
Workmen and Staff welfare Expenses	11,595,844	14,028,205
	<u>101,161,717</u>	<u>110,480,014</u>
R. MANUFACTURING EXPENSES		
Raw Materials Consumed	191,780,581	178,283,138
Packing Material Consumed	154,976,282	158,100,385
Stores and Spare Parts Consumed	108,162,524	87,130,961
Power and Fuel	868,072,197	1,130,623,693
Repairs to		
- Buildings	1,696,536	4,941,983
- Machinery	24,296,766	18,700,558
Royalty and Cess	76,864,892	92,089,477
	<u>1,425,849,778</u>	<u>1,669,870,195</u>

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Twelve Months ended March 31, 2006 Rupees	Eighteen Months ended March 31, 2005 Rupees
S. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	10,147,708	15,649,443
Rates and taxes	454,679,486	554,931,515
Repairs to Others	6,920,613	10,267,328
Insurance	9,051,395	12,731,273
Directors' Sitting fee	36,000	55,000
Auditor's Remuneration		
Audit Fees	1,300,000	2,112,510
Out of Pocket Expenses	-	20,000
Other Certification Fees	77,140	-
Selling and Distribution Expenses	846,901,646	564,328,698
Communication Expenses	8,328,217	9,856,742
Travelling and Conveyance	9,017,196	12,389,586
Printing and Stationery	757,764	-
Legal and Professional Charges	5,255,635	7,872,552
Bad Debts and Advances Written Off	-	18,607,851
Provision for Doubtful Debts	5,049,006	-
(Gain)/Loss on Foreign Exchange Fluctuation (Net)	1,373,085	(3,520,428)
Miscellaneous Expenses	16,832,788	44,894,451
	<u>1,375,727,679</u>	<u>1,250,196,521</u>
T. INTEREST AND FINANCE CHARGES		
Interest on Debentures	82,354,324	-
Interest on Term Loans	224,322,039	340,544,126
Interest on Cash Credit and Others	2,074,716	69,376,138
Discount on Issue of Debentures Amortised	25,560,000	-
Premium on Unsecured Loan	3,246,671	-
Other Interest	15,444,915	-
Bank Charges	7,653,449	9,690,576
	<u>360,656,114</u>	<u>419,610,840</u>

U. CONSOLIDATED NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

1.1. 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 issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

The consolidated financial statements relate to Rain Commodities Limited (formerly Priyadarshini Cement Limited) (the Parent Company) and Rain Industries Limited, the wholly owned Subsidiary of Rain Commodities Limited. The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard 21 on consolidated financial statements issued by the ICAI.

The financial statements of the Parent Company and the Subsidiary Company have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain/loss. The consolidated financial statements have been prepared applying uniform accounting policies in use at the Parent Company and the Subsidiary Company.

1.2. 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. Income on sale of licences under Duty Free Replenishment Certificate (DFRC) is recognised on cash basis.

1.3. 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 year. 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.

1.4. Goodwill

Goodwill represents the difference between the purchase price and the fair value of the assets and liabilities acquired after considering reserves transferred. Goodwill is being amortised on Straight Line method over a period of ten years.

The excess of Cost to the Parent Company of its investment in the Subsidiary Company is recognized in the Consolidated Financial Statements as Goodwill.

1.5. Inventories

Raw materials, stores and spare-parts, and work in progress are valued at cost after providing for cost of obsolescence, if any. Finished goods are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition. Cost of work-in-progress and finished goods includes all applicable manufacturing overheads.

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

1.6. Employee Benefits

Company's contribution to provident fund is charged to Profit and Loss Account.

In respect of gratuity, which is administered through Life Insurance Corporation of India (LIC) for certain employees, contributions determined by LIC based on actuarial valuation are charged to revenue. For other employees provision is made in the books based on actuarial valuation.

Liability for leave encashment benefit is accounted for based on actuarial valuation.

1.7. 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.

1. 8. 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 difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period subject to

consideration of prudence. Deferred tax assets are not recognised unless there is virtual 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.

1. 9. 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.

1. 10. Investments

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

2. Pursuant to the Scheme of Arrangement ('the Scheme') between the Parent Company and the Subsidiary Company, approved by the Honourable High Court of Andhra Pradesh, by the respective shareholders of the said Companies and also by the lenders of the Parent Company through a Credit Restructuring Package, the business of cement manufacturing ('the Undertaking') of the Parent Company consisting of (i) cement manufacturing unit located at Kurnool and Nalgonda and the related investment in Andhra Pradesh Gas Power Corporation Limited (APGPCL) and (ii) all branch and marketing operation/offices located at various places and the Corporate Office, has been taken over with effect from April 1, 2003 ('the appointed date'). The effective date of the Scheme was August 30, 2004 and accordingly the Scheme has been given effect in the books of account. Further 14,750,000 equity shares of Rs. 10 each fully paid up at a premium of Rs. 42 have been issued as consideration of the purchase on September 25, 2004. Till the effective date, the business of the Undertaking was carried out by the Parent Company in trust for the Subsidiary Company. Steps are being taken for transfer of freehold lands, mining leases, licenses, building leases, deposits, dealer agreements, etc., relating to the business of Cement manufacturing from the Parent Company to the Subsidiary Company.

In terms of provisions of the Scheme:

- (i) the assets and liabilities of the Undertaking along with the investments in APGPCL have been recorded at their fair values as on the appointed date;
- (ii) the excess of fair value of assets over fair value of liabilities, amounting to Rs. 1998.85 lacs has been treated as Goodwill.

As per the provisions of the Scheme the assets and liabilities have to be accounted for at their fair values. Accordingly certain land, buildings and plant and machinery has been recorded as per independent valuers' reports. Investments have been recorded at net realisable value based on the subsequent sale made. In all the other cases values have been arrived at based on management's estimates.

3. During January and February, 2006 your company has acquired 100% share holding of M/s Rain Commodities (USA) Inc. and funded a loan to the extent of Rs.10,67,33,000. Rain Commodities (USA) Inc in turn acquired 100% of AIPGLC Holdings, LLC USA at a cost of CAD 123.2 Million which in turn hold around 20.22% common stock in Great Lake Carbons (GLC) Inc. Rain Commodities (USA) Inc has also acquired 4.99% stake in Rain Calcining Limited at a cost of Rs. 406.21 Million The entire acquisition cost is funded by consortium of Banks lead by ICICI Bank UK Limited.,

In view of the short time availability from the date of acquisition of investment by Rain Commodities (USA) Inc in AIP GLC Holding LLC USA and also the financial year being January to December, Rain Commodities (USA) Inc has not been considered for consolidation. Investment in Rain Commodities (USA) Inc has been accounted as per Standard 13.

3. Contingent liabilities not provided for in respect of :

	As on March 31, 2006 Rs.	As on March 31, 2005 Rs.
Matters under dispute:		
Income Tax	Nil	Nil
Sales Tax	108,382,747	113,896,684
Excise Duty	1,689,981	17,378,685
Claims against the Company not acknowledged as debts	22,968,000	49,607,179

5. Estimated amount of contracts remaining to be executed on capital account not provided for as on March 31, 2006: Rs.24,225,000 (March 31, 2005 - Rs.4,992,178)
6. Lease payments made under cancellable operating leases amounting to Rs. 10,147,708 (March 31, 2005 - Rs. 15,649,443) 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.
7. Earnings Per Share

	For the Year Ended March 31, 2006 Rs.	Eighteen Months Ended March 31, 2005 Rs.
a. (Loss)/ Profit after Tax	(1,18,687,193)	(347,282,398)
b. Weighted average number of Equity Shares of Rs. 10 each outstanding during the period.	22,110,000	22,110,000
c. Earnings/ (Loss) Per Share - Basic and Diluted (Rs.) (Before Extra Ordinary Item)	(5.37)	(15.71)
d. Earnings/ (Loss) Per Share - Basic and Diluted (Rs.) (After Extra Ordinary Item)	(5.37)	(15.71)

8. The Deferred Tax Asset - Net is as under:

	March 31, 2006 Rs.	March 31, 2005 Rs.
Deferred Tax Asset		
Business Loss	97,447,729	75,712,995
Unabsorbed Depreciation	37,788,320	37,788,320
Section 43B and other dis-allowances	14,253,377	95,613,940
Total	149,489,826	209,115,255
Deferred Tax Liability		
Fixed Asset Block	54,248,949	46,587,000
Total	54,248,949	46,587,000
Deferred Tax Asset - Net	95,240,877	162,528,255

Based on the future profit projections, the Company expects to fully recover the deferred tax asset.

9. Small Scale Industrial undertakings where the dues are outstanding for more than 30 days as on March 31, 2006 are as under:

Noble Rubber Industries
Industrial Filters & Fabrics Private Limited.,
Pioneer Electrical Works
On load Gears
Aarvee Pneumatic service
Power Transmi-Tech Engineers
Shree Shyam Industries
Aparna Industries
AOF Filtration Systems Private Limited.,
Andhra Carbon Products
Aishu Castings Private Limited.,
Anupam Udyog
Associated Engineers
Anil Rubber Mills Private Limited
Hyderabad Reprographics Private Limited
He-Technocrats
Kamala Screens & Metal Perforators
Lakshmi Engineering Enterprises

Nucon Zander (India) Private Limited
New Spmpson Springs
Precision Engineering Works
PR Filters Private Limited
Pan-Electro Technic Enterprises Private Limited
Paitandi Fluorocarbon Seals Private Limited
PSI Hydraulics
R.S. Industrial Supplier Services
Sanghavi Engineering
Swajit Engineering Private Limited
Steelcrafts (India)

10. Segment Reporting

The Company operates in one business segment (i.e. manufacture and sale of cement) and in one geographical area (i.e., India). Hence the segment information as per Accounting Standard 17, 'Segment Reporting', issued by ICAI has not been disclosed.

11. Related Party Disclosure

a) *Names of related parties and description of relationship:*

- | | |
|--|---|
| (i) Enterprises where key managerial personnel along with their relatives exercise significant influence | Sujala Investments Private Limited
Nivee Investments and Finance Limited
Nivee Property Developers Private Limited
Rain Calcining Limited
Auto Parade |
| (ii) Key Management Personnel | Mr. N.Sujith Kumar Reddy
Mr. N.Jagan Mohan Reddy
Mr. N.Radhakrishna Reddy |

b) Transactions for year ended March 31, 2006:

	(Amount in Rs.)		
	Enterprises where key managerial personnel exercise significant influence	Key Management Personnel	Total
Sales	2,478,006	Nil	2,478,006
	(10,037,232)	(Nil)	(10,037,232)
Purchases	225,017,663	Nil	225,017,663
	(47,141,057)	(Nil)	(47,141,057)
Advance Taken	4,70,949,531	–	4,70,949,531
	(825,418,138)	(2,375,000)	(827,793,138)
Loan Given	Nil	Nil	Nil
	(9,000,000)	(Nil)	(9,000,000)
Loan Received Back	Nil	Nil	Nil
	(6,500,000)	(Nil)	(6,500,000)
Advance Repaid	6,02,313,448	Nil	6,02,313,448
	(829,219,335)	(4,631,745)	(833,851,080)
Interest Expense	206,074	Nil	206,074
	(3,889,948)	(Nil)	(3,889,948)
Interest Income	Nil	Nil	Nil
	(481,535)	(Nil)	(481,535)
Payment for Supplies	1,48,668,301	Nil	1,48,668,301
	(13,260,496)	(Nil)	(13,260,496)
Loan Taken	106,733,000	Nil	106,733,000
	(52,801,851)	(Nil)	(52,801,851)
Loan Repaid	23,347,757	Nil	23,347,757
	(35,000,000)	(Nil)	(35,000,000)
Interest Payment	Nil	Nil	Nil
	(1,259,939)	(Nil)	(1,259,939)
Salary and Perquisites	Nil	583,441	583,441
	(Nil)	(1,220,435)	(1,220,435)
Salary Advance	Nil	Nil	Nil
	(Nil)	(8,333)	(8,333)

c) Balances Outstanding :

	(Amount in Rs.)	
	March 31, 2006	March 31, 2005
Enterprises where key managerial personnel along with their relatives exercise significant influence		
Payable	Nil	28,647,757
Loan and Other Receivables	106,733,000	481,567
Key Managerial Personnel		
Receivable	Nil	8,333
Payable	Nil	Nil

12. Payment and Benefits to employees (Schedule Q) include Managerial Remuneration (1,220,435) :

	(Amount in Rs.)
Salary	1,094,789
Contribution to Provident Fund and Other Perquisites	182,077
Commission	-
Total	1,276,866

13. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956.

(a) Installed Capacity and Production

Class of goods	Unit	Installed capacity		Production	
				For the Year Ended March 31, 2006	Eighteen Months Ended March 31, 2005
Cement	MT	1,400,000 (Per Annum)		1,468,688	1,627,083
Ready Mix Concrete (RMC)	Cubic Metres	90,000 (Per Annum)		Nil	4,347

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

(b) Particulars of Stocks and Sales

For the year Ended March 31, 2006

	Unit	Opening stock		Sales		Closing stock	
		Quantity	(Rs.)	Quantity	(Rs.)	Quantity	(Rs.)
Cement and Clinker	MT	7,828	13,314,507	1,471,464	3,803,141,613	4,546	7,321,655
Ready Mix Concrete	Cu Mts	Nil	Nil	Nil	Nil	Nil	Nil

Eighteen Months Ended March 31, 2005

	Unit	Opening stock		Sales		Closing stock	
		Quantity	(Rs.)	Quantity	(Rs.)	Quantity	(Rs.)
Cement and Clinker	MT	903	1,426,658	1,678,668	3,762,896,309	7,828	13,314,507
Ready Mix Concrete	Cu Mts	Nil	Nil	4,347	6,583,178	Nil	Nil

Note: Closing stock excludes excesses/shortages including damaged stocks and captive consumption, etc.

(c) Details of Raw Materials Consumed

	Unit	Year Ended March 31, 2006		Eighteen Months Ended March 31, 2005	
		Quantity	(Rs.)	Quantity	(Rs.)
Sand	Cu Mtrs	Nil	Nil	4,507	1,209,655
Metal	Cu Mtrs	Nil	Nil	5,108	1,527,685
Cement	MT	Nil	Nil	1,399	2,296,607
Others	-	Nil	-	-	784,026
Limestone	MT	1,656,632	39,521,902	2,195,914	43,379,006
Gypsum	MT	70,307	48,595,056	75,244	49,646,449
Bluedust/IronOre/ Mill Scale	MT	31,478	10,201,323	29,896	10,649,806
Laterite/Bauxite	MT	56,758	19,913,387	72,571	24,169,430
Fly Ash	MT	220,964	73,548,913	144,204	44,620,474
Clinker Purchased	MT	Nil	Nil	Nil	Nil
Total			191,780,581		178,283,138

(d) Value of Raw Materials, Stores and Spare Parts Consumed

	Year Ended March 31, 2006		Eighteen Months Ended March 31, 2005	
	Percent	(Rs.)	Percent	(Rs.)
Raw Materials				
Imported	Nil	Nil	Nil	Nil
Indigenous	100	191,780,581	100	178,283,138
Total	100	191,780,581	100	178,283,138
	Percent	(Rs.)	Percent	(Rs.)
Stores and Spare Parts				
Imported	Nil	Nil	1	53,828
Indigenous	100	108,162,524	99	87,077,133
Total	100	108,162,524	100	87,130,961

(e) Earnings in Foreign Exchange

	Year Ended March 31, 2006 Rs.	Eighteen Months Ended March 31, 2005 Rs.
FOB Value of Exports	Nil	64,386,832

(f) Value of Imports on CIF basis

	Year Ended March 31, 2006 Rs.	Eighteen Months Ended March 31, 2005 Rs.
Raw Material	Nil	Nil
Stores and Spare Parts	Nil	Nil
Capital Goods	Nil	Nil
Coal	419,94,405	72,673,220

(g) Expenditure in Foreign Currency

	Year Ended March 31, 2006 Rs.	Eighteen Months Ended March 31, 2005 Rs.
Travel and Related Expenses	Nil	Nil

14. Comparative figures of the previous period/year, where necessary, have been regrouped to conform to those of the current year.

BOARD OF DIRECTORS

Shri N. Radhakrishna Reddy	Chairman
Shri N. Jagan Mohan Reddy	Managing Director
Shri N. Sujith Kumar Reddy	Executive Director
Shri A.B. Telang	Nominee Director-Industrial Development Bank of India Limited
Shri N.P. Subramanian	Nominee Director-ICICI Bank Limited
Shri V. Prakash	Nominee Director-ICICI Bank Limited
Shri P.S. Ravendernath	Nominee Director-ICICI Bank Limited
Shri Varun Batra	Nominee Director- Citicorp Finance (India) Limited
Shri P. Koteswara Rao	Director

GENERAL MANAGER(FINANCE & ACCOUNTS)

Shri G.R. Kumar

AUDITORS

M/s. Price Waterhouse,
Chartered Accountants,
6-3-550, IIInd Floor, L B Bhavan,
Somajiguda,
Hyderabad-500 082.
Andhra Pradesh.

REGISTERED OFFICE

Plot No.34, "Green Tower",
Srinagar Colony,
Hyderabad-500 073
Andhra Pradesh.

BANKS AND FINANCE COMPANIES

State Bank of India
State Bank of Hyderabad
Bank of India
Indian Bank
ICICI Bank Limited
Citicorp Finance (India) Limited
Industrial Development Bank of India Limited
IL & FS Limited
Canara Bank
Central Bank of India
The South Indian Bank Limited
Citibank

FACTORIES

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

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

NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the Members of Rain Industries Limited will be held on Monday, the 28th day of August, 2006 at 11:00 A M at First Floor, Shanthi Shikara Complex, Rajbhavan Road, Somajiguda, Hyderabad-500 082, Andhra Pradesh, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance sheet as at 31st March, 2006, Profit and Loss Account for the year ended 31st March, 2006 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Varun Batra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri N P Subramanian, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Price Waterhouse, Chartered Accountants, as the Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix the remuneration of Auditors.

SPECIAL BUSINESS :

5. To Consider and if thought fit to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT Shri P. Koteswara Rao, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office upto the date of this Annual General

Meeting of the members of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company".

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to offer, issue, allot and deliver in one or more tranches on a Preferential basis 3,00,000 (Three Lakhs only) Equity Shares of Rs.120/- each (Rs.10/- face value + Rs.110/- Premium) each to Rain Commodities Limited.

FURTHER RESOLVED THAT the Equity shares so issued shall rank pari passu with the existing Equity shares of the Company.

FURTHER RESOLVED THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution and accept any alteration(s) or amendment(s) or corrections as they may deem fit and appropriate and give such directions/ instructions as may be necessary to settle any questions or doubts that may arise in regard to the offer, issue or allotment of the said Shares".

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

N. JAGAN MOHAN REDDY
MANAGING DIRECTOR

Place : Hyderabad

Date : 27.07.2006

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and Vote instead of himself and a proxy need not be a member.
2. The instrument of Proxy duly completed and signed shall be deposited at the Registered Office of the Company not less than 48 Hours before commencement of the Meeting.

An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business set out above is annexed hereto.

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

N. JAGAN MOHAN REDDY
MANAGING DIRECTOR

Place : Hyderabad
Date : 27.07.2006

EXPLANATORY STATEMENT

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

Item No.5

Shri P. Koteswara Rao was appointed as the Additional Director of the Company by the Board of Directors at its meeting held on 25th November, 2005 and his term of Office expires with the conclusion of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. A Notice under Section 257 of the Act, proposing the appointment of Shri P. Koteswara Rao as a Director, liable for retirement by rotation, has been received from a member together with the requisite deposit.

None of the Directors except Shri P. Koteswara Rao is interested in the above Resolution.

Your Directors recommend the above Resolution for your approval.

Item No. 6

Your Company is proposing to offer and issue upto 3,00,000 Equity Shares of Rs. 120/- (Rs.10/- face value + Rs.110/- Premium) to Rain Commodities Limited (Holding Company).

The information as required under Unlisted Public Companies (Preferential Allotment) Rules, 2003 for the preferential issue of Equity shares is given below:

- a) **Price at which allotment is proposed**
The issue price of the Equity shares is Rs.120/- (Rs.10/- face value + Rs.110/- Premium) per Share .
- b) **The relevant date on the basis of which price has been arrived at**
The Relevant date is 27th July, 2006 being the date of Board Meeting.
- c) **The Object of the issue through preferential offer**
The object of the proposed issue of Equity shares is to meet the working Capital requirements of the Company.
- d) **The Class of persons to whom the Allotment is proposed to be made**
The allotment of shares will be made to Rain Commodities Limited (Holding Company).
- e) **Intention of Promoters/Directors/key management persons to subscribe to the offer**
The Shares will be allotted only to Rain Commodities Limited(Holding Company). Promoters/Directors/key management persons do not intend to subscribe to the offer.

f) **Shareholding pattern of promoters and other classes of shares before and after the offer.**

Sl. No.	Name of the ShareHolder	Shares held presently	% of pre preferential holding	Shares to be allotted in the present issue	Shares to be held after the issue	% of post preferential holding
1.	Sri N RadhakrishnaReddy*	100	0.0005	Nil	100	0.0005
2.	Smt N Indira Reddy*	100	0.0005	Nil	100	0.0005
3.	Sri N Jagan MohanReddy*	100	0.0005	Nil	100	0.0005
4.	Smt N Anupama Reddy*	100	0.0005	Nil	100	0.0005
5.	Sri N Sujith KumarReddy*	100	0.0005	Nil	100	0.0005
6.	Smt N Akhila Reddy*	100	0.0005	Nil	100	0.0005
7.	Sri Y Santosh Kumar Reddy*	100	0.0005	Nil	100	0.0005
8.	Rain Commodities Limited	18799300	99.996	300000	19099300	99.996
TOTAL		18800000	100.000	300000	19100000	100.000

* The Beneficial interest in the said shares is transferred to Rain Commodities Limited and shares are held by the respective holders on behalf of Rain Commodities Limited.

(g) **Proposed time within which the allotment shall be completed**

The Allotment of the shares shall be completed within 12 months from 28th August, 2006 (being the date of Annual General Meeting).

(h) **Whether a change in control is intended or expected**

The Company is already subsidiary company of Rain Commodities Limited and the proposed issue of shares will be made only to Rain Commodities Limited and no other investor or shareholder will be allotted shares under the present issue. Hence, there will not be any change in the control of the Company after the proposed issue.

As per section 81(1A) of the Companies Act, 1956, approval of the shareholders in the General Meeting is required for the

issue of the shares by way of Preferential allotment as stated in the resolution.

A copy of the Certificate issued by a Practising Company Secretary, stating that the Company has Complied with the Unlisted Public Companies (Preferential Allotment) Rules, 2003 is enclosed herewith.

None of the Directors are concerned or interested in the proposed resolution.

Your Directors recommend the resolution for your approval.

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

N. JAGAN MOHAN REDDY
MANAGING DIRECTOR

Place : Hyderabad
Date : 27.07.2006.

C E R T I F I C A T E

This is to certify that M/s Rain Industries Limited, a company incorporated under the Companies Act, 1956 and having its Registered Office at Plot No.34, Green Tower, Srinagar Colony, Hyderabad-500 073, Andhra Pradesh has complied with all the rules prescribed under the Unlisted Public Companies (Preferential Allotment) Rules, 2003, for the proposed preferential issue of 3,00,000 (Three Lakhs) Equity Shares of Rs. 10/- (Rupees Ten) each at a price of Rs. 120/- each (inclusive of premium of Rs. 110/- per share) to M/s. Rain Commodities Limited (Formerly Priyadarshini Cement Limited) and the necessary resolution for the said issue of shares is being placed before the members of the company for approval at the ensuing Annual General Meeting to be held on 28th August, 2006.

Place : Hyderabad
Date : 27.07.2006.

J.SRINIVAS MURTHY
Practising Company Secretary
CP No.2599

DIRECTORS' REPORT

To,
The Members,

Your Directors present the 7th Annual Report and the Audited Statement of Accounts for the year ended on 31st March, 2006.

FINANCIAL RESULTS:

The performance during the year ended on 31st March, 2006 has been as under:

	(Rs. in Lakhs)	
	2005-06	2004-05
Sales	38031	29603
Profit/(Loss) before interest & Depreciation	4602	1804
Less: Interest & Financial Charges	2406	2659
Profit/(Loss) after interest but before depreciation	2196	(855)
Less: Depreciation/ Amortisation	1461	1429
Profit/(Loss) before tax	735	(2284)
Less: Provision for Taxation		
- Current Tax	-	-
- Deferred Tax (Asset)/ Liability	673	(346)
- Fringe Benefit Tax	17	-
Profit/(Loss) after Tax	45	(1938)
Balance brought Forward	(5438)	(3500)
	(5393)	(5438)
Appropriations		
Transferred to Debenture Redemption Reserve	45	-
Transferred to General Reserve	-	-
Balance carried to Balance Sheet	(5438)	(5438)
Total	(5438)	(5438)

OPERATIONS

During the period under review, the Company has achieved a turnover of Rs. 38031 Lakhs as against Rs.29603 Lakhs turnover in the previous year and production was recorded at 1468688 Metric tonnes as against 1269976 Metric tones during the previous year. During the period under review the Company has earned a Profit of Rs.45.25 Lakhs as against a Loss of Rs.1938 Lakhs in the Previous year.

FUTURE OUTLOOK

The future outlook for the Company is good with the increase in prices and Demand for Cement. 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 2006-2007. 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. With the increase in consumption of Cement, the Gap between Supply and Demand has come down, which has resulted into increase in prices of Cement. The Company continues to concentrate on the reduction of Cost like Freight, Power and other inputs, so as to improve its profitability. In view of the above, the performance of the Company in the year 2006-2007 will be good.

DIVIDEND

In view of the accumulated losses during the previous year, the Board of Directors does not recommend any dividend on the Equity Shares.

FIXED DEPOSITS

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

DIRECTORS

Shri P.Koteshwara Rao was appointed as the Additional Director of the Company with effect from 25th November, 2005 by the Board of Directors at their meeting held on 25th November, 2005. Shri Varun Batra and Shri N P Subramanian retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants, Auditors of the Company retire 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.

AUDIT COMMITTEE

The Company's Audit Committee comprises of the following Directors:

- | | |
|-----------------------------|------------|
| a) Shri Varun Batra | - Chairman |
| b) Shri N P Subramanian | - Member |
| c) Shri A B Telang | - Member |
| d) Shri V Prakash | - Member |
| e) Shri P S Ravendernath | - Member |
| f) Shri N Jagan Mohan Reddy | - Member |

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 year ended 31st March, 2006, 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 March, 2006 and of Profit and Loss Account of the Company for the period ended 31st March, 2006;
- (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 year ended 31st March, 2006 on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information required 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 are given in Annexure-I and form part of this report.

EMPLOYEES

Company has no employee whose remuneration exceeds the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, the information required under the said section, read with the Companies (Particulars of the Employees) Rules, 1975, has not been given in the 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.

for and on behalf of the Board of Directors

N. Radhakrishna Reddy

Chairman

N. Jagan Mohan Reddy

Managing Director

Place: Hyderabad

Date : 27.07.2006

ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors Report for the year ended 31st March, 2006.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Unit-I (Ramapuram Village)

1. Tertiary Air Duct volume increased to reduce Hot clincker dust carry over to precalciner and to reduce the heat losses by the same by 5 kcal/kg.clinker.
2. Power optimization done by AGS-group for total plant.
3. 1000 KVR HT Capacitor banks incorporated on different locations for power saving.
4. Energy efficient CF Lamps put for plant lighting.

Unit-II (Boincheruvupalli Village)

1. VSI Crusher along with Screen commissioned in Cement mill circuit and observed 10% increase in Cement production and energy conserved by 1.5 KWH/Ton of Cement.
2. EPC Automation incorporated in Cement mill to optimize mill operation & achieve consistency.

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

Unit-I (Ramapuram Village)

1. Clair Group has to study all bag filter fan efficiencies and explore the possibilities of retrofitting.

2. PH fan impeller to be retrofitted in to high efficiency impeller.

Unit-II (Boincheruvupalli Village)

Investments about 60 Lakhs for the following :

- (a) Cooler fan II & III VFD installations.
 - (b) Fly ash measuring & dosing system installation for better quality consistency to increase fly ash addition.
 - (c) Installation beater for crushing +40 mm size Clinker.
 - (d) EPC automation for both Raw mill & Kiln.
 - (e) VFD for P.C & Kiln Coal screw conveyor.
- (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.

Unit-I (Ramapuram Village)

1. Cooler Heat losses reduced by 5 K.cal/kg.clinker.
2. Power factor has increased from 0.95 to 0.96.
3. Power consumption has been reduced by 1 kwh/ton. Of Cement.

Unit-II (Boincheruvupalli Village)

The proposals, which are implemented during the current financial year, has resulted in a saving of Rs.13.50 Lakhs.

(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

A. Power & Fuel consumption	2005-2006	2004-2005
1. ELECTRICITY		
a) Purchased		
Unit (No.) (KWH)	126544866	117219794
Total Amount (Rs.)	423542432	410050511
Rate / Unit (Rs.)	3.35	3.50
b) Own Generation		
i) Through Diesel Generator		
Units (KWH) (No.)	148753	244385
Unit per Litre of Diesel Oil	3.42	3.84
Cost/Unit (Rs.)	15.18	7.94
ii) Through Steam turbine/Generator		
Units (KWH)	—	—
Units per Litre of Fuel Oil & Gas	—	—
Cost/Unit (Rs.)	—	—
2. COAL		
Quantity(Tonnes)	210332	208507
Total Cost (Rs.)	444265958	438405820
Average Rate(Rs./MT)	2112.21	2102.60
3. FURNACE OIL		
Quantity (K Litres)	24736	44997
Total Amount (Rs.)	295965	547479
Average Rate(Rs.)	11.96	12.17
4. OTHERS / INTERNAL GENERATORS		
Quantity	—	—
Total Cost	—	—
Rate / unit	—	—
5. CONSUMPTION PER METRIC TONNE OF CEMENT PRODUCTION		
Production(Cement)	1468688	1269976
Electricity (Kwh)	86.16	89.89
Furnace Oil	0.017	0.064
Coal(%)	17.70	18

B. TECHNOLOGY ABSORPTION:

(e) 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. Continuous coordination is being maintained with the collaborators to avail the benefits of further development in technology.

At Unit-II situated at Boincheruvupalli 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 : The Company is gearing up
taken to increase exports; development for better exports during the
of new export markets for production year 2006-2007.
and service and export plans.
- b) Total foreign exchange used and earned :

	(Rs. in Lakhs)	
	2005-2006	2004-2005
(i) Foreign Exchange earned	Nil	643.87
(ii) Foreign Exchange Used	Nil	366.48

for and on behalf of the Board of Directors

Place : Hyderabad
Date : 27.07.2006

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

AUDITORS' REPORT

To
The Members of
Rain Industries Limited

1. We have audited the attached Balance Sheet of Rain Industries Limited ("the company"), as at March 31, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the management of the company. 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' a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure 'A' 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and 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 March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 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 March 31, 2006;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

P. Rama Krishna

Partner

Membership Number: 22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Hyderabad

Date : May 18, 2006

ANNEXURE 'A' TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Rain Industries Limited on the financial statements for the year ended March 31, 2006]

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, fixed assets has been physically verified by the management during the year and reconciliation with book records is still in progress and management is of the view that this will not result in any material discrepancies.
(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 year.
2. (a) The inventory has been physically verified by the management during the year. 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 and have been adjusted in the books of account.
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 had taken unsecured loans, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 17,262,067 and Rs. Nil 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, there is an internal control system with regard to purchase of inventory, fixed assets and the sale of goods and services, which the company is in the process of further strengthening, to commensurate with the size of the company and the nature of its business. 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 year 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 58 AA 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 undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities except dues in respect of income tax, excise duty and profession tax. The extent of the arrears of statutory dues outstanding as at March 31, 2006, for a period of more than six months from the date they became payable are referred to in Annexure 'B'.
 - (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of sales-tax and excise duty as at March 31, 2006 which have not been deposited on account of a dispute are referred to in Annexure 'C'.
 10. In our opinion, the accumulated losses of the company as at March 31, 2006, are more than fifty percent of its net worth and the company has not incurred cash losses in the financial year ended on that date and incurred cash losses in the immediately preceding financial year.
 11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders 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. 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 Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
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 year.
19. The company has created security or charge in respect of debentures issued and outstanding at the year-end.
20. The Company has not raised any money by public issues during the year.
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 year, nor have we been informed of such case by the management.
22. The other clauses (iii)(b), (iii)(c), (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 year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna

Partner

Membership No: 22795

For and behalf of

Price Waterhouse

Chartered Accountants

Place: Hyderabad

Date: May 18, 2006

ANNEXURE 'B' TO AUDITORS' REPORT

Referred to in paragraph 9 (a) of Annexure 'A', a statement on the matters specified in the Companies (Auditor's) Report Order, 2003 of Rain Industries Limited for the year ended March 31, 2006.

Details of arrears of statutory dues outstanding as at March 31, 2006, for a period of more than six months from the date they became payable:

Name of statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Due Date	Amount paid till June 18, 2006 (Rs.)
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	139,642	December 2003 to March 2004	Various dates till March 2004	139,642
The Central Sales Tax Act, 1956	Sales Tax	73,604	Various dates till March 2003	Various dates till March 2003	73,604

ANNEXURE 'C' TO AUDITORS' REPORT

Referred to in paragraph 9 (b) of Annexure 'A', a statement on the matters specified in the Companies (Auditor's) Report Order, 2003 of Rain Industries Limited for the year ended March 31, 2006.

Details of sales tax and excise duty as at March 31, 2006 which have not been deposited on account of a dispute

Name of the Statute	Nature of dues	Amount in Rs.	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.	38,401,460	1992-93 to 2002-03	Various cases pending before Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad
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.	33,545,049	1993-94 to 1998-99, 1999-00, 2001-02	Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad
The Central Sales Tax Act, 1956	Tax levied on issue of diesel to the transporters	10,297,053	1996-97 to 1999-00	Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad, Appellate Dy. Commissioner of Commercial Taxes, Hyderabad Rural Division, Hyderabad.
Tamilnadu General Sales Tax Act, 1959	Claim of exemption on Discounts not allowed by the assessing authority	2,940,059	1998-2001	Additional Dy. Commissioner, Chennai
Karnataka Sales Tax Act, 1957	Levy of Cess on Bellary Sales	155,140	1997-98	Jt Comm of Commercial Taxes (Appeals), Bangalore
Central Excise Act, 1944	Modvat on DG Set spares	1,689,981	1998-2001	Additional Commissioner, Hyderabad III Commissionerate, Hyderabad
Central Excise Act, 1944	Various appeals	525,000	2000-01	Customs Excise and Service Tax Appellate Tribunal, Bangalore

BALANCE SHEET AS AT MARCH 31, 2006

	SCHEDULE NO.	March 31, 2006 Rs.	As at March 31, 2005 Rs.
I. SOURCES OF FUNDS			
1	Shareholders' funds		148,000,000
	(a) Capital	188,000,000	
	(b) Reserves and Surplus	624,025,483	619,500,000
		812,025,483	767,500,000
2	Loan funds		1,703,007,757
	(a) Secured Loans	1,894,139,689	
	(b) Unsecured Loans	358,242,710	245,135,672
		2,252,382,399	1,948,143,429
	TOTAL	3,064,407,882	2,715,643,429
II APPLICATION OF FUNDS			
1	Fixed Assets		2,533,540,187
	(a) Gross Block	2,590,312,986	
	(b) Less Depreciation and Amortisation	431,372,928	285,346,045
	(c) Net Block	2,158,940,058	2,248,194,142
	(d) Capital Work-In-Progress	8,992,785	37,112,126
		2,167,932,843	2,285,306,268
2	Investments	16,085,000	16,085,000
3	Deferred Tax Asset -Net	95,240,877	162,528,255
4	Current Assets, Loans and Advances		113,522,519
	(a) Inventories	120,742,621	
	(b) Sundry Debtors	49,858,934	43,617,019
	(c) Cash and Bank Balances	106,395,834	114,311,865
	(d) Other Current Assets	391,397	56,612
	(e) Loans and Advances	534,789,670	398,841,280
		812,178,456	670,349,295
	Less:Current Liabilities and Provisions		
	(a) Liabilities	562,212,534	956,144,346
	(b) Provisions	8,633,367	6,297,650
		570,845,901	962,441,996
	Net Current Assets	241,332,555	(292,092,701)
5	Profit and Loss Account	543,816,607	543,816,607
	TOTAL	3,064,407,882	2,715,643,429
6	NOTES TO ACCOUNTS	T	

Schedules A to M and T 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

P. Rama Krishna
Partner

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

For and on behalf of
Price Waterhouse
Chartered Accountants

G.R. Kumar
G.M. - Finance and Accounts

Place: Hyderabad
Date : 18.05.2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule No.	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
INCOME			
Sales (Gross)		3,803,141,613	2,960,280,613
Less: Excise Duty		600,040,785	515,760,993
Sales (Net)		3,203,100,828	2,444,519,620
Other Income	N	161,979,062	63,482,425
(Decrease)/Increase in Stock in Trade	O	(6,635,581)	(7,040,249)
		3,358,444,309	2,500,961,796
EXPENDITURE			
Payments and Benefits to Employees	P	100,483,081	73,824,314
Manufacturing Expenses	Q	1,425,849,778	1,269,910,380
Administrative and Selling Expenses	R	1,371,829,739	976,860,405
		2,898,162,598	2,320,595,099
GROSS OPERATING PROFIT			
		460,281,711	180,366,697
Interest and Finance Charges	S	240,645,034	265,922,633
PROFIT/(LOSS) BEFORE DEPRECIATION AND TAXATION			
		219,636,677	(85,555,936)
Depreciation and amortisation		146,105,700	142,867,447
PROFIT/(LOSS) BEFORE TAXATION			
		73,530,977	(228,423,383)
Provision for Taxation			
Current		-	-
Deferred		67,287,378	(34,638,252)
Fringe Benefit Tax		1,718,116	-
PROFIT/(LOSS)/ AFTER TAXATION			
		4,525,483	(193,785,131)
Transferred to Debenture Redemption Reserve		4,525,483	-
Loss Brought forward		(543,816,607)	(350,031,476)
DEFICIT CARRIED TO BALANCE SHEET			
		(543,816,607)	(543,816,607)
Earning/(Loss) Per Share -Basic and Diluted		0.25	(13.09)
NOTES TO ACCOUNTS			
	T		

Schedules N to T form an integral part of the Profit & Loss Account

This is the Profit & Loss Account referred to in our report of even date.

For and on behalf of the Board

P. Rama Krishna
Partner

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

For and on behalf of
Price Waterhouse
Chartered Accountants

G.R. Kumar
G.M. - Finance and Accounts

Place: Hyderabad
Date : 18.05.2006

Cash Flow Statement for the Year Ended March 31, 2006

	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
A Cash Flow From Operating Activities		
Net Profit before Taxation	73,530,978	(228,423,383)
Adjustments for :		
Depreciation	146,105,700	142,867,447
Discount On Issue of 9.39% Debentures and Others Amortised	28,806,671	-
(Profit)/Loss on Foreign Exchange fluctuation	1,373,085	-
Interest Income	(3,334,868)	-
Provision for doubtful debts	5,043,906	-
Other Interest	-	(2,899,020)
Interest Expense	188,751,079	239,554,116
Liability No Longer Required Written Back	(152,971,500)	-
Other Credit Balance Written Back	(7,279,021)	-
Sales Tax Deferment	71,337,880	75,291,727
Loss on Sale of Fixed Asset	118,530	193,560
Operating profit before Working Capital changes	<u>351,482,440</u>	<u>226,584,447</u>
Adjustments for :		
Sundry Debtors	(6,241,915)	(676,600)
Inventories	(7,220,102)	(21,060,012)
Loans and Advances	(138,861,773)	19,160,290
Current Liabilities and Provisions	(52,854,034)	(38,524,615)
Other Current Assets	(334,785)	-
	<u>(205,512,609)</u>	<u>(41,100,937)</u>
Cash generated from operations	<u>145,969,831</u>	<u>185,483,510</u>
Taxes paid	(4,542,611)	-
Net cash flow from operating activities	<u>141,427,220</u>	185,483,510
B Cash Flow from Investing activities		
Purchase of Fixed Asset	(28,653,458)	(33,843,112)
Loss on sale of Fixed assets	(118,530)	-
Sale of Investments	-	25,000
Interest Received	3,000,083	3,011,066
Net Cash used in Investing Activities	<u>(25,771,905)</u>	<u>(30,807,046)</u>

Cash Flow Statement for the Year Ended March 31, 2006 (Cont.)

	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
C Cash Flow From Financing activities		
Proceeds from Long term borrowings(Secured)	1,081,456,473	5,000,000
Proceeds from Long term borrowings (Un Secured)	66,205,153	-
Repayment of Secured Loans	(1,135,293,320)	(14,825,053)
Payment of Interest	(155,696,295)	(41,267,338)
Repayment of the Unsecured Loans	(17,055,994)	(34,000,000)
Interest paid on Unsecured Loans	(206,074)	(2,135,836)
(Repayment of)/Proceeds from Security Deposits	(2,981,288)	4,970,797
Share Application Money/Increase in Share Capital	40,000,000	-
Net Cash used in Financing Activities	<u>(123,571,345)</u>	<u>(82,257,430)</u>
Net (Decrease)/Increase in Cash and Cash equivalents	(7,916,031)	72,419,034
Cash and Cash equivalents - Opening Balance*	114,311,865	41,892,832
Cash and Cash equivalents - Closing Balance*	106,395,834	114,311,866
*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 issued by the Institute of Chartered Accountants of India
- 2 Following are the material non-cash transactions:
 - (i) Discount on Issue of Non-Convertible 9.39% Debentures Rs25,560,000 to Citicorp Finance (India) Limited and premium on Unsecured Loan of IL&FS Ltd., amounting to Rs.3,246,671
 - (ii) Deferment of sales tax amounting to Rs.7,13,37,880 pertaining to the the current period.
 - (iii) Waiver of Outstanding Dues from Banks and Financial Institutions as per CDR Package. Rs 125,061,437 is included under "Liability no longer required Written Back"

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

For and on behalf of the Board

P. Rama Krishna
Partner

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

For and on behalf of
Price Waterhouse
Chartered Accountants
Place: Hyderabad
Date : 18.05.2006

G.R. Kumar
G.M. - Finance and Accounts

SCHEDULES TO THE BALANCE SHEET

	AS AT March 31st, 2006 Rs.	AS AT March 31st, 2005 Rs.
A. CAPITAL		
Authorised (50,000,000 Equity Shares of Rs.10/- each)	<u>500,000,000</u>	<u>500,000,000</u>
Issued and subscribed (18,800,000 (31st March, 2005 - 14,800,000) Equity Shares of Rs.10/- each fully paid up, held by Rain Commodities Limited., the Holding Company)	188,000,000	148,000,000
(Of the above 14,800,000 Equity Shares were allotted, pursuant to the scheme of arrangement with Rain Commodities Limited, the Holding Company, without payments being received in cash)	<u>188,000,000</u>	<u>148,000,000</u>
B. RESERVES AND SURPLUS		
Securities Premium Account		
At the commencement of the year	619,500,000	-
Add : Transferred from Share Capital Suspense Account	-	619,500,000
Debenture Redemption Reserve		
At the commencement of the year	-	-
Add: Transferred from Profit and Loss Account	4,525,483	-
	<u>624,025,483</u>	<u>619,500,000</u>

SCHEDULES TO THE BALANCE SHEET

	AS AT March 31st, 2006 Rs.	AS AT March 31st, 2005 Rs.
C. SECURED LOANS		
Debentures		
11,278,000, 9.39% Redeemable		
Non-Convertible Debentures of Rs.100/- each (Privately placed)	1,060,132,000	-
Term Loans		
From Financial Institutions	107,865,140	199,442,366
From Banks	644,246,758	1,503,565,391
Cash Credit from Bank	79,482,075	-
Hire Purchase Loan	2,413,716	-
	<u>1,894,139,689</u>	<u>1,703,007,757</u>

Notes:

- 1 Debentures and Term Loans are :
 - a) Secured by a first charge on pari passu basis on all immovable properties of the Company and by pledge of 18,800,000 equity shares of the company held by Rain Commodities Limited the Holding Company
 - b) Also Secured by the additional Security of farm land at Nellore and land owned by certain Directors and also personal guarantee of certain Directors
 - c) Further Secured by negative lien on the Shares of Rain Calcining Limited held by Rain Commodities Limited, the Holding Company
- 2 The Debenture is redeemable in ten installments commencing from September 30, 2005 and ending by March 31, 2010, accordingly the first and second instalment of redemption has been effected on September 30, 2005 and March 31, 2006 respectively.
- 3 Cash Credit is secured by first charge on the whole of the present and future current assets of the company
- 4 Hire Purchase Loan is Secured by Hypothecation of Pay Loader

D. UNSECURED LOANS

Short Term		
From Others	-	17,055,994
Other than Short Term		
Sales Tax Deferment	241,245,796	169,907,916
Security Deposit	47,545,090	58,171,762
From Others	69,451,824	-
	<u>358,242,710</u>	<u>245,135,672</u>

Asset	Amount in Rupees									
	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	As at April 01, 2005	Additions	Deletions	As at April 01, 2005	For the Period	On deletions	As at March 31, 2006	As at March 31, 2006	As at April 01, 2005	As at March 31, 2006
I. INTANGIBLE ASSETS										
Goodwill	199,884,928	-	-	39,976,985	19,988,493	-	59,965,478	139,919,450	159,907,943	-
Software	-	2,647,153	-	-	882,384	-	882,384	1,764,769	-	-
Sub Total	199,884,928	2,647,153	-	39,976,985	20,870,877	-	60,847,862	141,684,219	159,907,943	-
II. TANGIBLE ASSETS										
Land- Free hold	41,413,736	194,470	-	-	-	-	-	41,608,206	41,413,736	-
Land - Mining	12,009,111	-	-	186,644	96,073	-	282,716	11,726,395	11,822,467	-
Buildings	490,689,564	-	-	29,565,976	14,788,690	-	44,354,667	446,334,897	461,123,588	-
Railway Sidings	2,224,169	-	-	211,296	105,648	-	316,944	1,907,225	2,012,873	-
Plant and Machinery	1,762,157,886	50,725,965	-	211,104,841	107,657,363	-	318,762,205	1,494,121,647	1,551,053,044	-
Furniture and Fixtures	8,714,259	-	-	1,264,977	539,890	-	1,804,867	6,909,393	7,449,282	-
Office Equipments	15,912,220	3,503,559	-	2,932,273	2,002,792	-	4,935,066	14,480,713	12,979,947	-
Vehicles	534,313	-	298,347	103,050	44,368	78,817	68,602	167,365	431,263	-
Sub Total	2,333,655,258	54,423,994	298,347	245,369,057	125,234,824	78,817	370,325,067	2,017,255,841	2,088,286,200	-
Grand Total	2,533,540,186	57,071,147	298,347	285,346,042	146,105,701	78,817	431,372,930	2,158,940,060	2,248,194,142	-
As at March 31, 2005	2,530,170,216	3,602,290	232,319	142,517,357	142,867,447	38,759	285,346,045	2,248,194,142	8,992,785	37,112,126
Capital Work in Progress										

SCHEDULES TO THE BALANCE SHEET

	AS AT March 31st, 2006 Rs.	AS AT March 31st, 2005 Rs.
F. INVESTMENTS		
Long Term , unquoted at Cost		
Investment in Government Securities		
National Saving Certificates	85,000	85,000
Trade Investments		
Andhra Pradesh		
Gas Power Corporation Limited	16,000,000	16,000,000
1,34,000 Equity Shares of		
Rs. 10 each fully paid up		
	<u>16,085,000</u>	<u>16,085,000</u>
G. INVENTORIES		
Stores and Spare Parts	42,493,875	56,827,145
Less : Provision for obsolescence	<u>12,794,545</u>	<u>12,794,545</u>
	29,699,330	44,032,600
Raw Materials	51,485,675	23,296,722
Stock In Trade		
Finished Goods	7,321,655	13,314,507
Work -in-Progress	<u>32,235,961</u>	<u>32,878,690</u>
	<u>120,742,621</u>	<u>113,522,519</u>
H. SUNDRY DEBTORS		
(Unsecured)		
Considered Good		
Debts Outstanding for a		
period exceeding six months	6,169,181	9,638,405
Other debts	<u>43,689,753</u>	<u>33,978,614</u>
Considered Doubtful		
Debts Outstanding for a		
period exceeding six months	18,897,928	15,201,201
Less: Provision	<u>18,897,928</u>	<u>15,201,201</u>
	<u>49,858,934</u>	<u>43,617,019</u>
I. CASH AND BANK BALANCES		
Cash and Cheques on Hand	62,878,456	49,961,765
With Scheduled Banks		
On Current Account	32,756,144	63,928,104
On Margin Money Deposit Account	<u>10,761,234</u>	<u>421,996</u>
	<u>106,395,834</u>	<u>114,311,865</u>

SCHEDULES TO THE BALANCE SHEET

	AS AT March 31st, 2006 Rs.	AS AT March 31st, 2005 Rs.
J. OTHER CURRENT ASSETS		
Interest accrued on Investments and Deposits	391,397	56,612
	<u>391,397</u>	<u>56,612</u>
K. LOANS AND ADVANCES (Unsecured, and Considered good)		
Loans to Employees	240,854	46,477
Advances recoverable in cash or kind or for value to be received*	392,094,350	269,864,728
Balances with Government and Public Bodies	138,276,482	125,489,002
Deposit with others	4,177,984	3,441,073
*Includes an amount of Rs.20,127,173 (31st March 2005 - Rs.12,615,181) receivable from Rain Commodities Limited	<u>534,789,670</u>	<u>398,841,280</u>
L. LIABILITIES		
Sundry Creditors		
Due to Small Scale Industrial Undertakings	1,000,786	2,602,830
Due to Other than Small Scale Industrial Undertakings	395,291,578	301,084,837
Book Overdraft	-	151,925,471
Interest accrued but not due on loans	32,806,527	371,637,476
Advance from Customers	46,696,342	51,698,784
Other Liabilities	86,417,301	77,194,948
	<u>562,212,534</u>	<u>956,144,346</u>
M. PROVISIONS		
Gratuity	5,073,412	3,211,006
Leave Encashment	3,471,067	3,086,644
Fringe Benefit Tax	88,888	-
	<u>8,633,367</u>	<u>6,297,650</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
N. OTHER INCOME		
Interest on deposits with Banks and Others [Tax Deducted at Source Rs.664,787/- (quarter ended March 31, 2005 - Rs.493,573)]	3,334,868	2,899,020
Scrap sales	3,351,529	3,374,020
Liability no longer required Written back	152,971,500	51,007,611
Gain/(Loss) on Exchange Fluctuation-Net	(1,373,085)	1,398,707
Miscellaneous Income	3,694,250	4,803,067
	<u>161,979,062</u>	<u>63,482,425</u>
O. INCREASE/(DECREASE) IN STOCK-IN-TRADE		
Closing Stock		
Finished Goods	7,321,655	13,314,507
Work-in-Progress	32,235,961	32,878,690
	<u>39,557,616</u>	<u>46,193,197</u>
Opening Stock		
Finished Goods	13,314,507	14,262,087
Work-in-Progress	32,878,690	38,971,359
	<u>46,193,197</u>	<u>53,233,446</u>
	<u>(6,635,581)</u>	<u>(7,040,249)</u>
P. PAYMENT AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	81,821,549	58,168,579
Contribution to Provident and Other Funds	7,065,688	6,431,921
Workmen and Staff welfare Expenses	11,595,844	9,223,814
	<u>100,483,081</u>	<u>73,824,314</u>
Q. MANUFACTURING EXPENSES		
Raw Materials Consumed	191,780,581	137,080,474
Packing Material Consumed	154,976,282	124,869,874
Stores and Spare Parts Consumed	108,162,524	63,015,413
Power and Fuel	868,072,197	858,365,329
Repairs to		
- Buildings	1,696,536	3,792,484
- Machinery	24,296,766	13,040,639
Royalty and Cess	76,864,892	69,746,167
	<u>1,425,849,778</u>	<u>1,269,910,380</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
R. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	10,147,708	8,576,163
Rates and taxes	453,868,768	432,238,563
Repairs to Others	6,920,613	7,933,221
Insurance	9,051,395	8,454,342
Directors' Sitting fee	36,000	21,000
Auditor's Remuneration	1,200,000	1,200,000
Selling and Distribution Expenses	846,901,646	455,504,093
Communication Expenses	8,328,217	6,535,406
Travelling and Conveyance	8,848,804	8,571,641
Legal and Professional Charges	4,768,409	5,468,021
Provision for Doubtful Debts	5,043,906	8,882,408
Miscellaneous Expenses	16,714,273	33,475,547
	<u>1,371,829,739</u>	<u>976,860,405</u>
S. INTEREST AND FINANCE CHARGES		
Interest on Debentures	82,354,324	-
Interest on Term Loans	104,322,039	236,540,006
Interest on Cash Credit	2,074,716	-
Discount on Issue of Debentures Amortised	25,560,000	-
Premium on Unsecured Loan	3,246,671	-
Other Interest	15,444,269	23,943,959
Bank Charges	7,643,014	5,438,668
	<u>240,645,033</u>	<u>265,922,633</u>

T. NOTES TO ACCOUNTS

Significant Accounting Policies

1.1. 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 issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

1.2 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. Income on sale of licenses under Duty Free Replenishment Certificate (DFRC) is recognized on cash basis.

1.3. 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 year. 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.

1.4. Goodwill

Goodwill represents the difference between the purchase price and the fair value of the assets and liabilities acquired after considering reserves transferred. Goodwill is being amortised on Straight Line method over a period of ten years.

1.5. Inventories

Raw materials, stores and spare-parts, and work in progress are valued at cost after providing for cost of obsolescence, if any. Finished goods are valued at lower of cost or net realisable

value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition. Cost of work-in-progress and finished goods includes all applicable manufacturing overheads.

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

1.6. Employee Benefits

Company's contribution to provident fund is charged to Profit and Loss Account.

In respect of gratuity, which is administered through Life Insurance Corporation of India (LIC) for certain employees, contributions determined by LIC based on actuarial valuation are charged to revenue. For other employees provision is made in the books based on actuarial valuation.

Liability for leave encashment benefit is accounted for based on actuarial valuation.

1.7. 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.

1.8. 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 difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period subject to consideration of prudence. Deferred tax assets are not recognised unless there is virtual 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.

1.9. 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.

1.10. Investments

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

Notes to Accounts

1. Steps are being taken for transfer of freehold lands, mining leases, licenses, building leases, deposits, transporter advances, dealer agreements, etc., in the name of the Company from Holding Company.
2. Debenture Redemption Reserve u/s117C of the Companies Act 1956 has been created to the extent of available profits.
3. Contingent liabilities not provided for in respect of :

	As on March 31, 2006 Rs.	As on March 31, 2005 Rs.
Matters under dispute:		
Sales Tax	108,382,747	113,896,684
Excise Duty	1,689,981	17,378,685
Claims against the Company not acknowledged as debts	22,968,000	49,607,179

4. Estimated amount of contracts remaining to be executed on capital accounts not provided for as on March 31, 2006: Rs.24,225,000 (March 31, 2005 - Rs.4,992,178)
5. Lease payments made under cancellable operating leases amounting to Rs.10,147,708 (Year ended March 31, 2005 -Rs.8,576,163) 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.
6. Earnings Per Share

	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
a. Profit / (Loss) after tax	4,525,483	(1,93,785,131)
b. Equity shares outstanding at the beginning of the year	14,800,000	14,800,000
c. Additional shares issued during the year	4,000,000	Nil
d. Weighted Average Equity shares outstanding during the year	18,273,973	14,800,000
Earnings/(Loss) Per Share - Basic and Diluted (Rs.) (a/d)	0.25	(13.09)

7. The Deferred Tax Asset (net) is as under:

	Year Ended March 31, 2006 Rs.	Year Ended March 31, 2005 Rs.
Deferred Tax Asset		
Business Loss	97,447,729	75,712,995
Unabsorbed Depreciation	37,788,320	37,788,320
Section 43B and other dis-allowances	14,253,377	95,613,940
Total	149,489,826	209,115,255
Deferred Tax Liability		
Fixed Asset Block	54,248,949	46,587,000
Total	54,248,949	46,587,000
Deferred Tax Asset (Net)	95,240,877	162,528,255

Based on the future profit projections, the Company expects to fully recover the deferred tax asset.

8. Small Scale Industrial undertakings where the dues are outstanding for more than 30 days as on March 31, 2006 are as under:

Noble Rubber Industries
Industrial Filters & Fabrics Private Limited.,
Pioneer Electrical Works
On load Gears
Aarvee Pneumatic service
Power Transmi-Tech Engineers
Shree Shyam Industries
Aparna Industries
AOF Filtration Systems Private Limited.,
Andhra Carbon Products
Aishu Castings Private Limited.,
Anupam Udyog
Associated Engineers
Anil Rubber Mills Private Limited
Hyderabad Reprographics Private Limited
He-Technocrats

Kamala Screens & Metal Perforators
 Lakshmi Engineering Enterprises
 Nucon Zander (India) Private Limited
 New Sampson Springs
 Precision Engineering Works
 PR Filters Private Limited
 Pan-Electro Technic Enterprises Private Limited
 Paitandi Fluorocarbon Seals Private Limited
 PSI Hydraulics
 R.S. Industrial Supplier Services
 Sanghavi Engineering
 Swajit Engineering Private Limited
 Steelcrafts (India)

9. Segment Reporting

The Company operates in one business segment (i.e. manufacture and sale of cement) and in one geographical area (i.e., India). Hence the segment information as per Accounting Standard 17, 'Segment Reporting', issued by ICAI has not been disclosed.

10. Related Party Disclosure

a) *Names of related parties and description of relationship:*

(i) Holding Company	Rain Commodities Limited
(ii) Enterprises where key managerial personnel along with their relatives exercise significant influence	Sujala Investments Private Limited Nivee Investments and Finance Limited Nivee Property Developers Private Limited Rain Calcining Limited Auto Parade
(iii) Key Management Personnel	Mr. N.Sujith Kumar Reddy Mr. N.Jagan Mohan Reddy Mr. N.Radhakrishna Reddy

b) Transactions for the year ended March 31, 2006

(Amount in Rs.)

	Holding Company	Enterprises where Key Managerial Personnel exercise significant influence	Key Management Personnel
Sales	Nil (Nil)	2,478,006 (9,988,952)	Nil (Nil)
Purchases	Nil (Nil)	2,25,017,663 (45,126,251)	Nil (Nil)
Advance Taken	Nil (Nil)	4,70,949,531 (4,78,768,831)	Nil (Nil)
Advance Repaid	Nil (Nil)	6,02,313,448 (4,79,421,879)	Nil (7,000)
Interest Expense	Nil (Nil)	206,074 (3,014,081)	Nil (Nil)
Payment for Supplies	Nil (Nil)	1,48,668,301 (13,260,496)	Nil (Nil)
Loan Repaid	Nil (Nil)	23,347,757 (35,000,000)	Nil (Nil)
Interest Payment	Nil (Nil)	Nil (1,259,939)	Nil (Nil)
Salary and Perquisites	Nil (Nil)	Nil (Nil)	134,600 (216,892)
Advances paid for meeting expenditure	3,209,273 (1,070,985)	Nil (Nil)	Nil (Nil)
Loan received back	Nil (6,500,000)	Nil (Nil)	Nil (Nil)
Interest Income	Nil (226,699)	Nil (Nil)	Nil (Nil)
Loan taken	Nil (1,000,000)	Nil (Nil)	Nil (Nil)

c) Balances Outstanding :

(Amount in Rs.)

	March 31, 2006
Receivable from Holding Company	20,127,173
	(12,615,181)
Enterprises where key managerial personnel along with their relatives exercise significant influence	
Loan taken	Nil
	(Nil)
Payable	Nil
	(28,647,757)
Loan and Other Receivables	Nil
	(481,567)
Key Managerial Personnel	
Payable	Nil
	(Nil)

Previous year figures are mentioned in the brackets

11. Payment and Benefits to employees (Schedule P) include Managerial Remuneration

(Amount in Rs.)

	Year Ended March 31, 2006	Year Ended March 31, 2005
Salary	480,000	189,333
Contribution to Provident Fund and Other Perquisites	103,441	27,559
Commission	Nil	Nil
Total	583,441	216,892

12. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of 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	
			Year Ended March 31, 2006		Year Ended March 31, 2005
Cement	MT	1,400,000 (Per Annum)	1,468,688		12,69,976

(b) Particulars of Stocks and Sales

Year Ended March 31, 2006

	Unit	Opening stock		Sales		Closing stock	
		Quantity	(Rs.)	Quantity	(Rs.)	Quantity	(Rs.)
Cement and Clinker	MT	7,828	13,314,507	1,471,464	3,803,141,613	4,546	7,321,655

Year Ended March 31, 2005

	Unit	Opening stock		Sales		Closing stock	
		Quantity	(Rs.)	Quantity	(Rs.)	Quantity	(Rs.)
Cement and Clinker	MT	6,813	14,262,087	1,326,227	2,960,280,613	7,828	13,314,507

Note: Closing stock excludes excesses/shortages including damaged stocks and captive consumption, etc.

(c) Details of Raw Materials Consumed

	Unit	Year Ended March 31, 2006		Year Ended March 31, 2005	
		Quantity	(Rs.)	Quantity	(Rs.)
Limestone/shale	MT	1,656,632	39,521,902	1,639,564	33,289,312
Gypsum	MT	70,307	48,595,056	59,598	39,125,237
Iron Ore/Mill Scale/Slag	MT	31,478	10,201,323	19,901	7,058,059
Laterite/Bauxite/Dolomite	MT	56,758	19,913,387	64,963	19,143,570
Fly Ash	MT	220,964	73,548,913	130,809	38,464,296
Total			191,780,581		137,080,474

(d) Value of Raw Materials, Stores and Spare Parts Consumed

	Year Ended March 31, 2006		Year Ended March 31, 2005	
	Per cent	(Rs.)	Per cent	(Rs.)
Raw Materials				
Imported	Nil	Nil	Nil	Nil
Indigenous	100	191,780,581	100	137,080,474
Total	100	191,780,581	100	137,080,474
	Per cent	(Rs.)	Per cent	(Rs.)
Stores and Spare Parts				
Imported	Nil	Nil	1	53,828
Indigenous	100	108,162,524	99	62,961,585
Total	100	108,162,524	100	63,015,413

(e) Earnings in Foreign Exchange

	Year Ended March 31, 2006	Year Ended March 31, 2005
	Rs.	Rs.
FOB Value of Exports	Nil	64,386,832

(f) Value of Imports on CIF basis

	Year Ended March 31, 2006	Year Ended March 31, 2005
	Rs.	Rs.
Raw material	Nil	Nil
Stores and spare parts	Nil	Nil
Capital goods	Nil	Nil
Coal	41,914,405	36,648,141

(g) Expenditure in Foreign Currency

	Year Ended March 31, 2006	Year Ended March 31, 2005
	Rs.	Rs.
Travel and related expenses	Nil	Nil

13. Comparative figures of the previous period/year, where necessary, have been regrouped to conform to those of the current period/year.

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 Registration No. Balance sheet Date - -
Date Month Year

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

Public Issue Right Issue Bonus Issue Private Placement

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

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred Tax Liability

APPLICATION OF FUNDS

Net Fixed Assets Investments Net Current Assets Misc. Expenditure Deferred Tax Asset (Net) Accumulated Losses

IV Performance of Company (Rs in Thousands)

Turnover Total Expenditure Profit/(Loss) Profit / (loss)
Before Tax After TaxEarning/(Loss) Dividend Rate %
per Share in Rs.

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

Item Code No.

(ITC Code) Product Description

On behalf of the Board

N. Radhakrishna Reddy**N. Jagan Mohan Reddy**

Chairman

Managing Director

G.R. Kumar

Place : Hyderabad

Date : 18.05.2006

G.M. (Finance & Accounts)

RAIN COMMODITIES LIMITED

(Formerly Priyadarshini Cement Limited)

Regd.Office: Plot No.34, Green Tower, Srinagar Colony, Hyderabad-500 073, Andhra Pradesh.

ATTENDANCE SLIP

31st Annual General Meeting, 14th September, 2006 at 11:00 A.M.

Regd. Folio No.		* DP ID:	
No. of Shares held		* Client ID:	

Name of the Shareholder	
Name of Proxy	

I/We hereby record my / our presence at the 31st Annual General Meeting of the members of the Company held on Thursday, the 14th day of September, 2006 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.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

If Member, Please sign here

If Proxy, Please sign here

Note: This form should be signed and handed over at the Meeting Venue.

* Applicable for investors holding shares in electronic form.

RAIN COMMODITIES LIMITED

(Formerly Priyadarshini Cement Limited)

Regd.Office: Plot No.34, Green Tower, Srinagar Colony, Hyderabad-500 073, Andhra Pradesh

PROXY FORM

Regd. Folio No.		* DP ID:	
No. of Shares held		* Client ID:	

I/We of..... being a member/ members of **RAIN COMMODITIES LIMITED** hereby appoint.....ofor failing him of.....as my/our proxy to attend and vote for me/us and on my/our behalf at the 31st Annual General Meeting of the Members of the Company to be held on Thursday, the 14th day of September, 2006 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.

Signed this day of 2006.

Please Affix
15 paise
Revenue
Stamp and
sign across

NOTE: (1) The Proxy need not be a member of the company.
(2) The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

* Applicable for investors holding shares in Electronic Form.