

## **BOARD OF DIRECTORS**

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

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

## **BANKERS**

Citibank, S.P. Road, Secunderabad

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## **NOTICE**

Notice is hereby given that the 32nd Annual General Meeting of the Members of Rain Commodities Limited (formerly Priyadarshini Cement Limited) will be held on Friday, the 3rd day of August, 2007 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, 2007, Profit and Loss Account for the period ended on 31st March, 2007 and reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the year ended 31st March, 2007.
3. To appoint a Director in place of Mr. N. Jagan Mohan Reddy, who retires

by rotation and being eligible offers himself for re-appointment.

4. To appoint a Director in place of Mr. N. Sujith Kumar Reddy, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Price Waterhouse, Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this 32nd 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.

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

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

Place: Hyderabad  
Date : June 5, 2007

**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 26th July, 2007 to 3rd August, 2007 (both days inclusive).
3. Dividend on equity shares @ 35% on the paidup Equity share capital i.e., Rs.3.50 per Equity Share as recommended by the Board of Directors, if declared by the Shareholders at the meeting, will be paid to those shareholders whose names appear on the Register of Members of the Company as on 3rd August, 2007 and also to the Beneficial Owners of equity shares held in electronic form on the said date as per the details furnished by the Depositories for this purpose.
- 4) The Securities and Exchange Board of India (SEBI) and the Ministry of Company Affairs have made it mandatory for all the Listed Companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment etc. In view of the above:
  - (i) Shareholders holding shares in Physical Form and desirous of availing the facility are requested to

complete ECS form attached to this Annual Report and forward the same to the Company's Registrar and Share Transfer Agent.

- (ii) Shareholders holding shares in Dematerialized Form are requested to provide the Bank details to their Depository Participants for incorporation in their records. The Depository in turn would also forward the required information to the Company.

The above information should be made available to the Company or its Registrar's Messrs. Aarathi Consultants Private Limited on or before 14th July, 2007.

- 5) The Company's equity shares are Listed at Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 and The Hyderabad Stock Exchange Limited, Erramanzil, Somajiguda, Hyderabad and the Company has paid the Annual Listing Fees to the said Stock Exchanges for the year 2007-08.
- 6) Members are requested to send all communication relating to shares to the Company's Share Transfer Agent (Physical and Electronic) at Aarathi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad-500029, Andhra Pradesh, India.

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

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

Place: Hyderabad  
Date : June 5, 2007

## DIRECTORS' REPORT

To,  
The Members,

Your Directors have pleasure in presenting the 32nd Annual Report and the Audited Statement of Accounts for the Year ended on 31st March, 2007.

### FINANCIAL RESULTS:

The performance during the year ended on 31st March, 2007 has been as under:

	(Rs. in Lakhs)	
	2006-2007	2005-2006
Sales	Nil	Nil
Profit/(Loss) before interest & Depreciation (after adjusting Prior year Income/Expenses)	<b>112.43</b>	(31)
Less: Interest & Financial Charges	<b>167.15</b>	1200
Profit/(Loss) after interest but before depreciation	<b>(54.71)</b>	(1231)
Less: Depreciation	<b>0.90</b>	1
Profit/(Loss) before tax	<b>(55.61)</b>	(1232)
Less: Provision for Taxation		
– Current Tax	–	–
– Deferred Tax (Asset/Liability)	–	–
– Fringe Benefit Tax	<b>0.19</b>	0.11
Profit/(Loss) after Tax	<b>(55.80)</b>	(1232.11)
Balance brought Forward	<b>2586.98</b>	3819
Profit available for appropriation	<u><b>2531.17</b></u>	<u>2586.98</u>
Appropriations Transferred to		
General Reserve	–	–
Proposed Dividend including dividend Tax	<b>1314.84</b>	–
Balance carried to Balance Sheet	<b>1216.33</b>	2586.89
Total	<u><b>2531.17</b></u>	<u>2586.89</u>

## OPERATIONS

The Company has not undertaken any operations during the Financial Year 2006-2007. 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 a Loss of Rs.55.80 Lakhs as against previous year Loss of Rs.1232.11 Lakhs.

### SALE OF STAKE BY RAIN COMMODITIES (USA) INC., IN GLC CARBON (USA) INC

Rain Commodities (USA) Inc (RCUSA), a wholly owned subsidiary of the Company(WOS) has concluded the sale of 9,324,327 - 16% Promissory notes held in GLC Carbon (USA) Inc at a price of Cdn \$6.86. RCUSA has sold the entire Common Stock/Shares held by it in GLC Carbon USA Inc to Oxbow GLC Canada Acquisition ULC at a price of Cdn \$7.14 in cash per Share.

### ALLOTMENT OF EQUITY SHARES AND EQUITY WARRANTS

The Company has allotted the following Equity Shares consequent to conversion of Equity warrants :

- 1) 50,00,000 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 and 40,00,000 Equity Warrants on 11th November, 2006. These Equity Warrants were allotted on 14th May, 2005.
- 2) 34,00,922 Equity Shares of Rs.40/- each (Rs.10/- Face value + Rs.30/- Premium) to Meghamala Enterprises Private Limited consequent to the conversion of 22,00,000

Equity Warrants and 12,00,922 Equity Warrants on 30th October, 2006 and 11th November, 2006 respectively. These Equity Warrants were allotted on 14th May, 2005.

- 3) 15,99,078 Equity Shares of Rs.40/- each (Rs.10/- Face value + Rs.30/- Premium) to Sujala Investments Private Limited consequent to the conversion of 15,99,078 Equity Warrants on 11th November, 2006. These Equity Warrants were allotted on 14th May, 2005.

Further, the Company has allotted 68,00,000 Equity Warrants of Rs.200/- each (Rs.10/- Face value + Rs.190/- Premium) to Focus India Brands Private Limited on 29th November, 2006. These Equity warrants holder have option to convert these warrants on or before 18 months from 29th November, 2006( Date of allotment).

#### **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 is a special purpose vehicle to explore strategic business opportunities across the globe and in particular, in the developed markets of US and Europe. The performance of the Company depends on the performance of its subsidiaries.

#### **DIVIDEND**

The Board of Directors have recommended a Dividend @ 35% on the Paid up Equity Share Capital of the Company,i.e., Rs.3.50 Per Equity Share for the year 2006-2007.

#### **LISTING OF EQUITY SHARES**

The Company's Equity shares are listed at The Hyderabad Stock Exchange Limited, 6-3-654, Somajiguda, Hyderabad and 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 and Rain Commodities (USA) Inc are enclosed as required under Section 212 of the Companies Act, 1956.

#### **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 and Rain Commodities (USA) Inc, a wholly owned subsidiaries of the Company.

#### **FIXED DEPOSITS**

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

#### **DIRECTORS**

Mr. N. Jagan Mohan Reddy and Mr. N. Sujith Kumar Reddy, Directors of the Company who retires by rotation and being eligible offer themselves for reappointment.

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

**AUDIT COMMITTEE**

Audit Committee consists of the following Directors namely Mr. P.Venugopal Reddy-Chairman, Mr. G Krishna Prasad and Mr. P. Prasen Kumar.

**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.

**SCHEME OF ARRANGEMENT BETWEEN THE COMPANY, RAIN CALCINING LIMITED AND RAIN INDUSTRIES LIMITED**

The Board of Directors of the Company at their meeting held on 20th March, 2007 have approved the Scheme of arrangement for (a) Transfer of Cement Business from Rain Industries Limited, a Wholly Owned Subsidiary (WOS) to the Company with effect from 1st July, 2006 (Appointed date), (b) Amalgamation of Rain Calcining Limited with the Company with effect from 1st April, 2007 (appointed date); and (c) Transfer of Calcined Petroleum Coke (CPC) and Power Business from the Company to Rain Industries Limited with effect from 1st April, 2007(appointed date).Approvals from Stock Exchanges are already obtained and necessary applications/petitions are submitted to the Hon'ble High Court of Andhra Pradesh for its approval for the Scheme of Arrangement. Subsequent to the approval of the Hon'ble High Court of Andhra Pradesh for the aforesaid Scheme of Arrangement, the Company shall allot two Equity Shares to the Shareholders of the Rain Calcining Limited for every Seven Equity Shares held in Rain Calcining Limited as on record to be fixed post approval of Scheme of arrangement by Hon'ble High Court of Andhra Pradesh. The share swap ratio has been determined basing on the valuations done by two Independent valuers namely Ernst & Young and Grant Thornton.

**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 : June 5, 2007

**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, 2007.

**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

<b>A. Power and Fuel Consumption</b>	<b>2006 - 2007</b>	<b>2005 - 2006</b>
<b>1. ELECTRICITY</b>		
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
<b>2. COAL</b>		
Quantity (Tonnes)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
<b>3. FURNACE OIL</b>		
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

**RAIN COMMODITIES LIMITED***(Formerly Priyadarshini Cement Limited)***32nd Annual Report**

- 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 :

	2006-2007	2005-2006
	(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 : June 5, 2007

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

**N. Jagan Mohan Reddy**  
Director

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Cement division of the Company was 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.

### **INDUSTRY STRUCTURE AND DEVELOPMENT**

India is the second largest producer of cement in the world after China with an installed capacity of 165.7 mn tons as on 31st March 2007. Total production was 155.3 mn tons and overall capacity utilization increased from 90% in FY 2006 to 94% in FY 2007. South Indian region is the largest cement producing regions in the country, with an installed capacity of 50 mn tons. South India is witnessing an upsurge in cement consumption. Last year as compared to overall growth of 10% in cement consumption on an all India basis, cement consumption grew by 19% in Karnataka, 16% in Tamil Nadu and 10% in Andhra Pradesh.

The Demand for Cement has grown by around 10% supported by Government's sustained focus on infrastructure development, irrigation projects worth INR 460 billion, expansions undertaken by companies in both manufacturing and services (primarily IT and ITES) companies and real estate boom empowered by the rising income levels of individuals in the region.

Rain Industries Limited (here in after referred to as "RIL") is primarily engaged in manufacture and sale of Cement including OPC and PPC. In the domestic market, RIL operates through a net work of Dealers for sale of its products. Its major markets include Andhra Pradesh, Karnataka and Tamil Nadu. Considering robust growth in cement consumption your company has undertaken a capacity expansion of 1.5

Million Tonnes which is likely to commence commercial production by October 2007. Post expansion total capacity will increase to 3 Million Tonnes.

### **OPPORTUNITIES AND THREATS**

#### **OPPORTUNITIES**

Government's impetus on infrastructure development, strong demand from housing segment and thrust on capacity expansion by companies across industries is driving the growth in cement consumption. Southern states are witnessing huge investments in real estate primarily in residential complexes and various technology parks. The growth is happening in both Tier 1 cities like Hyderabad, Bangalore, Chennai and also in tier 2 cities like Mysore, Vizag, Coimbatore etc.

#### **THREATS**

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 RIL. Supply may run ahead of demand. Next three years will likely see cement capacity additions of nearly 75 Million MT which may exert downward pressure on cement prices, most likely from latter part of FY 2009. However till then outlook on Cement industry continue to be positive.

#### **RISKS AND CONCERNS**

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

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

Other major concern is the problem relating to the 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 continues to be good in the year 2007-2008. The prices of Cement are encouraging and sustained demand for cement is likely to provide a floor price to the realization. However, government tough stand on inflation control and further change in policies in order to keep a check on prices may affect the performance of the industry. RIL is concentrating on the reduction of cost, increasing production of blended cement and also increasing the efficiency and capacity utilization.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

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 Rs.49,547 Lakhs as against Rs.32,031 Lakhs in the previous year. RIL achieved a production of 14,68,688 Metric Tonnes as against 16,21,902 Metric Tonnes in the previous year.

During the year RIL has earned a profit after tax of Rs.10,049 Lakhs as against Loss of Rs.45.25 Lakhs in the previous year.

The Earnings per share of the RIL as on 31st March, 2007 is Rs. 52.51 as against Rs.0.25 in the previous year.

The Paid up Share Capital of RIL as on 31st March, 2007 is Rs.20,80,00,000/- comprising of 2,08,00,000 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, 2007, RIL has a total strength of 519 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 : June 5, 2007

## **REPORT ON CODE OF CORPORATE GOVERNANCE**

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

### **1. COMPANY'S PHILOSOPHY:**

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

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

### **2. BOARD OF DIRECTORS :**

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

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

Notes:

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

**Other Directorships:**

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

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

**Board Meetings held during the year 2006-07:**

During the financial year 2006-07, sixteen board meetings were held as against the minimum requirement of four meetings. The maximum time gap between any of the two meetings was not more than four months.

The dates on which the Board meetings were held are:

18th May, 2006, 15th July, 2006, 27th July, 2006, 8th August, 2006, 14th September, 2006, 19th October, 2006, 20th October, 2006, 30th October, 2006, 11th November, 2006, 29th November, 2006, 11th December, 2006, 5th February, 2007, 7th February, 2007, 8th February, 2007, 1st March, 2007 and 20th March, 2007.

**Attendance of Directors in the meetings:**

The details of the attendance of the Directors at the Board meetings held during 2006-07 and the last Annual General Meeting ("AGM") are given below:

Name of the Director	Board Meetings Attended	Attendance at last AGM held on 14th September, 2006
Mr. N. Radhakrishna Reddy	16	Yes
Mr. N. Jagan Mohan Reddy	15	Yes
Mr. N. Sujith Kumar Reddy	16	Yes
Mr. G. Krishna Prasad	16	Yes
Mr. P. Venugopal Reddy	16	Yes
Mr. P. Koteswar Rao*	7	Yes
Mr. P. Prasen Kumar**	9	N.A

\*Resigned on 30th October, 2006

\*\*Appointed as Additional Director on 30th October, 2006

### **Re-appointment of Directors**

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

- Mr. N. Jagan Mohan Reddy (40) has a Bachelor's degree in Industrial Engineering from Purdue University, U.S.A. He initially received training in the cement industry which utilizes technology similar to calcinations plant. He is the Managing Director of Rain Calcining Limited ("RCL"), since inception. RCL with annual revenues of about US\$ 175 million is the fifth largest producer of CPC in the world. He is also the Managing Director of Rain Industries Limited ("RIL") which is the subsidiary company of Rain Commodities Limited. RIL has two cement plants in Andhra Pradesh with a capacity to produce 1,500,000 MTPA with annual revenues of US \$125 Million. The management of RIL, a sick company, was taken over by Jagan Reddy in 2004 and has been turned around in less than 2 years. RIL is currently expanding its cement capacity to 3,000,000 MTPA. Mr. N. Jagan Mohan Reddy is holding the Directorships in Rain Commodities Limited, Rain Commodities (USA) Inc (a 100% wholly owned subsidiary company of Rain Commodities Limited), Moonglow Company Business Inc. and Sujala Investments Private Limited. He is a member of the Shareholder'/Investors' Grievance Committee of the Board.
- Mr. N. Sujith Kumar Reddy, (35) is promoter of the Company. He is a Graduate in Commerce. He is responsible for day to day management of the company in all the functional areas of operations. He has significantly contributed in the development of cement marketing in the neighborhood states in South India, enhancing the brand image of the Company and widening the loyal dealer network of the Company.

Mr. N.Sujith Kumar Reddy is presently holding Directorships in the following Companies:

- ✓ PCL Financial Services Limited
- ✓ Arunachala Holdings Limited
- ✓ Rain Industries Limited
- ✓ Apeetha Enterprises Limited
- ✓ Nivee Holdings Limited
- ✓ Nivee Property Developers Private Limited

### **3. Board Committees:**

The Company has the following standing committees of the Board:

#### **a) Audit Committee**

##### **Composition, name of the members and Chairman**

In Compliance with Clause-49 of the Listing Agreement and Section 292A of the

Companies Act, 1956, the Board of Directors of the Company has constituted an Audit Committee comprising of the following 3 Non-Executive Independent Directors:

- ✓ Mr. P. Venugopal Reddy - Chairman
- ✓ Mr. G. Krishna Prasad - Member
- ✓ Mr. P. Prasen Kumar - Member

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

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

**Terms of Reference:**

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

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

Attendance of the members at the Audit Committee meetings:

During the year ending 31st March, 2007 (i.e., from 1st April, 2006 to 31st March, 2007), Five Audit Committee Meetings were held on 18th May, 2006, 27th July, 2006, 14th September, 2006, 19th October, 2006 and 8th February, 2007.

<b>Name of the Director</b>	<b>No. of Meetings Attended</b>
Mr. G Krishna Prasad	5
Mr. P. Venugopal Reddy	5
Mr. P Koteswara Rao	4
Mr. P. Prasen Kumar	1

**b) Remuneration Committee:**

The Remuneration Committee has been constituted to formulate and recommend to the Board all elements of the remuneration package of the Managing Director and Executive

Director, including performance/achievement bonus, stock options and perquisites payable to the whole-time Directors.

**Composition, name of the members and Chairman**

- ✓ Mr. P. Venugopal Reddy - Chairman
- ✓ Mr. G Krishna Prasad - Member
- ✓ Mr. P. Prasen Kumar - Member

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

During the year under review, the Remuneration Committee has not met, since there was no item pertaining to the Remuneration.

**Remuneration policy:**

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

**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 year 31st March, 2007 are as follows:

<b>Name of Director</b>	<b>(Rs.)</b>
Mr. P. Venugopal Reddy	16,000
Mr. G. Krishna Prasad	16,000
Mr. P. Koteshwara Rao	7,000
Mr. P. Prasen Kumar	9,000

The Remuneration paid to the Whole-time Directors during the period ended 31st March, 2007 are as follows:

Rupees

<b>Name of Director and Designation</b>	<b>Salary</b>	<b>Cont. to Provident and other funds</b>	<b>Total</b>
Mr. N. Radhakrishna Reddy, Chairman and Managing Director.	6,00,000	72,000	6,72,000

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

**Shares held by Non-Executive Directors:**

<b>Name of the Non-Executive Director</b>	<b>No. of Equity Shares held in the Company</b>
Mr. N. Jagan Mohan Reddy	1,660,203
Mr. N. Sujith Kumar Reddy	2,006,252
Mr. G. Krishnaprasad	Nil
Mr. P. Prasen Kumar	Nil
Mr. P. Venugopal Reddy	Nil

**c) Shareholders/Investors' Grievance Committee:**

**Composition and brief terms of reference.**

The Committee consists of the following:

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

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

**Name and designation of Compliance Officer.**

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

**Email-id for investor grievances :secretarial@priyacement.com**

**Number of Shareholders complaints received so far.**

During the year, the Company has received and resolved 57 complaints and there were no pending complaints. Number of complaints not resolved to the satisfaction of shareholders are Nil .

**4. GENERAL BODY MEETINGS :**

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

<b>Financial year</b>	<b>Date</b>	<b>Venue</b>	<b>Time</b>
2005-2006	14th September, 2006	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	11.00 am
2003-2005	15th September, 2005	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	3:00 pm
2002-2003	8th November, 2004	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.	11.30 am

**Special Resolutions passed during the previous three Annual General Meetings:**

- ✓ 31st Annual General Meeting,  
No special resolutions have been passed.
- ✓ 30th Annual General Meeting,  
A Special Resolution was passed, amending the Articles of Association, so as to include certain Articles as suggested by Citicorp Finance (India) Limited, the subscriber for Equity Warrants.
- ✓ 29th Annual General Meeting,  
Two Special Resolutions were passed, pertaining to change of name of the Company from "Priyadarshini Cement Limited" to "Rain Commodities Limited" and the other pertaining to the shifting of the Register of Members from the registered office of the Company to M/s. Aarathi Consultants Private Limited, the Registrars and Share Transfer Agents.

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

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

**5. DISCLOSURES:**

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

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

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

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

- c) Disclosure of Accounting Treatment:**

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

- d) Whistle Blower policy**

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

**e) Board Disclosures**

**(i) Risk Management**

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

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

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

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

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

**(ii) Internal Control System**

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

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

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

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

**f) Code of Conduct**

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

**6. MEANS OF COMMUNICATION:**

**a) Quarterly results**

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

**b) News releases, presentations etc:**

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

[www.priyacement.com](http://www.priyacement.com)

**c) Management Discussion and Analysis (MDA) Report**

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

**7. GENERAL SHAREHOLDER INFORMATION**

- a) Annual General Meeting : 32nd Annual General Meeting  
Date : 3rd August, 2007  
Time : 11:00 A.M  
Venue : KLN Prasad Auditorium,  
Federation of Andhra Pradesh  
Chambers of Commerce &  
Industry (FAPCCI), Red Hills,  
Hyderabad-500 004, Andhra  
Pradesh.
- b) Financial Calendar : 1st April, 2007 to 31st March, 2008  
Tentative Schedule for considering Financial Results
- For the Quarter ending 30th June, 2007 - July/August, 2007  
For the Quarter ending 30th September, 2007 - October/November, 2007  
For the Quarter ending 31st December, 2007 - January/February, 2008  
For the Financial year ending 31st March, 2008 - April/May/June, 2008

- c) Dates of Book Closure : 26th July, 2007 to 3rd August, 2007  
(both days inclusive)
- d) Dividend Payment Date : On or after 3rd August, 2007
- 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 Jeejee Bhoy Towers, Dalal street, Mumbai-400 001.	500339

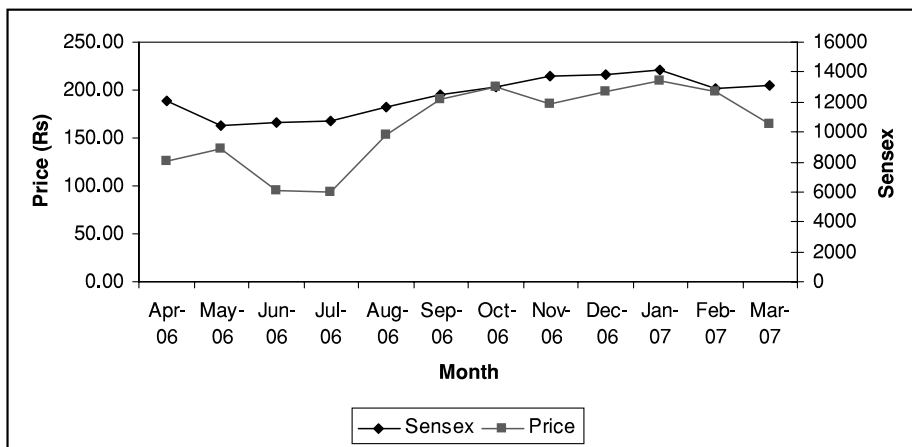
The listing fees for the year 2007-08 have been paid to the above stock exchanges.

- 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, 2006	125.90	87.50	1087382
May, 2006	139.25	93.90	828191
June, 2006	95.10	64.40	398479
July, 2006	94.20	74.10	423605
August, 2006	153.00	98.90	1530328
September, 2006	190.85	134.10	3389448
October, 2006	202.55	160.40	3145044
November, 2006	185.80	155.00	2649821
December, 2006	199.00	167.00	2346053
January, 2007	209.50	161.00	1467000
February, 2007	198.00	146.55	1421949
March, 2007	164.95	110.05	1004443

**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, 2007**

Sl. No.	Category	No. of Shares held	Percentage of shareholding
1.	Promoters/Directors/ Associates	1,27,96,227	39.85%
2.	Mutual Funds and UTI	7,97,117	2.48%
3.	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	8,800	0.03%
4.	FIs	15,19,702	4.73%
5.	Private Corporate Bodies	98,60,139	30.71%
6.	Indian Public	59,87,047	18.65%
7.	NRIs/OCBs	11,16,124	3.47%
8.	Others(Clearing Members)	24,844	0.08%
	<b>Total</b>	<b>3,21,10,000</b>	<b>100.00%</b>

**(ii) Distribution of Share holding as on 31st March, 2007**

Nominal Value (in Rs.)	Holders		Amount	
	Number of shareholders	% to Total No. of Shareholders	In Rs.	% to Total paidup capital
1 - 5,000	19,505	91.68	3,07,77,140	9.58
5,001 - 10,000	996	4.68	83,18,930	2.59
10,001 - 20,000	376	1.77	57,02,200	1.78
20,001 - 30,000	130	0.61	34,02,270	1.06
30,001 - 40,000	53	0.25	19,24,040	0.60
40,001 - 50,000	61	0.29	29,18,950	0.91
50,001 - 1,00,000	59	0.28	44,68,500	1.39
1,00,001 and above	94	0.44	26,35,87,970	82.09
<b>TOTAL</b>	<b>21,274</b>	<b>100.00</b>	<b>32,11,00,000</b>	<b>100.00</b>

**k) Dematerialisation of Shares & Liquidity**

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

As on 31st March, 2007, 2,41,03,379 equity shares were dematerialised representing 75.07% of the total paid up equity share capital of the Company.

ISIN: INE855B01017

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

The Company has issued 68,00,000 equity warrants on 29th November, 2006 and the warrant holder have the option to convert the same into equal number of equity shares on or before 28th May, 2008 [within eighteen 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:**

The company does not carry out any manufacturing activities.

**n) Address for Correspondence:**

Company Secretary  
Rain Commodities Limited  
Secretarial Department  
"Rain Center", 34, Srinagar Colony,  
Hyderabad - 500 073.  
Andhra Pradesh.  
Phone No.040- 40401234,  
040-40401257  
Fax No. 040-40401214.  
E-mail:secretarial@priyacement.com

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

M/s. Aarthi 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@aarthicconsultants.com

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

Place : Hyderabad  
Date : June 5, 2007

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

**N. Jagan Mohan Reddy**  
Director

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## 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, 2007.

for **RAIN COMMODITIES LIMITED**

Place : Hyderabad  
Date : June 5, 2007

**N Radhakrishna Reddy**  
Chairman & Managing Director

## **AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

To the Members of  
Rain Commodities Limited

We have examined the compliance of conditions of Corporate Governance by Rain Commodities Limited ('the Company'), for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

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

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

**P. Rama Krishna**  
Partner

Membership Number: 22795

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Place: Hyderabad  
Date: June 5, 2007

## **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, 2007, 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, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
- (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**  
Chartered Accountants
- Place: Hyderabad  
Date : June 5, 2007

## **ANNEXURE 'A' 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, 2007]

1. The Company had written off all its fixed assets during the year. Accordingly, clauses (i)(a), i(b) and (i)(c) 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.
2. (a) The company has granted unsecured loans, to 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. 270,000,000 and Rs. Nil respectively.
- (b) 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.
- (c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated as at the balance sheet date and are also regular in payment of interest, where applicable.
- (d) In respect of the aforesaid loans the entire loan amount has been repaid before the year end along with interest, and there is no overdue amount more than rupees one lakh.
- (e) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
3. According to the information and explanations given to us, there have been no contracts or arrangements referred to

- in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
4. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58 AA of the Act and the rules framed there under.
  5. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
  6. 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.
  7. (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 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, custom duty, excise duty and cess which have not been deposited on account of any dispute.
  8. The company has no accumulated losses as at March 31, 2007 but it has incurred cash losses in the financial year ended on this date and in the immediately preceding financial year.
  9. 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.
  10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  11. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
  12. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
  13. 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.
  14. 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.
  15. 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.

16. During the year, the company has allotted shares against warrants issued on preferential basis to parties and companies covered in the register maintained under Section 301 of the Act. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the company.
17. The company has not issued any debenture during the year.
18. The Company has not raised any money by public issues during the year.
19. 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.
20. The other clauses (ii)(a), (ii)(b), (ii)(c), (iii)(f), (iii)(g) and (iv) 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

**Price Waterhouse**

Date : June 5, 2007

Chartered Accountants

**BALANCE SHEET AS AT MARCH 31, 2007**

	SCHEDULE Reference	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
A) Capital	A	<b>321,100,000</b>	221,100,000
B) Share Application Money Pending Allotment		<b>136,000,000</b>	40,000,000
C) Reserves and Surplus	B	<b>584,366,699</b>	421,432,524
		<b>1,041,466,699</b>	682,532,524
Loan Funds			
A) Unsecured Loans	C	–	226,733,000
<b>TOTAL</b>		<b>1,041,466,699</b>	909,265,524
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	D		
A) Gross Block		–	1,552,198
B) Less: Depreciation/Amortisation		–	616,517
C) Net Block		–	935,681
Investments	E	<b>1,061,949,115</b>	821,949,115
Current Assets, Loans and Advances			
A) Inventories	F	–	217,886
B) Sundry Debtors	G	–	–
C) Cash and Bank balances	H	<b>496,302</b>	1,261,496
D) Loans and Advances	I	<b>119,043,140</b>	107,278,255
		<b>119,539,442</b>	108,757,637
Less : Current Liabilities and Provisions			
A) Liabilities	J	<b>8,534,437</b>	22,374,932
B) Provisions	K	<b>131,487,421</b>	1,977
		<b>140,021,858</b>	22,376,909
Net Current Assets		<b>(20,482,416)</b>	86,380,728
<b>TOTAL</b>		<b>1,041,466,699</b>	909,265,524
NOTES TO THE ACCOUNTS	P		

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

For and on behalf of the Board of Directors

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

**N. RADHA KRISHNA REDDY**  
Chairman & Managing Director

**N.JAGAN MOHAN REDDY**  
Director

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

Hyderabad  
Date : June 5, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	SCHEDULE Reference	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>INCOME</b>			
Other Income	L	<b>17,373,212</b>	134,023
<b>TOTAL</b>		<b>17,373,212</b>	134,023
<b>EXPENDITURE</b>			
Payment and Benefits to Employees	M	<b>1,512,952</b>	678,636
Administrative and Selling Expenses	N	<b>4,616,324</b>	2,524,855
<b>TOTAL</b>		<b>6,129,275</b>	3,203,491
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION</b>			
Interest and Finance Charges	O	<b>11,243,937</b>	(3,069,468)
		<b>16,715,226</b>	120,011,081
<b>PROFIT/ (LOSS) BEFORE DEPRECIATION AND TAXATION</b>			
Depreciation and Amortisation		<b>(5,471,289)</b>	(123,080,549)
		<b>90,595</b>	120,792
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>			
Provision for Taxation		<b>(5,561,884)</b>	(123,201,341)
- Fringe Benefit Tax		<b>19,110</b>	11,336
<b>PROFIT/ (LOSS) AFTER TAXATION</b>			
Balance brought forward from Previous Year		<b>(5,580,994)</b>	(123,212,677)
		<b>258,698,949</b>	381,911,626
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>			
APPROPRIATIONS:			
Provision for Dividend		<b>112,385,000</b>	-
Provision for Dividend Tax		<b>19,099,831</b>	-
<b>BALANCE CARRIED FORWARD TO BALANCE SHEET</b>			
		<b>121,633,124</b>	258,698,949
Earnings/(Loss) Per Share-Basic and Diluted(Rs.)		<b>(0.21)</b>	(5.57)
NOTES TO THE ACCOUNTS	P		

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

For and on behalf of the Board of Directors

**P. Rama Krishna**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Hyderabad  
Date : June 5, 2007

**N. RADHA KRISHNA REDDY**  
Chairman & Managing Director  
**G.R. CHARI**  
Vice-President (Finance) &  
Company Secretary

**N.JAGAN MOHAN REDDY**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>A Cash Flow From Operating Activities</b>		
Net Profit before Taxation	(5,561,884)	(123,201,341)
Adjustments for :		
Depreciation	90,595	120,792
Advances Written off	764,504	-
Fixed assets Written off	845,087	-
Inventories Written off	217,886	-
Provision for doubtful debts	-	5,100
Liability No Longer Required Written Back	(1,239,048)	-
Dividend Received	(800,000)	-
Interest Expense	14,684,072	-
Interest Income	(14,876,668)	-
Operating Profit before Working Capital Changes	<u>(5,875,456)</u>	<u>(123,075,449)</u>
Adjustments for:		
Inventories	-	2,000
Loans and Advances	(12,529,389)	(106,647,092)
Current Liabilities and Provisions	<u>(12,638,440)</u>	<u>6,379,785</u>
Cash generated from operations	<u>(31,043,285)</u>	<u>(223,340,756)</u>
Taxes Paid (Net)	<u>(18,496)</u>	<u>(11,336)</u>
Net cash used in operating activities	<u>(31,024,789)</u>	<u>(223,352,092)</u>
<b>B Cash Flow from Investing Activities</b>		
Purchase of Investments	(240,000,000)	(44,444,880)
Sale of Investments	-	30,000
Interest Received	14,876,668	-
Dividend Received	<u>800,000</u>	<u>-</u>
Net cash used in investing activities	<u>(224,323,332)</u>	<u>(44,414,880)</u>

**CASH FLOW (Contd.)**

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>C Cash Flow From Financing Activities</b>		
Proceeds from issue of shares and share warants	400,000,000	-
Proceeds towards Share application money	96,000,000	40,000,000
Proceeds from Long term borrowings	-	226,733,000
Repayment of the Long term borrowings	(226,733,000)	-
Interest paid	(14,684,072)	-
Net Cash flow from financing activities	<u>254,582,928</u>	<u>266,733,000</u>
<b>Net (Decrease)/Increase in Cash and Cash equivalents</b>	<b>(765,194)</b>	<b>(1,033,972)</b>
Cash and Cash equivalents - Opening Balance	<u>1,261,496</u>	<u>2,295,468</u>
<b>Cash and Cash equivalents - Closing Balance</b>	<b><u>496,302</u></b>	<b><u>1,261,496</u></b>

Notes

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

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

**N. RADHA KRISHNA REDDY**  
Chairman & Managing Director

**N.JAGAN MOHAN REDDY**  
Director

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

Hyderabad  
Date : June 5, 2007

**SCHEDULES TO THE BALANCE SHEET**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>A. SHARE CAPITAL</b>		
Authorised		
67,000,000 (2006 - 37,000,000)		
Equity Shares of Rs 10 each	<b>670,000,000</b>	370,000,000
10,000,000 (2006 - Nil) Redeemable		
Preference Shares of Rs. 100 each	<b>1,000,000,000</b>	-
	<b>1,670,000,000</b>	370,000,000
Issued , Subscribed and Paid up		
32,110,000 (2006 - 22,110,000)		
Equity Shares of Rs 10 each	<b>321,100,000</b>	221,100,000
	<b>321,100,000</b>	221,100,000
<b>B. RESERVES AND SURPLUS</b>		
Capital Reserve	<b>2,733,575</b>	2,733,575
Securities Premium Account		
As at the commencement of the year	-	-
Add: Premium received on issue of equity shares during the year	<b>300,000,000</b>	-
	<b>300,000,000</b>	-
General Reserve	<b>160,000,000</b>	160,000,000
Profit and Loss Account - Surplus	<b>121,633,124</b>	258,698,949
	<b>584,366,699</b>	421,432,524
<b>C. UNSECURED LOANS</b>		
Short Term		
- Others	-	106,733,000
Other than Short Term		
- Banks	-	120,000,000
	-	226,733,000

## SCHEDULES TO THE BALANCE SHEET

### D. FIXED ASSETS

(Amount in Rupees)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 01, 2006	Additions	Deletions	As at March 31, 2007	As at April 1, 2006	For the year	on deletions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
1 Furniture and Fixtures	777,865	-	777,865	-	233,814	37,233	271,047	-	-	544,051
2 Office Equipments	774,333	-	774,333	-	382,703	53,362	436,065	-	-	391,630
Total	1,552,198	-	1,552,198	-	616,517	90,595	707,112	-	-	935,681
Previous Year	1,552,198	-	-	<b>1,552,198</b>	495,725	120,792	-	<b>616,517</b>	<b>935,681</b>	

**SCHEDULES TO THE BALANCE SHEET (Cont.)**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>E. INVESTMENTS</b>		
Long Term - At Cost		
Unquoted		
<b>Subsidiary Companies</b>		
a) Rain Industries Limited 20,800,000 (2006 - 18,800,000) Equity Shares of Rs.10 fully paid up (Refer Note 1 below)	<b>1,047,504,235</b>	807,504,235
b) Rain Commodities (USA) Inc 20 Common Stock at face value of USD 0.01 per share	<b>4,444,880</b>	4,444,880
<b>Quoted</b>		
a) Rain Calcining Limited* 1,000,000 Equity shares of Rs.10 each fully paid up (Refer Note 2 below)	<b>10,000,000</b>	10,000,000
*Aggregate Market Value of the quoted investments Rs. 33,500,000 (2006 - Rs.41,450,000)	<b><u>1,061,949,115</u></b>	<u>821,949,115</u>
<b>F. INVENTORIES</b>		
Stores and Spare Parts*	-	717,886
Less: Provision for Obsolescence	-	500,000
	-	<u>217,886</u>
* at cost or below		
<b>G. SUNDRY DEBTORS</b>		
Unsecured, Considered Doubtful		
Debts outstanding for a period exceeding six months	<b>3,780,774</b>	3,780,774
Less: Provision for Doubtful Debts	<b>3,780,774</b>	3,780,774
	-	-
Notes:		
1) These Investments are pledged/to be pledged with Banks and Financial Institutions as security for the loan sanctioned to the subsidiary company.		
2) 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 (Cont.)**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>H. CASH AND BANK BALANCES</b>		
With Scheduled Banks:		
- Current Accounts	496,302	399,952
- Unpaid Dividend Accounts	-	861,544
	<u>496,302</u>	<u>1,261,496</u>
<b>I. LOANS AND ADVANCES</b>		
(Unsecured and Considered Good, unless otherwise stated)		
Loans and Advances to Subsidiary Companies		
Rain Commodities (USA) Inc (Maximum amount outstanding during the year - Rs 107,594,200)	107,594,200	106,732,750
Loans and Advances to Body Corporates	7,688,896	-
Advances recoverable in cash or in kind or for value to be received		
Considered Good	5,000	59,325
Considered Doubtful	-	18,000
Less: Provision for doubtful advances	-	18,000
	<u>5,000</u>	<u>59,325</u>
Balances with Government and Public Bodies	329,501	-
Advance Tax (Net of Provision)	3,425,543	(219,000)
Deposits with Others	-	705,180
	<u>119,043,140</u>	<u>107,278,255</u>
<b>J. CURRENT LIABILITIES</b>		
Sundry Creditors		
Dues to Small Scale Industrial Undertakings	-	-
Dues to other than Small Scale Industrial Undertakings	968,262	1,357,655
Dues to Subsidiary Company - Rain Industries Limited	7,542,418	20,127,173
Investors Education and Protection Fund shall be credited by the following amount		
Unclaimed Dividend	-	861,544
Other Liabilities	23,757	28,560
	<u>8,534,437</u>	<u>22,374,932</u>
<b>K. PROVISIONS</b>		
Fringe Benefit Tax	2,590	1,977
Proposed Dividend	112,385,000	-
Dividend Distribution Tax	19,099,831	-
	<u>131,487,421</u>	<u>1,977</u>

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>L. OTHER INCOME</b>		
Interest on deposits with Banks and Others [Tax deducted at Source - Rs 3,338,325 (2006 - Nil)]	<b>14,876,668</b>	-
Profit on sale of investments	-	127,500
Liability no longer required Written back	<b>1,239,048</b>	-
Miscellaneous Income	<b>457,496</b>	6,523
Dividend Income	<b>800,000</b>	-
	<u><b>17,373,212</b></u>	<u>134,023</u>
<b>M. PAYMENT AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages and Bonus	<b>1,362,057</b>	600,000
Contribution to Provident Fund and Other Funds	<b>129,072</b>	78,636
Workmen and Staff Welfare Expenses	<b>21,823</b>	-
	<u><b>1,512,952</b></u>	<u>678,636</u>
<b>N. ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES</b>		
Rates and taxes	<b>50,468</b>	800,518
Auditor's Remuneration		
Audit Fees	<b>400,000</b>	110,200
Other certification fees	-	77,140
Printing and Stationary	<b>308,226</b>	757,764
Communication Expenses	<b>295,569</b>	-
Legal and Professional Charges	<b>720,185</b>	487,226
Travelling and Conveyance	<b>330,552</b>	168,392
Director's sitting fees	<b>42,000</b>	-
Listing and filing fees	<b>208,112</b>	-
Advertisement	<b>365,373</b>	-
Advances written off	<b>764,504</b>	5,100
Fixed Assets written off	<b>845,087</b>	-
Inventory written off	<b>217,886</b>	-
Miscellaneous Expenses	<b>68,362</b>	118,515
	<u><b>4,616,324</b></u>	<u>2,524,855</u>
<b>O. INTEREST AND FINANCE CHARGES</b>		
Interest on term loans	<b>14,684,072</b>	120,000,000
Bank charges	<b>2,031,154</b>	11,081
	<u><b>16,715,226</b></u>	<u>120,011,081</u>

## **P. NOTES TO ACCOUNTS**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Preparation of Financial Statements**

The financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

#### **(b) Revenue Recognition**

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

#### **(c) Fixed Assets and Depreciation**

Fixed assets are stated at actual cost less depreciation. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, and other incidental expenses. Assets under construction as at the balance sheet date are shown as Capital work in progress.

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 years. The impairment loss recognized in the prior years is reversed in cases where the recoverable value exceeds the carrying value, upon reassessment in the subsequent years.

#### **(d) Inventories**

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

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

#### **(e) Earnings Per Share (EPS)**

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

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

**(f) 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 periods subject to consideration of prudence. Deferred tax assets are not recognised unless there is a reasonable 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.

**(g) 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. The Company has acquired 100% shareholding of Rain Commodities (USA) Inc. ('RCUSA') during February 2006, at an aggregate cost of Rs. 4,444,880 and further extended a loan to RC USA of Rs. 107,594,201 (2006 - Rs. 106,732,750). RCUSA has acquired 100% shareholding of Rain/GLC Holdings LLC, which in turn holds 20.23% ownership interest in GLC Carbon USA Inc. ('GLC') in March 2006. RCUSA has executed a definitive agreement to acquire the remaining ownership interest in GLC in February 2007. However, RCUSA has decided during March, 2007 not to pursue the acquisition of the remaining ownership interest in GLC, considering the counter offer at a higher price received from another company. RCUSA has received the termination fees of Canadian \$ 17,000,000 on March 30, 2007, as per the terms of definitive agreement and disposed off its holding in GLC subsequent to the year end.
3. The Board of Directors of the Company have approved the Scheme of Arrangement ('the Scheme') among the Company, Rain Industries Limited and Rain Calcining Limited. As per the Scheme, the cement business of the Rain Industries Limited would be transferred to the company for a net consideration of Rs. 32 crores and the calcining and power businesses of Rain Calcining Limited will be transferred to the Company and subsequently to Rain Industries Limited. The scheme has been approved by the shareholders of the Company and the shareholders of Rain Calcining Limited on June 4, 2007 and is subject to the approval of the Hon'ble High Court of Andhra Pradesh, Stock exchanges and other regulatory authorities. Pending the approvals, the accounts of the Company have been prepared without considering the effect of the scheme.
4. During the year, the Company has allotted 10,000,000 Equity Shares of Rs. 10 each amounting to Rs 100,000,000 at a premium of Rs. 30 per share amounting to Rs 300,000,000 against the equity share warrants. Further, pursuant to the approval of shareholders in the Extraordinary General Meeting held on November 16, 2006, the Company had issued 6,800,000 equity share warrants at a price of Rs 200 per warrant to be converted, at the option of the warrant holder, into Equity Shares within a period of 18 months from the date of allotment.

5. No Deferred tax asset on account of unabsorbed depreciation and carry forward losses has been recognised in the financial statements pending the Scheme of Arrangement (Refer note No. 3 above) on a prudent basis.

**6. Segment Reporting**

The Company's operations falls within a single primary business segment viz., 'Investment activities' and single geographical segment viz., India. Hence the disclosure requirements of Accounting Standard 17, 'Segment Reporting', issued by Institute of Chartered Accountants of India are not applicable.

**7. Earnings Per Share**

	<b>Year Ended March 31, 2007</b>	Year Ended March 31, 2006
a. Profit/ (Loss) after tax (Rs.)	<b>(5,580,994)</b>	(123,212,677)
b. Weighted average number of Basic Equity Shares of Rs.10 each outstanding during the year	<b>26,278,219</b>	22,110,000
c. Weighted average number of Potential Equity Shares pending allotment	<b>232,877</b>	-
d. Weighted average number of Dilutive Equity Shares of Rs.10 each	<b>26,511,096</b>	22,110,000
e. Earnings/(Loss) Per Share - Basic (Rs.) [a/b]	<b>(0.21)*</b>	(5.57)*

\*As the Company has incurred losses, diluted Earnings Per Share has anti dilutive effect and hence basic Earnings Per Share is considered as diluted Earnings Per Share.

**8. Related Party Disclosure**

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

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

**b) Transactions for the year ended March 31, 2007:**

(Amount in Rs.)

	<b>Subsidiary Company</b>	<b>Enterprises where Key Managerial Personnel exercise significant influence</b>	<b>Key Managerial Personnel</b>
Advances received	263,542,416 (-)	- (-)	- (-)
Advances repaid	256,000,000 (-)	- (-)	- (-)
Advances given	- (-)	78,88,896 (-)	- (-)
Interest on loan given	14,876,668 (-)	- (-)	- (-)
Loan given	270,000,000 (106,732,750)	- (-)	- (-)
Repayment/Adjustment of Loans given	270,000,000 (-)	- (-)	- (-)
Loan taken	- (-)	- (106,733,000)	- (-)
Loan repaid	- (-)	- 106,733,000	- (-)
Salary and Perquisites	- (-)	- (-)	672,000 (693,425)
Investments made through Equity (including premium)	240,000,000 (44,444,880)	- (-)	- (-)
Equity share application money received (including premium) and allotted	- (-)	57,566,808 (6,396,312)	- (-)

Note : Previous Year figures are given in brackets

**c) Balances outstanding as at March 31, 2007:**

(Amount in Rs.)

	<b>As at March 31, 2007</b>
Subsidiary Company	7,542,418
- Payable	(20,127,173)
- Receivable	107,594,200
	(106,732,750)
Enterprises where key managerial personnel alongwith their relatives exercise significant influence-	
- Payable	-
	(106,733,000)
- Receivable	7,688,896
	(-)
Key Managerial Personnel Payable	-
	(-)

Note: Previous Year figures are given in brackets

**9. Payment and Benefits to employees (Schedule M) include Managerial Remuneration:**

(Amount in Rupees)

	<b>Year Ended March 31, 2007</b>	Year Ended March 31, 2006
Salary	<b>600,000</b>	614,789
Contribution to Provident Fund and Other Perquisites	<b>72,000</b>	78,636
Total	<b>672,000</b>	693,425

10. There are no dues to the Small Scale Undertakings as on March 31, 2007.
11. Information pursuant to paragraph 3(ii) (iii), 4C, 4D of Part II of Schedule VI of the Companies Act, to the extent either Nil or not applicable has not been furnished.
12. Comparative figures of the previous year/period, where necessary have been regrouped to confirm 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

Accumulated Losses

**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 : 05.06.2007

**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 Industries Limited
2. Financial year ending of the Subsidiary : 31st March 2007
3. Holding Companies interest : Rain Commodities Limited is holding 2,80,00,000 Equity Shares of Rs.10/- each Aggregating to Rs.20,80,00,000 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. 1,004,987,036
  - 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. 4,525,483
  - 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 : June 5, 2007

**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 0.01 each representing 100% of the Total Paid up Share Capital of Rain Commodities (USA) Inc.
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company
  - a. dealt with or provided for in the accounts of the holding Company : Rs. 219,693,240
  - 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 : June 5, 2007

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

## **Auditors' Report**

To the Board of Directors of Rain Commodities Limited

1. We have audited the attached Consolidated Balance Sheet of Rain Commodities Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at March 31, 2007, the related Consolidated Profit and Loss Account 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's management in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements" and Accounting Standard 23, "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the Consolidated Financial Statements (*except with respect to recognition of the proportionate share of profit of associate for the period from April 1, 2006 to December 31, 2006 (refer note IV (1)(b) on Schedule T - Notes to Consolidated Financial Statements).*)
4. Based on our audit and on consideration of separate audit reports on individual audited financial statements of the Company and its consolidated subsidiaries, subject to our comments in para 3 above, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2007;
  - (b) in the case of the Consolidated Profit and Loss Account, of the loss for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**P. Rama Krishna**  
Partner

Membership No.22795  
For and on behalf of

**Price Waterhouse**  
Chartered Accountants

Place : Hyderabad  
Date : June 5, 2007

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007**

	SCHEDULE Reference	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
a) Capital	A	<b>321,100,000</b>	221,100,000
b) Share Application Money Pending Allotment		<b>136,000,000</b>	40,000,000
c) Reserves and Surplus	B	<b>704,221,597</b>	164,784,359
		<b>1,161,321,597</b>	425,884,359
<b>Loan Funds</b>			
a) Secured Loans	C	<b>7,049,839,222</b>	7,471,339,689
b) Unsecured Loans	D	<b>514,788,208</b>	585,325,200
		<b>7,564,627,430</b>	8,056,664,889
<b>TOTAL</b>		<b>8,725,949,027</b>	8,482,549,248
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
a) Gross Block	E	<b>2,646,892,687</b>	2,591,865,184
b) Less: Depreciation/Amortisation		<b>579,476,775</b>	431,989,445
c) Net Block		<b>2,067,415,912</b>	2,159,875,739
d) Capital Work In Progress		<b>699,265,739</b>	8,992,785
		<b>2,766,681,651</b>	2,168,868,524
<b>Investments</b>	F	<b>4,784,249,582</b>	4,917,064,370
<b>Deferred Tax Asset - Net</b>		–	95,240,877
<b>Current Assets, Loans and Advances</b>			
a) Inventories	G	<b>206,753,402</b>	120,960,507
b) Sundry Debtors	H	<b>60,269,439</b>	49,858,934
c) Cash and Bank balances	I	<b>1,045,060,040</b>	240,987,061
d) Other Current Assets	J	<b>33,704,598</b>	32,264,111
e) Loans and Advances	K	<b>555,634,646</b>	582,357,639
		<b>1,901,422,125</b>	1,026,428,252
<b>Less : Current Liabilities and Provisions</b>			
a) Liabilities	L	<b>454,263,418</b>	649,346,253
b) Provisions	M	<b>272,140,913</b>	8,854,344
		<b>726,404,331</b>	658,200,598
<b>Net Current Assets</b>		<b>1,175,017,794</b>	368,227,654
<b>Profit and Loss Account - Deficit</b>		–	933,147,823
<b>TOTAL</b>		<b>8,725,949,027</b>	8,482,549,248
<b>Notes to the Consolidated Accounts</b>	T		

Schedules A to M and T forms an integral part of the Consolidated Balance Sheet.  
This is the Consolidated Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

**P. Rama Krishna**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Place : Hyderabad  
Date : June 5, 2007

**N. RADHA KRISHNA REDDY**  
Chairman & Managing Director

**N. JAGAN MOHAN REDDY**  
Directors

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

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	SCHEDULE Reference	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>INCOME</b>			
Sales (Gross)		5,633,653,795	3,803,141,613
Less: Excise duty		678,893,283	600,040,785
Sales (Net)		4,954,760,512	3,203,100,828
Other Income	N	402,764,855	185,715,461
Increase/ (Decrease) in stock in trade	O	9,715,725	(6,635,581)
<b>TOTAL</b>		<b>5,367,241,093</b>	<b>3,382,180,708</b>
<b>EXPENDITURE</b>			
Payment and Benefits to Employees	P	115,738,354	101,161,717
Manufacturing Expenses	Q	1,607,118,796	1,425,849,778
Administrative, Selling and Distribution Expenses	R	1,760,748,768	1,374,772,482
<b>TOTAL</b>		<b>3,483,605,919</b>	<b>2,901,783,977</b>
<b>GROSS OPERATING PROFIT</b>		<b>1,883,635,174</b>	<b>480,396,731</b>
Interest and Finance Charges	S	690,950,587	390,518,846
<b>PROFIT/ (LOSS) BEFORE DEPRECIATION AND TAXATION</b>		<b>1,192,684,587</b>	<b>89,877,885</b>
Depreciation and Amortisation		148,194,441	146,226,492
<b>PROFIT/ (LOSS) BEFORE TAXATION AND EXTRAORDINARY ITEM</b>		<b>1,044,490,146</b>	<b>(56,348,607)</b>
Extraordinary item - income (Refer Note 6 on Schedule T)		328,661,714	(643,083,589)
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		<b>1,373,151,860</b>	<b>(699,432,196)</b>
Provision for Taxation			
Current		149,717,202	-
MAT Credit Entitlement		(105,577,202)	-
Deferred		95,240,877	67,287,378
Fringe Benefit Tax		1,839,531	1,729,452
<b>PROFIT/ (LOSS) AFTER TAXATION</b>		<b>1,231,931,452</b>	<b>(768,449,026)</b>
Share of profit/ (loss) in Associate		(12,832,166)	1,731,667
<b>PROFIT/ (LOSS) AFTER TAXATION</b>		<b>1,219,099,286</b>	<b>(766,717,359)</b>
Surplus/ (Loss) brought forward		(933,147,823)	(161,904,981)
<b>AVAILABLE FOR APPROPRIATION</b>		<b>285,951,463</b>	<b>(928,622,340)</b>
Transfer to Debenture Redemption Reserve		131,530,939	4,525,483
<b>BALANCE AVAILABLE FOR APPROPRIATIONS</b>		<b>154,420,524</b>	<b>(933,147,823)</b>
<b>APPROPRIATIONS:</b>			
Provision for Dividend		112,385,000	-
Provision for Dividend Tax		19,099,831	-
<b>SURPLUS/ (DEFICIT) CARRIED TO BALANCE SHEET</b>		<b>22,935,693</b>	<b>(933,147,823)</b>
Earnings/ (Loss) Per Share before Extraordinary item-Basic (Rs.)		33.89	(5.59)
Earnings/ (Loss) Per Share after Extraordinary item-Basic (Rs.)		46.39	(34.68)
Earnings/ (Loss) Per Share before Extraordinary item-Diluted (Rs.)		33.59	(5.59)
Earnings/ (Loss) Per Share after Extraordinary item-Diluted (Rs.)		45.98	(34.68)
<b>NOTES TO THE CONSOLIDATED ACCOUNTS</b>	T		

Schedules N to T forms an integral part of the Consolidated Profit and Loss Account

This is the Consolidated Profit and Loss Account referred to in our Report of even date.

For and on behalf of the Board of Directors

**P. Rama Krishna**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Place : Hyderabad  
Date : June 5, 2007

**N. RADHA KRISHNA REDDY**  
Chairman & Managing Director

**N. JAGAN MOHAN REDDY**  
Director

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

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED  
MARCH 31, 2007**

	Year Ended March 31, 2007 Amount in Rs.	Year Ended March 31, 2006 Amount in Rs.
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Taxation	1,373,151,860	(699,432,196)
Adjustments for :		
Extra ordinary Income	(328,661,714)	643,083,589
Depreciation and amortisation	148,194,441	146,226,492
Discount On Issue of Debentures Amortised	25,560,000	25,560,000
Premium on Unsecured Loan	1,758,614	3,246,671
(Gain)/Loss on restatement of monetary liabilities	-	(1,030,107)
Interest and finance charges	663,631,973	931,424,385
Dividend received	(5,887,708)	-
Provision for doubtful debts	322,937	5,049,006
Interest on deposits and investments	(346,145,743)	(35,088,214)
Liability no longer required written back	(37,283,996)	(160,250,521)
Profit on sale of investment	-	118,530
<b>Operating profit before Working Capital changes</b>	<b>1,494,640,664</b>	<b>858,907,635</b>
Adjustments for :		
Sundry Debtors	(10,733,442)	(6,241,915)
Inventories	(85,792,895)	(7,218,102)
Loans and Advances	228,376,537	(149,994,990)
Current Liabilities and Provisions	(74,665,013)	20,027,852
	<b>1,551,825,851</b>	<b>715,480,480</b>
Taxes paid	(142,029,256)	(4,553,947)
<b>Net cash flow from operating activities</b>	<b>1,409,796,595</b>	<b>710,926,533</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Asset	(746,908,655)	(29,110,040)
Sale of Fixed Assets	901,087	219,521
Purchase of investment	(9,000)	(4,957,988,925)
Termination Fee received	328,661,714	-
Dividend received	65,329,176	9,524,054
Interest Received	344,705,255	25,229,375
<b>Net Cash used in Investing Activities</b>	<b>(7,320,423)</b>	<b>(4,952,126,015)</b>

**CONSOLIDATED CASH FLOW (Contd.)**

	Year Ended March 31, 2007 Amount in Rs.	Year Ended March 31, 2006 Amount in Rs.
<b>C Cash Flow From Financing Activities</b>		
Proceeds from Long term borrowings	775,019,958	6,951,082,665
Repayment of debentures	(375,336,000)	(67,668,000)
Repayment of long term loans	(732,591,228)	(1,067,625,320)
Repayment of short term loans	(108,491,614)	(17,055,994)
Interest paid	(662,855,236)	(827,237,795)
Finance charges paid	-	(642,935,059)
Proceeds from Security Deposits	9,850,927	(2,981,288)
Share Application Money/Increase in Share Capital	496,000,000	40,000,000
<b>Net Cash used in Financing Activities</b>	<b>(598,403,193)</b>	<b>4,365,579,209</b>
Net (Decrease)/Increase in Cash and Cash equivalents	<b>804,072,979</b>	<b>124,379,728</b>
Cash and Cash equivalents - Opening Balance*	<b>240,987,061</b>	<b>116,607,333</b>
Cash and Cash equivalents - Closing Balance*	<b>1,045,060,040</b>	<b>240,987,061</b>

\*includes money held on margin money deposit accounts

**Notes**

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

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

**N. RADHA KRISHNA REDDY**  
Chairman & Managing Director

**N.JAGAN MOHAN REDDY**  
Director

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

Hyderabad  
Date: June 5, 2007

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>A. SHARE CAPITAL</b>		
Authorised		
67,000,000 (2006 - 37,000,000)		
Equity Shares of Rs 10 each	<b>670,000,000</b>	370,000,000
10,000,000 (2006 - Nil) Redeemable		
Preference Shares of Rs. 100 each	<b>1,000,000,000</b>	-
	<b>1,670,000,000</b>	370,000,000
Issued , Subscribed and Paid up		
32,110,000 (2006 - 22,110,000)		
Equity Shares of Rs. 10 each fully paid up	<b>321,100,000</b>	221,100,000
	<b>321,100,000</b>	221,100,000
<b>B. RESERVES AND SURPLUS</b>		
Capital Reserve	<b>2,733,575</b>	2,733,575
Securities Premium Account		
At the commencement of the year	-	-
Add: Premium received on additional issue of equity shares	<b>300,000,000</b>	-
	<b>300,000,000</b>	-
Debenture Redemption Reserve		
As at the commencement of the year	<b>4,525,483</b>	-
Add: Transferred from Profit and Loss Account	<b>131,530,939</b>	4,525,483
	<b>136,056,422</b>	4,525,483
General Reserve	<b>160,000,000</b>	160,000,000
Foreign Currency Translation Reserve	<b>82,495,907</b>	(2,474,699)
Profit and Loss Account - Surplus	<b>22,935,693</b>	-
	<b>704,221,597</b>	164,784,359

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>C. SECURED LOANS*</b>		
Debentures		
11,278,000, 9.39% Redeemable Non-Convertible Debentures of Rs 100 each (privately placed and partly repaid)	<b>684,796,000</b>	1,060,132,000
Term Loans		
Banks	<b>5,616,537,127</b>	6,221,446,758
Financial Institutions	<b>596,888,368</b>	107,865,140
Interest accrued and due	<b>776,737</b>	-
Working Capital Term Loans from Banks	<b>149,332,410</b>	79,482,075
Hire Purchase Loan from Banks	<b>1,508,580</b>	2,413,716
	<b><u>7,049,839,222</u></b>	<u>7,471,339,689</u>
<b>D. UNSECURED LOANS</b>		
Short Term		
- Others	-	106,733,000
Other than Short Term		
- Sales Tax Deferment	<b>457,392,191</b>	241,245,796
- Security Deposit	<b>57,396,017</b>	47,545,090
- Others	-	120,000,000
- Banks	-	69,801,314
	<b><u>514,788,208</u></b>	<u>585,325,200</u>

**\*Notes:**

**1. Debentures and Term Loans are:**

- a) Secured by pari passu first charge on all immovable properties of Rain Industries Limited;
- b) Secured by pledge of 18,800,000 equity shares of Rain Industries Limited held by Rain Commodities Limited.
- c) Secured by the additional security of farm land at Nellore and land owned by certain Directors;
- d) Secured by personal guarantee of certain promoter Directors.
- e) Secured by negative lien on the shares of Rain Calcining Limited held by the Rain Commodities Limited.
- f) Secured by pledge of 134,000 equity shares of Andhra Pradesh Gas Power Corporation Limited held by Rain Industries Limited.

**2. Term Loans obtained by Rain Commodities (USA) Inc are:**

- a) Secured/ to be secured by pledge of shares of Rain Commodities (USA) Inc held by Rain Commodities Limited;
  - b) Secured/ to be secured by pledge of shares of Rain Calcining Limited held by Rain Commodities (USA) Inc;
  - c) Secured/ to be secured by pledge of membership interests in Rain/ GLC Holdings LLC held by Rain Commodities (USA) Inc;
  - d) Secured/ to be secured by pledge of stapled and spinster equity interests in GLC Carbon USA Inc held by Rain/ GLC Holdings LLC;
  - e) Secured/ to be secured by guarantee of the Company upto USD 25 million; and
  - f) Secured/ to be secured by first charge on assets of Rain Commodities (USA) Inc and Rain/ GLC Holdings LLC
3. Cash Credit is secured by first charge present and future current assets of Rain Industries Limited.
  4. Hire Purchase Loan is secured by hypothecation of pay loader.
  5. The Debentures are redeemable in ten half yearly installments commencing from September 30, 2005 and ending by March 31, 2010. The Company has paid upto March 31, 2007 Rs. 443,004,000 (2006 - Rs. 67,668,000)

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

### E. FIXED ASSETS

(Amount in Rupees)

ASSET	GROSS BLOCK			DEPRECIATION/AMORTISATION				NET BLOCK		
	As at April 01, 2006	Additions	Deletions	As at March 31, 2007	As at April 1, 2006	For the year	on deletions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
<b>I Intangible Assets</b>										
Goodwill	199,884,928	-	-	<b>199,884,928</b>	59,965,478	19,988,492	-	<b>79,953,970</b>	<b>119,930,958</b>	139,919,450
Software	2,647,153	-	-	<b>2,647,153</b>	882,384	882,384	-	<b>1,764,768</b>	<b>882,385</b>	1,764,769
	202,532,081	-	-	<b>202,532,081</b>	60,847,862	20,870,876	-	<b>81,718,738</b>	<b>120,813,343</b>	141,684,219
<b>II Tangible Assets</b>										
Land - Free Hold	41,608,206	8,454,053	56,000	<b>50,006,259</b>	-	-	-	-	<b>50,006,259</b>	41,608,206
Land - Mining	12,009,111	1,127,250	-	<b>13,136,361</b>	282,716	98,717	-	<b>381,433</b>	<b>12,754,928</b>	11,726,395
Buildings	490,689,564	13,486,018	-	<b>504,175,582</b>	44,354,667	14,854,753	-	<b>59,209,420</b>	<b>444,966,162</b>	446,334,897
Railway Siding	2,224,169	-	-	<b>2,224,169</b>	316,944	105,648	-	<b>422,592</b>	<b>1,801,577</b>	1,907,225
Plant and Machinery	1,812,883,851	9,830,180	-	<b>1,822,714,031</b>	318,762,205	108,779,504	-	<b>427,541,709</b>	<b>1,395,172,322</b>	1,494,121,646
Furniture and Fixtures	9,492,124	14,330,743	777,865	<b>23,045,002</b>	2,038,680	952,403	271,046	<b>2,720,037</b>	<b>20,324,965</b>	7,453,444
Office Equipments	20,190,112	4,021,084	774,333	<b>23,436,863</b>	5,317,769	2,344,783	436,065	<b>7,226,487</b>	<b>16,210,376</b>	14,872,343
Vehicles	235,966	5,386,373	-	<b>5,622,339</b>	68,602	187,757	-	<b>256,359</b>	<b>5,365,980</b>	167,364
	2,389,333,103	56,635,701	1,608,198	<b>2,444,360,606</b>	371,141,583	127,323,565	707,111	<b>497,758,037</b>	<b>1,946,602,569</b>	2,018,191,520
<i>Total</i>	2,591,865,184	56,635,701	1,608,198	<b>2,646,892,687</b>	431,989,445	148,194,441	707,111	<b>579,476,775</b>	<b>2,067,415,912</b>	2,159,875,739
Year ended March 31, 2006	2,535,092,385	57,071,146	298,347	<b>2,591,865,184</b>	285,841,770	146,226,492	78,816	<b>431,989,445</b>	<b>2,159,875,739</b>	
Capital Work-in-Progress*									<b>699,265,739</b>	8,992,785

\* Includes capital advances (Unsecured and considered Good) of Rs. 99,733,450 (2006 - Rs. 7,301,662)

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>F. INVESTMENTS</b>		
Long Term - At Cost		
Trade Investments		
<b>Unquoted</b>		
Others		
a) GLC Carbon USA Inc	<b>2,031,222,938</b>	2,023,682,759
- 9,324,327 Class B Common Stock (Stapled Interest), par value of USD 0.01 per share; and - 1,029,974 Class B Common Stock (Spinster Interest), par value of USD 0.01 per share		
Less: Dividends Received	<b>(59,441,468)</b>	(9,524,054)
Add: Share of profit/ (loss) for the year	<b>(12,832,167)</b>	1,731,667
	<b>1,958,949,303</b>	2,015,890,372
b) GLC Securityholder LLC	<b>2,401,777,194</b>	2,466,886,145
Notes of Cn\$ 63,964,883.03 maturing August 12, 2013		
c) Andhra Pradesh Gas Power Corporation Limited	<b>16,000,000</b>	16,000,000
134,000 Equity Shares of Rs 10 each fully paid up		
d) Government Securities		
- National Savings Certificates	<b>94,000</b>	85,000
<b>Quoted</b>		
Rain Calcining Limited*	<b>407,429,085</b>	418,202,853
7,473,499 (2006: 7,473,499) Equity Shares of Rs 10 each fully paid up *Aggregate Market Value of the quoted investments - Rs 250,362,217(2006 - 309,776,534)		
	<b>4,784,249,582</b>	4,917,064,370
<b>G. INVENTORIES</b>		
Stores and Spare Parts*	<b>59,973,562</b>	42,711,761
Less: Provision for Obsolescence	-	12,794,545
	<b>59,973,562</b>	29,917,216
Raw Materials*	<b>97,506,499</b>	51,485,675
Stock in Trade		
Finished Goods**	<b>28,355,801</b>	7,321,655
Work - in - progress**	<b>20,917,540</b>	32,235,961
	<b>206,753,402</b>	120,960,507
* at cost or below		
** at lower of cost and net realisable value		

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>H. SUNDRY DEBTORS</b>		
<b>Secured</b>		
Considered Good		
Debts outstanding for a period exceeding six months	9,496,300	5,741,548
Other debts	9,275,492	9,723,328
<b>Unsecured</b>		
Considered Good		
Debts outstanding for a period exceeding six months	1,415,830	427,633
Other debts	40,081,817	33,966,425
Considered Doubtful		
Debts outstanding for a period exceeding six months	14,158,077	22,678,702
Less: Provision for Doubtful Debts	14,158,077	22,678,702
	<b>60,269,439</b>	<b>49,858,934</b>
<b>I. CASH AND BANK BALANCES</b>		
Cash and Cheques on Hand	91,127,398	62,878,456
With Scheduled Banks:		
- Current Accounts	6,567,447	33,156,096
- Unpaid Dividend Account	-	861,544
- Fixed Deposit Account	371,157,066	-
- Margin Money Deposit Accounts	21,982,682	10,761,234
With Non Scheduled Banks:		
- Current Accounts	6,167,039	21,785,731
- Deposit Accounts	548,058,408	111,544,000
	<b>1,045,060,040</b>	<b>240,987,061</b>
<b>J. OTHER CURRENT ASSETS</b>		
Interest accrued on investments and deposits	33,704,598	32,264,111
	<b>33,704,598</b>	<b>32,264,111</b>

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>K. LOANS AND ADVANCES</b> (Unsecured and Considered Good, unless otherwise stated)		
Loan to Employees	243,453	240,856
Advances recoverable in cash or kind or for value to be received		
Considered Good	319,265,504	438,957,137
Considered Doubtful	–	18,000
Balances with Government and Public Bodies	3,755,045	138,276,482
Deposits with Others	5,157,100	4,883,164
Advance Tax (Net of Provision)	121,636,342	–
MAT Credit Entitlement	105,577,202	–
	<u>555,634,646</u>	<u>582,375,639</u>
Less: Provision for doubtful advances	–	18,000
	<u>555,634,646</u>	<u>582,357,639</u>
<b>L. LIABILITIES</b>		
Sundry Creditors		
Dues to Small Scale Industrial Undertakings	160,970	1,000,786
Dues to other than Small Scale Industrial Undertakings	330,003,443	481,535,193
Investors Education and Protection Fund shall be credited by the following amount:		
Unclaimed Dividends	–	861,544
Interest accrued but not due	19,200,763	32,806,527
Advances from Customers	33,863,632	46,696,342
Other Liabilities	71,034,610	86,445,861
	<u>454,263,418</u>	<u>649,346,253</u>
<b>M. PROVISIONS</b>		
Gratuity	4,938,883	5,073,412
Leave Encashment	4,243,515	3,471,067
Taxation	130,973,487	219,000
Fringe Benefit Tax	500,197	90,865
Proposed Dividend	112,385,000	–
Dividend Distribution Tax	19,099,831	–
	<u>272,140,913</u>	<u>8,854,344</u>

**SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>N. OTHER INCOME</b>		
Interest on deposits with Banks and Others [Tax deducted at Source - Rs. 5,986,567 (2006 - Rs 664,787)]	13,524,973	3,334,868
Dividend Income	5,887,708	-
Interest on Investments	332,620,769	22,229,291
Scrap sales	10,434,613	3,351,529
Liability no longer required Written back	37,283,996	152,971,500
Profit on sale of Investment	-	127,500
Miscellaneous Income	3,012,796	3,700,773
	<u>402,764,855</u>	<u>185,715,461</u>
<b>O. INCREASE/ (DECREASE) IN STOCK</b>		
Closing Stock		
Finished Goods	28,355,801	7,321,655
Work in Progress	20,917,540	32,235,961
	<u>49,273,341</u>	<u>39,557,616</u>
Opening 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>
	<u>9,715,725</u>	<u>(6,635,581)</u>
<b>P. PAYMENT AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages and Bonus	92,351,123	82,421,549
Contribution to Provident Fund and Other Funds	8,907,970	7,144,324
Workmen and Staff Welfare Expenses	14,479,261	11,595,844
	<u>115,738,354</u>	<u>101,161,717</u>
<b>Q. MANUFACTURING EXPENSES</b>		
Raw Materials Consumed	266,726,437	191,780,581
Packing Material Consumed	182,260,372	154,976,282
Stores and Spare Parts Consumed	102,369,397	108,162,524
Power and Fuel	952,950,296	868,072,197
Repairs		
Buildings	1,552,302	1,696,536
Machinery	26,864,038	24,296,766
Royalty and Cess	88,424,682	76,864,892
	<u>1,621,147,524</u>	<u>1,425,849,778</u>
Less: Self Consumption of Cement	14,028,728	-
	<u>1,607,118,796</u>	<u>1,425,849,778</u>

**SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
<b>R. Administrative, Selling and Distribution Expenses</b>		
Rent	7,302,242	10,147,708
Rates and taxes	666,682,183	454,679,486
Repairs to Others	9,066,337	6,920,613
Insurance	9,404,273	9,051,395
Directors' Sitting fee	80,000	36,000
Auditor's Remuneration		
Audit Fees	2,000,000	1,300,000
Out of pocket expenses	-	-
Other Certification Fees	-	77,140
Selling and Distribution Expenses	1,017,085,138	846,901,646
Communication Expenses	5,142,390	8,328,217
Travelling and Conveyance	14,018,801	9,435,084
Printing and Stationary	308,226	757,764
Legal and Professional Charges	4,986,238	5,255,635
Provision for Doubtful Debts	322,937	5,049,006
Miscellaneous Expenses	24,350,003	16,832,788
	<u>1,760,748,768</u>	<u>1,374,772,482</u>
<b>S. INTEREST AND FINANCE CHARGES</b>		
Interest on Debentures	87,117,917	82,354,324
Interest on Term Loans	436,351,294	252,573,876
Interest on Cash Credit and Others	4,717,358	2,074,716
Discount on issue of Debentures amortised	25,560,000	25,560,000
Premium on Unsecured Loan	1,758,614	3,246,671
Other Interest	118,591,725	15,444,915
Loss on Foreign Exchange Fluctuation	11,109,635	1,373,085
Bank Charges	5,744,044	7,891,259
	<u>690,950,587</u>	<u>390,518,846</u>

## T. CONSOLIDATED NOTES TO ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### I. Description of Business

Rain Commodities Limited ('the Company') (formerly Priyadarshini Cement Limited) is engaged in the manufacture and sale of cement through its wholly owned subsidiary Rain Industries Limited. The company has also made strategic investments in the companies engaged in the business of manufacturing and trading of Calcined Petroleum Coke through another wholly owned subsidiary Rain Commodities (USA) Inc.

#### II. Principles of Consolidation

The consolidated financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956.

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

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

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

The companies considered in the consolidated financial statements which along with the Rain Commodities Limited constitute the "Group" are:

Name of the Company	Relationship	Country of Incorporation	Percentage of voting power	
			March 31, 2007	March 31, 2006
Rain Industries Limited	Subsidiary	India	100.00	100.00
Rain Commodities (USA) Inc.	Subsidiary	U.S.A	100.00	100.00
Rain/ GLC Holdings LLC	Subsidiary	U.S.A	100.00	100.00
GLC Carbon USA Inc	Associate	U.S.A	20.22	20.22

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

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

	<b>March 31, 2007</b>	March 31, 2006
Balance sheet items	<b>43.44</b>	44.62
Revenue items	<b>44.14</b>	44.45

### III. Significant Accounting Policies

#### (a) Basis of preparation of Consolidated 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.

#### (b) Revenue Recognition

Sales are recognised on despatch of goods to customers. Gross sales include excise duty and sales tax recovered and are net of trade discounts. Income on sale of licenses under Duty Free Replenishment Certificate ("DFRC") is recognized on receipt of consideration.

In case of companies engaged in investing activities, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### (c) Fixed Assets and Depreciation

Fixed assets are stated at actual cost less depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, and other incidental expenses attributable to bringing the asset to its working condition. 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. Software is amortized evenly over a three year period. Depreciation on other assets is computed 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 years. The impairment loss recognized in the prior years is reversed in cases where the recoverable value exceeds the carrying value, upon reassessment in the subsequent years.

**(d) 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 recognised in the consolidated financial statements as Goodwill.

**(e) 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 include all applicable manufacturing overheads.

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

**(f) Employee Benefits**

Employer'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 Profit and Loss Account. 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.

**(g) Earnings per Share (EPS)**

Basic Earnings per Share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The number of shares used in computing Diluted Earnings per Share is the aggregate of the weighted average number of shares outstanding and the weighted average number of equity shares, which would be issued on the conversion of all the dilutive potential equity shares into equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date during the year.

**(h) Taxes on Income**

Current tax is determined based on the amount of tax payable in respect of taxable income for the year as per the laws of the respective countries. Deferred tax is recognised on timing differences being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years subject to consideration of prudence. Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rate. Deferred tax assets are not recognized unless there is a virtual certainty that there will be sufficient future taxable income to realize such asset.

**(i) Foreign Currency Transactions**

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

Foreign Subsidiaries:

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

**(j) 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. Current investments are valued at cost or market value which ever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

**IV. Notes to Consolidated Financial Statements**

1. (a) The Company has acquired 100% shareholding of Rain Commodities (USA) Inc. ('RCUSA') during February 2006, at an aggregate cost of Rs. 4,444,880 and further extended a loan to RC USA of Rs. 107,594,201 (2006 - Rs. 106,732,750). RCUSA has acquired during March 2006, 100% shareholding of Rain/GLC Holdings LLC. (formerly AIP GLC Holding LLC USA) which in turn holds 20.23% ownership interest in GLC Carbon USA Inc. ('GLC'). RCUSA has executed a definitive agreement to acquire the remaining ownership interest in GLC in February 2007. However, RCUSA during March, 2007 has decided not to pursue the acquisition of the remaining ownership interest in GLC, considering the counter offer at a higher price received from another company. RCUSA has received the termination fees of Canadian \$ 17,000,000 on March 30, 2007, as per the terms of definitive agreement and disposed off its holding in GLC subsequent to the year end, at a consideration of Canadian \$137,894,592.17.
- (b) Rain Commodities (USA) has accrued monthly dividend on common stock of GLC Carbon (USA) Inc and the interest on unsecured subordinated notes of GLC Securityholder LLC as per the respective terms. The proportionate share of profit/(loss) of GLC Carbon USA Inc. of Rs. (12,832,167) and Rs. 1,731,667 for the period from April 1, 2006 to December 31, 2006 and from March 2, 2006 to March 31, 2006, included in the consolidated financial statements for the years ended March 31, 2007 and March 31, 2006 respectively are based on the management estimates. In the opinion of the management, the audited results would not materially differ from the results considered above. Further, consequent to the decision of RCUSA with regard to the non-acquisition

of the remaining ownership interest in GLC during March 2007 and due to the non-availability of the financial information of GLC for the quarter ended March 31, 2007 no proportionate share of profit/(loss) has been recognized in the consolidated financial statements for the year ended March 31, 2007.

- (c) During the previous year, in view of the short time available from the date of acquisition of investment by RCUSA in Rain/GLC Holdings LLC. and the date of reporting of the consolidated financial statements, non-availability of the financial information of GLC and since the financial year of RCUSA Inc. is commencing from January to December every year, the company has not considered RCUSA for the purpose of consolidation at the time of reporting the consolidated financial statements of the Group. However, in the current year, in order to comply with the requirements of AS 21 for the preparation and presentation of the Consolidated Financial Statements, the Company has recasted the financial statements as at and for the year ended March 31, 2006 after considering the transactions of RCUSA for the period from February 10, 2006 to March 31, 2006 and the proportionate share of income of GLC from March 2, 2006 to March 31, 2006. The balance sheet and the profit and loss accounts items which have been recast are given below:

(Amount in Rs)

	<b>Reported in the previous year</b>	<b>Amount recast</b>	<b>As at March 31, 2006</b>
<b>Balance Sheet</b>			
Reserves and Surplus	167,259,058	(2,474,699)	164,784,359
Secured Loans	1,894,139,689	5,577,200,000	7,471,339,689
Unsecured Loans	584,975,710	349,490	585,325,200
Investments	30,529,880	4,886,534,490	4,917,064,370
Cash and Bank balances	107,657,330	133,329,731	240,987,061
Other current assets	391,397	31,872,714	32,264,111
Loans and Advances	622,159,752	(39,802,113)	582,357,639
Current Liabilities	564,460,293	84,885,960	649,346,253
	<b>Reported in the previous year</b>	<b>Amount recast</b>	<b>Year ended March 31, 2006</b>
<b>Profit and Loss Account</b>			
Other Income	163,486,170	22,229,291	185,715,461
Administrative, Selling and Distribution Expenses	1,375,727,679	955,197	1,374,772,482
Interest and Finance Charges	360,656,114	(29,862,732)	390,518,846
Extra-ordinary item	–	(643,083,589)	(643,083,589)
Share of profit/(loss) in Associates	–	1,731,667	1,731,667
Profit / (Loss) After taxation	(118,687,193)	(648,030,166)	(766,717,359)

2. The Board of Directors of the Company have approved the Scheme of Arrangement ('the Scheme') among the Company, Rain Industries Limited and Rain Calcining Limited. As per the Scheme, the cement business of the Rain Industries Limited would be transferred to the company for a net consideration of Rs. 32 crores and the calcining and power businesses of Rain Calcining Limited will be transferred to the Company and subsequently to Rain Industries Limited. The scheme has been approved by the shareholders of the Company and the shareholders of Rain Calcining Limited on June 4, 2007 and is subject to the approval of the Hon'ble High Court of Andhra Pradesh, Stock exchanges and other regulatory authorities. Pending the approvals, the accounts of the Company have been prepared without considering the effect of the scheme.
3. During the year, the Company has allotted 10,000,000 Equity Shares of Rs. 10 each amounting to Rs 100,000,000 at a premium of Rs. 30 per share amounting to Rs 300,000,000 against the equity share warrants. Further, pursuant to the approval of shareholders in the Extraordinary General Meeting held on November 16, 2006, the Company had issued 6,800,000 equity share warrants at a price of Rs 200 per warrant to be converted, at the option of the warrant holder, into Equity Shares within a period of 18 months from the date of allotment.
4. **Contingent liabilities not provided for in respect of the following:**

(Amount in Rs)

	<b>March 31, 2007</b>	March 31, 2006
Matters under dispute:		
Sales Tax	<b>56,146,939</b>	108,382,747
Excise Duty	<b>8,091,138</b>	1,689,981
Claims against the Company not acknowledged as debts	<b>22,968,000</b>	22,968,000

5. **Capital Commitments**

(Amount in Rs)

	<b>March 31, 2007</b>	March 31, 2006
Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) by the Group	<b>1,476,553,135</b>	24,225,000

6. **Extraordinary Items**

(a) **For the year ended March 31, 2007**

Rain Commodities (USA) Inc (RCUSA) has decided during March, 2007 not to pursue the acquisition of the remaining ownership interest in GLC Carbon (USA) Inc.[refer note 1(a) above] considering the counter offer at a higher price received from another company. Consequently, based on the definitive agreement, RCUSA has received the termination fees of Canadian \$ 17,000,000 on March 30, 2007, and has disposed off its entire holding in GLC subsequent to the year end. The termination fees received,

net of the expenditure incurred in relation to the acquisition, have been considered as an extraordinary income of Rs. 3,28,661,714.

**(b) For the year ended March 31, 2006**

Rain Commodities (USA) Inc. has acquired USD 125 million secured loan from a syndicating bank for the purpose of making the investment in GLC Carbon (USA) Inc., for which an amount of USD 14.47 million (equivalent to Rs. 643,083,589) has been paid towards structuring, arrangement and processing fees. The transaction being a non operating/ non recurring in nature, the Company has considered the amount paid as an extraordinary expenditure.

7. Lease payments made for the current year under cancellable operating leases amounting to Rs. 7,302,242 (2006: Rs. 10,147,708) 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.

**8. The Deferred tax Asset (net) is as under:**

(Amount in Rs)

	<b>March 31, 2007</b>	March 31, 2006
Deferred Tax Asset		
Business Loss	-	97,447,729
Unabsorbed depreciation	-	37,788,320
Section 43B and other disallowances	-	14,253,377
<b>Total</b>	-	149,489,826
Deferred Tax Liability		
Fixed Assets	-	54,248,949
<b>Total</b>	-	54,248,949
<b>Deferred Tax Asset (net)</b>	-	95,240,877

No Deferred tax asset on account of unabsorbed depreciation and carry forward losses has been recognised in the financial statements pending the Scheme of Arrangement (Refer note No. 2 above) on a prudent basis.

**9. Earnings Per Share**

	<b>Year ended March 31, 2007</b>	Year ended March 31, 2006
a Profit/(Loss) Before Tax and Extraordinary item (including Share of loss in associates)	<b>1,031,657,980</b>	(54,616,940)
b Extraordinary item - income/ (expense)	<b>328,661,714</b>	(643,083,589)
c Provision for Taxation	<b>141,220,408</b>	69,016,830
d Profit /(Loss) after Tax	<b>1,219,099,286</b>	(766,717,359)
e Weighted average number of Equity Shares of Rs.10 each outstanding during the period.	<b>26,278,219</b>	22,110,000
f Potential equity shares pending allotment	<b>232,877</b>	10,000,000
g Total number of equity shares of Rs.10 each.	<b>26,511,096</b>	32,110,000
h Earnings/ (Loss) Per Share - Basic (Before Extra Ordinary Item) [(a-c)/e]	33.89	(5.59)
i Earnings/ (Loss) Per Share - Basic (After Extra Ordinary Item) [d/e]	<b>46.39</b>	(34.68)
j Earnings/ (Loss) Per Share - Diluted (Before Extra Ordinary Item) [(a-c)/g]	<b>33.59</b>	(5.59)*
K Earnings/ (Loss) Per Share - Diluted (After Extra Ordinary Item) [d/g]	<b>45.98</b>	(34.68)*

\*As the group has incurred losses during the year, potential equity shares pending allotment have been ignored in the calculation of diluted earnings per share.

**10. Related Party Disclosures**

**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
  - Focus India Brands Private Limited
  - Nivee Investments and Finance Limited
  - Nivee Property Developers Private Limited
  - Auto Parade
  - Rain Calcining Limited
  - Rain Commodities (Canada) Inc.
- (ii) Key Management Personnel
  - Mr N Sujith Kumar Reddy, Director
  - Mr N Jagan Mohan Reddy, Director
  - Mr N Radhakrishna Reddy, Director

**b) Details of Transactions**

(Amount in Rs.)

	<b>Enterprises where key managerial personnel exercise significant influence</b>	<b>Key Management Personnel</b>
Sales	2,756,645 (2,478,006)	- (-)
Purchases	231,414,003 (2,25,017,663)	- (-)
Advances taken	60,000,000 (4,70,949,531)	- (-)
Advances repaid	60,000,000 (6,02,313,448)	- (-)
Advances given	78,88,896 (-)	- (-)
Loan taken	- (106,733,000)	- (-)
Loan repaid/ adjusted	106,733,000 (23,347,757)	- (-)
Interest expense	- (206,074)	- (-)
Salary and Perquisites	- (-)	1,768,658 (1,276,866)
Application money received (including premium) and for the issuance of equity shares and share warrants	193,566,808 (6,396,312)	- (-)

**c) Balances Outstanding**

(Amount in Rupees)

	<b>As at March 31, 2007</b>
Enterprises where key managerial personnel alongwith their relatives exercise significant influence	
- Payable	<b>26,403,973</b> <b>(106,733,000)</b>
- Receivable	<b>7,688,896</b> (-)
Key Managerial Personnel Payable	- (-)

Previous year figures are given in brackets in above notes 10(b) and 10 (c).

11. Segment Information:

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.

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

(Amount in Rs.)

	<b>Year Ended March 31, 2007</b>	Year Ended March 31, 2006
Salary	<b>1,080,000</b>	1,094,789
Contribution to Provident Fund and Other Perquisites	<b>688,658</b>	182,077
Total	<b>1,768,658</b>	1,276,866

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

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**RAIN COMMODITIES (USA) INC**

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**RAIN COMMODITIES (USA) INC  
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STATEMENTS**

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**REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2006**

The Directors present their report with the financial statements of the Company for the year ended December 31, 2006.

**PRINCIPAL ACTIVITIES**

The Company is incorporated as a wholly owned subsidiary of Rain Commodities Limited, India for acquiring and making investment in companies engaged in the business of Calcined Petroleum Coke (CPC).

**REVIEW OF BUSINESS**

The results for the year and financial position of the Company are as shown in the annexed financial statements.

A review of the operations of the Company during the financial year and the results of those operations are as follows:

During the year under review the Company has acquired 20.22% stake in GLC Carbon USA Inc. The Company has incurred a loss of US\$ 5,886,924.14 for the year ended 31st December, 2006.

The Company has sold its holding of 20.22% ownership interest in GLC Carbon USA Inc. on 8th May 2007. Further, another Associate Company of the Holding Company has executed a Definitive Agreement for acquiring 100% equity of CII Carbon LLC, the world's second largest calciner on 2nd June 2007. The Company would be investing a sum of US\$ 92,000,000 in Convertible Preferred Stock to participate in the acquisition of CII Carbon LLC.

**DIRECTORS**

The Directors during the year under review were

Mr. N. Jagan Mohan Reddy	Director
Mr. Gerard M Sweeney	Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and Unites State of America Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the regulatory requirements. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE IN INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

**FOR AND ON BEHALF OF THE BOARD**

**N. Jagan Mohan Reddy**  
**Director**

Place: Hyderabad  
Date: May 15, 2007

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## **Report of Independent Auditors**

### **To the Board of Directors of Rain Commodities (USA) Inc**

We have audited the accompanying consolidated balance sheets of Rain Commodities (USA) Inc and its associate, as of December 31, 2006 and the related consolidated statement of income, shareholder's equity and comprehensive income and of cash flows for the year ended December 31, 2006. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rain Commodities (USA) Inc and its associate as of December 31, 2006 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Price Waterhouse**

Hyderabad, India  
Date : May 15, 2007

**Consolidated Balance Sheet***(Amounts in US Dollars except per share data and as stated otherwise)*

	As of December 31, 2006
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	3,094,272.52
Prepaid expenses and other current assets	1,153,270.09
Current portion of deferred financing costs	2,624,033.24
<b>Total current assets</b>	<b>6,871,575.85</b>
Non Current portion of deferred financing costs	9,650,691.01
Available-for-sale securities	62,346,994.03
Investment in associate company	43,976,520.97
<b>Total Assets</b>	<b>122,845,781.86</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>Current liabilities</b>	
Accrued expenses and other current liabilities	771,213.70
Derivative liabilities	2,415,433.29
<b>Total current liabilities</b>	<b>3,186,646.99</b>
Long term debt	127,539,415.23
<b>Total Liabilities</b>	<b>130,726,062.22</b>
<b>Shareholders' equity</b>	
Common stock	0.20
Additional paid-in capital	98,099.80
Other comprehensive income	(2,091,456.22)
Accumulated deficit	(5,886,924.14)
<b>Total shareholders' equity</b>	<b>(7,880,280.36)</b>
<b>Total liabilities and shareholders' equity</b>	<b>122,845,781.86</b>

The accompanying notes are an integral part of these consolidated financial statements.

For and on behalf of the Board of Directors

**N. JAGAN MOHAN REDDY**

Director

Place: Hyderabad  
Date: May 15, 2007

**Consolidated Statement of Income***(Amounts in US Dollars except per share data and as stated otherwise)*

	Year Ended December 31, 2006
Revenues	-
Cost of revenues	-
<b>Gross profit</b>	-
Selling, general and administrative expenses	276,521.28
<b>Total operating expense</b>	<b>(276,521.28)</b>
<b>Total operating income</b>	<b>(276,521.28)</b>
Interest income from Available-for-sale securities	6,034,944.74
Dividend income from Available-for-sale securities	113,049.21
Interest expenses	(8,991,282.16)
Other expenses	(2,554,848.53)
<b>Income before (losses) of associated company</b>	<b>(5,674,658.02)</b>
Equity in losses of associated company (net of taxes)	(212,266.12)
<b>Net Loss</b>	<b>(5,886,924.14)</b>
<b>Earnings per Share:</b>	
Basic and Diluted	(294,346.21)
<b>Weighted average number of shares used in computing earnings per share:</b>	
Basic and Diluted	20

The accompanying notes are an integral part of these consolidated financial statements.

For and on behalf of the Board of Directors

**N. JAGAN MOHAN REDDY**

Director

Place: Hyderabad  
Date: May 15, 2007

**Consolidated Statement of Shareholders' Equity and Comprehensive Income**  
*(Amounts in US Dollars except per share data and as stated otherwise)*

	Common No of Shares	Stock Value	Additional Paid in Capital	Other Comprehensive Income	Accumulated deficit	Total Shareholders' Equity
<b>Balance as of January 1, 2006</b>	-	-	-	-	-	-
Net Loss	-	-	-	-	(5,886,924.14)	(5,886,924.14)
Unrealised losses on Available-for -sale securities as at December 31, 2006				(2,091,456.22)		(2,091,456.22)
Common Stock issued to Rain Commodities Limited	20	0.20	98,099.80	-	-	98,100.00
<b>Balance as of December 31, 2006</b>	<b>20</b>	<b>0.20</b>	<b>98,099.80</b>	<b>(2,091,456.22)</b>	<b>(5,886,924.14)</b>	<b>(7,880,280.36)</b>

The accompanying notes are an integral part of these consolidated financial statements

For and on behalf of the Board of Directors

**N. JAGAN MOHAN REDDY**

Director

Place: Hyderabad  
Date: May 15, 2007

**Consolidated Statement of Cash Flows***(Amounts in US Dollars except per share data and as stated otherwise)*

	Year Ended December 31, 2006
<b>Cash Flows From Operating Activities</b>	
Net loss	(5,886,924.14)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>	
Amortisation of deferred financing costs	2,192,685.31
<b>Changes in assets and liabilities:</b>	
Prepaid expenses and other current assets	(1,153,270.09)
Deferred financing costs	(12,274,724.25)
Accrued expenses and other current liabilities	3,186,646.99
<b>Net cash (used in) operating activities</b>	<b>(13,935,586.18)</b>
<b>Cash Flows From Investing Activities</b>	
Investments in associate company	(43,976,520.97)
Purchase of Available-for-sale securities	(64,438,450.25)
<b>Net cash (used in) investing activities</b>	<b>(108,414,971.22)</b>
<b>Cash Flows From Financing Activities</b>	
Proceeds from issue of common stock	98,100.00
Proceeds from long term debts	127,539,415.23
Financing costs	(2,192,685.31)
<b>Net cash from financing activities</b>	<b>125,444,829.92</b>
<b>Net change in cash and cash equivalents</b>	<b>3,094,272.52</b>
Cash and cash equivalents at beginning of the Year	–
<b>Cash and cash equivalents at end of the Year</b>	<b>3,094,272.52</b>

The accompanying notes are an integral part of these consolidated financial statements.

For and on behalf of the Board of Directors

**N. JAGAN MOHAN REDDY**

Director

Place: Hyderabad  
Date: May 15, 2007

## Notes to the Consolidated Financial Statements

### 1. Description of Business

Rain Commodities USA Inc. (“the Company”) was incorporated in the State of Delaware, United States of America on November 2, 2005. The Company is a wholly owned subsidiary of Rain Commodities Limited, a company incorporated under the Companies Act, 1956 of India. The Company has been incorporated to carry on the business of calcining metallic and/or non-metallic substances and to invest in entities engaged in such businesses.

### 2. Summary of Significant Accounting policies

#### a. Basis of Preparation

The financial statements of the Company are prepared in accordance with generally accepted accounting principles applicable in the United States (“U.S. GAAP”).

#### b. Use of estimates

The preparation of the financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

#### c. Revenue Recognition

Interest income is recognized on an accrual basis. Dividend income is recognized as and when the right to receive such dividend is established.

#### d. Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents.

#### e. Investments

The Company has evaluated its investment policies consistent with the provisions of SFAS 115, “*Accounting for Certain Investments in Debt and Equity Securities*”, and determined that all of its marketable investment securities are to be classified as available-for-sale. Accordingly, such securities are carried at fair value with unrealized gains and losses, net of taxes, reported as a separate component of other comprehensive income/(loss) until realized. Realized gains and losses and decline in value judged to be other-than-temporary are included in other income. The cost of securities sold is based on the first-in-first-out (FIFO) method. Interest and dividends on securities classified as available-for-sale are recognized when earned and included in other income. Other investments that are not marketable are carried at cost, subject to tests of other than temporary impairment.

**f. Investments in associated companies**

The Company's investments in business entities, in which it does not have control, but have the ability to exercise significant influence over operating and financial policies (generally 20-50 percent ownership), are referred to as associated companies and are accounted for by the equity method.

The excess of the cost over the underlying net equity of investments in subsidiaries and associated companies accounted for on equity basis is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

**g. Derivative Financial Instruments**

The Company has adopted the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. The Company enters into currency swaps and interest rate swaps where the counter party is generally a bank. The Company purchases currency swaps and interest rate swaps to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, as amended is marked to market and recognized in earnings immediately.

**h. Earnings Per Share**

In accordance with the provisions of SFAS 128, "Earnings Per Share", basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period, except where the results will be anti-dilutive.

**3. Borrowings****Long-term debt**

Long term debt outstanding comprise of:

	<b>December 31, 2006 (USD)</b>
Secured debts, representing obligation principally to banks	
- 2.0% above 6 month LIBOR, availed from ICICI Bank UK Limited	125,000,000.00
Unsecured debts, extended by the Holding Company	2,539,415.23
<b>Total Debt</b>	<b>127,539,415.23</b>

The debt is:

- (a) Secured/ to be secured by pledge of shares of Rain Commodities (USA) Inc held by Rain Commodities Limited;

- (b) Secured/ to be secured by pledge of shares of Rain Calcining Limited held by Rain Commodities (USA) Inc;
- (c) Secured/ to be secured by pledge of membership interests in Rain/ GLC Holdings LLC held by Rain Commodities (USA) Inc;
- (d) Secured/ to be secured by pledge of stapled and spinster equity interests in GLC Carbon USA Inc held by Rain/ GLC Holdings LLC;
- (e) Secured/ to be secured by guarantee of the Company upto USD 25 million; and
- (f) Secured/ to be secured by charge on assets of Rain Commodities (USA) Inc and Rain/ GLC Holdings LLC

#### 4. Common stock

As of December 31, 2006 the Company had authorised common stock of 20 Shares and 240 Shares of Series A Preferred Stock. The Company issued 20 Shares of Common stock. All the outstanding common stock are with a face value of 0.01 USD per share.

#### 5. Available-for-sale securities

Available-for-sale securities comprise of:

December 31, 2006(USD)			
	Amortized Costs	Gross Unrealized Income	Fair Values
Debt securities	55,289,530.25	-	55,289,530.25
Equity securities	9,148,920.00	(2,091,456.22)	7,057,463.78
<b>Total</b>	<b>64,438,450.25</b>	<b>(2,091,456.22)</b>	<b>62,346,994.03</b>

#### 6 Investments in associate company:

The carrying value of investments in the associate company is as follows:

	December 31, 2006 (USD)
GLC Carbon USA Inc	43,976,520.97
<b>Total</b>	<b>43,976,520.97</b>

The Company's equity in loss of GLC Carbon USA Inc, net of taxes amounted to USD 212,266.12 for year ended December 31, 2006.

**7. Earnings Per Share**

The Components of basic and diluted earnings per share were as follows:

	<b>December 31, 2006</b> <b>(USD)</b>
Net Income	(5,886,924.14)
Weighted average number of shares	20
Basic and Diluted Earnings Per Share	(294,346.21)

**8. Related Party Transactions**

Related Party Transactions comprise of:

	<b>December 31, 2006</b> <b>(USD)</b>
Loan taken from Rain Commodities Limited (Holding Company)	2,400,000.00

The balances payable to related parties are as follows:

	<b>December 31, 2006</b> <b>(USD)</b>
Rain Commodities Limited (Holding Company)	2,539,415.23

**9. Schedules to the Balance Sheet****a) Cash and cash equivalents**

Cash and Cash equivalents consists of:

	<b>December 31, 2006</b> <b>(USD)</b>
Cash and bank balances	3,094,272.52
Cash equivalents	-
<b>Total</b>	<b>3,094,272.52</b>

**b) Other current assets**

Other current assets consist of:

	<b>December 31, 2006</b> <b>(USD)</b>
Interest accrued on Available-for-sale securities	718,170.43
Prepaid expenses	435,099.66
<b>Total</b>	<b>1,153,270.09</b>

**c) Accrued expenses and other current liabilities**

Accrued expenses and other current liabilities consist of:

	<b>December 31, 2006</b> <b>(USD)</b>
Accrued expenses	494,330.14
Interest accrued on debt	276,883.56
<b>Total</b>	<b>771,213.70</b>

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**RAIN INDUSTRIES LIMITED**

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**BOARD OF DIRECTORS**

Mr. N.Radhakrishna Reddy  
 Mr. N.Jagan Mohan Reddy  
 Mr. N. Sujith Kumar Reddy  
 Mr. A.B. Telang

Mr. Varun Batra

Mr. N.K. Balaram  
 Mr. Ramanujam Ramaswamy  
 Mr. P. Venugopal Reddy

Chairman  
 Managing Director  
 Executive Director  
 Nominee Director-Industrial  
 Development Bank of India Limited  
 Nominee Director- Citicorp Finance (India)  
 Limited  
 Nominee Director- ICICI Bank Limited  
 Nominee Director- ICICI Bank Limited  
 Director

**CGM (FINANCE & ACCOUNTS)**

Mr. G R Kumar

**AUDITORS**

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

**REGISTERED OFFICE**

"Rain Center",  
 34, Srinagar Colony,  
 Hyderabad-500 073,  
 Andhra Pradesh.  
 Phone : +91 40 40401234  
 Fax : +91 40 40401214

**BANKS, FINANCE COMPANIES AND FINANCIAL INSTITUTIONS**

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

**PLANTS**

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

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

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**NOTICE**

Notice is hereby given that the 8th Annual General Meeting of the Members of Rain Industries Limited will be held on Monday, the 30th day of July, 2007 at 11:00 A M at the Registered Office of the Company at "Rain Center", 34, Srinagar Colony, Hyderabad - 500 073, Andhra Pradesh, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance sheet as at 31st March, 2007, Profit and Loss Account for the year ended 31st March, 2007 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N. Radhakrishna Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. N. Sujith Kumar Reddy, 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 an Ordinary Resolution:

**"RESOLVED THAT** Mr. 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".

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

**"RESOLVED THAT** pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the 'Act') read with Schedule XIII thereto and subject to such approvals or permissions as may be necessary, consent of the members of the company be and is hereby accorded to the re-appointment of Mr. N. Sujith Kumar Reddy as the Executive Director of the Company, for a period of five years with effect from 5th June, 2007 (i.e., from 5th June, 2007 to 4th June, 2012) on the following terms and conditions:

- (A) Remuneration comprising of salary, commission and leave travel allowance shall be:
  - (i) Salary: Rs.3,00,000 per month. This will include dearness allowance and all other allowances not otherwise specified herein.
  - (ii) Commission: Such amount of commission (in addition to salary and perquisites hereinafter stated) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or a Committee of Directors which together with the salary and monetary value of perquisites shall not exceed the ceiling laid down in Section 309 of the Companies Act, 1956.
  - (iii) Leave Travel Allowance: For self and family equivalent to one month's salary in a year.

## (B) Perquisites/Benefits:

## (i) Residential Accommodation:

(a) Rent free accommodation of which 10% of the salary shall be recovered. or

(b) In case no accommodation is provided by the Company, house rent allowance at 20% of the salary, shall be paid. In addition, free use of the Company's owned furniture and other consumer durables, if required.

## (ii) Contribution to Provident Fund, Superannuation Fund and Gratuity:

(a) Company's contribution to Provident Fund and Superannuation fund shall not exceed 25% of the Salary.

The excess of such contribution over the maximum amount, either singly or put together, not taxable under the Income-tax Act, shall be considered and included for the purpose of calculating the ceiling on perquisites given in B (iii) below.

(b) As per the payment of Gratuity Act or Company's Gratuity Scheme, whichever is higher.

## (iii) Other Perquisites:

(a) Gas, electricity, water, house maintenance and furnishings, the monetary value of which shall be valued as per the Income Tax Rules, 1962 and subject to a ceiling of ten percent of the salary of the Executive Director.

(b) Personal Accident Insurance shall not exceed Rs.10,000/- per annum and Medical

reimbursement for self and family equivalent to one month's salary in a year or three months salary in a block of three years.

(c) Fees of club, subject to a maximum of two clubs excluding admission and life membership fees.

(d) Provision of a car with driver for use on Company's business and telephone/fax facility at residence.

(e) The perquisites shall be evaluated at cost to the Company and where such evaluation is difficult, it shall be evaluated as per the Income Tax Rules.

## (C) Minimum Remuneration:

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

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

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

**"RESOLVED THAT** in supersession of Resolution No.1 passed at the Extra Ordinary General Meeting of the

Company held on 18th November, 2006, the consent of the shareholders of the Company be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from Temporary Loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs.1500 Crores".

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

**"RESOLVED THAT** pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the shareholders of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such charges, mortgages and hypothecations in addition to the

existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the management and concern of the Company in certain events in favor of the Banks, Financial Institutions and other Parties to secure Rupee Loans, Foreign Currency Loans and Working Capital Facilities borrowed in Indian Rupees and Foreign Currency availed and also proposed to be availed and also to secure Corporate Guarantees and other obligations of the Company, provided that the total amount of loans, Corporate Guarantees and other obligations of the Company together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, Corporate Guarantees and other obligations, shall not, at any time exceed the limit of Rs.1500 Crores".

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

**N. JAGAN MOHAN REDDY**  
MANAGING DIRECTOR

Place : Hyderabad  
Date : June 5, 2007

**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 : June 5,2007

**EXPLANATORY STATEMENT**

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

**Item No.5**

Mr. P. Venugopal Reddy was appointed as the Additional Director of the Company by the Board of Directors at its meeting held on 8th February, 2007 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 Mr. P. Venugopal Reddy as a Director, liable for retirement by rotation, has been received from a member together with the requisite deposit.

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

Your Directors recommend the above Resolution for your approval.

**Item No.6**

Mr. N. Sujith Kumar Reddy is reappointed as the Executive Director for a period of 5 years with effect from 5th June, 2007(i.e., from 5th June, 2007 to 4th June, 2012) by the Board of

Directors at their meeting held on 5th June, 2007. Mr. N. Sujith Kumar Reddy aged about 36 Years holds a Bachelors degree in Commerce. He significantly contributed in development of market for the Cement and also widening the dealer network of the Company.

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

Your Directors recommend the above Resolution for your approval.

**Item No.7**

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, Board of Directors of a Public Company can not borrow money(a part from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the Company's Paid-up Capital and Free Reserves ( not set apart for any specific purposes) without the consent of the shareholders in the General Meeting.

The Company at its Extra Ordinary General Meeting held on 18th November, 2006 authorised the Board of Directors to borrow upto Rs.600 Crores. As the Company will be availing fresh loans from Banks and Financial institutions, it is considered necessary to enhance the said borrowing limit of the Board of Directors to Rs.1500 Crores.

The Resolution set out at item No.7 of the notice is put forth for consideration of the members as an ordinary resolution pursuant to section 293(1)(d) of the Companies Act, 1956, authorizing the Board of Directors to borrow upto a sum of Rs.1500 Crores.

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

Your Directors recommend the resolution for your approval.

**Item No.8**

As per the provisions of Section 293(1)(a) of the Companies Act, 1956, Board of Directors of a Public Company can not Sell, Lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking with out the consent of the shareholders in the General Meeting.

The Company has availed and proposes to avail Term Loans and Working Capital facilities from Financial Institutions and Banks and the Company has also given and proposes to give Corporate Guarantees and take up other obligations on behalf of its subsidiary companies and the financial assistance and Corporate Guarantees are to be secured by way of Mortgage/Charge/Hypothecation of the Movable and Immovable Assets of the Company.

As the mortgage/Charge/Hypothecation by the Company of its Assets as aforesaid in favour of the Banks and Financial institutions may be regarded as disposal of the Company's properties/undertaking in certain events of default, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act, 1956, for creation of said charge/mortgage/Hypothecation.

None of the Directors of the Company are in any way concerned or interested in the said 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 : June 5, 2007

**DIRECTORS' REPORT**

To,  
The Members,

Your Directors present the 8th Annual Report and the Audited Statement of Accounts for the year ended on 31st March, 2007.

**FINANCIAL RESULTS:**

The performance during the year ended on 31st March, 2007 has been as under:

	(Rs. in Lakhs)	
	<b>2006-07</b>	2005-06
Sales	<b>56336.53</b>	38031
Profit/(Loss) before interest & Depreciation	<b>15579.77</b>	4602
Less: Interest & Financial Charges	<b>3078.25</b>	2406
Profit/(Loss) after interest but before depreciation	<b>12501.52</b>	2196
Less: Depreciation/Amortisation	<b>1481.03</b>	1461
Profit/(Loss) before tax	<b>11020.48</b>	735
Less: Provision for Taxation		
- Current Tax(MAT)	<b>1055.77</b>	-
- MAT Credit entitlements	<b>(1055.77)</b>	-
- Deferred Tax (Asset)/Liability	<b>952.40</b>	673
- Fringe Benefit Tax	<b>18.20</b>	17
Profit/(Loss) after Tax	<b>10049.88</b>	45
Balance brought Forward	<b>(5438.16)</b>	(5438)
Available for appropriation	<b>4611.72</b>	(5393)
<b>Appropriations</b>		
Transferred to Debenture Redemption Reserve	<b>1315.31</b>	45
Transferred to General Reserve	<b>Nil</b>	Nil
Balance carried to Balance Sheet	<b>3296.41</b>	(5438)
Total	<b>4611.72</b>	(5393)

**OPERATIONS**

During the period under review, the Company has achieved a turnover of Rs. 56336 Lakhs as against Rs.38031 Lakhs turnover in the previous year and production was recorded at 1621902 Metric tonnes as against 1468688 Metric tones during the previous year. During the period under review the Company has earned a Net Profit of Rs.10,049.88 Lakhs as against Net profit of Rs.45.25 Lakhs in the Previous year.

**FUTURE OUTLOOK**

Outlook for Cement Industry continues to be good in the year 2007-2008. The prices of Cement are encouraging and sustained demand for cement is likely to provide a floor price to the realization. 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 2007-2008. The irrigation and Housing Projects being under taken by the Government of Andhra Pradesh will further increase the Demand for Cement in Andhra Pradesh, where the Company sells major portion of its production. The overall Cement consumption has increased substantially with the growth in the Housing Sector and concentration of Government on the development of infrastructure. The Company continues to concentrate on the reduction of Cost like Freight, Power and other inputs, so as to improve its profitability.

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

**EXPANSION OF UNIT-II**

The Company has undertaken expansion of plant capacity by 1,50,000 Metric tones per annum at Unit-II situated at Sreepuram, Peapully Mandal, Kurnool District, Andhra Pradesh with a project cost of Rs. 334 Crores. The Project

cost will be met out of internal accruals and term loans from Banks and Financial Institutions.

#### DIVIDEND

The Board of Directors for the purpose of utilizing the funds for expansion and working capital requirements 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

Mr. P.Venugopal Reddy was appointed as the Additional Director of the Company with effect from 8th February, 2007 by the Board of Directors at their meeting held on 8th February, 2007. Mr. N. Radhakrishna Reddy and Mr. N. Sujith Kumar Reddy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. P. Koteswar Rao resigned from the Board of the Company due to pre-occupation with effect from 30th October, 2006.

The ICICI Bank Limited has withdrawn the nominations of Mr. N. P. Subramanian, Mr. P.S. Ravendernath, Mr. V. Prakash and Mr. Rajinish Singh and appointed Mr. N K Balaram and Mr. Ramanujam Ramaswamy as their nominee Directors in the Board.

#### 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) | Mr. Varun Batra          | - Chairman |
| b) | Mr. A.B. Telang          | - Member   |
| c) | Mr. N. K. Balaram        | - Member   |
| d) | Mr. Ramanujam            | - Member   |
| e) | Mr. N. Jagan Mohan Reddy | - Member   |
| f) | Mr. P. Venugopal 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, 2007, the applicable accounting standards have been followed;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of Profit and Loss Account of the Company for the period ended 31st March, 2007;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) That the Directors have prepared the Annual Accounts for the year ended 31st March, 2007 on a going concern basis.

#### **SCHEME OF ARRANGEMENT BETWEEN THE COMPANY, RAIN COMMODITIES LIMITED AND RAIN CALCINING LIMITED**

The Board of Directors of the Company at their meeting held on 16th March, 2007 have approved the Scheme of arrangement for (a) Transfer of Cement Business from the Company to Rain Commodities Limited(Holding Company) with effect from 1st July, 2006(Appointed date), and (b) Transfer of Calcined Petroleum Coke (CPC) and Power Business from Rain Commodities Limited to the Company with effect from 1st April, 2007(appointed date). Necessary applications/petitions are submitted to the Hon'ble High Court of Andhra Pradesh for its approval for the Scheme of Arrangement.

#### **INFORMATION REGARDING ENERGY CONSERVATION/PARTICULARS OF EMPLOYEES**

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 217(1)(e) of the Act read with Rule 2 of the Companies

(Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 and information on particulars of employees under Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975 (as amended) form part of this Report.

#### **ACKNOWLEDGEMENTS**

The Directors take this opportunity to place on record their sincere thanks to the Banks and Financial Institutions, Corporate Debt Restructuring Cell(CDR), 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

Place : Hyderabad      **N. Jagan Mohan Reddy**  
Date : June 5, 2007      Managing Director

## 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, 2007.

### A. CONSERVATION OF ENERGY

#### (a) Energy conservation measures taken:

##### Unit - I (Ramapuram)

1. As a part of Energy Management System, we have installed 58Nos. Digital energy meters to monitor the power consumption of HT motors and other important drives.
2. To improve the production from the Kiln, we have placed an order for a loss and weigh system along with dozing valves and load cells to M/s Transweigh for replacing the old Belt weigh feeder and screw feeder. The components are received at site and will be replaced during the next shut down.
3. P.C.Coal feeding system was placed with a new Digital drive with A/c Variable Frequency Drive.

#### (b) Additional investments and proposals :

##### Unit - I (Ramapuram)

1. In order to reduce the power consumption on the pre-heater fan a modification will be carried out on the static parts, a reduction of 100kwh power consumption can be achieved.
2. Old Thirstier DC drive for the kiln firing coal shall be replaced with A/c Variable Frequency Drive for better control.

3. In order to reduce the existing gas temperatures from 300oC to 250oC, Water injection system for cooling the cooler exhaust gases is proposed.
4. High pressure water pump for breaking snow man in cooler is proposed to avoid undue stoppages of the kiln operations.
5. Up gradation of the Plant Automation System.
6. To install belt bucket elevators in packing plant to avoid frequent failures of chain bucket elevators which are subjected to high wear because of usage of fly ash.

##### Unit - II (Sreepuram)

1. In order to improve the production rate from the Cement Mill and also to add more fly ash, the present chain bucket elevators is found to be under capacity and the belt bucket elevators 450T of capacity is proposed at the Mill discharge.
2. In order to have the proper control of fly ash addition, Electric Metering System is proposed.
3. To improve the reability of Plant PLC system out put modules were replaced with a new configuration.

#### (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. Specific Heat consumption reduced by 3 K.cal/kg.clinker.
2. Power consumption has been reduced by 0.92kwh/t Of Cement.

(d) Total energy consumption and energy consumption per unit of production as per Form A is given below:

## FORM - A

## Form for Disclosure of particulars with respect to conservation of Energy

A. Power & Fuel consumption	2006-2007	2005-2006
<b>1. ELECTRICITY</b>		
a) Purchased		
Unit (No.) (Kwh)	135970527	126544866
Total Amount (Rs.)	417779212	423542432
Rate/Unit(Rs.)	3.07	3.35
b) Own Generation		
i) Through Generator		
Unit (No.)	60229	148753
Unit per Litre of Diesel Oil (No)	3.22	3.42
Cost/Unit (Rs.)	6.30	15.18
ii) Through Steam turbine/Generator		
Units (KWH)	-	-
Units per litre of fuel Oil & Gas	-	-
Cost/unit (Rs.)	-	-
<b>2. COAL</b>		
Quantity (Tonnes)	229924.65	210332
Total Cost (Rs.)	534331329	444265958
Average rate(Rs.)	2323.94	2112.21
<b>3. FURNACE OIL</b>		
Quantity ( K Ltrs)	12823	24736
Total Amount (Rs.)	200738	295965
Average Rate (Rs.)	15.65	11.96
<b>4. OTHERS/INTERNAL GENERATORS</b>		
Quantity	-	-
Total Cost	-	-
Rate/unit	-	-
<b>5 Consumption per Metric tonne of Cement Production</b>		
Production(Cement)	1621902.85	1468688
Electricity (Kwh)	84.18	86.16
Furnace Oil( KL)	0.008	0.017
Coal(%)	14.18	17.70

**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. contineous coordination is being maintained with the collaborators to avail the benefits of further development in technology.

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

2. Benefits derived as a result of the above efforts, eg. Product development, import substitution, etc :

The usage of imported technology and upgradation according to the changes in the Technology has resulted into increased productivity and reduction in the energy consumption.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial year), following information may be furnished. : No technology has been imported during the last five years.
  - a) Technology imported : Nil
  - b) Year of Import : Not applicable
  - c) Has Technology been fully absorbed : Not applicable
  - d) If not fully absorbed, area where : Not applicable

this has not taken place reasons  
therefor and future plans of action.

**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 2007-2008.  
and service and export plans.

- b) Total foreign exchange used and earned :

	(Rs. in Lakhs)	
	<b>2006-2007</b>	2005-2006
(i) Foreign Exchange earned	<b>Nil</b>	Nil
(ii) Foreign Exchange Used	<b>824.64</b>	Nil

for and on behalf of the Board of Directors

Place : Hyderabad  
Date : June 5, 2007

**N. Radhakrishna Reddy**  
Chairman

**N. Jagan Mohan Reddy**  
Managing Director

## Annexure to the Directors Report

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

Sl. No.	Name of the Employee & (Age)	Designation/ Nature of Duty	Gross Remune- ration (Rupees)	Qualification	Experience in years	Date of commence- ment of Employment	Particulars of last employ- ment
1.	Mr. P.B. Gopala Krishna (52 years)	President (Operations)	27,67,622	B.Tech (Mech)	31 Years	22.05.2006	Madras Cements Limited as Vice President (Manufacturing)

### Notes:

- Gross Remuneration includes salary, taxable allowances, commission, value of perquisites as per the Income-tax Rules, 1962 and Company's contribution to provident fund/superannuation fund.
- The nature of employment is contractual.

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

Place : Hyderabad  
Date : June 5, 2007

**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, 2007, 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, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
  - (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: June 5, 2007

**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, 2007]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, fixed assets 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.
  - (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.
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 loan aggregates to Rs. 270,000,000 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 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 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 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, wealth tax, service tax, customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of sales-tax, and excise duty as at March 31, 2007 which have not been deposited on account of dispute are given below:

Name of statute	Nature of dues	Amount in Rupees	Period to which the amount relates	Forum where the dispute is pending
Andhra Pradesh General Sales Tax Act, 1957	Tax levied on issue of diesel to the transporters / tax on Second sales / turnover not covered by 'G' forms etc.,	32,517,480	1992-1993 to 2002-2003	Various cases pending before Sales Tax Appellate Tribunal, Andhra Pradesh
The Central Sales Tax Act, 1956	Turnover not covered by forms, concessional rate not allowed, tax on transport charges, sales tax on issue of diesel to transporters etc.	24,920,725	1993-1994 to 1998-1999 and 2001-2002	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	1996-1997 to 1999-2000	Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad, Appellate Deputy Commissioner of Commercial Taxes, Hyderabad and Rural Division, Hyderabad
Tamil Nadu General Sales Tax Act, 1959	Claim of exemption on discounts not allowed by the assessing authority.	2,940,059	1998-2001	Additional Deputy Commissioner, Chennai
Central Excise Act, 1944	Modvat credit availed on DG Sets	1,689,981	1998-2001	Additional Commissioner, Hyderabad
Central Excise Act, 1944	Cenvat credit utilized on service tax paid on outward freight for ex-factory sales	1,134,749	2005-2006	Commissioner (Appeals), Guntur
Central Excise Act, 1944	Cenvat credit utilized on service tax paid on outward freight for ex-factory sales	2,747,281	2005-2006	Additional Commissioner, Tirupati

10. The company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and 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. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the 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 : June 5, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**

	Schedule Reference	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
A) Capital	A	208,000,000	188,000,000
B) Reserves and Surplus	B	1,305,195,912	624,025,483
		1,513,195,912	812,025,483
<b>Loan Funds</b>			
A) Secured Loans	C	1,619,839,221	1,894,139,689
B) Unsecured Loans	D	514,788,208	358,242,710
		2,134,627,429	2,252,382,399
<b>TOTAL</b>		<b>3,647,823,341</b>	<b>3,064,407,882</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
A) Gross Block	E	2,646,892,687	2,590,312,986
B) Less: Depreciation/Amortisation		579,476,775	431,372,928
C) Net Block		2,067,415,912	2,158,940,058
D) Capital Work In Progress		696,224,936	8,992,785
		2,763,640,848	2,167,932,843
<b>Investments</b>	F	16,094,000	16,085,000
Deferred Tax Asset - Net		-	95,240,877
<b>Current Assets, Loans and Advances</b>			
A) Inventories	G	206,753,402	120,742,621
B) Sundry Debtors	H	60,269,439	49,858,934
C) Cash and Bank balances	I	490,338,291	106,395,834
D) Other Current Assets	J	1,816,462	391,397
E) Loans and Advances	K	546,051,918	529,131,530
		1,305,229,512	806,520,316
<b>Less : Liabilities and Provisions</b>			
A) Liabilities	L	339,927,528	562,212,534
B) Provisions	M	97,213,491	2,975,227
		437,141,019	565,187,761
Net Current Assets		868,088,493	241,332,555
Profit and Loss Account - Deficit		-	543,816,607
<b>TOTAL</b>		<b>3,647,823,341</b>	<b>3,064,407,882</b>
Notes to the 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 of Directors

**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**  
C.G.M. - Finance and Accounts

Place : Hyderabad  
Date : June 5, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	Schedule Reference	Year Ended March 31, 2007 Rs.	Year Ended March 31, 2006 Rs.
<b>INCOME</b>			
Sales (Gross)		5,633,653,795	3,803,141,613
Less: Excise duty		678,893,283	600,040,786
Sales (Net)		4,954,760,512	3,203,100,827
Other Income	N	62,559,834	163,352,147
Increase/ (Decrease) in stock in trade	O	9,715,725	(6,635,581)
<b>TOTAL</b>		<b>5,027,036,071</b>	<b>3,359,817,393</b>
<b>EXPENDITURE</b>			
Payment and Benefits to Employees	P	113,265,608	100,483,081
Manufacturing Expenses	Q	1,607,118,798	1,425,849,778
Administrative, Selling and Distribution Expenses	R	1,748,674,045	1,371,829,739
<b>TOTAL</b>		<b>3,469,058,451</b>	<b>2,898,162,598</b>
<b>GROSS OPERATING PROFIT/ (LOSS)</b>			
Interest and Finance Charges	S	307,825,437	242,018,119
<b>PROFIT/ (LOSS) BEFORE DEPRECIATION AND TAXATION</b>		<b>1,250,152,183</b>	<b>219,636,676</b>
Depreciation and Amortisation		148,103,847	146,105,700
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		<b>1,102,048,336</b>	<b>73,530,976</b>
Provision for Taxation			
Current Tax		105,577,202	-
MAT credit Entitlement		(105,577,202)	-
Deferred Tax		95,240,877	67,287,378
Fringe Benefit Tax		1,820,423	1,718,115
<b>PROFIT/ (LOSS) AFTER TAXATION</b>		<b>1,004,987,036</b>	<b>4,525,483</b>
Surplus/ (Loss) brought forward from Previous Year		(543,816,607)	(543,816,607)
<b>AVAILABLE FOR APPROPRIATION</b>		<b>461,170,429</b>	<b>(539,291,124)</b>
Transfer to Debenture Redemption Reserve		131,530,939	4,525,483
<b>SURPLUS/ (DEFICIT) CARRIED TO BALANCE SHEET</b>		<b>329,639,490</b>	<b>(543,816,607)</b>
Earnings/ (Loss) Per Share - Basic and Diluted (Rs.)		52.51	0.25
<b>Notes to the Accounts</b>	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 of Directors

**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**  
C.G.M. - Finance and Accounts

Place: Hyderabad  
Date : June 5, 2007

**Cash Flow Statement for the Year Ended March 31, 2007**

	Year Ended March 31, 2007 Rs.	Year Ended March 31, 2006 Rs.
<b>A. Cash Flow From Operating Activities</b>		
Net Profit before Taxation	1,102,048,336	73,530,976
<b>Adjustments for :</b>		
Depreciation	148,103,847	146,105,700
Discount On Issue of Debentures Amortised	25,560,000	25,560,000
Premium on Unsecured Loan	1,758,614	3,246,671
Unrealized (Gain)/Loss on Restatement of Monetary Liabilities	-	1,373,085
Interest on deposits with Banks and others	(13,524,973)	(3,334,868)
Provision for doubtful debts	322,937	5,043,906
Interst and finance charges	155,171,289	188,751,079
Liability No Longer Required Written Back	(36,044,948)	(160,250,521)
Sales Tax Deferment	117,277,957	71,337,880
Loss on Sale of Fixed Asset	-	118,530
<b>Operating profit before Working Capital changes</b>	<b>1,500,673,059</b>	<b>351,482,438</b>
<b>Adjustments for :</b>		
Sundry Debtors	(10,733,442)	(6,241,915)
Inventories	(86,010,781)	(7,220,102)
Loans and Advances and other current assets	63,096,814	(139,196,558)
Current Liabilities and Provisions	(158,305,536)	(52,854,034)
Taxes paid	(13,797,280)	(4,542,611)
<b>Net cash flow from operating activities</b>	<b>1,294,922,834</b>	<b>141,427,218</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Asset	(743,867,852)	(28,771,988)
Sale of Fixed Assets	56,000	-
Purchase of Investments	(9,000)	-
Interest Received	12,099,908	3,000,083
<b>Net Cash used in Investing Activities</b>	<b>(731,720,944)</b>	<b>(25,771,905)</b>

**Cash Flow Statement for the Year Ended March 31, 2007 (Cont.)**

	Year Ended March 31, 2007 Rs.	Year Ended March 31, 2006 Rs.
<b>C. Cash Flow From Financing activities</b>		
Proceeds from Long term borrowings	166,623,227	1,081,719,154
Repayment of debentures	(375,336,000)	(67,668,000)
Sales tax deferrment	98,868,438	69,189,142
Repayment of Loans	(70,356,960)	(1,084,681,314)
Interest paid	(247,150,453)	(155,902,369)
(Repayment of)/Proceeds from Security Deposits	9,850,929	(2,981,288)
Premium on Unsecured Loan	(1,758,614)	(3,246,671)
Share Application Money/Increase in Share Capital	240,000,000	40,000,000
<b>Net Cash used in Financing Activities</b>	<b>(179,259,433)</b>	<b>(123,571,345)</b>
Net Increase/(Decrease) in Cash and Cash equivalents	383,942,457	(7,916,031)
Cash and Cash equivalents - Opening Balance*	106,395,834	114,311,865
Cash and Cash equivalents - Closing Balance*	490,338,291	106,395,834
*includes money held on margin money deposit accounts		

**Notes**

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

**P. Rama Krishna**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Place: Hyderabad  
Date : June 5, 2007

**N. Radhakrishna Reddy**  
Chairman

**N. Jagan Mohan Reddy**  
Managing Director

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

**SCHEDULES TO THE BALANCE SHEET**

	AS AT March 31, 2007 Rs.	AS AT March 31, 2006 Rs.
<b>SCHEDULE A</b>		
<b>CAPITAL</b>		
Authorised (50,000,000 Equity Shares of Rs.10/- each)	<u>500,000,000</u>	<u>500,000,000</u>
Issued , Subscribed and Paid up 208,00,000 (2006 - 18,800,000) Equity Shares of Rs. 10/- each held by Rain Commodities Limited, the Holding Company	<b>208,000,000</b>	188,000,000
(Of the above 14,800,000 Equity Shares were allotted, pursuant to the scheme of arrangement with Rain Commodities Limited, the holding company, without payment being received in cash)	<u><b>208,000,000</b></u>	<u>188,000,000</u>
<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
Securities Premium Account		
As at the commencement of the year	<b>619,500,000</b>	619,500,000
Add: Premium received on issue of additional equity shares	<u><b>220,000,000</b></u>	-
	<b>839,500,000</b>	619,500,000
Debenture Redemption Reserve		
As at the commencement of the year	<b>4,525,483</b>	-
Add: Transferred from Profit and Loss Account	<u><b>131,530,939</b></u>	4,525,483
	<b>136,056,422</b>	4,525,483
Profit and Loss Account - Surplus	<u><b>329,639,490</b></u>	-
	<u><b>1,305,195,912</b></u>	<u>624,025,483</u>

**SCHEDULES TO THE BALANCE SHEET**

	AS AT March 31, 2007 Rs.	AS AT March 31, 2006 Rs.
<b>SCHEDULE C</b>		
<b>SECURED LOANS*</b>		
Debentures		
11,278,000, 9.39% Redeemable Non-Convertible		
Debentures of Rs. 100/- each (Privately placed)	<b>684,796,000</b>	1,060,132,000
Term Loans		
- Banks	<b>596,888,368</b>	644,246,758
- Financial Institutions	<b>186,537,126</b>	107,865,140
- Interest accrued and due	<b>776,737</b>	-
Working Capital Loans from Banks	<b>149,332,410</b>	79,482,075
Hire Purchase Loan from Banks	1,508,580	2,413,716
	<b><u>1,619,839,221</u></b>	<b><u>1,894,139,689</u></b>

**SCHEDULE D****UNSECURED LOANS**

Other than Short Term		
- Sales Tax Deferment	<b>457,392,191</b>	241,245,796
- Security Deposit	<b>57,396,017</b>	47,545,090
- Others	-	69,451,824
	<b><u>514,788,208</u></b>	<b><u>358,242,710</u></b>

**\*Notes:**

1. Debentures and Term Loans are:
  - a) Secured by pari passu first charge on all immovable properties of Rain Industries Limited;
  - b) Secured by pledge of equity shares of the Company held by Rain Commodities Limited;
  - c) Secured by the additional security of farm land at Nellore and land owned by certain Directors;
  - d) Secured by personal guarantee of certain promoter Directors;
2. Cash Credit is secured by first charge present and future current assets of the Company.
3. Hire Purchase Loan is secured by hypothecation of pay loader.
4. The Debentures are redeemable in ten half yearly installments commencing from September 30, 2005 and ending by March 31, 2010.  
The Company has paid upto March 31, 2007 Rs. 443,004,000 (2006 - Rs. 67,668,000)

**SCHEDULE E  
FIXED ASSETS**

(Amount in Rs.)

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 01, 2006	Additions	Deletions	As at March 31, 2007	As at April 01, 2006	For the Year	On deletions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
<b>I INTANGIBLE ASSETS</b>										
Goodwill	199,884,928	-	-	<b>199,884,928</b>	59,965,478	19,988,492	-	<b>79,953,970</b>	<b>119,930,958</b>	139,919,450
Software	2,647,153	-	-	<b>2,647,153</b>	882,384	882,384	-	<b>1,764,768</b>	<b>882,385</b>	1,764,769
	202,532,081	-	-	<b>202,532,081</b>	60,847,862	20,870,876	-	<b>81,718,738</b>	<b>120,813,343</b>	141,684,219
<b>II TANGIBLE ASSETS</b>										
Land - Free Hold	41,608,206	8,454,053	56,000	<b>50,006,259</b>	-	-	-	-	<b>50,006,259</b>	41,608,206
Land - Mining	12,009,111	1,127,250	-	<b>13,136,361</b>	282,716	98,717	-	<b>381,433</b>	<b>12,754,928</b>	11,726,395
Buildings	490,689,564	13,486,018	-	<b>504,175,582</b>	44,354,667	14,854,753	-	<b>59,209,420</b>	<b>444,966,162</b>	446,334,897
Railway Siding	2,224,169	-	-	<b>2,224,169</b>	316,944	105,648	-	<b>422,592</b>	<b>1,801,577</b>	1,907,225
Plant and Machinery	1,812,883,851	9,830,180	-	<b>1,822,714,031</b>	318,762,205	108,779,504	-	<b>427,541,709</b>	<b>1,395,172,322</b>	1,494,121,646
Furniture and Fixtures	8,714,259	14,330,743	-	<b>23,045,002</b>	1,804,866	915,171	-	<b>2,720,037</b>	<b>20,324,965</b>	6,909,393
Office Equipments	19,415,779	4,021,084	-	<b>23,436,863</b>	4,935,066	2,291,421	-	<b>7,226,487</b>	<b>16,210,376</b>	14,480,713
Vehicles	235,966	5,386,373	-	<b>5,622,339</b>	68,602	187,757	-	<b>256,359</b>	<b>5,365,980</b>	167,364
	2,387,780,905	56,635,701	56,000	<b>2,444,360,606</b>	370,525,066	127,232,971	-	<b>497,758,037</b>	<b>1,946,602,569</b>	2,017,255,839
Grand Total	2,590,312,986	56,635,701	56,000	<b>2,646,892,687</b>	431,372,928	148,103,847	-	<b>579,476,775</b>	<b>2,067,415,912</b>	2,158,940,058
Year ended March 31, 2006	2,533,540,186	57,071,147	298,347	<b>2,590,312,986</b>	285,346,044	146,105,701	78,817	<b>431,372,928</b>	<b>2,158,940,058</b>	
Capital Work-in-Progress*									<b>696,224,936</b>	8,992,785

\* Includes capital advances (Unsecured and considered Good) of Rs. 96,692,650 (2006 - Rs. 7,301,662)

**SCHEDULES TO THE BALANCE SHEET**

	AS AT March 31, 2007 Rs.	AS AT March 31, 2006 Rs.
<b>SCHEDULE F</b>		
<b>INVESTMENTS</b>		
Long Term - At Cost		
Unquoted		
Trade Investments		
Andhra Pradesh		
Gas Power Corporation Limited	16,000,000	16,000,000
134,000 Equity Shares of		
Rs. 10/- each fully paid up		
Others		
Government Securities -		
National Savings Certificates	94,000	85,000
	<u>16,094,000</u>	<u>16,085,000</u>
<b>SCHEDULE G</b>		
<b>INVENTORIES</b>		
Stores and Spare Parts*	59,973,562	42,493,875
Less: Provision for Obsolescence	-	12,794,545
	<u>59,973,562</u>	29,699,330
Raw Materials*	97,506,499	51,485,675
Stock in Trade		
Finished Goods**	28,355,801	7,321,655
Work - in - progress**	20,917,540	32,235,961
	<u>206,753,402</u>	<u>120,742,621</u>
* at cost or below		
** at lower of cost and net realisable value		
<b>SCHEDULE H</b>		
<b>SUNDRY DEBTORS</b>		
Secured		
Considered Good		
Debts outstanding for a		
period exceeding six months	9,496,300	5,741,548
Other debts	9,275,492	9,723,328
Unsecured		
Considered Good		
Debts outstanding for a period		
exceeding six months	1,415,830	427,633
Other debts	40,081,817	33,966,425
Considered Doubtful		
Debts outstanding for a period		
exceeding six months	14,158,077	18,897,928
Less: Provision for Doubtful Debts	14,158,077	18,897,928
	<u>60,269,439</u>	<u>49,858,934</u>

**SCHEDULES TO THE BALANCE SHEET**

	AS AT March 31, 2007 Rs.	AS AT March 31, 2006 Rs.
<b>SCHEDULE I</b>		
<b>CASH AND BANK BALANCES</b>		
Cash and cheques on hand	91,127,398	62,878,456
With Scheduled Banks:		
- Current Accounts	6,071,145	32,756,144
- Fixed Deposit Accounts	371,157,066	-
- Margin Money Deposit Accounts	21,982,682	10,761,234
	<u>490,338,291</u>	<u>106,395,834</u>
<b>SCHEDULE J</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest accrued on investments and deposits	1,816,462	391,397
	<u>1,816,462</u>	<u>391,397</u>
<b>SCHEDULE K</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, and Considered good, unless otherwise stated)		
Loan to Employees	243,451	240,854
Advances recoverable in cash or kind or for value to be received*	313,982,416	392,094,350
Balances with Government and Public Bodies	121,091,749	132,618,342
Deposits with Others	5,157,100	4,177,984
MAT Credit Entitlement	105,577,202	-
	<u>546,051,918</u>	<u>529,131,530</u>
<b>SCHEDULE L</b>		
<b>LIABILITIES</b>		
Sundry Creditors		
- Dues to Small Scale Industrial Undertakings	160,970	1,000,786
- Dues to other than Small Scale Industrial Undertakings	229,382,150	395,291,578
Interest accrued but not due on Loans	5,509,923	32,806,527
Advances from Customers	33,863,632	46,696,342
Other Liabilities	71,010,853	86,417,301
	<u>339,927,528</u>	<u>562,212,534</u>
<b>SCHEDULE M</b>		
<b>PROVISIONS</b>		
Gratuity	4,938,883	5,073,412
Leave Encashment	4,243,515	3,471,067
Provision for Current Tax (Net)	87,533,487	(5,658,140)
Provision for Fringe Benefit Tax	497,606	88,888
	<u>97,213,491</u>	<u>2,975,227</u>

## SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Year Ended March 31, 2007 Rs.	Year Ended March 31, 2006 Rs.
<b>SCHEDULE N</b>		
<b>OTHER INCOME</b>		
Interest on deposits with Banks and Others [Tax deducted at Source - Rs 2,648,242] (2006 - Rs 664,787)	<b>13,524,973</b>	3,334,868
Scrap sales	<b>10,434,613</b>	3,351,529
Liability no longer required Written back	<b>36,044,948</b>	152,971,500
Miscellaneous Income	<b>2,555,300</b>	3,694,250
	<b><u>62,559,834</u></b>	<b><u>163,352,147</u></b>
<b>SCHEDULE O</b>		
<b>INCREASE/(DECREASE) IN STOCK*</b>		
Closing Stock		
Finished Goods	<b>28,355,801</b>	7,321,655
Work in Progress	<b>20,917,540</b>	32,235,961
	<b><u>49,273,341</u></b>	<u>39,557,616</u>
Opening Stock		
Finished Goods	<b>7,321,655</b>	13,314,507
Work in Progress	<b>32,235,961</b>	32,878,690
	<b><u>39,557,616</u></b>	<u>46,193,197</u>
	<b><u>9,715,725</u></b>	<u>(6,635,581)</u>
* Includes Increase/ (Decrease) in Excise Duty on Stock in Trade	<b>2,230,778</b>	204,547
<b>SCHEDULE P</b>		
<b>PAYMENT AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages and Bonus	<b>90,029,271</b>	81,821,549
Contribution to Provident Fund and Other Funds	<b>8,778,898</b>	7,065,688
Workmen and Staff Welfare Expenses	<b>14,457,439</b>	11,595,844
	<b><u>113,265,608</u></b>	<u>100,483,081</u>

## SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Year Ended March 31, 2007 Rs.	Year Ended March 31, 2006 Rs.
<b>SCHEDULE Q</b>		
<b>MANUFACTURING EXPENSES</b>		
Raw Materials Consumed	266,726,437	191,780,581
Packing Material Consumed	182,260,372	154,976,282
Stores and Spare Parts Consumed	102,369,397	108,162,524
Power and Fuel	952,950,297	868,072,197
Repairs		
- Buildings	1,552,302	1,696,536
- Machinery	26,864,038	24,296,766
Royalty and Cess	88,424,683	76,864,892
	<u>1,621,147,526</u>	<u>1,425,849,778</u>
Less: Towards cement consumption for Expansion Project	<u>14,028,728</u>	-
	<u>1,607,118,798</u>	<u>1,425,849,778</u>
<b>SCHEDULE R</b>		
<b>ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES</b>		
Rent	7,302,242	10,147,708
Rates and taxes	666,631,715	453,868,768
Repairs to Others	9,066,337	6,920,613
Insurance	9,404,273	9,051,395
Directors' Sitting fee	38,000	36,000
Commission to Directors	480,000	-
Auditor's Remuneration		
- Audit Fees	1,600,000	1,200,000
Selling and Distribution Expenses	1,016,605,138	846,901,646
Communication Expenses	4,846,821	8,328,217
Travelling and Conveyance	9,280,609	8,848,804
Legal and Professional Charges	4,266,053	4,768,409
Provision for Doubtful Debts	322,937	5,043,906
Loss on sale of fixed assets	-	118,530
Miscellaneous Expenses	18,829,920	16,595,743
	<u>1,748,674,045</u>	<u>1,371,829,739</u>
<b>SCHEDULE S</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Debentures	87,117,915	82,354,324
Interest on Term Loans	63,336,016	104,322,039
Interest on Cash Credit and Others	4,717,358	2,074,716
Discount on issue of Debentures amortised	25,560,000	25,560,000
Premium on Unsecured Loan	1,758,614	3,246,671
Other Interest	118,591,725	15,444,270
Loss/ (Gain) on Foreign Exchange Fluctuation	3,080,712	1,373,085
Bank Charges	3,663,097	7,643,014
	<u>307,825,437</u>	<u>242,018,119</u>

**SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT****T. NOTES TO THE ACCOUNTS****1. Significant Accounting Policies****a) Basis of Preparation of Financial Statements**

The financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

**b) Revenue Recognition**

Sales are recognised on despatch of goods to customers. Gross sales include excise duty and sales tax recovered and are net of trade discounts. Income on sale of licenses under Duty Free Replenishment Certificate (DFRC) is recognised on cash basis.

**c) Fixed Assets and depreciation**

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

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

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

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

Software is amortized evenly over a three-year period.

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

**d) 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.

**e) 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

**SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**

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 include all applicable manufacturing overheads.

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

**f) 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 all the employees, contributions determined by LIC based on actuarial valuation are charged to Profit and Loss Account.

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

**g) Earnings Per Share (EPS)**

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

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

**h) Taxes on Income**

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

**i) 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.

**j) 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. The Board of Directors of the Company have approved the Scheme of Arrangement ('the Scheme') among the Company, Rain Commodities Limited (RCOL), its holding company and Rain Calcining Limited (RCL). As per the Scheme, the cement business of the Company would

**SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**

be transferred to Rain Commodities Limited with effect from July 1, 2006 for a net consideration of Rs. 32.00 crores and the calcining and power business of RCL would be transferred to RCOL with effect from April 1, 2007. Further, the Scheme also envisages transfer of calcining and power businesses from RCOL to the Company effective April 1, 2007.

The Scheme has been approved by the shareholders in the Extraordinary General Meeting held on June 4, 2007 and is subject to the approval of the Hon'ble High Court of Andhra Pradesh, stock exchanges and other regulatory authorities. Upon approval of the scheme, the cement business carried on by the Company would stand transferred to RCOL. Pending the approvals, the accounts of the Company, have been prepared without considering the effect of the Scheme. However, the provision for current and deferred taxes has been made considering the brought forward losses of the holding company, which would be available for set-off against the profits of the cement business.

3. Steps are being taken for transfer of certain freehold lands, mining leases, licenses, building leases, deposits, transporter advances, loans and advances, transport agreements, dealer agreements, secured loans, unsecured loans etc., in the name of the Company from Holding Company.
4. Contingent liabilities not provided for in respect of:

	<b>As on March 31, 2007 Rs.</b>	As on March 31, 2006 Rs.
Matters under dispute:		
Sales Tax	<b>56,146,939</b>	108,382,747
Excise Duty	<b>8,091,138</b>	1,689,981
Claims against the Company not acknowledged as debts	<b>22,968,000</b>	22,968,000

5. Estimated amount of contracts remaining to be executed on capital accounts not provided for as on March 31, 2007 - Rs. 1,476,553,135 (2006: Rs. 24,225,000)
6. Lease payments made for the current year under cancellable operating leases amounting to Rs. 7,302,242 (2006: Rs. 10,147,708) 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. (a) Sundry Creditors - Dues to Small Scale Industrial undertaking as at March 31, 2007 includes the following entities: a) Associated Engineers b) Frequency c) Hyderabad Reprographics Pvt Ltd d) HE -Technocrats e) Paitandi Fluorocarbon Seals (P) Ltd f) R.S.Industrial Supplier Services g) Standard Materials Agencies Pvt Ltd h) Tushaco Engineers.

**SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**

- (b) Advances includes Rs. 7,542,418 (2006: Rs.20,127,173) due from Rain Commodities Limited, the holding company. Maximum outstanding during the year is Rs. 145,174,992 (2006 - Rs. 20,127,173).

**8. Earnings Per Share**

	<b>Year Ended March 31, 2007</b>	Year Ended March 31, 2006
a. Profit/ (Loss) after tax (Rs.)	<b>1,004,987,036</b>	4,525,483
b. Weighted average number of Equity Shares (Basic and Diluted) of Rs.10 each outstanding during the year	<b>19,140,548</b>	18,273,973
c. Earnings/(Loss) Per Share - Basic and Diluted (Rs.) [a/b]	<b>52.51</b>	0.25

**9. Segment Reporting**

The Company's operations falls within a single primary business segment viz., 'manufacture and sale of cement' and single geographical segment viz., India. Hence the disclosure requirements of Accounting Standard 17, 'Segment Reporting', issued by The Institute of Chartered Accountants of India are not applicable.

**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 | Rain Calcining Limited<br>Sujala Investments Private Limited  |
| (iii) Key Management Personnel  | Mr. N.Sujith Kumar Reddy, Director<br>Mr. N.Jagan Mohan Reddy, Director<br>Mr. N.Radhakrishna Reddy, Director |

## SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

*b) Transactions for the year ended March 31, 2007:*

(Amount in Rs.)

	Holding Company	Enterprises where Key Managerial Personnel exercise significant influence	Key Management Personnel
Sales	– (-)	2,756,645 (2,478,006)	– (-)
Purchases	– (-)	231,414,003 (2,25,017,663)	– (-)
Advance Taken	– (-)	60,000,000 (4,70,949,531)	– (-)
Advance Repaid	– (-)	60,000,000 (6,02,313,448)	– (-)
Interest Expense	14,876,668 (-)	– (206,074)	– (-)
Advance Given	263,542,416 (3,209,273)	– (-)	– (-)
Amounts received against Advances given	256,000,000 (-)	– (-)	– (-)
Loan Taken	270,000,000 (-)	– (-)	– (-)
Loan Repaid/Adjusted	270,000,000 (-)	– (23,347,757)	– (-)
Salary and Perquisites	– (-)	– (-)	1,096,658 (583,441)
Equity Share Capital (including premium) received	240,000,000 (40,000,000)	– (-)	– (-)

## SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

c) *Balances outstanding as at March 31, 2007:*

(Amount in Rs.)

	March 31, 2007
Receivable from Holding Company	7,542,418 (20,127,173)
Enterprises where key managerial personnel along with their relatives exercise significant influence Payable	26,403,973 (-)

Previous year figures are given in bracket

## 11. The Deferred tax Asset (net) is as under

(Amount in Rs.)

	March 31, 2007	March 31, 2006
Deferred Tax Asset		
Business Loss	-	97,447,729
Unabsorbed depreciation	-	37,788,320
Section 43B and other disallowances	-	14,253,377
<b>Total</b>	-	<b>149,489,826</b>
Deferred Tax Liability		
Fixed Assets	-	54,248,949
<b>Total</b>	-	<b>54,248,949</b>
<b>Deferred Tax Asset (net)</b>	-	<b>95,240,877</b>

12. a) *Payments and Benefits to employees (Schedule P) include Managerial Remuneration*

(Amount in Rs.)

	Year Ended March 31, 2007	Year Ended March 31, 2006
Salary	4,80,000	480,000
Contribution to Provident Fund and Other Perquisites (including commission)	616,658	103,441
<b>Total</b>	<b>1,096,658</b>	<b>583,441</b>

## SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

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

(Amount in Rs.)

	March 31, 2007
Profit before Tax as per Profit and Loss account	1,102,048,336
Add: Depreciation as per books of accounts	148,103,847
Remuneration to directors	1,096,658
	<b>1,251,248,841</b>
Less: Depreciation as per Sec 350 of Companies Act, 1956	148,103,847
Net Profit in accordance with Section 349 of Companies Act, 1956	<b>1,103,144,994</b>
Maximum Managerial Remuneration permissible	<b>52,530,714</b>
<b>Total Remuneration restricted to</b>	<b>1,096,658</b>

## 13. Additional information pursuant to the provisions of paragraph 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, 2007	Year Ended March 31, 2006
Cement	MT	1,400,000 (p.a.)	1,621,902	1,468,688

## (b) Particulars of Stocks and Sales

Cement and Clinker	Opening stock		Sales		Closing stock	
	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)
Year ended March 31, 2007	4,546	7,321,655	1,601,589	5,633,653,795	15,580	28,355,801
Year ended March 31, 2006	7,828	1,3314,507	1,471,464	3,803,141,613	4,546	7,321,655

**Note:** Sales does not include 8,764 MT used for captive consumption. Closing stock excludes excesses/shortages including damaged stocks.

## SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

## (c) Details of Raw Materials Consumed

	Year Ended March 31, 2007		Year Ended March 31, 2006	
	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)
Limestone/ Shale	1,825,069	48,133,247	1,656,632	39,521,902
Gypsum / Carbon Black	70,809	61,818,412	70,307	48,595,056
Iron ore/Mill Scale/Slag	38,210	13,285,092	31,478	10,201,323
Laterite/ Bauxite/ Dolomite	53,135	26,596,657	56,758	19,913,387
Fly Ash	277,955	116,893,029	220,964	73,548,913
Total		266,726,437		191,780,581

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

## Raw Materials

	Year Ended March 31, 2007		Year Ended March 31, 2006	
	(Rs.)	Per cent	(Rs.)	Per cent
Imports	–	–	–	–
Indigenous	266,726,437	100.00	191,780,581	100.00
Total	266,726,437	100.00	191,780,581	100.00

## Stores and Spares

	Year Ended March 31, 2007		Year Ended March 31, 2006	
	(Rs.)	Per cent	(Rs.)	Per cent
Imports	2,795,717	2.73	–	–
Indigenous	99,573,680	97.37	108,162,524	100.00
Total	102,369,397	100.00	108,162,524	100.00

## (e) CIF Value of Imports

	Year Ended March 31, 2007 (Rs.)	Year Ended March 31, 2006 (Rs.)
Stores and spare parts	2,795,717	–
Capital goods	1,432,549	–
Coal	201,413,133	41,914,705

**SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT****(f) Expenditure in Foreign Currency**

	<b>Year Ended March 31, 2007 (Rs.)</b>	Year Ended March 31, 2006 (Rs.)
Travel and related expenses	<b>236,000</b>	–

**14. Capital work-in-progress includes the following indirect expenses in relation to Project expansion:**

(Amount in Rs.)

<b>Particulars</b>	<b>As at March 31, 2007</b>	As at March 31, 2006
Rent	<b>200,000</b>	–
Salaries and wages	<b>3,413,199</b>	–
Traveling and Conveyance	<b>1,547,126</b>	–
Communication expenses	<b>99,790</b>	–
Interest and Finance Charges	<b>25,499,537</b>	–
Administration expenses	<b>77,521</b>	–
<b>Total</b>	<b>31,039,046</b>	–

**15. Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current 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

01

Registration No.    3 1 6 3 1Balance sheet Date  3  1 -  0  3 -  0  7  
Date Month Year

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

Public Issue     N I L Right Issue     N I LBonus Issue     N I L Private Placement  2 4 0 0 0 0

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

Total Liabilities  3  6  4  7  8  2  3 Total Assets  3  6  4  7  8  2  3

#### SOURCES OF FUNDS

Paid-up Capital  2  0  8  0  0  0 Reserves & Surplus  1  3  0  5  1  9  5Secured Loans  1  6  1  9  8  3  9 Unsecured Loans  5  1  4  7  8  8Deferred Tax Liability     N I L

#### APPLICATION OF FUNDS

Net Fixed Assets  2  7  6  3  6  4  0 Investments    1  6  0  9  4Net Current Assets  8  6  8  0  8  8 Misc. Expenditure     N I LDeferred Tax Asset (Net)     N I L Accumulated Losses     N I L

#### IV Performance of Company (Rs in Thousands)

Turnover  4  9  5  4  7  6  0 Total Expenditure  3  8  5  2  7  1  2Profit/(Loss)  1  1  0  2  0  4  8 Profit / (loss)  1  0  0  4  9  8  7

Before Tax After Tax

Earning/(Loss)  5  2 .  5  1 Dividend Rate %  N I L

per Share in Rs.

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

Item Code No.

(ITC Code)  2  5  2  3  2  9 .  0  1 Product Description  C  E  M  E  N  T

On behalf of the Board

N. Radhakrishna Reddy

Chairman

N. Jagan Mohan Reddy

Managing Director

Place: Hyderabad

Date : 05.06.2007

G.R. Kumar

C.G.M. (Finance &amp; Accounts)

## ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) MANDATE FORM FOR PAYMENT OF DIVIDEND

To,  
M/s. Aarathi Consultants Private Limited  
(Unit: Rain Commodities Limited),  
H.No.1-2-285, Domalguda,  
Hyderabad-500 029.

Shareholder's authorisation to receive dividends through Electronic Credit Clearing Mechanism.

Registered Folio No. :	ECS Ref. No. : (for Office use only)
Name of the first/sole shareholder	
Bank Name	
Branch Address & Telephone No. of Branch	
Bank Account Number (As appearing on the Cheque Books)	
9 digit code number of the Bank and Branch appearing on the MICR cheque issued by the Bank. (Please attach a blank cancelled cheque, or a photocopy(xerox copy) of a cheque issued to you by your Bank, for verification of the above particulars)	
Account Type (Please tick the option)	<input type="checkbox"/> Savings <input type="checkbox"/> Current <input type="checkbox"/> Cash Credit
Bank Account Ledger Folio No. (If any)	
Effective date of this mandate	

I hereby, declare that the particulars given above are correct and complete. If the payment transaction is delayed or not effected at all for any reasons, including but not limited to incomplete or incorrect information, I will not hold Messrs. Rain Commodities Limited responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

I, further undertake to inform the Company of any subsequent change(s) in the above particulars.

Place : \_\_\_\_\_ Name of First Holder : \_\_\_\_\_

Date : \_\_\_\_\_ Signature of First Holder : \_\_\_\_\_

Note:

1. Please fill in the information in CAPITAL LETTERS in ENGLISH ONLY.
2. In case of shareholders holding the equity shares in demat form, the shareholders are requested to provide details to their respective Depository participants. Shareholders are also requested to note that changes, if any, intimated by the Demat Account holders directly to the Company will not be considered.



**RAIN COMMODITIES LIMITED**

(Formerly Priyadarshini Cement Limited)

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

**ATTENDANCE SLIP**

**32nd Annual General Meeting, 3rd August, 2007 at 11:00 A.M.**

<b>Regd. Folio No.</b>		<b>* DP ID:</b>	
<b>No. of Shares held</b>		<b>* Client ID:</b>	

Name of the Shareholder	
Name of Proxy	

I/We hereby record my / our presence at the 32nd Annual General Meeting of the members of the Company held on Friday, the 3rd day of August, 2007 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: Rain Center, 34, Srinagar Colony, Hyderabad-500 073, Andhra Pradesh

**PROXY FORM**

<b>Regd. Folio No.</b>		<b>* DP ID:</b>	
<b>No. of Shares held</b>		<b>* Client ID:</b>	

I/We ..... of..... being a member/ members of **RAIN COMMODITIES LIMITED** hereby appoint.....of .....or failing him .....of.....as my/our proxy to attend and vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Members of the Company to be held on Friday, the 3rd day of August, 2007 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 ..... 2007.

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.

