



37th Annual Report 2011

BOARD OF DIRECTORS

Mr. N.Radhakrishna Reddy	Chairman
Mr. N.Jagan Mohan Reddy	Managing Director
Mr. N. Sujith Kumar Reddy	Director
Mr. Dipankar Basu	Independent Director
Mr. S L Rao	Independent Director
Mr. H L Zutshi	Independent Director
Mr. E.S. Ravisekar	Nominee Director, IDBI Bank Limited
Mr. Yogesh Rastogi	Nominee Director, ICICI Bank Limited
Mr. G. Krishna Prasad	Independent Director

CFO

Mr. T. Srinivasa Rao

VICE PRESIDENT (F & A)

Mr. G. N. V. S. R. R. Kumar

COMPANY SECRETARY

Mr. S. Venkat Ramana Reddy

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells,
Chartered Accountants,
1-8-384 & 385, 3rd Floor,
Gowra Grand, S.P. Road,
Secunderabad - 500 003, A.P.

INTERNAL AUDITORS

M/s. Ernst & Young Pvt. Ltd,
The Oval Office,
18, iLabs Center, Madhapur,
Hyderabad - 500 081, A.P.

BANKS

IDBI Bank Limited
Citibank
ICICI Bank Limited
Indian Bank

REGISTERED OFFICE

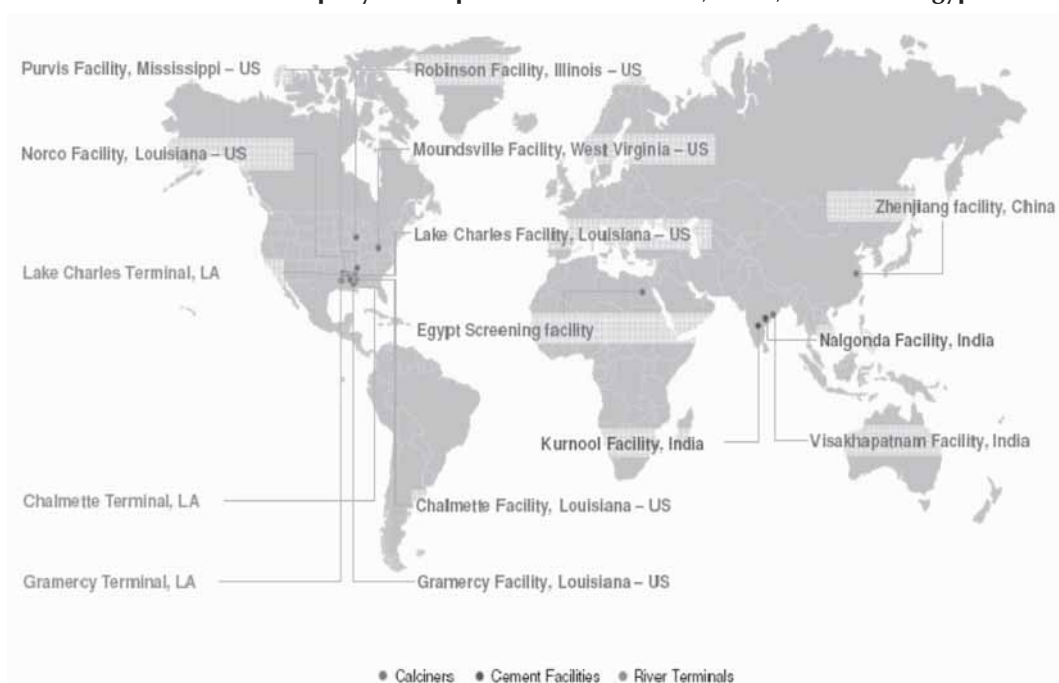
"Rain Center",
34, Srinagar Colony,
Hyderabad-500 073,
Andhra Pradesh, India.
Phone No. 040-40401234
Fax No. 040-40401214
Email: secretarial@priyacement.com

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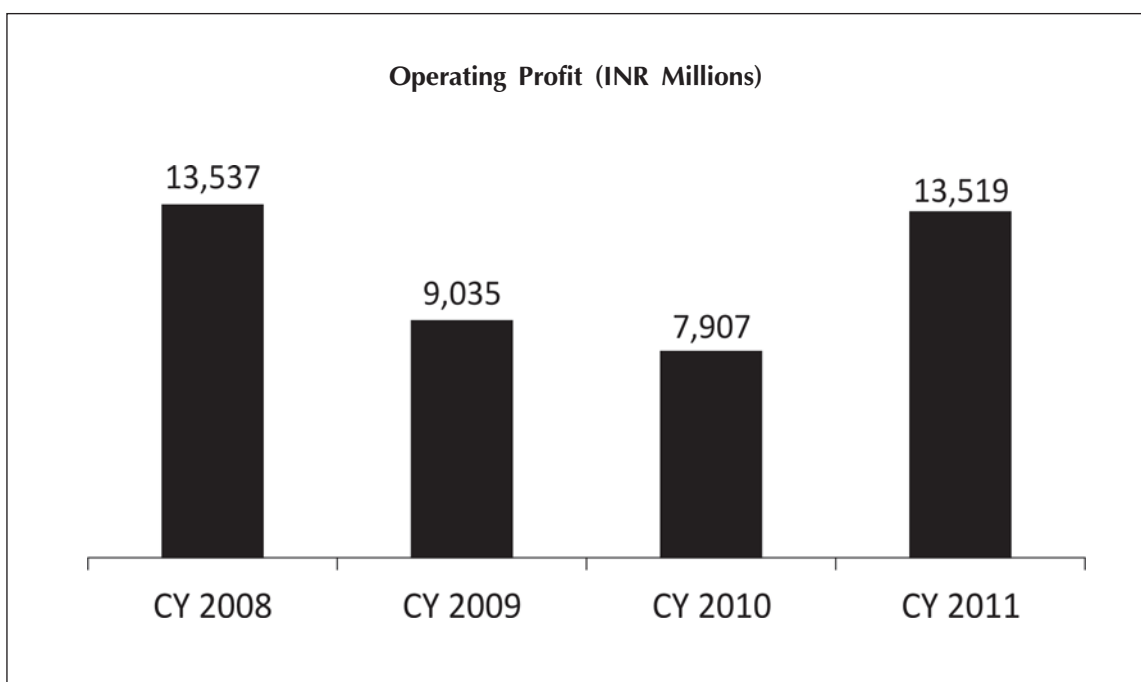
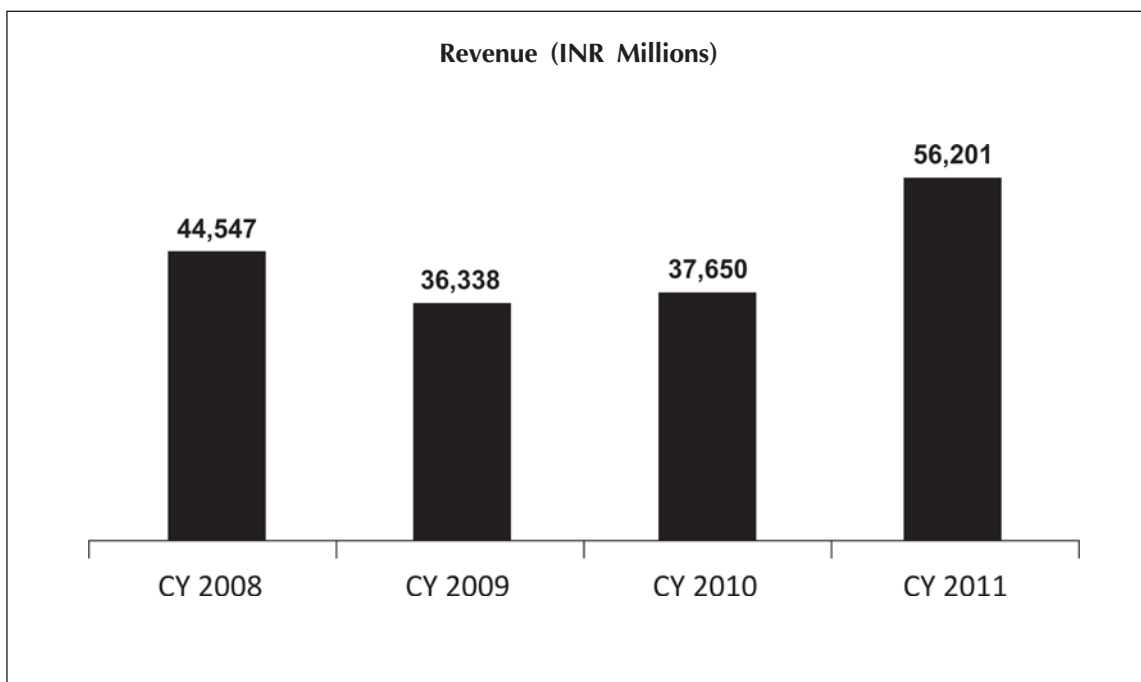
Rain Commodities Limited is a leading producer of Calcined Petroleum Coke, with further diversification into production of Cement, Co-generation of Energy through Waste-heat Recovery and trading in Fuel Grade Petroleum Coke

Business Vertical	Description of Business
Carbon Products Business	<p>Calcined Petroleum Coke:</p> <ul style="list-style-type: none"> Production and sale of Calcined Petroleum Coke ("CPC") Activities across the Globe with nine operating plants in the USA, India and China, with a market share of about 9% of Global CPC Industry. <p>Co-generation of Energy through Waste-heat Recovery:</p> <ul style="list-style-type: none"> Co-generation of Energy (Steam and/or Electricity) through Waste-heat recovery at four of the existing CPC plants (three in the USA and one in India) Further, a Waste-heat recovery facility at Lake Charles, Louisiana CPC plant is under development. This facility is expected to be operational from Q4 of 2012 <p>Trading in Petroleum Coke:</p> <ul style="list-style-type: none"> Trading of Fuel Grade Green Petroleum Coke, with activities in India, USA, Europe and Africa
Cement Business	<ul style="list-style-type: none"> Production and Sale of Cement - Two Integrated Cement Plants in Andhra Pradesh with a Fly-ash Handling and Cement Packing Unit in Karnataka Activities spread across South India Marketed under the brand name "Priya Cement"

Rain is a Global Company with operations across USA, India, China and Egypt

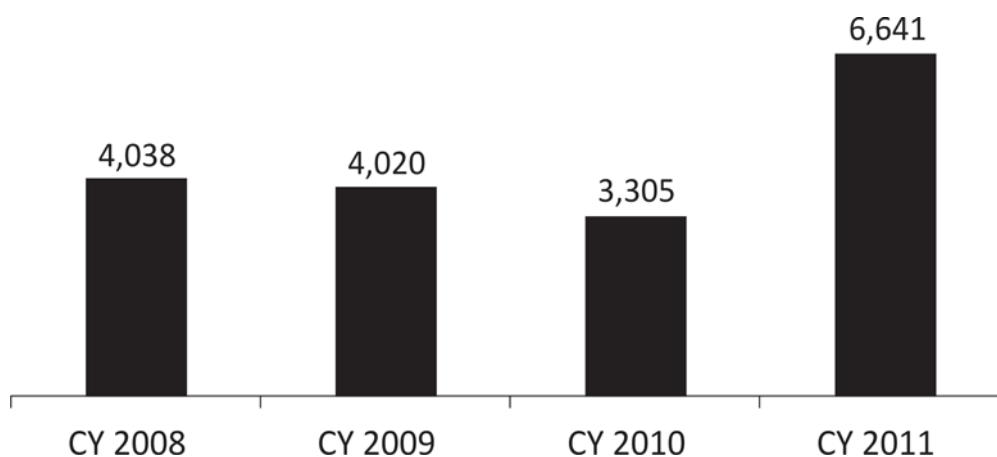
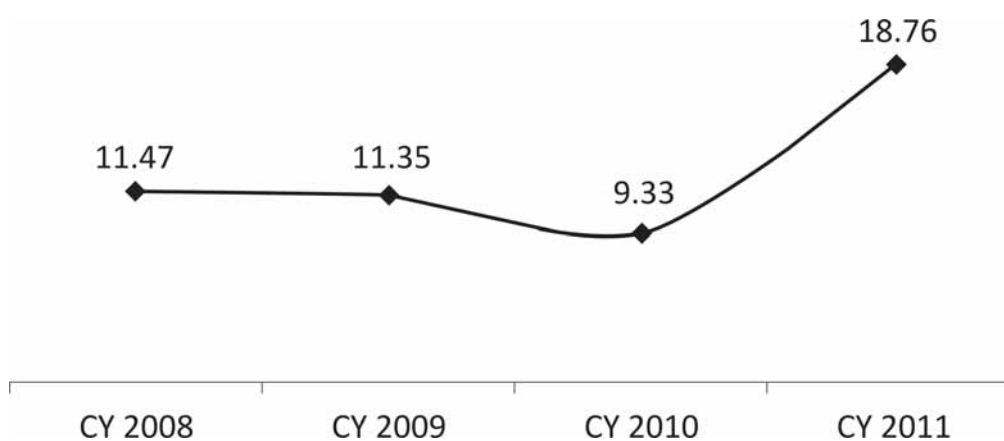


KEY FINANCIAL INDICATORS ON A CONSOLIDATED BASIS

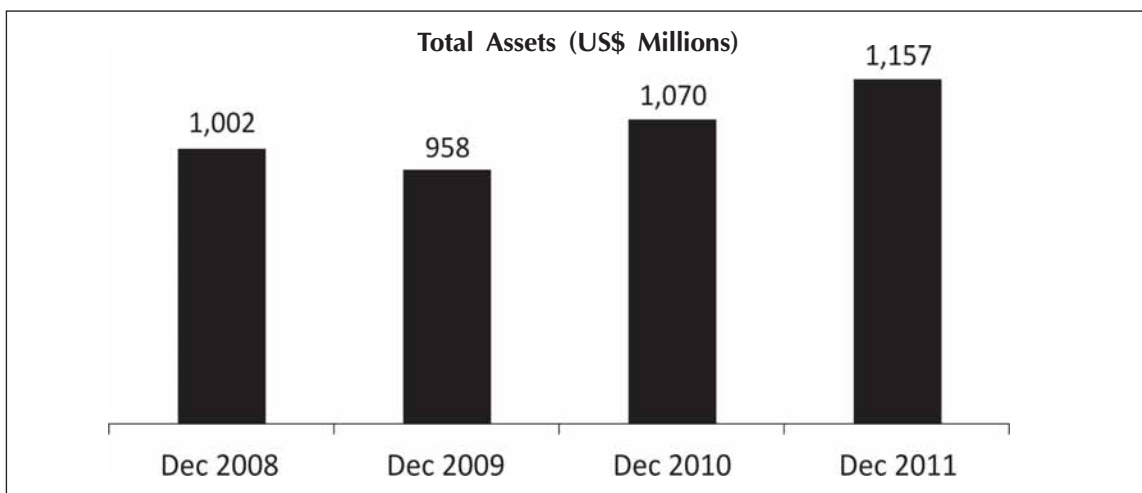
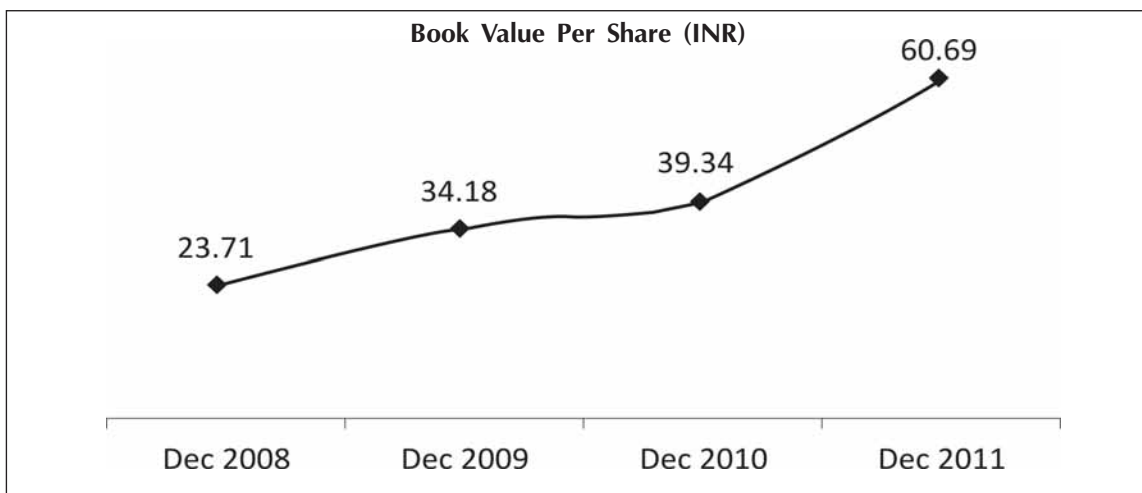
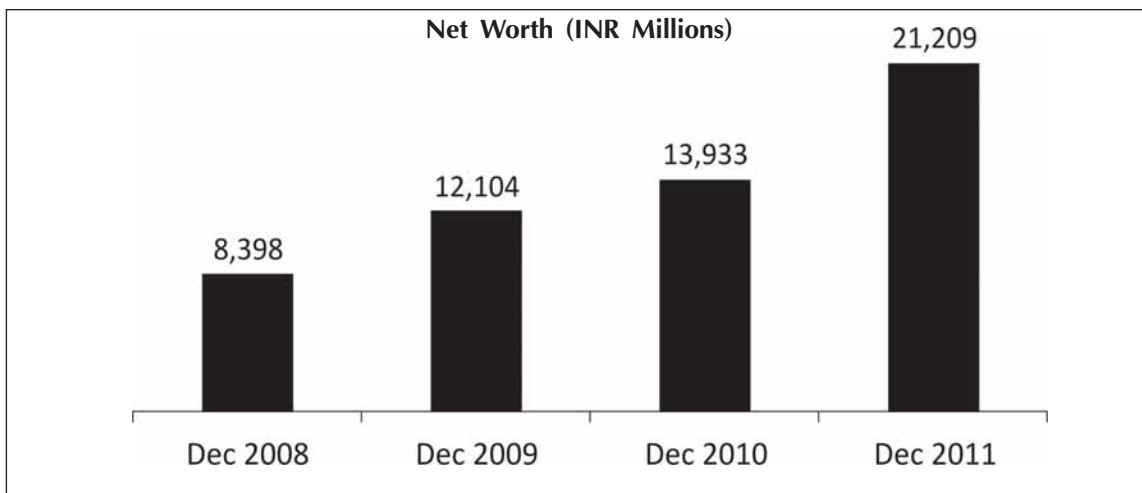


Notes:

- (1) Operating Profit is Profit before Depreciation, Interest, Taxation and Exceptional Items.
- (2) Previous period numbers are adjusted for foreign exchange (Gain) / Loss, due to the reclassification from Interest expense to Administrative, Selling and Other Expenses during the current financial year.

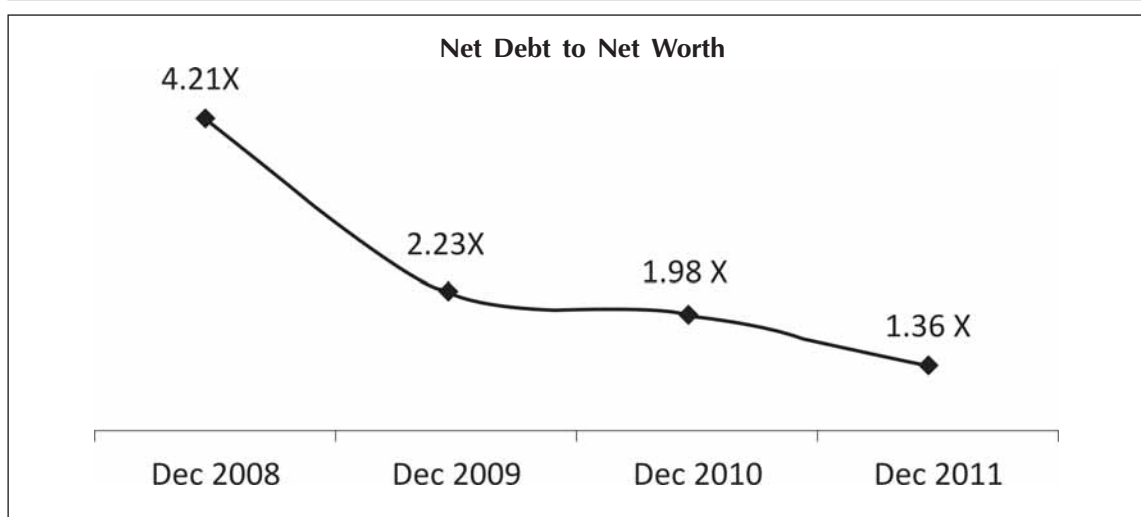
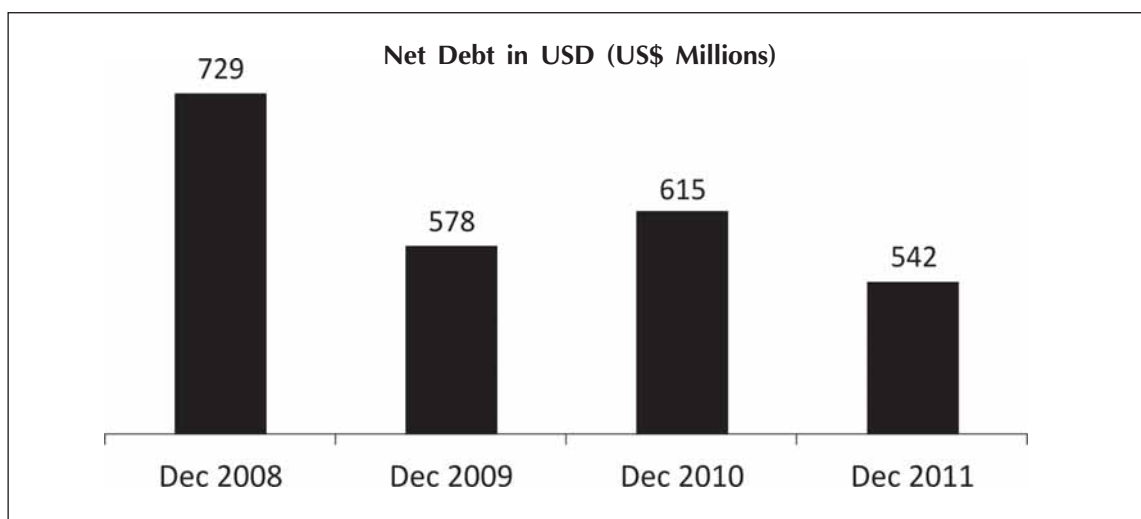
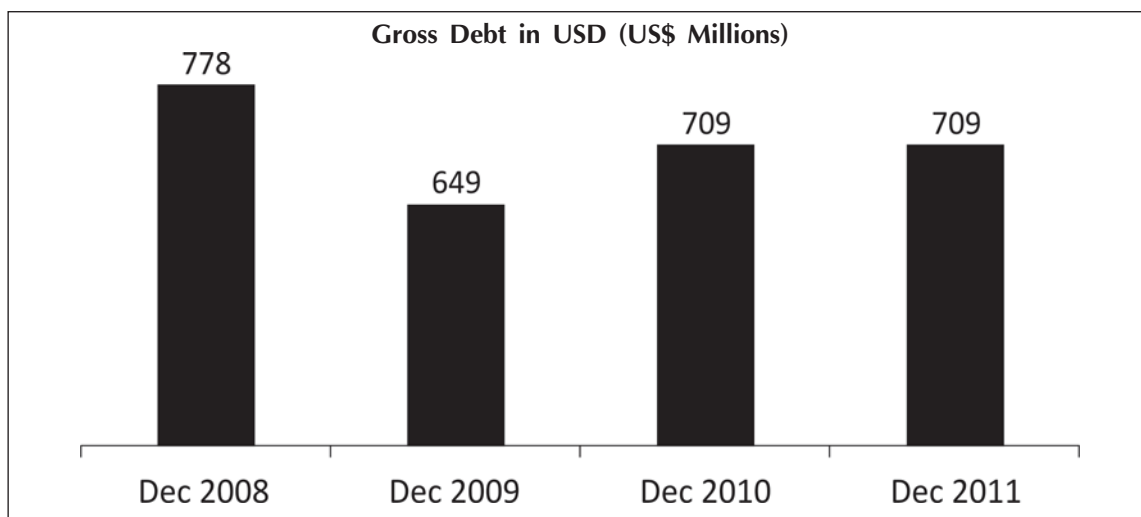
Adjusted Profit After Tax (INR Millions)

Adjusted Basic Earnings Per Share (EPS) (INR)

Note:

- (1) EPS of the previous periods have been recomputed to give effect to the share split (in the ratio of 1:5) in the current financial year.
- (2) Profit After Tax and Basic EPS of CY 2009 adjusted for exceptional profit of Rs. 513 Million (net of tax Rs. 418 Million) on sale of Investment in Petroleum Coke Industries Company, Kuwait.
- (3) Profit After Tax and Basic EPS of CY 2010 adjusted for net exceptional expenditure of Rs. 1,249 million (net of tax Rs. 898 Million).



Notes:

- (1) Book Value Per share of the previous periods have been recomputed to give effect to the share split (in the ratio of 1:5) in the current financial year.
- (2) Total Assets include Written Down Value of Fixed Assets, Investments and Net Current Assets.
- (3) As majority of the assets are in Dollar terms, we have converted the reported Indian Rupees into US Dollars applying the RBI's reference rate at the end of the respective financial years.



Notes:

- (1) As majority of the debt is in Dollar terms, we have converted the reported Indian Rupees into US Dollars applying the RBI's reference rate at the end of the respective financial years.

NOTICE

Notice is hereby given that the 37th Annual General Meeting of the Members of Rain Commodities Limited will be held on Wednesday, the April 25, 2012 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 December 31, 2011, Profit and Loss Account for the Financial Year ended on December 31, 2011 and reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the Financial Year ended on December 31, 2011.
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 a Director in place of Mr. G. Krishna Prasad, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants (ICAI Regn. No.008072S), as the Statutory Auditors of the Company to hold the office from the conclusion of this 37th Annual General Meeting until the conclusion of the 38th Annual General Meeting of the Company and to authorise the Board of Directors to fix the remuneration of Auditors.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. S.L. Rao, who was appointed as an Additional Director of the Company by the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and in respect of

whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation".

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

"RESOLVED THAT Mr. Dipankar Basu, who was appointed as an Additional Director of the Company by the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation".

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

"RESOLVED THAT Mr. H.L. Zutshi, who was appointed as an Additional Director of the Company by the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation".

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

Place: Hyderabad

Date :February 21, 2012

S. VENKAT RAMANA REDDY
COMPANY SECRETARY

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote instead of himself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 18th April, 2012 to 25th April, 2012 (both days inclusive).
3. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended March 31, 1999 has been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956 and the dividend for the financial year ended March 31, 2006 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the Investor Education and Protection Fund (IEPF) is given below:

Sl. No.	Name of the Company	For the Financial year ended	Percentage of Dividend	Date of Declaration	Due date for transfer to the Investor Education and Protection Fund
1	Rain Calcining Limited*	March 31, 2006	8%	September 29, 2006	October 29, 2013
2	Rain Calcining Limited*	March 31, 2007	10%	August 1, 2007	August 31, 2014
3	Rain Commodities Limited	March 31, 2007	35%	August 3, 2007	September 2, 2014
4	Rain Commodities Limited	December 31, 2007	28%	June 25, 2008	July 25, 2015
5	Rain Commodities Limited	December 31, 2008	37%	June 17, 2009	July 17, 2016
6	Rain Commodities Limited	December 31, 2009	37%	June 7, 2010	July 7, 2017
7	Rain Commodities Limited	December 31, 2010	46%	May 12, 2011	June 11, 2018

* Rain Calcining Limited is amalgamated with the Company.

The Shareholders who have not encashed the dividend warrant(s) so far for the Financial Year ended March 31, 2006 and March 31, 2007 of Rain Calcining Limited and in case of the Company for the Financial Year ended March 31, 2007, December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010 are requested to make their claim to the Secretarial Department, Rain Commodities Limited, Rain Center, 34, Srinagar colony, Hyderabad - 500073, Andhra Pradesh, India.

4. Dividend on equity shares @ 55% on the paid up Equity share capital i.e., Rs.1.10 per Equity Share as recommended by the Board of Directors, if declared by the Shareholders at the 37th Annual General Meeting, will be paid to those shareholders whose names appear on the Register of Members of the Company as on April 18, 2012 and also to the Beneficial Owners of equity shares held in electronic form as per the details furnished by the Depositories for this purpose as on the close of business hours on April 17, 2012.
5. The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs have made it mandatory for all the Listed Companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment etc.

In view of the above:

- (i) Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete ECS form attached to this Annual Report and forward the same to the Company's Registrar and Share Transfer Agent.
- (ii) Shareholders holding shares in Dematerialized Form are requested to provide the Bank details to their Depository Participants for incorporation in their records.

The Depository in turn would forward the required information to the Company.

- 6. The above information should be made available to the Company's Registrars M/s. Karvy Computershare Private Limited, (Unit: Rain Commodities Limited), Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India on or before April 18, 2012.
- 7. The Company's equity shares are Listed at (i) Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001, (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, Bandra (East), Mumbai - 400051 and (iii) The Delhi Stock Exchange Limited, DSE House, 3/1 Asaf Ali Road, New Delhi - 110002 and the Company has paid the Annual Listing Fees to the said Stock Exchanges for the year 2011-12.
- 8. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Share Transfer Agent at *Karvy Computershare Private Limited (Unit: Rain Commodities Limited), Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India.*

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

Place: Hyderabad
Date : February 21, 2012

S. VENKAT RAMANA REDDY
COMPANY SECRETARY

EXPLANATORY STATEMENT

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

ITEM NO.6

Mr. S L Rao was appointed as the Additional Director of the Company by the Board of Directors at its meeting held on May 13, 2011 and his term of Office expires with the conclusion of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act). A Notice under Section 257 of the Act, proposing the appointment of Mr. S L Rao as a Director, liable for retirement by rotation, has been received from a member together with the requisite deposit.

Mr. S L Rao aged about 76 Years, is presently a columnist in the "Deccan Herald" (Bangalore), "Financial Express" and the "Telegraph" (Calcutta), Distinguished Fellow, Emeritus, The Energy and Resources Institute, (TERI). He is an economist by training and has worked as a professional manager for 28 years in marketing and general management positions in multi-national companies and as an independent management consultant for five years. He has taught management for many years as visiting faculty in major Indian business schools and was Executive Chairman, National Management Programme (1987-1990). He was Director-General of NCAER (National Council of Applied Economic Research) from 1990 to 1996. From 1998 to 2001 as the first Chairman of the Central Electricity Regulatory Commission he established it as an expert and independent agency.

He was Chairman of the Institute for Social and Economic Change, Bangalore, (2004 to 2010), President, All India Management Association, (1985-86), Vice-President, People's Union for Civil Liberties, Tamil Nadu, (1976-1979).

He has written or edited fifteen books, many papers and hundreds of articles. His latest book is "Powering India - A decade of Policies and Regulation". Among his earlier books are From Servants to Masters? The Evolution of Professional Management in India (2007), Successful Negotiation (1994), Indian Market Demographics-the consuming classes (1996), Elephants Can't Dance- Managing in a Reforming Economy (2001), Management Education (for AIMA), 2005, and Governing Power (2004).

He is presently on the Boards of Directors of Global Trustcapital Finance Private Limited, Honeywell

Automation India Limited, Kanoria Chemicals & Industries Limited, Reliance Infrastructure Limited, Reliance Power Limited, Insight Alpha Research & Solutions Pvt Ltd and Rain CII Carbon (Vizag) Limited, IIM Lucknow, and not-for-profit organizations (like Aga Khan Foundation of India, Dakshinachitra (Crafts Museum, Chennai), and Bangalore International Centre).

Mr. S. L. Rao do not hold any Equity Shares in the Company.

Mr. S. L. Rao is not relative of any Director of the Company.

Except Mr. S. L. Rao, no other Director is concerned or interested in this resolution.

The Board of Directors recommends the resolution for approval of the members.

ITEM NO.7

Mr. Dipankar Basu (76 years) was appointed as the Additional Director of the Company by the Board of Directors at its meeting held on July 29, 2011 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. Dipankar Basu as a Director, liable for retirement by rotation has been received from a member together with the requisite deposit.

Mr. Dipankar Basu is the non-executive Chairman of STCI Finance Limited. He is also on the Boards of several other companies in India. Mr. Basu was previously the Chairman of State Bank of India until his retirement in August 1995. While serving as Chairman of State Bank of India, he served concurrently on the Boards of a number of SBI subsidiaries including those engaged in investment banking and fund management. Between 1996 and 1999, Mr. Basu served as a member of the Disinvestment Commission set up to advise the Government of India on public sector disinvestments. During 1997-98, Mr. Basu was a member of the Narasimham Committee on Banking Sector Reforms. Mr. Basu brings with him long experience and specialized knowledge of financial markets in India. He has also several years of Board level experience in companies engaged in a wide spectrum of businesses - both financial and non-financial. He is on the Boards of

STCI Finance Limited, Chambal Fertilisers & Chemicals Ltd, The Peerless General Finance & Inv. Co. Ltd, SBI Cards and Payment Services Pvt Ltd, Asian Paints Ltd, Deepak Fertilisers & Petrochemicals Corp. Ltd, STCI Primary Dealer Limited, Peerless Securities Limited and Rain CII Carbon (Vizag) Limited. Mr. Basu received his Master of Arts (Economics) from Delhi University.

Mr. Dipankar Basu holds 140 Equity Shares in the Company.

Mr. Dipankar Basu is not relative of any Director of the Company.

Except Mr. Dipankar Basu, no other Director is concerned or interested in this resolution.

The Board of Directors recommends the resolution for approval of the members.

ITEM NO.8

Mr. H L Zutshi (69 years) was appointed as the Additional Director of the Company by the Board of Directors at its meeting held on July 29, 2011 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. H L Zutshi as a Director, liable for retirement by rotation, has been received from a member together with the requisite deposit.

Mr. H.L.Zutshi was the Chairman & Managing Director of Hindustan Petroleum Corporation Ltd (HPCL). HPCL is engaged in petroleum refining, marketing and exploration activities and has an annual turn over of USD 20 billion. He retired from HPCL in May 2002. HPCL was the successor company of ExxonMobil in India, after the latter's activities was taken over by the Government of India in 1974.

During his tenure as CMD of HPCL, Mr. Zutshi was also the Chairman of Mangalore Refineries and Petrochemicals Ltd(MRPL) a joint venture company between Aditya Birla Group of companies and HPCL, South Asia LPG Ltd (a JV between HPCL and TOTAL FINA ELF of France), HINCOL (a JV between COLAS SA of France and HPCL) and an

Exploration & Production company called Prize Petroleum (JV between HPCL, HDFC, ICICI and TDFC).

He was a member of the Government of India appointed expert Sub-Committee for developing a policy paper on deregulation etc, which provided inputs for the Hydro Carbon Vision 2025.

He was formerly Chairman of the Petroleum, Coal, Fertilizer and related products Division Council of Bureau of Indian Standards (BIS), New Delhi, Convenor of the Financial Services Sector task force of the Department of Public Enterprises, which fixes annual performance targets of the Financial Services PSU's and Advisor- Energy & Hydrocarbon to Mittal S.a.r.l, Luxomberg. He is the Chairman and Managing Trustee of the Energy Research and Social Advancement Foundation, New Delhi.He is on the Board of MMTC Limited, Deepwater Drilling & Industries Limited, Saurashtra Chemicals Limited, Jaguar Overseas Limited and Rain CII Carbon (Vizag) Limited.

Mr. Zutshi has a brilliant academic record. He is an Honors Graduate in Mechanical Engineering and was trained in Management at the Administrative Staff College (Hyderabad), Indian Institute of Management (Ahmedabad) and Templeton College, Oxford University, UK.

Mr. H L Zutshi do not hold any Equity Shares in the Company.

Mr. H L Zutshi is not relative of any Director of the Company.

Except Mr. H L Zutshi, no other Director is concerned or interested in this resolution.

The Board of Directors recommends the resolution for approval of the members.

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

Place: Hyderabad

Date :February 21, 2012

S. VENKAT RAMANA REDDY
COMPANY SECRETARY

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 37th Annual Report and the Audited Financial Statements for the Financial Year ended December 31, 2011.

FINANCIAL RESULTS

A) STANDALONE:

The Standalone performance for the Financial Year ended December 31, 2011 is as under:

	(Rs. in thousands)	
PARTICULARS	December 31, 2011	December 31, 2010@
Net sales	2,395,445	3,324,826
Profit before interest, depreciation, exceptional item and taxation	457,916	465,324
Less: interest & finance charges	118,464	190,911
Profit before depreciation, exceptional item and taxation	339,452	274,413
Less: Depreciation	5,142	83,243
Profit before exceptional item and taxation	334,310	191,170
Less: Exceptional item	–	(1,994,989)
Profit /(Loss) before taxation	334,310	(1,803,819)
Less: Provision for taxation	39,574	56,536
Profit /(Loss) after taxation	294,736	(1,860,355)
Profit brought forward	1,229,617	3,436,745
Profit available for appropriation	1,524,353	1,576,390
Appropriations:		
Transfer to general reserve	29,474	–
Transfer to capital redemption reserve	9,379	–
Proposed dividend	380,242	325,839
Tax on dividend	23,214	20,934
Surplus carried to balance sheet	1,082,044	1,229,617

@ Consequent to the approval of the Hon'ble High Court of Andhra Pradesh to the Scheme of Arrangement, the Cement business of the Company is transferred to Rain Cements Limited, a wholly owned subsidiary Company with effect from April 1, 2010. Hence, the figures for the current Financial Year ended December 31, 2011 are not comparable with the figures of the previous Financial Year ended December 31, 2010.

B) CONSOLIDATED :

The Consolidated performance for the Financial Year ended December 31, 2011 is as under:

	(Rs. in thousands)	
PARTICULARS	December 31, 2011	December 31, 2010
Net sales	56,201,065	37,649,667
Profit before interest, depreciation, exceptional item and taxation	13,518,735	7,906,875
Less: interest & finance charges	2,316,731	2,123,005
Profit before depreciation, exceptional item and Taxation	11,202,004	5,783,870
Less: Depreciation and amortisation	1,129,391	1,156,847
Profit before exceptional item and taxation	10,072,613	4,627,023
Less: Exceptional items	–	(1,249,392)
Profit before taxation	10,072,613	3,377,631
Less: Provision for taxation	3,425,533	950,920
Profit after Taxation before minority interests	6,647,080	2,426,711
Less: Minority interests	(5,832)	(19,543)
Profit after taxation	6,641,248	2,407,168
Profit brought forward	10,944,397	8,715,575
Add: Adjustment on account of:		
- Receipt of Dividend (including tax thereon) from subsidiary	–	227,632
Profit available for appropriation	17,585,645	11,350,375
Appropriations:		
Transfer to general reserve	149,908	–
Transfer to capital redemption reserve	9,379	–
Proposed dividend	380,242	351,860
Tax on dividend	61,895	54,118
Reversal of Dividend proposed in earlier year	(26,021)	–
Surplus carried to balance sheet	17,010,242	10,944,397

OPERATIONS

During the period under review, the Company has achieved net sales of Rs. 2,395,445 (in thousands) and net profit of Rs. 294,736 (in thousands) on a standalone basis. During the same period, the Company has achieved net sales of Rs. 56,201,065 (in thousands) and net profit of Rs. 6,641,248 (in thousands) on a consolidated basis.

OVERVIEW OF CARBON PRODUCTS BUSINESS

Rain Commodities Limited, through its wholly owned subsidiaries engaged in the business of production and sale of Calcined Petroleum Coke ("CPC"), co-generation of Energy (Steam and/or Electricity) through Waste-heat recovery and trading of Fuel Grade Green Petroleum Coke.

Rain Group is currently operating seven CPC plants in United States, one CPC plant in India and one CPC plant in China. Rain Group is one of the leading producers of CPC in the World with a Global market share of about 9%.

Rain Group is well known for its ability to co-generate Energy from the waste heat recovered in the calcining process. Currently Rain Group is co-generating Energy at three of its CPC plants in the United States and one CPC plant in India.

Further, the waste heat recovery facility, set up during 2005, in India is certified as a project under Clean Development Mechanism by United Nations Framework Convention on Climate Change ("UNFCCC") and is eligible to receive 164,677 Carbon Emission Reductions ("CERs") per annum up to July 2017.

Rain Group also owns and operates three captive deep-water shipping terminals at its CPC plants in the United States and also operates two full-service petroleum coke laboratories.

The Group has recorded net revenue of Rs. 47,528,071 (in thousands) from the Carbon Products Business during the financial year ended December 31, 2011 as compared to net revenue of Rs. 30,485,272 (in thousands) during the year ended December 31, 2010.

OUTLOOK FOR CALCINED PETROLEUM COKE ("CPC") INDUSTRY

Calcined Petroleum Coke is produced from Green Petroleum Coke ("GPC"), a byproduct of Crude Oil Refining. CPC is an essential component of carbon anode for the Aluminum industry and is also used as a source of carbon for the Titanium Dioxide and Steel industries. Aluminum Industry, which contributes about 82% of total world demand for CPC, was growing at about 5% per annum globally in the past ten years. During 2011, Aluminum industry has witnessed healthy growth of 10%.

The demand growth is expected to continue in 2012, but at a slower rate of 6%, due to the persistent sovereign debt crisis in Europe which has resulted in negative market sentiment. However, the long term growth expectation of Aluminum consumption is still robust with about 6% Compounded Annual Growth Rate (CAGR) between 2012 and 2016.

The performance of Rain Commodities, being one of the leading producers of CPC with operating facilities in United States, India, China and Africa is expected to be reasonably strong with improved demand from the growing Aluminum industry and the long term relationship

with both the Aluminum Smelters and the Crude Oil Refineries.

OVERVIEW OF CEMENT BUSINESS

Rain Commodities Limited, through its wholly owned subsidiary engaged in the business of production and sale of Cement.

Rain Group is operating two fully integrated Cement plants with an aggregate installed capacity of 2,900,000 tons per annum in the state of Andhra Pradesh and one Fly Ash Handling and Cement Packing facility in the state of Karnataka.

Rain Group through its vast chain of dealer network sells Cement, under the brand name "**Priya Cement**", in the states of Andhra Pradesh, Tamilnadu and Karnataka.

OUTLOOK FOR CEMENT INDUSTRY

The Indian Cement industry has witnessed massive capacity additions of over 120 Million tons during the past four years which has resulted in significant pressure on price realization and also capacity utilizations. During 2010 the average national gross Cement prices were corrected by about 14% between April and August, the decline in price was even higher in the Southern Region that witnessed majority of the added capacity, mostly due to the large lime-stone reserves and the strong demand growth over the past few years. Driven by renewed demand and seasonal factors, prices have started recovering from October 2010 from those exaggerated lows. The rise in input costs and moderate increase in demand has helped the prices to sustain through 2011.

The increased thrust on infrastructure development by Government of India and the projected growth in the housing sector coupled with the increasing per capita income is expected to provide support to the cement prices and hedge against the transitory oversupply situation. With the initiatives taken by the Government of India for infrastructure development, Cement demand is expected to rise marginally in 2012. The irrigation and housing projects initiated by the Government of Andhra Pradesh, although temporarily going on a slower pace, are expected to increase the demand for cement in the State of Andhra Pradesh, where the Company sells a major portion of its production. The management expects that the supply demand gap would narrow down in the next

couple of years, as there are no major capacity expansions post Financial Year 2013.

Considering these market conditions, the management continues to concentrate on controlling costs, including (i) reduction in the cost of fuel with increased use of domestic coal, during 2011; (ii) optimizing the freight cost by setting up Fly Ash Handling and Cement Packing facility at Bellary in the state of Karnataka, and (iii) reduction in the interest cost by accelerating the pre-payment of debt and by optimizing the working capital.

DIVIDEND

The Board of Directors of the Company have recommended a Dividend @ 55% on the Paid up Equity Share Capital of the Company, i.e., Rs.1.10 per Equity Share for the financial year ended December 31, 2011.

SUB-DIVISION OF EQUITY SHARES

The Board of Directors at its meeting held on February 25, 2011 have recommended for sub-division of one Equity share of Rs. 10 (Face Value) into Five Equity Shares of Rs. 2 (Face Value) each.

The shareholders of the Company at its meeting held on May 12, 2011 have approved for sub-division of equity shares.

The Company has fixed June 16, 2011 as the record date to identify the shareholders eligible to receive sub-divided shares.

The Company has credited the equity shares to all the shareholders in electronic mode on June 17, 2011 who are holding equity shares in electronic mode (demat) and physical share certificates were also despatched to the shareholders who are holding equity shares in physical form.

BUYBACK OF EQUITY SHARES

The Board of Directors of the Company at its meeting held on October 25, 2011 approved the Buy-back of minimum of 6,000,000 equity shares and maximum of 10,000,000 Equity shares at a price not exceeding Rs. 41 per Equity Share for an amount not exceeding Rs. 350,000 (in thousands) from the open Market through Stock Exchange.

The Company has bought back 8,498,368 equity shares through electronic mode as on February 21, 2012 (the

date of Board Meeting at which the Directors Report is approved) and incurred an amount of Rs. 263,836 (in thousands) towards buy-back of shares.

LISTING OF EQUITY SHARES

The Company's Equity shares are listed at the following Stock Exchanges:

- (i) Bombay Stock Exchange Limited, Phirozejeejeebhoy Towers, Dalal Street, Mumbai-400 001;
- (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051; and
- (iii) The Delhi Stock Exchange Limited, DSE House, 3/1 Asaf Ali Road, New Delhi - 110002.

The Company has paid the Annual Listing Fees to the said Stock Exchanges for the financial year 2011-12.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs (MCA), New Delhi, vide its Circular No.51/12/2007-CL-III, dated 8th February, 2011 has granted general exemption from attaching the annual accounts of the Subsidiary Companies to the Annual Report of the Holding Company under Section 212(8) of the Companies Act, 1956.

Based on the circular, the Board of Directors at its meeting held on February 21, 2012 gave their consent for not attaching the Subsidiary Companies' Financial Statements, Auditors Report and Directors Report to the Annual Report of the Company for the Financial Year ended December 31, 2011.

Your Company will provide copies of the Annual Accounts of the Subsidiary Companies and other related information upon request by any member of your Company or its Subsidiary Companies. The Annual Accounts of the Subsidiary Companies are also kept at the registered office of the Company and the Subsidiary Companies, for inspection by any investor.

A statement of Rain Commodities Limited's interest in Subsidiary Companies, as required under Section 212 of the Companies Act, 1956, is enclosed.

The information of Subsidiary Companies as required to be disclosed as per the directions given by MCA is enclosed and forms part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

As prescribed by Accounting Standard 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 Cements Limited; Rain CII Carbon (Vizag) Limited; Renuka Cement Limited (formerly Birla Cement and Industries Limited); Rain Commodities (USA) Inc; Rain CII Carbon LLC, USA; Moonglow Company Business Inc, BVI; Rain Global Services LLC; Rain CII Carbon Mauritius Limited; CII Carbon Corp.; Zhenjiang Xin Tian Tansu Company Limited; Carbon Holdings USA, LLC; CPC Holdings USA, LLC; Rain Carbon USA, LLC; and RGS Egypt Limited.

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. Sujith Kumar Reddy and Mr. G. Krishna Prasad, Directors of the Company who retire by rotation and being eligible offer themselves for reappointment.

Mr. E.S. Ravisekar has been appointed as Nominee Director of IDBI Bank Limited in place of Mr. R.S. Vidya Sagar with effect from August 10, 2011.

Mr. S.L. Rao has been appointed as an Additional Director of the Company with effect from May 13, 2011.

Mr. Dipankar Basu and Mr. H.L. Zutshi were appointed as Additional Directors of the Company with effect from July 29, 2011.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting. They have expressed their willingness to accept appointment.

M/s. Deloitte Haskins & Sells, Chartered Accountants (ICAI Registration No.008072S) 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 December 31, 2011, the applicable accounting standards have been followed;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments 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 December 31, 2011 and of Profit and Loss Account of the Company for the period ended on December 31, 2011;
- (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; and
- (iv) That the Directors have prepared the Annual Accounts for the Financial Year ended December 31, 2011 on a going concern basis.

AUDITORS REPORT

There are no qualifications in Auditors Report.

AUDIT COMMITTEE

Audit Committee consists of the following Directors namely Mr. S.L.Rao, Chairman, Mr. Dipankar Basu, Member, Mr. H.L.Zutshi, Member, Mr. Yogesh Rastogi, Member, Mr. E S Ravisekar, Member and Mr. G. Krishna Prasad, Member.

All the members of the Audit Committee are independent Directors.

CORPORATE GOVERNANCE

A separate report on Corporate Governance and Management Discussion and Analysis is annexed as part

of the Annual Report along with the Auditor's Certificate on its compliance.

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

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility is commitment of the Company to improve the quality of life of the workforce and their families and also the community and society at large. The Company believes in undertaking business in such a way that it leads to overall development of all stake holders and Society.

Education

In order to provide better educational facilities, Rain Cements Limited, a wholly owned subsidiary is maintaining schools at plant location and imparting education in English medium. The school provides education from LKG to 10th Standard to the children of the employees and also the students of surrounding villages near the plant.

Health

In order to provide good health facilities, Rain Cements Limited, a wholly owned subsidiary is maintaining hospital at Plant locations. The hospitals provide medical treatment to the workers and their families and also people living in surrounding villages near the plant location.

Rain Cements Limited, a wholly owned subsidiary has ambulance service facilities at its plant locations and also conducts medical camps regularly.

Rain Cements Limited has also contributed Rs. 1,500 (in thousands) to Hrudaya Cure a little Heart Foundation.

Environment

The Company has taken initiatives to reduce the pollution. Anti-pollution measures taken by the Company help minimize the impact of industrial process on the environment.

Pragnya Priya Foundation

Pragnya Priya Foundation is established under section 25 of the Companies Act, 1956 as a Non-Profit Organisation to grant donations to poor and the needy for meeting expenditure of education, medical treatments and any other charitable purpose; to establish, run, support and grant aid or other financial assistance to schools, colleges, libraries, reading rooms, universities, laboratories, research and other institutions of the like nature in India.

The Company through its subsidiaries namely Rain Cements Limited and Rain CII Carbon (Vizag) Limited proposes to grant donation to said foundation for providing Scholarships to Economically Backward students as part of Corporate Social Responsibility.

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

N. Jagan Mohan Reddy
Managing Director

Place: Hyderabad

Date : February 21, 2012

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 financial year ended December 31, 2011.

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.

- N.A.-

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

FORM - A

Disclosure of particulars with respect to conservation of Energy

	Particulars	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010*
A.	Power and Fuel Consumption		
	1. ELECTRICITY		
	a) Purchased		
	➤ Units (Kwh)	N.A.	62,293,943
	➤ Total Cost (Rs.)	N.A.	253,281,168
	➤ Rate/Unit (Rs.)	N.A.	4.07
	b) Own Generation		
	i) Through diesel Generator		
	➤ Units (Kwh)	N.A.	199,955
	➤ Units per Litre of Furnace Oil/HSD (No)	N.A.	2.28
	➤ Cost/Unit (Rs.)	N.A.	11.18
	ii) Through Steam turbine/Generator		
	➤ Units (Kwh)	N.A.	Nil
	➤ Units per litre of fuel Oil / Gas	N.A.	Nil
	➤ Cost/Units (Rs.)	N.A.	Nil
	2 COAL		
	➤ Quantity (Tonnes)	N.A.	99,175
	➤ Total Cost (Rs.)	N.A.	349,920,839
	➤ Average Rate (Rs.)	N.A.	3528
	3 FURNACE OIL		
	➤ Quantity (Liters)	N.A.	80,155
	➤ Total Cost (Rs.)	N.A.	1,961,328
	➤ Average Rate (Rs.)	N.A.	24.47
	4 Other Fuels (HSD OIL & LUB OIL)		
	➤ Quantity (Liters)	N.A.	565,336
	➤ Total Cost (Rs.)	N.A.	23,563,641
	➤ Average Rate (Rs.)	N.A.	41.68
	5 Consumption per Metric tonne of Cement Production		
	➤ Production (Cement)	N.A.	707,641
	➤ Electricity (Kwh)	N.A.	87.88
	➤ Furnace Oil (Liters)	N.A.	0.11
	➤ Coal (%)	N.A.	14.01
	➤ HSD (Liters)	N.A.	0.80
B.	TECHNOLOGY ABSORPTION:		
	Efforts made in technology absorption as per Form B:		

* Note: As per the Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh on December 29, 2010, the Cement business that was being carried on by the Company is transferred to Rain Cements Limited, a wholly owned subsidiary with effect from April 1, 2010 (appointed date). Hence, the details given are for 3 months i.e., January 1, 2010 to March 31, 2010.

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 : N.A.
2. Benefits derived as a result of the above R & D. : N.A.
3. Future plan of action : N.A.
4. Expenditure on R&D : N.A.

TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : N.A.
2. Benefits derived as a result of the above efforts, e.g. Product development, import substitution, etc. : N.A.
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 : N.A.
 - a) Technology imported : N.A.
 - b) Year of Import : N.A.
 - c) Has Technology been fully absorbed : N.A.
 - d) If not fully absorbed, area where this has not taken place reasons there for and future plans of action : N.A.

C FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans : The Company is engaged in Trading in Green Petroleum Coke (GPC).

- b) Total foreign exchange used and earned : **(Rs. In thousands)**

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
(i) Foreign Exchange earned	2,71,746	14,23,899
(ii) Foreign Exchange Used	24,38,600	8,54,035

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

Place: Hyderabad
Date : February 21, 2012

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 Financial year ended December 31, 2011

Sl. No	Name of the Employee & (Age)	Designation/ Nature of Duty	Gross Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Particulars of last employment
1.	Mr. N. Jagan Mohan Reddy (44 years)	Managing Director	1,04,77,936	B.S.I.E. (U.S.A)	20 Years	10.08.1994	First Employment
2.	Mr. N. Sujith Kumar Reddy* (40 years)	Executive Director	8,72,143	B.Com	19 Years	22.03.1992	First Employment

* Mr. N. Sujith Kumar Reddy has resigned from the position of Executive Director but continues to be Director of the Company with effect from February 10, 2011.

Notes:

1. Gross Remuneration includes salary, taxable allowances, commission, value of perquisites as per the Income-tax Rules, 1962.
2. The nature of employment is contractual.
3. Mr. N. Jagan Mohan Reddy is brother of Mr. N. Sujith Kumar Reddy.

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

Place: Hyderabad

Date : February 21, 2012

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

MANAGEMENT DISCUSSION AND ANALYSIS

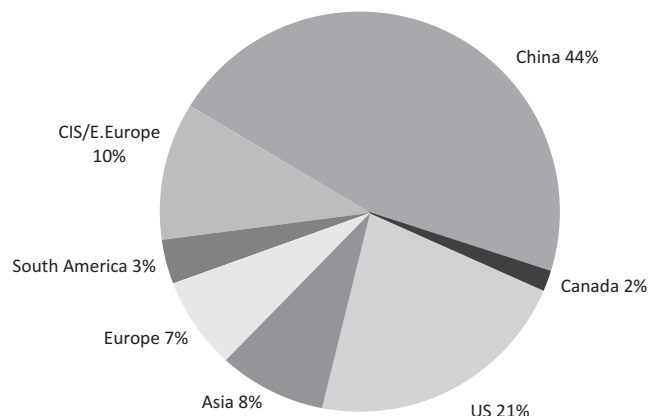
A) CALCINED PETROLEUM COKE ("CPC")

CPC INDUSTRY STRUCTURE AND DEVELOPMENT

Calcined Petroleum Coke is produced from Green Petroleum Coke ("GPC"), a byproduct of Crude Oil Refining. CPC is an essential component of carbon anode for the Aluminum industry and is also used as a source of carbon for the Titanium-Di-Oxide and Steel industries.

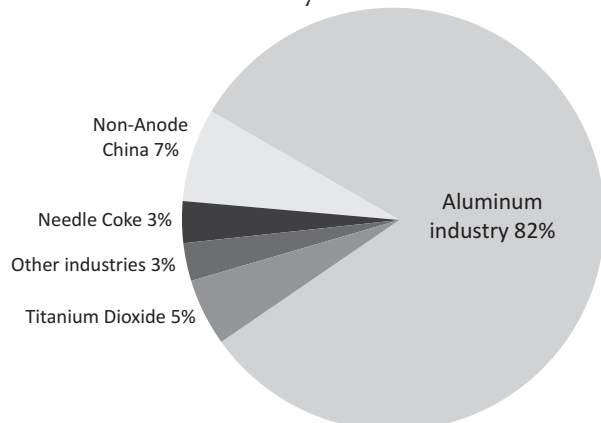
The World CPC capacity at the beginning of the year 2012 is estimated to be about 28 million tons, US and China accounts for approximately 65% of the total capacity.

World CPC Capacities



The growth in demand for CPC is primarily depend on the growth in production and demand for Aluminum, as about 82% of global CPC production is consumed by Aluminum industry for the production of pre-baked Carbon Anodes in the smelting process.

World CPC demand by end use

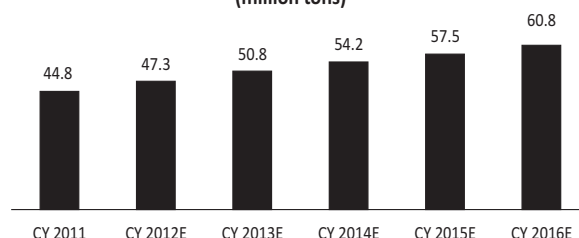


Source: Industry and Management

Aluminum is widely used throughout the world in the transportation, packaging and construction industries. Due to its features viz. light-weight, non-corrosive, high-strength, superior electric conductivity and recyclability, Aluminum will continue to find new and improved applications in the infrastructure, aerospace and defense industries.

Aluminum industry has witnessed healthy growth of about 10% during 2011. The growth in demand is expected to continue in 2012 but at a slower rate due to the persistent sovereign debt crisis in Europe which has resulted in negative market sentiment. However, the long term growth expectation of Aluminum consumption is still robust with about 6% Compounded Annual Growth Rate (CAGR) between 2012 and 2016.

World Aluminum Consumption Growth CY 2011 to CY 2016 (million tons)

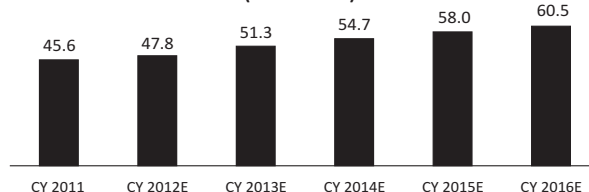


Source: Industry and Management Estimate

The year 2012 started off choppy with dip of Aluminum prices to around US\$ 2,000 and the stocks in LME reported at historical high level of over 5 Million tons and there have been announcements of productions curtailments by the smelters in response to dampening demand and high operating cost vis-à-vis falling metal prices. However, along with other commodities and global equities and from the support given by announced curtailments, the Aluminum metal prices are recovered in January 2012.

In line with the growing demand, even the global primary Aluminum production is also expected to grow at an average CAGR of 6% between 2011 and 2016.

World Aluminum Production Growth CY 2011 to CY 2016 (million tons)



Source: Industry and Management Estimate

With no proven economical alternative for CPC in the Aluminum smelting combined with the expected robust growth of the Aluminum industry, the outlook for CPC industry is expected to be strong.

RISKS AND CONCERNS

Increased primary metal inventory in London Metal Exchange ("LME") is the most concerning factor for the Aluminum industry at this point of time. Primary metal stocks in LME registered warehouses increased from 2.3 million tonnes in the beginning of the year 2009 to over 5.0 million tonnes by end of the year 2011. At the same time total stocks (including China and un-reported stocks) are peaked to 11.9 million tonnes.

Industry analysis indicates that much of the metal in stock is owned by financial investors, who are taking advantage of low interest rates and contango in aluminium forward market ("Warehousing deals"). As US Fed is expected to keep the short term interest rates at low level, the returns on warehousing deals are likely to remain positive in near future.

OVERVIEW OF CARBON PRODUCTS BUSINESS

Rain Commodities Limited, through its wholly owned subsidiaries engaged in the business of production and sale of Calcined Petroleum Coke ("CPC"), co-generation of Energy (Steam and/or Electricity) through Waste-heat recovery and trading of Fuel Grade Petroleum Coke.

Rain Group is currently operating seven CPC plants in United States, one CPC plant in India and one CPC plant in China. Rain Group is one of the leading producers of CPC in the World with a Global market share of about 9%.

Rain Group is well known for its ability to co-generate Energy from the waste heat recovered in the calcining process. Currently Rain Group is co-generating Energy at three of its CPC plants in the United States and one CPC plant in India.

Further, the waste heat recovery facility, set up during 2005, in India is certified as a project under Clean Development Mechanism by United Nations Framework Convention on Climate Change ("UNFCCC") and is eligible to receive 164,677 Carbon Emission Reductions ("CERs") per annum up to July 2017.

Rain Group also owns and operates three captive deep-water shipping terminals at its CPC plants in the United States and also operates two full-service petroleum coke laboratories.

The Group has recorded net revenue of Rs. 47,528,071 (in thousands) from the Carbon Products Business during the financial year ended December 31, 2011 as compared to net revenue of Rs. 30,485,272 (in thousands) during the year ended December 31, 2010.

OUTLOOK FOR CALCINED PETROLEUM COKE ("CPC") INDUSTRY

Calcined Petroleum Coke is produced from Green Petroleum Coke ("GPC"), a byproduct of Crude Oil Refining. CPC is an essential component of carbon anode for the Aluminum industry and is also used as a source of carbon for the Titanium Dioxide and Steel industries. Aluminum Industry, which contributes about 82% of total world demand for CPC, was growing at about 5% per annum globally in the past ten years. During 2011, Aluminum industry has witnessed healthy growth of 10%.

The demand growth is expected to continue in 2012, but at a slower rate of 6%, due to the persistent sovereign debt crisis in Europe which has resulted in negative market sentiment. However, the long term growth expectation of Aluminum consumption is still robust with about 6% Compounded Annual Growth Rate (CAGR) between 2012 and 2016.

The performance of Rain Commodities, being one of the leading producers of CPC with operating facilities in United States, India, China and Africa is expected to be reasonably strong with improved demand from the growing Aluminum industry and the long term relationship with both the Aluminum Smelters and the Crude Oil Refineries.

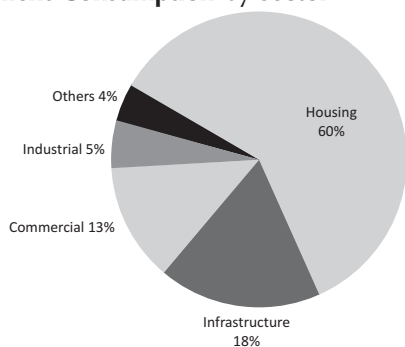
B) CEMENT

CEMENT INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian Cement industry - comprising of 139 large cement plants and more than 365 mini cement plants is the world's second largest cement producer after China. The industry's capacity at the beginning of the Financial Year 2012 was about 289 million tons. The demand for cement, being a derived demand, depends primarily on the general industrial activity, real estate activity and investment in the infrastructure sector. Indian cement industry is globally competitive because the industry has witnessed healthy trends such as continuous technology up gradation and cost controlling. An additional capacity of around 20 million tons is likely to be on stream by March 2013, resulting in supply exceeding the demand. Cement capacity utilization is expected to improve after

Financial Year 2012 with the expected strong demand coupled with limited capacity additions after Financial Year 2012.

Cement Consumption by sector



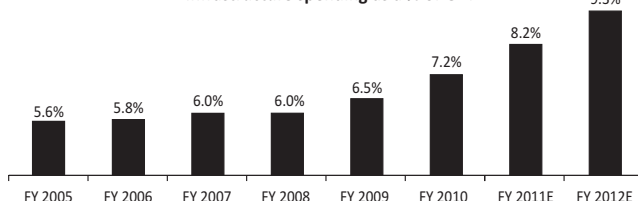
Source: Industry

OPPORTUNITIES AND THREATS

Opportunities

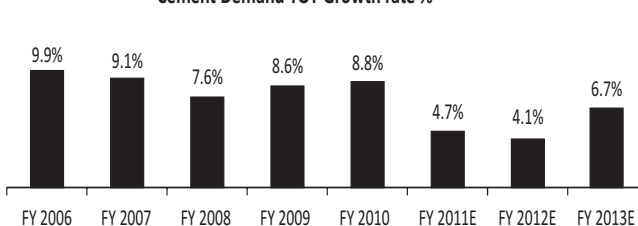
Despite apprehensions about the impact of inflation and slowdown in Industrial production and overall economic scenario, the demand prospect for the Cement sector remains positive with the growth in Infrastructure, Housing, Roads, Ports, Power, Urban Housing and Irrigation Projects. The Government's thrust towards Infrastructure development, which accounts for about 20% of total Indian Cement consumption, is expected to lead the infrastructure spending of more than 10% of Indian GDP by 2017.

Infrastructure spending as a % of GDP



Source: Planning Commission and Management Estimate

Cement Demand YOY Growth rate %



Source: Management Estimate and Industry

Cement demand is likely to remain robust in the near term, driven by the Housing and Infrastructure sectors and supported by growth in Commercial Construction and Industrial Expansion, which will

correspondingly be aided by rising population, changing demographics, reduction in average size of household, higher disposable income and better financing avenues.

Threats

With the commissioning of more than 120 million tons of new cement capacities during CY 2008 to CY 2011, the Indian Cement capacity utilizations are slowdown from the peak of 98% in CY 2008. Earlier, the Cement sector had seen a constant rise in prices driven by strong demand, coupled with optimum capacity utilizations, but management feel the robust demand growth alone is not enough to arrest the decline in the average cement realizations and margin erosions, when capacity build is far in excess of demand growth.

RISKS AND CONCERNS

Though the overall industry looks moderate in near to long term, the excess capacity, political unrest, rising energy prices and high inflation among others, may affect the Cement industry.

The shortage of domestic coal is a bottleneck for the industry with a prospective effect on power generation, a major input for Cement production. The increased dependence on imported coal and pet coke as an alternative to the domestic coal would expose the Indian Cement industry to price fluctuations in International markets and also the depreciation of rupee may result into higher costs thus adding further pressure on profitability.

The other major concerns are (i) Coal India's move towards changing the price structure of coal based on heat value and (ii) rising freight cost with the increase in diesel prices and rail freight rates.

OVERVIEW OF CEMENT BUSINESS

Rain Commodities Limited, through its wholly owned subsidiary engaged in the business of production and sale of Cement.

Rain Group is operating two fully integrated Cement plants with an aggregate installed capacity of 2,900,000 tons per annum in the state of Andhra Pradesh and one Fly Ash Handling and Cement Packing facility in the state of Karnataka.

Rain Group through its vast chain of dealer network sells Cement, under the brand name "**Priya Cement**", in the states of Andhra Pradesh, Tamilnadu and Karnataka.

OUTLOOK FOR CEMENT INDUSTRY

The Indian Cement industry has witnessed massive

capacity additions of over 120 Million tons during the past four years which has resulted in significant pressure on price realization and also capacity utilizations. During 2010 the average national gross Cement prices were corrected by about 14% between April and August, the decline in price was even higher in the Southern Region that witnessed majority of the added capacity, mostly due to the large limestone reserves and the strong demand growth over the past few years. Driven by renewed demand and seasonal factors, prices have started recovering from October 2010 from those exaggerated lows. The rise in input costs and moderate increase in demand has helped the prices to sustain through 2011.

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Considering these market conditions, the management continues to concentrate on controlling costs, including (i) reduction in the cost of fuel with increased use of domestic coal, during 2011; (ii) optimizing the freight cost by setting up Fly Ash Handling and Cement Packing facility at Bellary in the state of Karnataka, and (iii) reduction in the interest cost by accelerating the pre-payment of debt and by optimizing the working capital.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company 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.

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

The Company has appointed M/s. Ernst & Young Private Limited as the Internal Auditors and they will submit a report on a quarterly basis to the Audit Committee for its review and recommendation.

DISCUSSION ON FINANCIAL PERFORMANCE

During the year under review the Company has achieved net sales of Rs. 2,395,445 (in thousands) on standalone basis and net sales of Rs. 56,201,065 (in thousands) on consolidated basis.

During the year the Company has achieved a net profit of Rs. 294,736 (in thousands) on standalone basis and achieved net profit of Rs. 6,641,248 (in thousands) on consolidated basis.

The Basic and Diluted Earnings Per Share of the Company as on December 31, 2011 is Rs. 0.83 on Standalone basis and Rs. 18.76 on Consolidated basis.

The Paid up Share Capital of the Company as on December 31, 2011 is Rs. 698,967 (in thousands) comprising of 349,482,981 Equity Shares of Rs. 2/- each fully paid-up.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company 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, enabling them to adapt to contemporary technological advancements. Industrial relations during the year continued to be cordial and the Company is committed to maintain good industrial relations through negotiations and meetings.

The Company employs approximately 1,350 employees directly and indirectly through its Subsidiary companies across United States, India, China and Africa.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company'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 Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, statutes and other incidental factors.

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

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

Place: Hyderabad

Date : February 21, 2012

REPORT ON 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 ON CORPORATE GOVERNANCE:

Rain Commodities Limited ("RCOL"/the "Company") is committed to implement sound corporate governance practices to ensure transparency in its operations and maximize stakeholders value. The Company's core philosophy on the code of Corporate Governance is to abide by the following practices:

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

2. BOARD OF DIRECTORS :

The Board of Directors along with its Committees provide leadership and guidance to the Company's management and supervises the Company's performance. As at December 31, 2011, the Board of Directors ("Board") comprises of Nine Directors, of which eight are Non-Executive Directors. The Company has a non-executive chairman and six independent directors comprise more than half the total strength of the Board.

The Composition and Category of the Board of Directors is as follows:

Name of the Director	Designation	Category
Mr. N. Radhakrishna Reddy	Chairman	Non - Executive Director (Promoter)
Mr. N. Jagan Mohan Reddy	Managing Director	Executive Director (Promoter)
Mr. N. Sujith Kumar Reddy	Director	Non - Executive Director (Promoter)
Mr. S.L. Rao ¹	Director	Independent Director
Mr. Dipankar Basu ²	Director	Independent Director
Mr. H.L. Zutshi ²	Director	Independent Director
Mr. G. Krishna Prasad	Director	Independent Director
Mr. E.S.Ravisekar ³	Nominee Director	Independent Director - Nominee of IDBI Bank Limited
Mr. Yogesh Rastogi	Nominee Director	Independent Director - Nominee of ICICI Bank Limited

¹ Mr. S.L. Rao was appointed as an Additional Director w.e.f May 13, 2011.

² Mr. Dipankar Basu and Mr. H.L. Zutshi were appointed as Additional Directors w.e.f July 29, 2011.

³ Mr. E.S. Ravisekar was appointed as Nominee Director of IDBI Bank Limited in place of Mr. R.S. Vidya Sagar w.e.f August 10, 2011.

Other Directorships:

The number of directorships and memberships in the committees of Other Companies held by the Directors as on December 31, 2011 are as under:

Name of the Director	No. of Other Directorships	Committee of Other Companies	
		Membership	Chairmanship
Mr. N. Radhakrishna Reddy	8	-	-
Mr. N. Jagan Mohan Reddy	11	1	-
Mr. N. Sujith Kumar Reddy	8	-	-
Mr. S.L. Rao	7	6	4
Mr. Dipankar Basu	9	4	3
Mr. H.L. Zutshi	5	8	-
Mr. G. Krishna Prasad	4	-	2
Mr. E.S. Ravisekar	-	-	-
Mr. Yogesh Rastogi	2	1	-

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

Board Meetings:

During the year ended December 31, 2011, Six Board Meetings were held as against the minimum requirement of four meetings. The maximum time gap between any of two consecutive meetings did not exceed four months.

The Board meetings were held on the following dates : January 24, 2011, February 25, 2011, May 13, 2011, July 29, 2011, October 25, 2011 and October 29, 2011.

Attendance of Directors at the meetings:

The details of the attendance of the Directors at the Board meetings held during the year ended December 31, 2011 and at the last Annual General Meeting (AGM) are given below:

Name of the Director	Number of Board Meetings		Attendance at AGM Held on May 12, 2011
	Held	Attended	
Mr. N. Radhakrishna Reddy	6	6	Yes
Mr. N. Jagan Mohan Reddy	6	6	Yes
Mr. N. Sujith Kumar Reddy	6	6	Yes
Mr. G. Krishna Prasad	6	6	Yes
Mr. Yogesh Rastogi	6	3	Yes
Directors Appointed / Resigned			
Mr. E.S. Ravisekar ¹	6	1	No
Mr. S L Rao ²	6	3	No
Mr. Dipankar Basu ³	6	2	No
Mr. H L Zutshi ³	6	2	No
Mr. P. Venugopal Reddy ⁴	6	2	Yes
Mr. R. S.Vidyasagar ¹	6	1	No

¹ Mr. E.S. Ravisekar was appointed as Nominee Director of IDBI Bank Limited in place of Mr. R.S. Vidya Sagar w.e.f August 10, 2011.

² Mr. S.L. Rao was appointed as an Additional Director w.e.f May 13, 2011.

³ Mr. Dipankar Basu and Mr. H.L. Zutshi were appointed as Additional Directors of the Company w.e.f July 29, 2011.

⁴ Mr. P. Venugopal Reddy has resigned as Director w.e.f. July 29, 2011.

Profile of Board of Directors

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

- **Mr. N. Radhakrishna Reddy**

Mr. N. Radhakrishna Reddy, aged about 69 years has more than 43 years of experience in Construction and Cement Industry. Currently, he is also on the board of Rain Cements Limited, Renuka Cement Limited, PCL Financial Services Limited, Arunachala Holdings Limited, PR Cement Holdings Limited, Apeetha Enterprises Limited, Lakshmi Sea Foods Limited and Rain Entertainments Private Limited. He has been a Director of the Company since 1984.

Mr. N. Radhakrishna Reddy holds 1,03,83,730 equity shares in the Company.

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

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

Mr. N. Jagan Mohan Reddy, aged about 45 years has a Bachelor of Science degree in Industrial Engineering from Purdue University, U.S.A. He is the founder of Rain CII Carbon (Vizag) Limited (successor of Rain Calcining Limited) that had started operations in 1998. He was instrumental in the acquisition of Rain CII Carbon LLC (formerly CII Carbon LLC) in 2007, making the combined entity one of the leading producers of Calcined Petroleum Coke in the World. Rain Commodities Limited, was not only turned around in less than 2 years after Mr. N Jagan Mohan Reddy was appointed as the Managing Director, but also had doubled the Cement capacity to 3.16 Million Metric Tonnes per annum.

He is presently the Managing Director (MD) of Rain Commodities Limited and Director in Rain CII Carbon (Vizag) Limited, Rain Cements Limited, Renuka Cement Limited, Sujala Investments Private Limited, Focus India Brands Private Limited, Rain Entertainments Private Limited, Moonglow Company Business Inc, Rain Commodities (USA) Inc, Rain CII Carbon LLC, USA, Rain Global Services LLC USA and Rain CII Carbon Mauritius Limited.

Mr. N. Jagan Mohan Reddy holds 85,86,740 equity Shares in the Company.

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

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

Mr. N. Sujith Kumar Reddy, aged about 40 Years has a degree in Commerce. He has more than 18 years of experience in the manufacturing industry. He is the Managing Director of Rain Cements Limited. Presently, he is also on the board of Renuka Cement Limited, PCL Financial Services Limited, Arunachala Holdings Limited, Apeetha Enterprises Limited, Nivee Holdings Limited, Nivee Property Developers Private Limited and Rain Entertainments Private Limited.

Mr. N. Sujith Kumar Reddy holds 1,00,28,770 equity shares in the Company as on December 31, 2011.

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

- **Mr. Dipankar Basu**

Mr. Dipankar Basu aged about 76 Years, has done M.A (Economics) from Delhi University. He is the non-executive Chairman of STCI Finance Limited. He is also on the Boards of several other companies in India. Mr. Basu was previously the Chairman of State Bank of India (SBI) until his retirement in August 1995. While serving as Chairman of SBI, he served concurrently on the Boards of a number of SBI subsidiaries including those engaged in investment banking and fund management. Between 1996 and 1999, Mr. Basu served as a member of the Disinvestment Commission set up to advise the Government of India on public sector disinvestments. During 1997-98, Mr. Basu was a member of the Narasimham Committee on Banking

Sector Reforms. Mr. Basu brings with him long experience and specialized knowledge of financial markets in India. He has also several years of Board level experience in companies engaged in a wide spectrum of businesses - both financial and non-financial. He is on the Boards of STCI Finance Limited, Chambal Fertilisers & Chemicals Ltd, The Peerless General Finance & Inv. Co. Limited, SBI Cards and Payment Services Pvt Limited, Asian Paints Limited, Deepak Fertilisers & Petrochemicals Corp. Limited, STCI Primary Dealer Limited, Peerless Securities Limited and Rain CII Carbon (Vizag) Limited.

- **Mr. S.L. Rao**

Mr.S L Rao aged about 76 Years, is presently a columnist in the "Deccan Herald" (Bangalore), "Financial Express" and the "Telegraph" (Calcutta), Distinguished Fellow, Emeritus, The Energy and Resources Institute, (TERI). He is an economist by training and has worked as a professional manager for 28 years in marketing and general management positions in multi-national companies and as an independent management consultant for five years. He has taught management for many years as visiting faculty in major Indian business schools and was Executive Chairman, National Management Programme (1987-1990). He was Director-General of NCAER (National Council of Applied Economic Research) from 1990 to 1996. From 1998 to 2001 as the first Chairman of the Central Electricity Regulatory Commission and he established it as an expert and independent agency.

He was Chairman of the Institute for Social and Economic Change, Bangalore, (2004 to 2010), President, All India Management Association, (1985-86), Vice-President, People's Union for Civil Liberties, Tamil Nadu, (1976-1979).

He has written or edited fifteen books, many papers and hundreds of articles. His latest book is "Powering India - A decade of Policies and Regulation". Among his earlier books are From Servants to Masters? The Evolution of Professional Management in India (2007), Successful Negotiation (1994), Indian Market Demographics-the consuming classes (1996), Elephants Can't Dance-Managing in a Reforming Economy (2001), Management Education (for AIMA), 2005 and Governing Power (2004).

He is presently on the Board of Directors of Global Trustcapital Finance Private Limited, Honeywell Automation India Limited, Kanoria Chemicals & Industries Limited, Reliance Infrastructure Limited, Reliance Power Limited, Insight Alpha Research & Solutions Pvt Ltd and Rain CII Carbon (Vizag) Limited, IIM Lucknow, and not-for-profit organizations (like Aga Khan Foundation of India, Dakshinachitra (Crafts Museum, Chennai), and Bangalore International Centre).

- **Mr. H L Zutshi**

Mr. H L Zutshi (69 Years). He was the Chairman & Managing Director of Hindustan Petroleum Corporation Ltd. (HPCL). HPCL is engaged in petroleum refining, marketing and exploration activities and has an annual turn over of USD 20 billion. He retired from HPCL in May 2002. HPCL was the successor company of ExxonMobil in India, after the latter's activities was taken over by the Government of India in 1974.

During his tenure as CMD of HPCL, Mr. Zutshi was also the Chairman of Mangalore Refineries and Petrochemicals Ltd (MRPL) a joint venture company between Aditya Birla Group of companies and HPCL, South Asia LPG Ltd. (a JV between HPCL and TOTAL FINA ELF of France), HINCOL (a JV between COLAS SA of France and HPCL) and an Exploration & Production company called Prize Petroleum (JV between HPCL and HDFC, ICICI and TDFC).

He was a member of the Government of India appointed expert Sub-Committee for developing a policy paper on deregulation etc, which provided inputs for the Hydro Carbon Vision 2025.

He was formerly Chairman of the Petroleum, Coal, Fertilizer and related products Division Council of Bureau of Indian Standards (BIS), New Delhi, Convenor of the Financial Services Sector task force of the Department of Public Enterprises, which fixes annual performance targets of the Financial Services PSU's and Advisor-Energy & Hydrocarbon to Mittal S.a.r.l, Luxomborg. He is the Chairman and Managing Trustee of the Energy

Research and Social Advancement Foundation, New Delhi. He is on the Board of MMTC Limited, Deepwater Drilling & Industries Limited, Saurashtra Chemicals Limited, Jaguar Overseas Limited and Rain CII Carbon (Vizag) Limited.

Mr. Zutshi has a brilliant academic record. He is an Honors Graduate in Mechanical Engineering and was trained in Management at the Administrative Staff College (Hyderabad), Indian Institute of Management (Ahmedabad) and Templeton College, Oxford University, UK.

- **Mr. G. Krishna Prasad**

Mr. G. Krishna Prasad aged about 42 Years, holds a Bachelor's degree in Electronics Engineering from India and a Masters degree in Computer Science from Wayne State University, Detroit. He worked earlier with Ford Motor Company in Detroit prior to starting his companies in India. Mr. G. Krishna Prasad is at present Managing Director in Emergency Dictation Software Services Private Limited and Tecra Systems Private Limited and Director in Srinija Infrastructure Pvt. Limited and Rain Cements Limited.

- **Mr. Yogesh Rastogi**

Mr. Yogesh Kumar Rastogi aged about 42 years, holds Bachelor's degree in B.Tech (Electrical Engineering) from IIT Delhi and post graduate in PGDM from IIM, Ahmedabad. He is the Nominee Director of ICICI Bank Limited. He is working with ICICI Bank Limited as Joint General Manager, Zonal Head-South, Corporate Banking, ICICI Bank Limited, Hyderabad. Mr. Yogesh Rastogi is at present nominee Director of ICICI Bank Limited in Hindustan Motors Limited and Nagarjuna Fertilisers and Chemicals Limited.

- **Mr. E.S. Ravisekar**

Mr. E.S. Ravisekar aged about 59 years, holds Post Graduate degree in M.A. (Economics), M.Com, PhD. He is the Nominee Director of IDBI Bank Limited. He is the General Manager at Jawaharlal Nehru IDBI Staff College, Hyderabad. He is having 37 years of experience in Project Finance, Recovery Department, Training and Operations Departments.

3. Board Committees:

The Company currently has the following committees of the Board:

- a) Audit Committee
- b) Remuneration Committee and
- c) Shareholders'/Investors' Grievance Committee

a) **Audit Committee**

Composition:

- The Audit Committee was constituted by the Board with six Non- Executive Independent Directors, with Mr. S.L Rao as its Chairman.
- The Head of Finance and Accounts, 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.

Audit Committee meetings :

- Four Audit Committee Meetings were held during the year ended December 31, 2011. The maximum time gap between any of the two meetings was not more than four months.
- The Audit Committee meetings were held on February 25, 2011, May 13, 2011, July 29, 2011 and October 25, 2011.

Composition of the Audit Committee and the details of meetings held and attended by its members are given below:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr. S L Rao ¹	Chairman	4	3
Mr. Dipankar Basu ²	Member	4	2
Mr. H L Zutshi ²	Member	4	2
Mr. G. Krishna Prasad	Member	4	4
Mr. Yogesh Rastogi	Member	4	3
Mr. P. Venugopal Reddy ³	Member	4	1
Mr. R. S.Vidyasagar ⁴	Member	4	1
Mr. E.S. Ravisekhar ⁴	Member	4	1

¹ Mr. S.L. Rao was appointed as an Additional Director w.e.f May 13, 2011.

² Mr. Dipankar Basu and Mr. H.L. Zutshi were appointed as Additional Directors w.e.f July 29, 2011.

³ Mr. P. Venugopal Reddy (former Audit Committee Chairman) has resigned from the position of the Director of the Company w.e.f. July 29, 2011.

⁴ Mr. E.S. Ravisekar was appointed as Nominee Director of IDBI Bank Limited in place of Mr. R.S. Vidya Sagar w.e.f August 10, 2011.

Terms of Reference:

The terms of reference of the Audit Committee are as under:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and if required the replacement of the statutory auditor and fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - ✓ Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - ✓ Changes, if any, in accounting policies and practices and reasons for the same;
 - ✓ Major accounting entries involving estimates based on the exercise of judgment by management;
 - ✓ Significant adjustments made in the financial statements arising out of audit findings;
 - ✓ Compliance with listing and other legal requirements relating to financial statements;
 - ✓ Disclosure of any related party transactions; and
 - ✓ Qualifications in the draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of statutory and internal auditors and adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit.

- Discussion with internal auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors prior to the commencement of audit, the nature and scope of audit and subsequent to audit to ascertain any areas of concern.
- To look into the reasons for substantial defaults in the payment to debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.
- To review the functioning of the Whistle Blower mechanism.

b) Remuneration Committee:

Composition

- The Remuneration Committee has been constituted to formulate and recommend to the Board, the remuneration of the Managing Director, Whole-time Directors including performance bonus and perquisites.
- All the members of the Remuneration Committee are independent and Non-Executive Directors.

Remuneration Committee meetings

- During the year ended December 31, 2011, Remuneration Committee had met on January 24, 2011 and February 25, 2011.

Composition of the Committee and the details of meetings held and attended by its members are given below:

Name of the Director	Designation	Number of Meetings	
		Held	Attended
Mr. S L Rao ¹	Chairman	2	-
Mr. Dipankar Basu ²	Member	2	-
Mr. H L Zutshi ²	Member	2	-
Mr. G. Krishna Prasad	Member	2	2
Mr. Yogesh Rastogi	Member	2	-
Mr. P. Venugopal Reddy ³	Member	2	2
Mr. R. S.Vidyasagar ⁴	Member	2	1
Mr. E.S. Ravisekhar ⁴	Member	2	-

¹ Mr. S.L. Rao was appointed as Additional Director of the Company w.e.f May 13, 2011.

² Mr. Dipankar Basu and Mr. H.L. Zutshi were appointed as Additional Directors w.e.f July 29, 2011.

³ Mr. P. Venugopal Reddy has resigned from the position of the Director w.e.f. July 29, 2011.

⁴ Mr. E.S. Ravisekar was appointed as Nominee Director of IDBI Bank Limited in place of Mr. R.S. Vidya Sagar w.e.f August 10, 2011.

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

Remuneration policy

- The compensation of the executive directors comprises of fixed component and commission. The compensation is determined based on the remuneration prevailing in the industry and the performance of the Company. The remuneration package of the executive directors is periodically reviewed and suitable revision is recommended to the Board by the committee.
- The executive directors are not paid sitting fees for attending any meetings of Board/Committee.

Details of remuneration to all the Directors

The Details of sitting fees paid to the Non-Executive Directors for attending Board and Committee Meetings for the year ended December 31, 2011 are as follows:

Name of the Director	Amount Rs.
Mr. N. Radhakrishna Reddy	90,000
Mr. G. Krishna Prasad	165,000
Mr. Yogesh Rastogi ¹	120,000
Mr. R. S.Vidyasagar ²	15,000
Mr. E.S. Ravisekar ²	40,000
Mr. S L Rao	120,000
Mr. Dipankar Basu	80,000
Mr. H L Zutshi	80,000
Mr. P. Venugopal Reddy	25,000

¹ Paid to ICICI Bank Limited

² Paid to IDBI Bank Limited

The Remuneration paid to the Whole-time Directors during the year is as follows:

Name of the Director and Designation	Salary, Perquisites and Commission (Rs.)
Mr. N. Jagan Mohan Reddy, Managing Director*	10,477,936
Mr. N. Sujith Kumar Reddy, Executive Director**	872,143
Total	11,350,079

* Mr. N. Jagan Mohan Reddy was appointed as Managing Director with remuneration w.e.f February 10, 2011.

** Mr. N. Sujith Kumar Reddy had resigned from the position of Executive Director, w.e.f February 10, 2011, but continues to be director thereafter.

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

The number of equity shares of the Company held by Non-Executive Directors, as on December 31, 2011 is as follows:

Name of the Director	No. of Equity Shares (face value of Rs. 2 each) held in the Company
Mr. N. Radhakrishna Reddy	10,383,730
Mr. N. Sujith Kumar Reddy	10,028,770
Mr. G. Krishna Prasad	-
Mr. Yogesh Rastogi	-
Mr. R. S.Vidyasagar	-
Mr. E.S. Ravisekar	-
Mr. S L Rao	-
Mr. Dipankar Basu	140
Mr. H L Zutshi	-

c) Shareholders/Investors' Grievance Committee:

Composition

The Committee consists of the following Directors

Name of the Director	Designation
Mr. N. Radhakrishna Reddy	Chairman
Mr. N. Jagan Mohan Reddy	Member
Mr. N. Sujith Kumar Reddy	Member

Terms of Reference

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

Name and designation of Compliance Officer:

Mr. S. Venkat Ramana Reddy, Company Secretary

Email-id for Investor Grievances: secretarial@priyacement.com

Number of Shareholders complaints received so far.

- During the year ended December 31, 2011, the Company has received and resolved 616 complaints and there were no pending complaints as at the year end.
- Number of complaints not resolved to the satisfaction of shareholders is Nil.

4. GENERAL BODY MEETINGS:

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

Financial year ended December, 31	Date	Time	Venue
2010	May 12, 2011	11.00 AM	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.
2009	June 7, 2010	11.00 AM	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.
2008	June 17, 2009	11.00 AM	KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad, Andhra Pradesh.

Special Resolutions passed during the previous three Annual General Meetings:

- (i) 36th Annual General Meeting - May 12, 2011
- Appointment of Mr. N. Jagan Mohan Reddy as Managing Director for a period of 5 years w.e.f. February 10, 2011 (i.e., from February 10, 2011 to February 9, 2016).
 - Commission payable to the Non Executive Directors per annum shall not exceed 1% of the net profits of the Company.
 - To Sub-divide the Equity Shares of the Company of the face value of Rs. 10 (Rupees Ten) each into Five Equity Shares of the face value of Rs.2 (Rupees Two) each.
 - To Substitute the existing Clause V of the Memorandum of Association of the Company with respect to sub-division of Equity Shares of Rs. 10 each into Five Equity Shares of Rs. 2 each.
 - To Substitute the existing Article No.6 of the Articles of Association of the Company with respect to sub-division of Equity Shares of Rs. 10 each into Five Equity Shares of Rs. 2 each.

- (ii) 35th Annual General Meeting - June 7, 2010 - No special resolutions were passed.
- (iii) 34th Annual General Meeting - June 17, 2009 - Special Resolutions were passed for the following:
 - i. To raise the limit for investment by NRIs in the Share Capital of the Company.
 - ii. To delist the equity shares of the company from the Delhi Stock Exchange Limited., New Delhi and the Hyderabad Stock Exchange Limited.
 - iii. Buy back of equity shares of the company at a price not exceeding Rs.127 per equity share with the total aggregate amount to be expended not to exceed Rs. 515,213,727.

Postal ballot:

No special resolution requiring a postal ballot was proposed last year. No Special resolution requiring a postal ballot is being proposed for the ensuing Annual General Meeting.

5. DISCLOSURES:

a) Related party transactions:

During the year ended December 31, 2011, there were no materially significant related party transactions, which had potential conflict with the interests of the Company at large. The transactions with related parties are disclosed in the Note XIV in Schedule "S" to the Annual Accounts.

b) Details of non-compliance etc.:

A Statement of Compliance with all Laws and Regulations as certified by the Managing Director and Company Secretary is placed at periodic intervals for review by the Board.

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:

The Company has followed the accounting standards notified under Companies (Accounting Standards) Rules, 2006 in the preparation of its financial statements.

d) Whistle Blower policy:

The Board of Directors of the Company at its meeting held on July 29, 2009 had adopted the Whistle Blower Policy and appointed an ombudsperson. Employees can report to the Management concerned unethical behavior, act or suspected fraud or violation of the Company's Code of Conduct policy.

The Audit Committee reviews periodically the functioning of whistle blower mechanism.

No employee has been denied access to the Audit Committee. A copy of the Whistle Blower Policy is also hosted on the website of the Company, www.raincommodities.com.

e) Board Disclosures - Risk Management

The Company has a Risk Management Policy which has been adopted by the Board of Directors. Currently, the Company's risk management approach comprises of the following:

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

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

The Company has appointed a Risk Officer and also 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.

Risk Officer will make a presentation periodically on risk management to the Board of Directors and the Audit Committee. The Board and the Audit Committee provide oversight and review the risk management policy periodically.

A detailed note on the risks is included in the Management Discussion and Analysis annexed to the Directors' Report.

f) Subsidiary Companies

The Company has two material unlisted subsidiaries in India. An independent director of the Company is a director on the Board of this subsidiary. The Audit Committee of the Company reviews the financial statements of the subsidiary and the minutes of the Board meetings of this subsidiary are also periodically placed at the Board meeting of the Company.

g) 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.

h) CEO and CFO Certification

The Managing Director and the CFO have given a Certificate to the Board as contemplated in Clause 49 of the Listing Agreement and is separately annexed.

(i) Proceeds from public issues, rights issues, preferential issues etc.

During the year ended December 31, 2011, there were no proceeds from public issues, rights issues, preferential issues etc.

(j) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. Whistle Blower policy and Remuneration Committee requirements have been adopted from non-mandatory requirements.

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 widely circulated newspapers like Business Standard (English daily) and Andhra Prabha (Telugu daily).

b) News releases, presentations etc.

Official news releases along with quarterly results are displayed on the Company's website: www.raincommodities.com

During the year ended December 31, 2011, the Company has not made any presentations to the investors/analysts.

c) Management Discussion and Analysis (MDA) Report

The report on MDA is annexed to the Directors' Report and forms part of this Annual Report.

7. GENERAL SHAREHOLDER INFORMATION

- a) Annual General Meeting : 37th Annual General Meeting
Date : April 25, 2012
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 : January 1, 2012 to December 31, 2012.
Tentative Schedule for considering Financial Results
For the Quarter ending March 31, 2012 : April/May, 2012
For the Quarter ending June 30, 2012 : July / August, 2012
For the Quarter ending September 30, 2012 : October /November, 2012
For the Quarter/Year ending December 31, 2012 : January / February, 2013
- c) Dates of Book Closures : April 18, 2012 to April 25, 2012
(both days inclusive)
- d) Dividend Payment Date : On May 9, 2012
- e) Listing on Stock Exchanges: Company's equity shares are listed at:

Name and Address of the Stock Exchange	Scrip Code
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal street, Mumbai-400 001.	500339
National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot # C/1, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051	RAINCOM
The Delhi Stock Exchange Limited, DSE House, 3/1 Asaf Ali Road, New Delhi - 110002*	5019

* The Company has applied to the Delhi Stock Exchange for voluntary delisting of its shares

The listing fees for the year 2011-12 have been paid to the above stock exchanges.

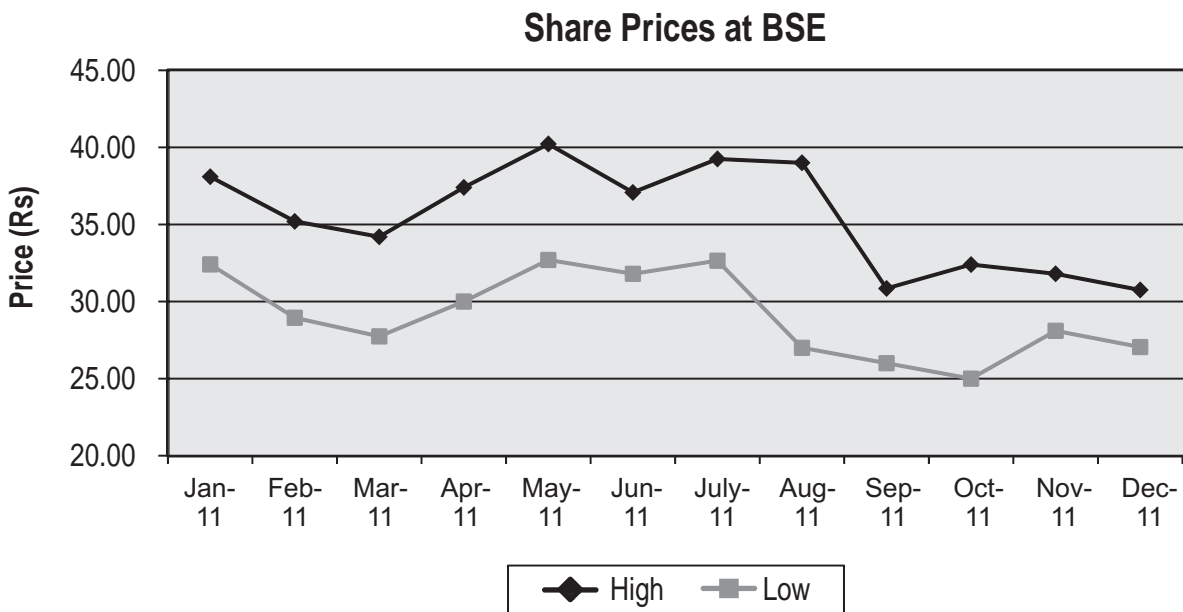
f) **Market Price Data: High and low during each month from January 1, 2011 to December 31, 2011**

BOMBAY STOCK EXCHANGE LIMITED (BSE)

Month	High (Rs.)	Low (Rs.)	No. of Shares traded
January, 2011	190.50*	162.50*	444,984*
February, 2011	176.00*	144.75*	165,566*
March, 2011	171.00*	138.70*	1,014,890*
April, 2011	187.00*	150.00*	2,370,052*
May, 2011	201.10*	163.50*	3,131,413*
June, 2011	185.40*	31.80+	193,442* 1,050,018+
July, 2011	39.25+	32.65+	3,375,387+
August, 2011	39.00+	27.00+	3,829,624+
September, 2011	30.85+	26.00+	1,116,886+
October, 2011	32.40+	25.00+	3,188,684+
November, 2011	31.80+	28.10+	11,183,068+
December, 2011	30.75+	27.05+	1,982,471+

* For Rs.10/- paid-up value

+ For Rs.2/- paid-up value (Sub-divided with effect from June 16, 2011)



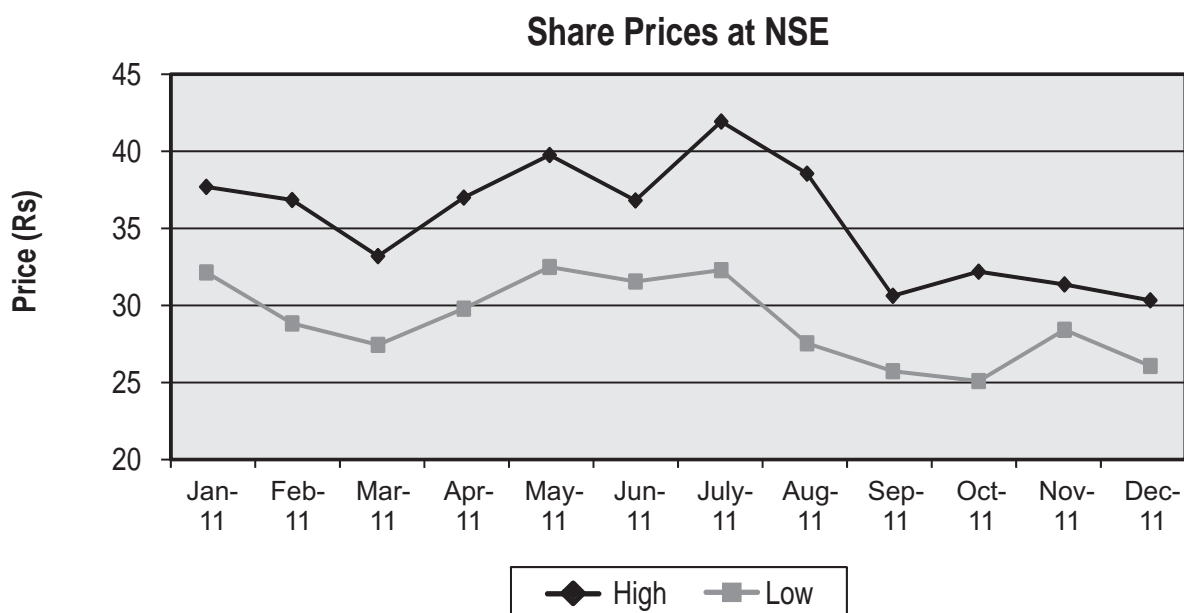
Note: For comparison purposes, the closing price of equity shares of face value of Rs.10 each of our company has been divided by factor 5 for the months January, 2011 to June, 2011 to fall in line with the closing price of equity shares of face value of Rs.2/- each for the months July, 2011 to December, 2011.

NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

Month	High (Rs.)	Low (Rs.)	No. of Shares traded
January, 2011	190.35*	162.00*	822,822*
February, 2011	186.00*	145.10*	294,113*
March, 2011	167.40*	138.00*	1,175,068*
April, 2011	186.80*	150.00*	3,810,267*
May, 2011	200.90*	163.80*	6,066,363*
June, 2011	185.85*	31.80+	791,038*
			2,347,436+
July, 2011	42.40+	32.55+	6,851,223+
August, 2011	38.95+	27.70+	5,953,390+
September, 2011	30.85+	25.85+	2,754,096+
October, 2011	32.45+	25.20+	7,245,224+
November, 2011	31.60+	28.60+	4,645,024+
December, 2011	30.55+	26.20+	4,956,632+

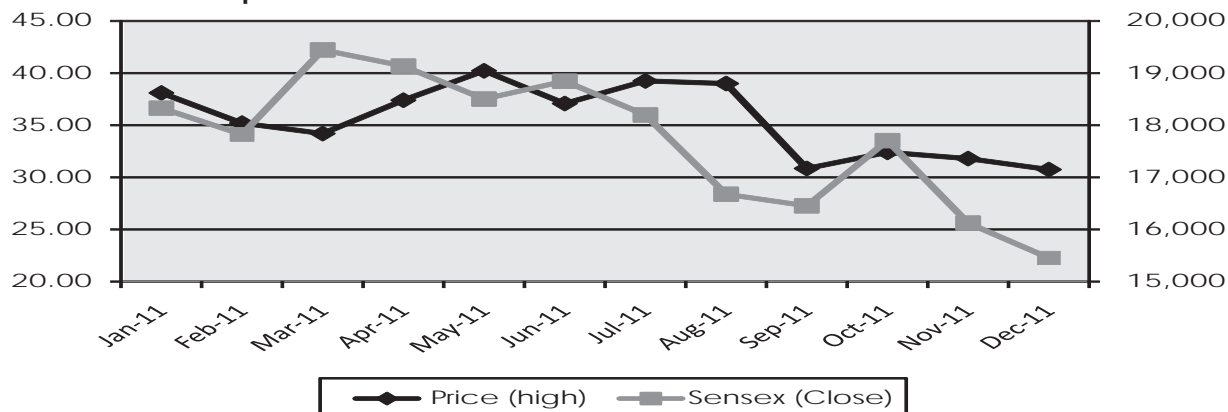
* For Rs.10/- paid-up value

+ For Rs.2/- paid-up value (Sub-divided with effect from June 16, 2011)



Note: For comparison purposes, the closing price of equity shares of face value of Rs.10 each of our company has been divided by factor 5 for the months January, 2011 to June, 2011 to fall in line with the closing price of equity shares of face value of Rs.2/- each for the months July, 2011 to December, 2011.

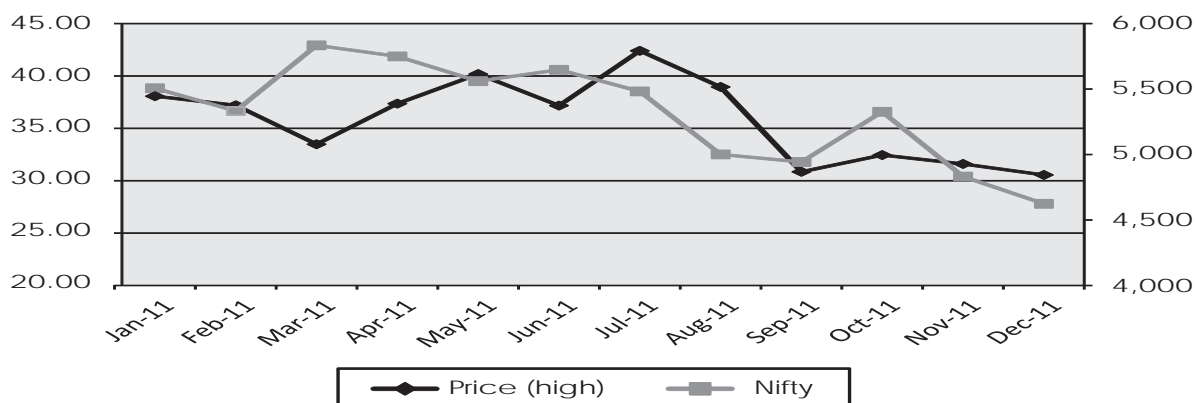
g) Performance in comparison to broad based indices such as BSE Sensex:



Comparative between the Share price- High and Sensex index close price.

Note: For comparison purposes, the closing price of equity shares of face value of Rs.10 each of our company has been divided by factor 5 for the months January, 2011 to June, 2011 to fall in line with the closing price of equity shares of face value of Rs.2/- each for the months July, 2011 to December, 2011.

Performance in comparison to broad based indices such as Nifty:



Comparative between the Share price- High and Nifty index close price.

Note: For comparison purposes, the closing price of equity shares of face value of Rs.10 each of our company has been divided by factor 5 for the months January, 2011 to June, 2011 to fall in line with the closing price of equity shares of face value of Rs.2/- each for the months July, 2011 to December, 2011.

h) Registrar & Share Transfer Agents:

(for Shares held in both Physical and Demat mode)

Karvy Computershare Private Limited

(Unit: Rain Commodities Limited)

Plot No.17 to 24, Vittal Rao Nagar,

Madhapur, Hyderabad - 500 081, Andhra Pradesh.

Phone # 91-40-44655189; Fax # 91-40-23420814 / 23420857

Email id: psrchmurthy@karvy.com

i) Share transfer System:

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

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

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

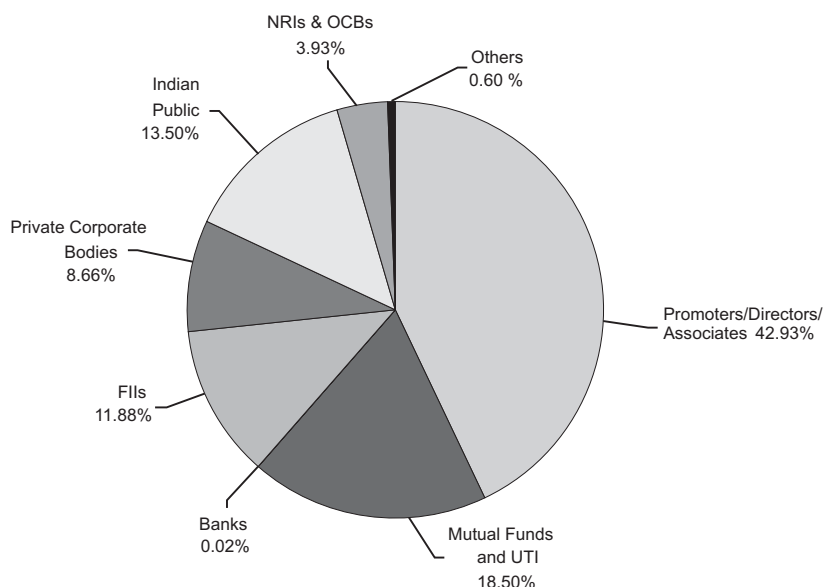
j) Distribution of Share holding:

Share holding pattern as on December 31, 2011:

Sl.No.	Category	No. of Equity Shares of face value of Rs. 2 each held	Percentage of shareholding
1.	Promoters / Directors / Associates	150,456,095	42.93
2.	Mutual Funds and UTI	64,827,322	18.50
3.	Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non-Government Institutions)	53,325	0.02
4.	FII's	41,623,942	11.88
5.	Private Corporate Bodies	30,333,337	8.66
6.	Indian Public	47,310,915	13.50
7.	NRIs / OCBs	13,757,103	3.93
8.	Others (Clearing Members)	2,087,181	0.60
	TOTAL	350,449,220	100.00

Note:

- The equity shares of face value Rs. 10/- each were sub-divided into five equity shares of face value Rs. 2/- each w.e.f. June 16, 2011.
- The Company has extinguished 3,723,675 equity shares till December 31, 2011 which were bought back under Buyback offer.
- 966,239 equity shares bought back are pending to be extinguished as on December 31, 2011.



Distribution of Share-holding as on December 31, 2011:

No. of shares slab	Holders		Amount	
	Number of shareholders	% to Total No. of Shareholders	Rs.	% to Total paid up capital
1 - 5,000	43,665	93.01	5,03,51,646	7.18
5,001 - 10,000	1,815	3.87	1,36,59,002	1.95
10,001 - 20,000	705	1.50	1,03,27,894	1.47
20,001 - 30,000	221	0.47	57,00,310	0.81
30,001 - 40,000	82	0.17	29,32,364	0.42
40,001 - 50,000	120	0.26	55,47,672	0.79
50,001 - 1,00,000	123	0.26	88,13,166	1.26
1,00,001 and above	218	0.46	60,35,66,386	86.11
TOTAL	46,949	100.00	70,08,98,440	100.00

k) Dematerialisation of Shares & Liquidity

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

As on December 31, 2011, 334,387,245 equity shares were dematerialised representing 95.42% of the total paid up equity share capital of the Company.

ISIN: INE855B01025

l) Plant Locations:

None

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

The Company has not issued any GDRs/ADRs and there are no outstanding warrants or any Convertible instruments.

n) Address for Correspondence:
Company Secretary

Rain Commodities Limited

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

Phone No.040-40401234, 040-40401259

Fax No. 040-40401214.

E-mail: secretarial@priyacement.com (for investor grievance)

Website: www.raincommodities.com

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

Place: Hyderabad
Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

DECLARATION

As provided under Clause-49 of the Listing Agreement with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended December 31, 2011.

for **RAIN COMMODITIES LIMITED**

Place: Hyderabad
Date : February 21, 2012

N. Jagan Mohan Reddy
Managing Director

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF LISTING AGREEMENT WITH THE STOCK EXCHANGES IN INDIA

Certificate

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 on December 31, 2011, as stipulated in clause 49 of the Listing Agreement of the company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the condition 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 Agreement.

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

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

K. Rajasekhar
Partner
(Membership No. 23341)

HYDERABAD, February 21, 2012

CEO AND CFO CERTIFICATE

We hereby certify that :

- a) we have reviewed financial statements and the cash flow statement for the Financial Year ended 31st December, 2011 and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee that there are no:
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system over financial reporting.

For **RAIN COMMODITIES LIMITED**

Place: Hyderabad
Date : 21st February, 2012

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

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 December 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on December 31, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on December 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
Registration No. 008072S

K. Rajasekhar
Partner
Membership No. 23341

Hyderabad, February 21, 2012

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business / activities / result, clauses (vi), (viii), (x), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 of CARO are not applicable to the Company.

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) None of the fixed assets were disposed off during the year.

(ii) In respect of its inventory:

- (a) As explained to us, the Company during the year primarily dealt with trading activities. The inventory purchased is sold to its customers on a High Sea Sale basis and no inventory was held by the Company during the year.
- (b) Having regard to our comments in paragraph (a) above, clauses 4(ii)(a), 4(ii)(b) and 4(ii)(c) are not applicable.

(iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties listed in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

- (a) The Company had granted unsecured loans to its two wholly owned subsidiaries during the previous year. At the year-end, the outstanding balances of loans aggregated Rs. 2,428,715 thousands and the maximum amount involved during the year was Rs. 2,980,640 thousands.
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.

(c) The receipts of principal amounts and interest have been as per stipulations and there are no overdue amounts.

The Company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and accordingly clauses 4(iii)(f) and 4(iii)(g) of CARO are not applicable.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

- (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction is in excess of Rs.5 lakhs (other than loans mentioned in paragraph (iii) above) in respect of any party, having regard to our comments in paragraph (iv) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion, the internal audit functions carried out during the year by a company appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(vii) According to the information and explanations given to us in respect of statutory dues:

- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund,

Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Income-tax, Service tax, Sales tax, Wealth tax, Customs Duty, Excise Duty and other material statutory dues in arrears as at December 31, 2011 for a period of more than six months from the date they became payable.
- (c) There are no dues of Income-tax, Sales tax, Wealth tax, Service tax, Customs Duty and Excise Duty which have not been deposited as on December 31, 2011 on account of disputes.
- (viii) In our opinion and according to the information and explanations given to us, having regard to the rollover of buyer's credits by the banks, the Company has not defaulted in the repayment of dues to banks.
- (ix) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by its subsidiaries from banks are not *prima facie* prejudicial to the interests of the Company.

- (x) In our opinion and according to the information and explanations given to us, term loans have been applied for the purposes for which they were obtained.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
Registration No. 008072S

K. Rajasekhar
Partner
Membership No. 23341

HYDERABAD, February 21, 2012

BALANCE SHEET AS AT DECEMBER 31, 2011

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Schedule Reference	As at December 31, 2011	As at December 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	698,967	708,346
Reserves and Surplus	B	3,050,047	3,287,041
		3,749,014	3,995,387
Loan Funds			
Secured Loans	C	4,292,478	3,424,192
Deferred Tax Liability (net) (Refer Note XI of Schedule S)		9,309	13,384
TOTAL		8,050,801	7,432,963
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	147,588	147,588
Less: Depreciation		29,511	24,369
Net Block		118,077	123,219
Investments	E	3,035,349	3,035,349
Current Assets, Loans and Advances			
Sundry Debtors	F	1,041,381	929,974
Cash and Bank balances	G	866,776	76,409
Other Current Assets	H	23,282	22,502
Loans and Advances	I	3,462,455	3,897,341
		5,393,894	4,926,226
Less: Current Liabilities and Provisions			
Current Liabilities	J	53,124	271,874
Provisions	K	443,395	379,957
		496,519	651,831
Net Current Assets		4,897,375	4,274,395
TOTAL		8,050,801	7,432,963
Notes to Accounts	S		

The above schedules form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

In terms of our report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

K. Rajasekhar
Partner
Place: Hyderabad
Date : February 21, 2012

S. Venkat Ramana Reddy
Company Secretary

G.N.V.S.R.R. Kumar
VP-Finance & Accounts
Place: Hyderabad
Date : February 21, 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Schedule Reference	Year ended December 31, 2011	Year ended December 31, 2010
INCOME			
Sales (Gross)	L	2,395,445	3,849,683
Less: Excise duties and taxes on sales		-	524,857
Sales (Net)		2,395,445	3,324,826
Other Income	M	649,769	303,574
		<u>3,045,214</u>	<u>3,628,400</u>
EXPENDITURE			
Payments and Benefits to Employees	N	11,902	90,421
Trading / Manufacturing Expenses	O	2,380,308	2,472,442
Administrative, Selling and other Expenses	P	195,088	600,213
		<u>2,587,298</u>	<u>3,163,076</u>
PROFIT BEFORE INTEREST, DEPRECIATION, EXCEPTIONAL ITEM AND TAXATION		457,916	465,324
Interest and Finance Charges	Q	118,464	190,911
PROFIT BEFORE DEPRECIATION, EXCEPTIONAL ITEM AND TAXATION		339,452	274,413
Depreciation		5,142	83,243
PROFIT BEFORE EXCEPTIONAL ITEM AND TAXATION		334,310	191,170
Exceptional Items (Refer Note IV of Schedule S)		-	(1,994,989)
PROFIT/(LOSS) BEFORE TAXATION		334,310	(1,803,819)
Profit/(Loss) from Continuing Operations Before Taxation		334,310	209,118
Taxation	R	39,574	8,184
Profit from Continuing Operations After Taxation (Refer Note XV of Schedule S)		294,736	200,934
Loss from Discontinuing Operations Before Taxation		-	(2,012,937)
Taxation	R	-	48,352
Loss from Discontinuing Operations After Taxation (Refer Note XV of Schedule S)		-	(2,061,289)
PROFIT/(LOSS) AFTER TAXATION		294,736	(1,860,355)
Surplus brought forward from Previous Year		1,229,617	3,436,745
PROFIT AVAILABLE FOR APPROPRIATION		1,524,353	1,576,390
APPROPRIATIONS			
Transfer to General Reserve		29,474	-
Transfer to Capital Redemption Reserve (Refer Note III (b) of Schedule S)		9,379	-
Proposed Dividend		380,242	325,839
Tax on Dividend (net of credit)		23,214	20,934
SURPLUS CARRIED TO BALANCE SHEET		1,082,044	1,229,617
Earnings Per Share Rs. (Face value of Rs. 2 each) (Refer Note X of Schedule S)			
Basic and Diluted		0.83	(5.25)
Notes to Accounts	S		

The above schedules form an integral part of the Profit and Loss account

In terms of our report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

K. Rajasekhar
Partner

Place: Hyderabad
Date : February 21, 2012

For and on behalf of the Board of Directors

N. Jagan Mohan Reddy
Managing Director

S. Venkat Ramana Reddy
Company Secretary

N. Sujith Kumar Reddy
Director

G.N.V.S.R.R. Kumar
VP-Finance & Accounts
Place: Hyderabad
Date : February 21, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
A. Cash Flow from Operating Activities		
Profit / (Loss) before taxation	334,310	(1,803,819)
Adjustments for :		
Depreciation	5,142	83,243
Unrealized Loss/ (Gain) on Foreign Exchange Fluctuation	169,122	(6,600)
Interest on deposits with Banks and others	(215,514)	(95,418)
Interest and finance charges	112,918	148,609
Liability No Longer Required Written Back	(6,500)	(334)
Profit on sale of Fixed Assets	–	(3,409)
Dividend from Current investments	(496)	(2,537)
Loss on transfer of Cement Assets	–	1,995,200
Profit on sale of long term investment	–	(211)
Dividend from Subsidiary Companies	(426,415)	(193,733)
	(361,743)	1,924,810
Operating profit before Working Capital changes	(27,433)	120,991
Adjustments for :		
Sundry Debtors	(111,407)	(883,123)
Inventories	–	88,439
Loans and Advances	336,628	(394,111)
Current Liabilities and Provisions	(216,828)	452,801
	8,393	(735,994)
Cash Generated from Operations	(19,040)	(615,003)
Income Tax paid	(159,078)	(301,650)
Net cash flow used in Operating activities	(178,118)	(916,653)
B. Cash Flow from Investing activities		
Purchase of Fixed Assets	–	(93,835)
Proceeds from sale of Fixed Assets	–	4,095
Sale of long term Investments	–	811
Purchase of long term investments	–	(902,800)
Purchase of current investments	(62,500)	(10,000)
Redemption of current investments	62,500	301,116
Loan to Subsidiary Companies	–	(1,820,396)
Loan repaid by Subsidiary Companies	–	1,511,256
Consideration received on transfer of Cement business (Refer Note 3 below)	551,925	–
Advance towards share application money	–	(315,000)
Loans given	–	(740,000)
Loans repaid	–	140,000
Interest received	214,734	72,891
Dividends received on Current Investments	496	2,537
Dividends received from Subsidiary Companies	426,415	193,733
Net cash flow from/(used in) Investing activities	1,193,570	(1,655,592)

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011 (Contd.)

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
C. Cash Flow from Financing activities		
Proceeds from borrowings	-	2,715,200
Repayment of borrowings	-	(347,788)
Proceeds from Buyers' credit (net)	360,926	666,843
Sales tax deferment availed	-	26,253
Interest paid	(108,340)	(131,200)
Dividend paid (including dividend tax Rs. 14,179 (December 31,2010: Rs.11,358))	(340,018)	(269,995)
Buy-back of equity shares (including premium)	(137,653)	-
Net cash flow from/(used in) Financing activities	(225,085)	2,659,313
Net Increase in Cash and Cash equivalents	790,367	87,068
Cash and Cash equivalents - Opening Balance	76,409	135,670
-Cash and Bank Balances*		
Cash and Cash equivalent transferred as part of Scheme of Arrangement (Refer Note XVII of Schedule S)	-	(146,329)
Cash and Cash equivalents - Closing Balance	866,776	76,409
-Cash and Bank Balances*		

*includes money held on margin money deposit accounts

Notes:

1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements.
2. Cash and cash equivalents includes restricted cash balance of Rs. 24,759 (December 31, 2010 - Rs. 76,409).
3. Pursuant to the Scheme of Arrangement (Refer Note XVII of Schedule S) in the previous year the Cement business was transferred by the Company for a consideration of Rs.850,000. The consideration receivable was converted into an unsecured loan. In the current year, the Company received Rs.551,925 in accordance with the terms of agreement.
4. Refer Note XV of Schedule S for details of net cash flows attributable to discontinuing operations for the year ended December 31, 2010.

For and on behalf of the Board of Directors

In terms of our report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

K. Rajasekhar
Partner

S. Venkat Ramana Reddy
Company Secretary

G.N.V.S.R.R. Kumar
VP-Finance & Accounts

Place: Hyderabad
Date : February 21, 2012

Place: Hyderabad
Date : February 21, 2012

SCHEDULES TO THE BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
A. CAPITAL		
Authorised		
590,000,000 Equity Shares of Rs. 2/- each (December 31, 2010 : 118,000,000 Equity Shares of Rs.10/- each) (Refer Note III (a) of Schedule S)	1,180,000	1,180,000
4,900,000 (December 31, 2010 : 4,900,000) Redeemable Preference Shares of Rs. 100/- each	490,000	490,000
	<u>1,670,000</u>	<u>1,670,000</u>
Issued, subscribed and paid up		
354,172,895 Equity Shares of Rs.2/- each (December 31, 2010 : 70,834,579 Equity Shares of Rs. 10/- each) (Refer Note III (a) of Schedule S)	708,346	708,346
Less : 3,723,675 (December 31, 2010 : Nil) Equity Shares of Rs. 2/- each bought back during the year (Refer Note III (b) of Schedule S)	<u>7,447</u>	<u>-</u>
350,449,220 Equity Shares of Rs.2/- each (December 31, 2010: 70,834579 Equity Shares of Rs. 10/- each)	700,899	708,346
Less : 966,239 Equity Shares bought back and pending to be extinguished as on December 31, 2011 (Refer Note III (b) of Schedule S)	<u>1,932</u>	<u>-</u>
	<u>698,967</u>	<u>708,346</u>
Of the above:		
174,306,430 Equity Shares of Rs. 2/- each (represents after subdivision of 34,861,286 Equity Shares of Rs. 10/- each) were allotted to the shareholders of erstwhile Rain Calcining Limited pursuant to the Scheme of Arrangement between the Company and erstwhile Rain Calcining Limited in November, 2007 without payment being received in cash.		

SCHEDULES TO THE BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
B. RESERVES AND SURPLUS		
Securities Premium Account		
As at the commencement of the year	1,097,372	1,097,372
Less : Utilised towards buy back of equity shares during the year (Refer Note III (b) of Schedule S)	128,274	-
	<u>969,098</u>	<u>1,097,372</u>
Capital Reserve	417,725	417,725
Capital Redemption Reserve		
As at the commencement of the year	12,000	12,000
Add : Transferred from Profit and Loss account (Refer Note III (b) of Schedule S)	9,379	-
	<u>21,379</u>	<u>12,000</u>
General Reserve		
As at the commencement of the year	530,327	530,327
Add : Transferred from Profit and Loss account	29,474	-
	<u>559,801</u>	<u>530,327</u>
Profit and Loss Account	1,082,044	1,229,617
	<u>3,050,047</u>	<u>3,287,041</u>
C. SECURED LOANS*		
Term Loans		
- Banks		
Foreign currency Loans	3,195,960	2,688,600
Working Capital Loans from banks		
- Buyer's credit denominated in foreign currency	1,096,518	735,592
	<u>4,292,478</u>	<u>3,424,192</u>

***Notes :**

- Term Loans are secured by a pari passu
(a) First Charge on all immovable and movable properties and (b) Second Charge on all current assets of Rain Cements Limited, wholly owned subsidiary of the Company.
- Buyer's credit is secured by charge on the current assets of the Company

SCHEDULES TO THE BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

D. FIXED ASSETS

Description	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at December 31, 2010	Additions	Deletions	As at December 31, 2011	Up to December 31, 2010	For the year	On Deletions	Upto December 31, 2011	As at December 31, 2011	As at December 31, 2010
Buildings	82,771	–	–	82,771	7,139	1,349	–	8,488	74,283	75,632
Furniture and Fixtures	46,344	–	–	46,344	13,255	2,925	–	16,180	30,164	33,089
Office Equipments	18,473	–	–	18,473	3,975	868	–	4,843	13,630	14,498
TOTAL	147,588	–	–	147,588	24,369	5,142	–	29,511	118,077	123,219
Year ended December 31, 2010	5,608,479	60,076	707	147,588*	609,330	83,243	21	24,369**		

* During the year ended December 31, 2010, pursuant to the Scheme of Arrangement (Refer Note XVII, of Schedule S), assets aggregating Rs. 5,520,260 pertaining to cement business were transferred to Rain Cements Limited.

** During the year ended December 31, 2010, pursuant to the Scheme of Arrangement (Refer Note XVII, of Schedule S), accumulated depreciation on assets pertaining to cement business aggregating Rs. 668,183 were adjusted on account of transfer to Rain Cements Limited.

SCHEDULES TO THE BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
E. INVESTMENTS		
(Unquoted)		
Long Term (at Cost)		
Subsidiary Companies		
a) Rain Cements Limited	2,128,104	2,128,104
29,805,000 (December 31, 2010 : 29,805,000)		
Equity Shares of Rs. 10 each fully paid up		
b) Rain Commodities (USA) Inc.	4,445	4,445
20 (December 31, 2010 : 20)		
Common Stock at face value of USD 0.01 per share		
20,000,000 (December 31, 2010: 20,000,000)		
Class B Redeemable Common stock of face value of		
USD 1 per share	902,800	902,800
	<u>3,035,349</u>	<u>3,035,349</u>
During the year, the following current investments		
were purchased and sold:		
1) 15,060 Units of Reliance Money Manager Fund - Institutional		
Option-Daily Dividend Plan at a cost of Rs.15,081		
2) 32,492 Units of Baroda Pioneer Treasury Liquid Fund - Institutional		
Daily Dividend Plan at a cost of Rs.32,512		
3) 32,766 Units of Baroda Pioneer Treasury Advantage Fund - Institutional		
Daily Dividend Plan at a cost of Rs.32,796		
4) 14,965 Units of Tata Treasury Manager Fund - SHIP - Daily Dividend		
Plan at a cost of Rs.15,119		
F. SUNDRY DEBTORS		
(Unsecured and Considered good, unless otherwise stated)		
- From Subsidiaries *		
- Debts Outstanding for a period exceeding six months	440,921	172,725
- Other debts	600,460	757,249
* Maximum amount outstanding during the year - Rs.1,869,120		
(December 31, 2010 - Rs.929,974)	<u>1,041,381</u>	<u>929,974</u>

SCHEDULES TO THE BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
G. CASH AND BANK BALANCES		
Balances with Scheduled Banks		
On Current Accounts	196,564	—
On Fixed Deposit Accounts	645,453	—
On Margin Money Deposit Accounts *	4,753	60,870
On Dividend Accounts	20,006	15,539
	<u>866,776</u>	<u>76,409</u>
* Pledged with banks for guarantees issued		
H. OTHER CURRENT ASSETS		
Interest accrued		
- On Deposits	15,392	822
- On Loans	7,890	21,680
	<u>23,282</u>	<u>22,502</u>
I. LOANS AND ADVANCES		
(Unsecured and Considered Good, unless otherwise stated)		
Loan to:		
- Subsidiary Company		
- Rain Commodities (USA) Inc. *	2,130,640	1,792,400
- Rain Cements Limited **	298,075	850,000
- Rain CII Carbon (Vizag) Limited ***	—	—
- Others	600,000	600,000
Advance to Rain Cements Limited ****	—	336,774
Advance Recoverable in cash or in kind or for value to be received	144	—
Advance towards Share Application money	315,000	315,000
Advance Tax (Net of Provision Rs. 956,673; December 31, 2010: Rs. 1,004,266)	118,596	3,167
	<u>3,462,455</u>	<u>3,897,341</u>

Disclosure as per Clause 32 of the Listing Agreement:

* Maximum amount outstanding during the year Rs. 2,130,640 (December 31, 2010 : Rs.1,792,400)

** Maximum amount outstanding during the year Rs. 850,000 (December 31, 2010 : Rs.850,000)

*** Maximum amount outstanding during the year Rs. Nil (December 31, 2010 : Rs. 130,091)

**** Maximum amount outstanding during the year Rs. 336,774 (December 31, 2010: Rs. 336,774)

SCHEDULES TO THE BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
J. CURRENT LIABILITIES		
Sundry Creditors		
- Due to Micro Enterprises and Small Enterprises	-	-
- Due to other than Micro Enterprises and Small Enterprises	1,151	7,600
Due to Subsidiaries		
- Rain Global Services LLC.	-	245,862
- Rain Commodities (USA) Inc.	24,515	-
Other Liabilities	1	-
Interest accrued but not due	7,451	2,873
Unclaimed Dividends*	20,006	15,539
	<u>53,124</u>	<u>271,874</u>
* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.		
K. PROVISIONS		
Proposed Dividend	380,242	325,839
Tax on Dividend	63,153	54,118
	<u>443,395</u>	<u>379,957</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at Decemba 31, 2011	As at December 31, 2010
L. SALES		
Cement	-	2,374,776
Green Petroleum Coke	2,395,445	1,413,865
Pet Coke	-	3,273
Clinker	-	57,769
	<u>2,395,445</u>	<u>3,849,683</u>
M. OTHER INCOME		
Interest (Gross) on Deposits with Banks and others	215,514	95,418
[Tax deducted at source - Rs.26,197 (December 31, 2010 - Rs.3,211)]		
Dividends:		
- From Current investments	496	2,537
- From Subsidiary Companies	426,415	193,733
Profit on sale of fixed assets (net)	-	3,409
Scrap sales	-	5,253
Liability no longer required written back	6,500	334
Rent	844	-
Miscellaneous Income	-	2,890
	<u>649,769</u>	<u>303,574</u>
N. PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	11,833	72,935
Contribution to Provident Fund and Other Funds	-	8,750
Welfare Expenses	69	8,736
	<u>11,902</u>	<u>90,421</u>
O. TRADING / MANUFACTURING EXPENSES		
Raw Materials Consumed *	-	208,220
Purchase of goods for resale	2,380,308	1,407,138
(Increase)/Decrease in Work-in-process and Finished Goods		
Opening Stock		
Work in Process	-	253,071
Finished Goods	-	66,419
	<u>-</u>	<u>319,490</u>
Less: Transfer on account of Scheme of Arrangement		
(Refer Note XVII of Schedule S)		
Work in Process	-	265,048
Finished Goods	-	39,285
	<u>-</u>	<u>304,333</u>
Closing Stock		
Work in Process	-	-
Finished Goods	-	-
	<u>-</u>	<u>-</u>
Increase/(Decrease) in Excise Duty on Finished Goods	-	15,157
Packing material Consumed	-	(1,603)
Stores and spare parts consumed	-	98,826
Power and Fuel	-	102,787
Repairs	-	627,925
- Buildings	-	341
- Machinery	-	14,239
	<u>2,380,308</u>	<u>2,473,030</u>
Less: Captive consumption of cement	-	588
	<u>2,380,308</u>	<u>2,472,442</u>
*includes royalty and cess - Rs. Nil (2010: Rs. 58,505)		

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
P. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	–	6,936
Rates and taxes	16,051	6,256
Repairs - Others	67	22,183
Insurance	11	2,824
Directors' sitting fees	735	180
Cash discounts	–	22,788
Selling and Distribution Expenses	–	503,957
Advertisement	2,301	11,521
Communication Expenses	1,948	3,035
Travelling and Conveyance	80	5,499
Legal and Professional Charges	3,645	11,416
Printing & Stationery	1,055	740
Loss/(Gain) on Foreign exchange fluctuation	167,233	(9,338)
Miscellaneous Expenses	1,962	12,216
	195,088	600,213
Q. INTEREST AND FINANCE CHARGES *		
Interest		
- On Term Loans	112,348	119,862
- Others	570	28,747
Bank and Finance Charges	5,546	42,302
* net of recoveries from subsidiaries Rs. 48,755 (December 31, 2010 - Rs. 20,884)		
	118,464	190,911
R. TAXATION		
Current Tax	43,649	11,314
Taxation of earlier years	–	68,604
Deferred Tax	(4,075)	(23,382)
	39,574	56,536
*Taxation includes		
Tax on Continuing Operations	39,574	8,184
Tax on Discontinuing Operations	–	48,352
	39,574	56,536

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

I. Basis of preparation of Financial Statements

Rain Commodities Limited ('the Company') follows the accrual basis of accounting. The financial statements are prepared on historical cost basis and to comply with accounting principles generally accepted in India, the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

II. Significant Accounting Policies

a) Use of Estimates

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

b) Revenue Recognition

Sales are recognized on dispatch of goods to customers and upon transfer of title in goods to customers. Gross sales include excise duty and sales tax recovered and are net of trade discounts.

c) Dividend Income

Dividend income is recognized when the Company's right to receive dividend is established.

d) Interest Income

Interest income is recognized using the time proportion method, based on the transactional interest rates.

e) Fixed Assets, Depreciation and Impairment

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, installation cost, duties and taxes, interest on specific borrowings utilized for financing the assets and other incidental expenses.

Depreciation is provided on straight line method at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the estimated economic useful lives whichever is higher.

Individual assets costing Rs.5,000 or below are entirely depreciated in the year of acquisition and put to use.

All 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.

f) Inventories

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

Goods in transit are valued at cost or below. Traded goods are valued at lower of weighted average cost and net realizable value.

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.

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

h) Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the differences 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 recognized unless there is virtual certainty that there will be sufficient future taxable income available to realize such asset. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

i) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year end rates. The resultant gain/ loss upon such restatement along with the gain/loss on account of foreign currency transactions are accounted in the Profit and Loss account.

j) Investments

Long term investments are stated at cost less provision for diminution, other than temporary, if any, in the value of such investments. Current investments are carried at the lower of cost and fair value.

III. (a) Sub-division of Equity Shares:

Pursuant to the approval of the shareholders at the Annual General Meeting held on May 12, 2011, each equity share of the Company with a face value of Rs. 10/- is sub-divided into five equity shares of Rs. 2/- each, with effect from June 16, 2011, being the record date for the said sub-division. Accordingly, as required by Accounting Standard (AS) 20 'Earnings Per Share', the basic and diluted Earnings Per Share for the previous year is restated to give effect to the sub-division.

(b) Buy-back of Equity Shares

The Board of Directors of the Company, during their meeting held on October 25, 2011, approved the buy-back of 10,000,000 equity shares of Rs.2/- each at maximum price of Rs.41/- per share for an amount not exceeding Rs.350,000. The Board decided to implement the buy-back offer through the open market purchases in the Stock Exchanges.

Pursuant to the offer, the Company from November 14, 2011 to December 31, 2011, has bought back 4,689,914 equity shares of Rs.2/- each aggregating Rs. 137,653. The Company had extinguished 3,723,675 equity shares upto December 31, 2011 and the balance 966,329 equity shares were extinguished subsequent to the year end. Accordingly, Rs. 9,379 has been reduced from paid-up equity share capital and in accordance with the provisions of Section 77A of the Companies Act, 1956, Rs. 128,274 has been utilized from Securities Premium Account.

In terms of Section 77AA of the Companies Act, 1956, an amount of Rs. 9,379 has been transferred to the Capital Redemption Reserve.

IV. Exceptional Items :

Nature of Income/(Expense)	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Loss on transfer of the cement business pursuant to the Scheme of Arrangement [Refer Note XVII]	—	(1,995,200)
Profit on sale of investment in its wholly owned subsidiary Rain CII Carbon (Vizag) Limited [Formerly Rain Calciner Limited]	—	211
Total	—	(1,994,989)

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

V. Contingent liabilities not provided for in respect of:

	December 31, 2011 Amount	December 31, 2010 Amount
Matters under dispute		
Income Tax	85,362	—
Corporate Guarantee issued on behalf of wholly owned subsidiaries :		
Rain Commodities USA Inc.,		
USD 125 million (December 31, 2010: USD 87 million) equivalent to	6,658,250	3,898,470
Rain CII Carbon (Vizag) Limited	—	1,135,000

VI. Micro and Small enterprises

There are no Micro and Small enterprises to whom the company owes dues, which are outstanding for more than 45 days as at December 31, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

VII. The Company has entered into various operating lease agreements for assets comprising storage facilities. The lease rentals amounting to Nil (December 31, 2010 - Rs.6,936) have been charged to revenue. These agreements are cancellable in nature and there is no restriction in respect of such leases.

VIII.(a) There are no outstanding contracts outstanding forward exchange contracts as at the year end.

(b) The year end receivable and payables in foreign currency which are not covered by forward covers / derivative contracts are as follows:

	Currency	As at December 31, 2011		As at December 31, 2010	
		Foreign Currency (In Millions)	Amount	Foreign Currency (In Millions)	Amount
(i) Buyer's Credit (including interest thereon)	USD	20.73	1,103,969	16.48	738,465
(ii) Payables	USD	0.46	24,515	5.49	245,864
(iii) Term Loans	USD	60.00	3,195,960	60.00	2,688,600
(iv) Loan Given	USD	40.00	2,130,640	40.00	1,792,400

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

IX. Directors' Remuneration:

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Salary and Allowances	11,124	7,920
Contribution to Provident Fund	—	792
Other Benefits	227	155
Commission	—	—
Sitting Fees	735	180
Total	12,086	9,047

X. Earnings per Share (EPS)

	Year ended December 31, 2011	Year ended December 31, 2010
a. Profit /(Loss) after Tax	294,736	(1,860,355)
b. Weighted average number of equity shares of Rs.2 each outstanding during the year (Nos.) (Refer Note below)	354,009,317	354,172,895
Earnings/(Loss) per Share		
c. Basic and Diluted - [a/b] - (Rs.)	0.83	(5.25)

Note: During the current year, equity shares of the Company with a face value of Rs. 10 each was sub-divided into 5 equity shares of Rs. 2 each and as required by Accounting Standard (AS) 20, Earnings Per Share, the EPS for the previous year is restated (Refer Note III(a)).

XI. Deferred Tax:

	December 31, 2011 Amount	December 31, 2010 Amount
Deferred Tax Liability - on account of depreciation	9,309	13,384

XII. Auditors' Remuneration

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Audit Fees	900	1,000
Limited Review Fees	450	450
Other services	350	478
Out of Pocket expenses	9	42

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

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

(a) Installed capacity and production

Licensed capacity not indicated due to abolition of industrial licenses. Installed capacity is as certified by the Management and relied on by the auditors, this being a technical matter.

Class of Goods	Unit	Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Cement	Mt.	Installed Capacity p.a.	See Note Below	See Note Below
		Actual Production	See Note Below	707,641 (See Note Below)

Note: Pursuant to the Scheme of Arrangement (Refer Note XVII), the Cement Business undertaking has been transferred to and vested in Rain Cements Limited, with effect from April 1, 2010.

(b) Particulars of Stocks

Cement*	December 31, 2011		December 31, 2010	
	Qty (Mt)	Amount	Qty (Mt)	Amount
Opening Stock	-	-	32,208	66,419
Closing Stock	-	-	-	-

*Cement stock of 19,225 MT (Rs. 39,285) as on March 31, 2010 transferred pursuant to Scheme of Arrangement (Refer Note XVII of Schedule S)

(c) Particulars of Sales (Gross)

Sales	Year ended December 31, 2011		Year ended December 31, 2010	
	Qty (Mt)	Amount	Qty (Mt)	Amount
Cement	-	-	719,692	2,374,776
Green Petroleum Coke	151,365	2,395,445	142,689	1,413,865
Pet Coke	-	-	505	3,273
Clinker	-	-	27,763	57,769
Total		2,395,445		3,849,683

(d) Details of Raw Materials Consumption

	Year ended December 31, 2011		Year ended December 31, 2010	
	Qty (Mt)	Amount	Qty (Mt)	Amount
Limestone*	-	-	882,075	58,493
Gypsum	-	-	25,681	33,197
Iron ore	-	-	19,341	22,693
Laterite	-	-	29,550	42,007
Fly Ash	-	-	100,419	43,491
Others	-	-	-	8,339
Total		-		208,220

*includes royalty and cess on limestone

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

(e) Details of Purchase of goods for resale

	Year ended December 31, 2011		Year ended December 31, 2010	
	Qty (Mt)	Amount	Qty (Mt)	Amount
Green Petroleum Coke	151,365	2,380,308	142,689	1,404,068
Pet Coke	-	-	505	3,070
Total	151,365	2,380,308	143,194	1,407,138

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

Raw Materials

	Year ended December 31, 2011		Year ended December 31, 2010	
	Amount	%	Amount	%
Imported	-	-	-	-
Indigenous	-	-	208,220	100.00
Total	-	-	208,220	100.00

Stores and Spares

	Year ended December 31, 2011		Year ended December 31, 2010	
	Amount	%	Amount	%
Imported	-	-	6,169	6.00
Indigenous	-	-	96,618	94.00
Total	-	-	102,787	100.00

(g) CIF Value of Imports

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Green Petroleum Coke	2,380,308	1,404,067
Capital goods	-	4,072
Stores and spares	-	7,125

(h) Expenditure in foreign currency

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Interest on Term Loans	112,348	76,732
Interest on Buyer's Credit	48,755	20,884
Legal and professional Charges	734	142
Rates and Taxes	13,247	-

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

(i) Earnings in foreign currency

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Interest Income	86,796	55,721
Dividend from Subsidiary company	187,975	-

(j) Dividends remitted in foreign currency to the non-resident shareholders

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Number of shareholders	416	420
Number of shares held (face value of Rs. 10 each)*	2,622,522	3,906,226
Year to which dividend relates	2010	2009
Amount of dividend remitted	12,063	14,453

* number of shares are before sub-division of shares of Rs. 10 each into five equity shares of Rs. 2 each (Refer Note III(a))

XIV. Related Party Disclosures

a) Names of related parties and description of relationship:	
(i) Subsidiaries	<ul style="list-style-type: none"> a) Rain Cements Limited (RCL) b) Rain Commodities (USA) Inc (RCUSA) c) Moonglow Company Business Inc, BVI ('Moonglow') [Subsidiary of RCL] d) Renuka Cement Limited (RenCL) [Subsidiary of RCL] e) Rain Global Services LLC (RGS) (Subsidiary of RCUSA) f) Rain Global Services Egypt Ltd (RGSE) [Subsidiary of RGS] g) Rain Carbon (USA) LLC (RCUSA1) [Subsidiary of RCUSA] h) Carbon Holdings USA LLC, USA (CHUSA) [Subsidiary of RCUSA1] i) CPC Holdings USA, LLC (CPCUSA) [Subsidiary of CHUSA] j) Rain CII Carbon (Vizag) Limited (RCCVL) [Subsidiary of CPCUSA] k) Rain CII Carbon LLC, USA (RCC) [Subsidiary of CPCUSA]

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

Related Party Disclosures (Contd.)

a) Names of related parties and description of relationship:	
(i) Subsidiaries (Contd.)	l) CII Carbon Corp.(CII) [Subsidiary of RCC] m) Rain CII Carbon Mauritius Limited (RCCM) [Subsidiary of RCC] n) Zhenjiang Xin Tian Tansu Co. Ltd., (ZXXTCL) [Subsidiary of RCCM]
(ii) Enterprise where key managerial personnel along with their relatives exercise significant influence	a) Sujala Investments Private Limited b) Focus India Brands Private Limited c) Nivee Holdings Limited d) Arunachala Holdings Limited e) PCL Financial Services Limited f) Rain Entertainment Private Limited g) Nivee Property Developers Private Limited
(iii) Key Management Personnel	a) Mr. N. Radha Krishna Reddy Chairman b) Mr. N. Jagan Mohan Reddy Managing Director with effect from February 10, 2011 c) Mr. N. Sujith Kumar Reddy Executive Director upto February 10, 2011

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

**b) Transactions with related parties:
Year Ended December 31, 2011**

Nature of Transactions	Subsidiary Company	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance outstanding to/(from)
Sales / Receivables				
– RCCVL – (GPC)	2,395,445	–	–	(1,041,381)
Purchases / Payables				
– RCC (GPC)	1,049,639	–	–	–
– RGS (GPC)	427,087	–	–	–
– RCUSA	–	–	–	24,515
Loan given				
– RCUSA	–	–	–	(2,130,640)
– RCL	–	–	–	(298,075)
Loan repaid				
– RCL	551,925	–	–	–
Rent received				
– RCCVL	760	–	–	–
Interest Income				
– RCUSA	86,796	–	–	–
– RCL	37,922	–	–	–
Managerial Remuneration	–	–	11,351	–
Freight and Other Expenses				
– RGS	162,454	–	–	–
– RCC	238,126	–	–	–
Corporate Guarantee given on behalf of				
– RCUSA	2,663,300	–	–	6,658,250
Dividend Paid	–	75,057	26,679	–
Dividend Income received				
– RCUSA	187,975	–	–	–
– RCL	238,440	–	–	–
Interest and finance Charges recovered				
– RCCVL	48,755	–	–	–
Reimbursement of Payment made on behalf of				
– RCL	336,774	–	–	–
Corporate Guarantee given on behalf of the Company by				
– RCL	4,186,960	–	–	4,186,960

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data or otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

b) Transactions with related parties:

Year Ended December 31, 2010

Nature of Transactions	Subsidiary Company	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance outstanding to/(from)
Sales / Receivable				
- RCL - (Cement)	544	—	—	—
- RCL - (GPC)	539,888	—	—	—
- RCCVL - (GPC)	873,977	—	—	(927,101)
Purchases / Payables				
- RCL (Power)	157,036	—	—	—
- RCC (GPC)	749,120	—	—	—
- RGS (GPC)	85,624	—	—	215,141
Rebate on Power Purchased				
- RCL	441	—	—	—
Loan given				
- RCUSA	1,820,396	—	—	(1,792,400)
Loans repaid				
- RCUSA	1,381,165	—	—	—
- RCCVL	130,091	—	—	—
Rent received				
- RCCVL	579	—	—	—
- RCL	189	—	—	—
Transfer of Cement business in accordance with Scheme of Arrangement				
- RCL	850,000	—	—	(850,000)
Interest Income				
- RCUSA	55,721	—	—	(13,789)
Managerial Remuneration	—	—	8,867	—
Freight and Other Expenses				
- RGS	92,575	—	—	—
- RCC	228,190	—	—	30,721
Corporate Guarantee given on behalf of				
- RCCVL	100,000	—	—	1,135,000
- RCUSA	537,720	—	—	3,898,470
Dividend Paid	—	27,947	21,459	—
Dividend Income received - RCL	193,733	—	—	—
Interest and Financial Charges Recovered				
- RCL	10,493	—	—	—
- RCCVL	10,391	—	—	—
Sale of Investment in RCCVL to CPCUSA	811	—	—	—
Reimbursement of Payment made on behalf of				
- RCL	336,774	—	—	(336,774)

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data or otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

XV. Disclosures as required under Accounting Standard 24 - Discontinuing Operations

Pursuant to the Scheme of Arrangement (Refer Note XVII), the Company has discontinued its cement business with effect from April 1, 2010. Continuing operation comprises trading in petroleum coke.

(A) Statement of revenue and expenses of Continuing and Discontinuing operations:

	Continuing Operations		Discontinuing Operations		Total	
	Year ended December 31,2011	Year ended December 31,2010	Year ended December 31,2011	Year ended December 31,2010	Year ended December 31,2011	Year ended December 31,2010
Income:						
Sales (Gross)	2,395,445	1,413,865	-	2,435,818	2,395,445	3,849,683
Less: Excise duties and taxes on sales	-	-	-	524,857	-	524,857
Sales (Net)	2,395,445	1,413,865	-	1,910,961	2,395,445	3,324,826
Other Income	649,769	291,723	-	11,851	649,769	303,574
	3,045,214	1,705,588	-	1,922,812	3,045,214	3,628,400
Payment / Expenditure						
Payment and Benefits to Employees	11,902	8,864	-	81,557	11,902	90,421
Trading / Manufacturing Expenses	2,380,308	1,401,306	-	1,071,136	2,380,308	2,472,442
Administrative, Selling and other Expenses	195,088	6,593	-	593,620	195,088	600,213
	2,587,298	1,416,763	-	1,746,313	2,587,298	3,163,076
Profit before Interest, Depreciation, Exceptional Item and Taxation	457,916	288,825	-	176,499	457,916	465,324
Interest and Finance Charges	118,464	74,775	-	116,136	118,464	190,911
Profit before Depreciation, Exceptional Item and Taxation	339,452	214,050	-	60,363	339,452	274,413
Depreciation	5,142	5,143	-	78,100	5,142	83,243
Profit / (Loss) Before Exceptional Item and Taxation	334,310	208,907	-	(17,737)	334,310	191,170
Exceptional item (Refer Note IV)	-	211	-	(1,995,200)	-	(1,994,989)
Profit / (Loss) Before Taxation	334,310	209,118	-	(2,012,937)	334,310	(1,803,819)
Taxation	39,574	8,184	-	48,352	39,574	56,536
Profit /(Loss) After Taxation	294,736	200,934	-	(2,061,289)	294,736	(1,860,355)

SCHEDULES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data or otherwise stated

SCHEDULE-S: NOTES TO ACCOUNTS

(B) Statement of assets and liabilities of continuing and discounting operations:

	Continuing Operations		Discontinuing Operations		Total	
	As at December 31,2011	As at December 31,2010	As at December 31,2011	As at December 31,2010	As at December 31,2011	As at December 31,2010
Total Assets	8,547,320	8,084,794	-	-	8,547,320	8,084,794
Total Liabilities	8,547,320	8,084,794	-	-	8,547,320	8,084,794

(C) Statement of Net Cash Flows attributable to Continuing and discounting Operations:

	Continuing Operations		Discontinuing Operations		Total	
	Year ended December 31,2011	Year ended December 31,2010	Year ended December 31,2011	Year ended December 31,2010	Year ended December 31,2011	Year ended December 31,2010
Net Cash Flow from / (Used in)						
Operating Activities	(178,118)	(514,429)	-	(402,224)	(178,118)	(916,653)
Investing Activities	1,193,570	(1,860,244)	-	204,652	1,193,570	(1,655,592)
Financing Activities	(225,085)	2,734,008	-	(74,695)	(225,085)	2,659,313

XVI. Segment Reporting

The segment results are included and presented on consolidated basis in accordance with the requirements of Accounting Standard - 17 "Segment Reporting".

XVII. Pursuant to the Scheme of Arrangement amongst the Company, Rain Cements Limited (RCL) and Rain CII Carbon Vizag Limited ('the Scheme') as approved by the shareholders of the Company in the Extraordinary General Meeting held on July 29, 2010 and subsequently sanctioned by the Hon'ble High Court of Judicature, Andhra Pradesh at Hyderabad on December 29, 2010, the Cement business of the Company was transferred to and vested in RCL with effect from April 1, 2010. The Scheme was accordingly given effect in the financial statements for the year ended December 31, 2010. The figures of the previous year represent cement and trading in petroleum coke businesses from January 1, 2010 to March 31, 2010 and trading in petroleum coke business thereafter, and are hence not comparable with that of the current year.

XVIII. The donations made by the Company to political parties during the year: Nil (December 31, 2010: CPI - Rs. 10)

XIX. The term loans availed by the Company have been utilized for the purpose of investment in share capital and extending loan facilities to a subsidiary company, which is engaged in the business of Calcined Petroleum Coke. The investment in share capital is in the nature of net investment hedge and has been appropriately dealt with in the consolidated financial statements of the Company.

XX. Comparative figures of the previous year where necessary, have been regrouped to conform to those of the current year. Further for reasons stated in Note XVII, previous year figures are not comparable with that of the current year.

For and on behalf of the Board of Directors

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

Place: Hyderabad
Date : February 21, 2012

S. Venkat Ramana Reddy
Company Secretary

G.N.V.S.R.R. Kumar
VP-Finance & Accounts

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

1. Name of the subsidiary	Rain Cements Limited (RCL)	Rain Commodities (USA) Inc. (RCUSA)	Moonglow Company Business Inc (Moonglow)	Rain Carbon USA LLC (RCUSA1)
2. Financial year ending of the Subsidiary	December 31, 2011	December 31, 2011	December 31, 2011	December 31, 2011
3. Holding Companies interest	Rain Commodities Limited is holding 29,805,000 Equity Shares of Rs.10/- representing 100% of the total Paid up Equity Share Capital of RCL.	Rain Commodities Limited is holding 20 Class A Shares of USD 0.01 each and 20,000,000 Class B shares of USD 1.00 each representing 100% of the total Paid up Share Capital of RCUSA	The Company's wholly owned subsidiary namely Rain Cements Limited is holding 97,805,000 Equity Shares of USD 1.00 each representing 100% of the total Paid up Share Capital of Moonglow	The Company's wholly owned subsidiary namely Rain Commodities (USA) Inc., is holding 189,820,000 shares of USD 1.00 each representing 100% of the total paid up share capital of RCUSA1.
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	Profit of Rs.277,121 thousands	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the holding Company	Profit of Rs.912,223 thousands	Profit of Rs.389,088 thousands	Loss of Rs.2 thousands	Profit of Rs.524,203 thousands
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	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the holding Company	Profit of Rs.1,056,898 thousands	Profit of Rs.305,082 thousands	Loss of Rs.150 thousands	NIL

for and on behalf of the Board of Directors

Place: Hyderabad

Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

S. Venkat Ramana Reddy
Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

1. Name of the subsidiary	Carbon Holdings USA LLC (CHUSA)	CPC Holdings USA LLC (CPCUSA)	Rain CII Carbon LLC (RCC)	Rain CII Carbon (Vizag) Limited (RCCVL)
2. Financial year ending of the Subsidiary	December 31, 2011	December 31, 2011	December 31, 2011	December 31, 2011
3. Holding Companies interest	The Company's step down subsidiary RCUSA1 is holding 189,820,000 equity shares of USD 1.00 each representing 100% of the total paid up share capital of CHUSA	The Company's step down subsidiary CHUSA is holding 189,818,500 equity shares of USD 1.00 each representing 100% of the total paid up share capital of CPCUSA	The Company's step down subsidiary CPCUSA is holding 1,868 class A common shares of USD 100,000 each representing 100% of the total paid up share capital of RCC	RCL is holding 1,000,000 equity shares of Rs.10/- each and CPCUSA is holding 7,180,000 equity shares of Rs.10/- each, the aggregate of the same represents 100% of the total paid up share capital of RCCVL.
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company				
a. dealt with or provided for in the accounts of the holding Company	NIL	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the holding Company	Profit of Rs.524,195 thousands	Profit of Rs.524,195 thousands	Profit of Rs.4,555,117 thousands	Profit of Rs.568,102 thousands
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	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the holding Company	Loss of Rs. 5 thousands	Loss of Rs. 13 thousands	Profit of Rs.4,588,253 thousands	Profit of Rs. 386,555 thousands

for and on behalf of the Board of Directors

Place: Hyderabad

Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

S. Venkat Ramana Reddy
Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

1. Name of the subsidiary	Rain Global Services LLC (RGS)	RGS Egypt Limited (RGSEGYPT)	Rain CII Carbon Mauritius Limited (RCCM)
2. Financial year ending of the Subsidiary	December 31, 2011	December 31, 2011	December 31, 2011
3. Holding Companies interest	The Company's wholly owned subsidiary RCUSA is holding 61 Equity Shares of USD 1.00 each representing 61% of the total Paid up Share Capital of RGS	The Company's step down subsidiary namely RGS is holding 510 equity shares of USD 1.00 each representing 51% of the total paid up share capital of RGSEGYPT.	The Company's step down subsidiary namely RCC is holding 500,000 ordinary Equity Shares of USD 1.00 each representing 100% of the total Paid up Share Capital of RCCM
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 b. not dealt with or provided for in the accounts of the holding Company	NIL Loss of Rs. 32,768 thousands	NIL Profit of Rs. 11,878 thousands	NIL Loss of Rs.933 thousands
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 b. not dealt with or provided for in the accounts of the holding Company	NIL Profit of Rs. 46,677 thousands	NIL Profit of Rs. 2,365 thousands	NIL Loss of Rs.1,188 thousands

for and on behalf of the Board of Directors

Place: Hyderabad

Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

S. Venkat Ramana Reddy
Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

1. Name of the subsidiary	CII Carbon Corporation (CII)	Zhenjiang Xin Tian Tansu Company Limited (ZXTTCL)	Renuka Cement Limited (RenCL)
2. Financial year ending of the Subsidiary	December 31, 2011	December 31, 2011	December 31, 2011
3. Holding Companies interest	The Company has not issued any Shares.	The Company's step down subsidiary namely RCCM is holding USD 2,700,000 Equity representing 100% of the total Paid up Share Capital of ZXTTCL.	The Company's wholly owned subsidiary RCL is holding 50,700 Equity Shares of Rs.10/- each representing 100% of the total paid up share capital of RenCL
4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company			
a. dealt with or provided for in the accounts of the holding Company	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the holding Company	NIL	Loss of Rs.10,864 thousands	Loss of Rs.1,114 thousands
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	NIL	NA (since the company was acquired on January 14, 2011 during the current year only)
b. not dealt with or provided for in the accounts of the holding Company	NIL	Loss of Rs.11,968 thousands	NA

for and on behalf of the Board of Directors

Place: Hyderabad
Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

S. Venkat Ramana Reddy
Company Secretary

Financial performance of Subsidiary Companies for the financial year ended December 31, 2011

Rs. in thousands

Particulars	Rain Cements Limited	Rain Commodities (USA) Inc.	Moonglow Company Business Inc	Rain Carbon USA, LLC	Carbon Holdings USA, LLC	CPC Holdings USA, LLC	Rain CII Carbon LLC
Capital	298,050	6,117,149	3,902,180	8,791,713	8,791,718	8,791,648	8,004,952
Reserves	6,608,742	722,773	1,307,312	1,319,239	1,319,219	1,319,205	11,498,498
Total Assets	11,477,725	11,638,719	5,209,492	10,110,952	10,217,469	10,217,385	46,612,108
Total Liabilities	11,477,725	11,638,719	5,209,492	10,110,952	10,217,469	10,217,385	46,612,108
Investments	4,164,912	10,111,115	5,209,415	10,110,952	10,110,873	10,217,378	26,633
Total Income	8,741,955	660,907	-	623,730	623,730	623,730	38,915,142
Profit/(loss) before Taxation	1,699,614	317,175	(2)	524,203	524,203	524,203	7,316,178
Provision for taxation	510,270	(71,913)	-	-	-	-	2,761,061
Profit/(loss) after Taxation	1,189,344	389,088	(2)	524,203	524,195	524,195	4,555,117
Proposed Dividend (including tax thereon)	277,121	180,031	-	524,203	524,203	524,203	519,201

Note: Exchange rate considered as on December 31, 2011: 1USD = Rs.53.27 for balance sheet items and 1USD= Rs.46.67 for income statement items

for and on behalf of the Board of Directors

Place: Hyderabad
Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

S. Venkat Ramana Reddy
Company Secretary

Financial performance of Subsidiary Companies for the financial year ended December 31, 2011

Particulars	Rs. in thousands					
	Rain CII Carbon (Vizag) Limited	Rain Global Services LLC	RGS Egypt Limited	Rain CII Carbon Mauritius Limited	CII Carbon Corporation	Zhenjiang Xin Tian Tansu Company Limited
Capital	81,800	242	53,266	23,340	-	140,525
Reserves	1,564,407	(248,660)	22,143	(510)	-	(20,794)
Total Assets	10,205,371	1,180,057	517,420	153,939	-	201,461
Total Liabilities	10,205,371	1,180,057	517,420	153,939	-	201,461
Investments	-	16,477	-	143,818	-	-
Total Income	12,211,033	3,425,811	866,951	-	-	12,005
Profit/(loss) before Taxation	754,642	(53,717)	38,660	(933)	-	(10,864)
Provision for taxation	186,540	-	-	-	-	-
Profit/(loss) after Taxation	586,102	(53,717)	38,660	(933)	-	(10,864)
Proposed Dividend (including tax thereon)	-	(26,021)	-	-	-	-

Note : Exchange rate considered as on December 31, 2011: 1USD = Rs.53.27 for balance sheet items and 1USD= Rs.46.67 for income statement items

for and on behalf of the Board of Directors

Place: Hyderabad
Date: February 21, 2012

N. Radhakrishna Reddy
Chairman

N. Jagan Mohan Reddy
Managing Director

T. Srinivasa Rao
Chief Financial Officer

S. Venkat Ramana Reddy
Company Secretary

For the Year ended December 31, 2011

**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

Registration No. State Code
CIN 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

For and on behalf of the Board of Directors

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

S. Venkat Ramana Reddy
Company Secretary

G.N.V.S.R.R. Kumar
VP - Finance & Accounts

Place: Hyderabad
Date : February 21, 2012

CONSOLIDATED FINANCIAL STATEMENTS

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 (the Company and its subsidiaries constitute "the Group") as at December 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 49,118,774 thousands as at December 31, 2011, total revenues of Rs. 36,869,434 thousands and net cash inflows amounting to Rs. 2,368,691 thousands for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company and its aforesaid subsidiaries, to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2011;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.: 008072S)

K. Rajasekhar
Partner
(Membership No. 23341)

Hyderabad, February 21, 2012

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2011

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Schedule Reference	As at December 31, 2011	As at December 31, 2010
I. SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	698,967	708,346
Reserves and Surplus	B	20,509,989	13,225,132
		21,208,956	13,933,478
Minority Interest		66,519	58,689
Loan Funds			
Secured Loans	C	35,110,240	29,110,771
Unsecured Loans	D	2,676,889	2,670,667
		37,787,129	31,781,438
Deferred Tax Liability (Net) (Refer Note X of Schedule U)		2,540,037	2,173,410
TOTAL		61,602,641	47,947,015
II. APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	42,783,247	36,691,734
Less: Depreciation		5,842,709	4,308,188
Net Block		36,940,538	32,383,546
Capital Work In Progress		1,241,279	560,677
		38,181,817	32,944,223
Investments	F	16,125	16,097
Current Assets, Loans and Advances			
Inventories	G	10,969,937	7,452,408
Sundry Debtors	H	7,246,984	5,422,985
Cash and Bank Balances	I	8,298,798	3,638,587
Other Current Assets	J	42,633	10,309
Loans and Advances	K	3,397,131	2,774,966
		29,955,483	19,299,255
Less: Current Liabilities and Provisions			
Current Liabilities	L	5,540,267	3,466,463
Provisions	M	1,010,517	846,097
		6,550,784	4,312,560
Net Current Assets		23,404,699	14,986,695
TOTAL		61,602,641	47,947,015
Notes to Accounts	U		

The above schedules form an integral part of the Consolidated Balance Sheet

For and on behalf of the Board of Directors

In terms of our report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

K. Rajasekhar
Partner
Place: Hyderabad
Date : February 21, 2012

S. Venkat Ramana Reddy
Company Secretary

T. Srinivasa Rao
Chief Financial Officer
Place: Hyderabad
Date : February 21, 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Schedule Reference	Year ended December 31, 2011	Year ended December 31, 2010
I. INCOME			
Sales (Gross)	N	59,521,746	40,413,756
Less: Excise duties and taxes on sales		3,320,681	2,764,089
Sales (Net)		56,201,065	37,649,667
Other Income	O	412,262	328,232
		<u>56,613,327</u>	<u>37,977,899</u>
II. EXPENDITURE			
Payments and Benefits to Employees	P	1,939,048	1,617,151
Manufacturing/Trading Expenses	Q	35,669,679	24,380,108
Administrative, Selling and Other Expenses	R	5,485,865	4,073,765
		<u>43,094,592</u>	<u>30,071,024</u>
III. PROFIT BEFORE INTEREST, DEPRECIATION, EXCEPTIONAL ITEMS AND TAXATION		13,518,735	7,906,875
Interest and Finance Charges	S	2,316,731	2,123,005
IV. PROFIT BEFORE DEPRECIATION, EXCEPTIONAL ITEMS AND TAXATION		11,202,004	5,783,870
Depreciation		1,129,391	1,156,847
V. PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION		10,072,613	4,627,023
Exceptional Items (Net) (Refer Note IV of Schedule U)		-	(1,249,392)
VI. PROFIT BEFORE TAXATION		10,072,613	3,377,631
Provision for Taxation	T	3,425,533	950,920
VII. PROFIT AFTER TAXATION BEFORE MINORITY INTERESTS		6,647,080	2,426,711
Minority Interests		(5,832)	(19,543)
VIII. NET PROFIT		6,641,248	2,407,168
Surplus brought forward from Previous Year		10,944,397	8,715,575
Add: Adjustment on account of:			
- Receipt of Dividend (including tax thereon) from subsidiary		-	227,632
IX. PROFIT AVAILABLE FOR APPROPRIATION		17,585,645	11,350,375
APPROPRIATIONS			
- Transfer to General Reserve		149,908	-
- Transfer to Capital Redemption Reserve		9,379	-
- Proposed Dividend		380,242	351,860
- Tax On Dividend			
- Of Current Year		63,153	54,118
- Of Earlier Year		(1,258)	-
- Reversal of Dividend proposed in Earlier Year (Refer Note XVII of Schedule U)		(26,021)	-
X. SURPLUS CARRIED TO BALANCE SHEET		17,010,242	10,944,397
Earnings Per Share Rs. (Face value of Rs. 2/- each) (Refer Note IX of Schedule U)			
Basic		18.76	6.80
Diluted		18.76	6.80

Notes to Accounts

U

The above schedules form an integral part of the Consolidated Profit and Loss Account

For and on behalf of the Board of Directors

In terms of our report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

K. Rajasekhar
Partner

S. Venkat Ramana Reddy
Company Secretary

T. Srinivasa Rao
Chief Financial Officer

Place: Hyderabad
Date : February 21, 2012

Place: Hyderabad
Date : February 21, 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
A. Cash Flow from Operating Activities		
Net Profit before taxation	10,072,613	3,377,631
Adjustments for :		
Depreciation	1,129,391	1,156,847
Premium on Redemption of Senior Subordinated Notes	-	1,582,778
Unrealized Loss/(Gain) on Foreign Exchange Fluctuation	1,267,949	(533,277)
Interest on deposits with Banks and others	(173,584)	(65,164)
Interest and Finance Charges	2,165,589	1,917,107
Provision for Doubtful Debts (Net of reversals)	(141)	5,205
Liability No Longer Required Written Back	(26,240)	(29,611)
(Profit)/Loss on Sale/retirement of Fixed Assets	4,159	(819)
Dividend from Current Investments	(2,839)	(7,249)
Settlement of claims in respect of Sale of Investments in Earlier Years	-	(392,960)
	<u>4,364,284</u>	<u>3,632,857</u>
Operating profit before Working Capital Changes	14,436,897	7,010,488
Adjustments for :		
Sundry Debtors	(1,820,986)	(656,731)
Inventories	(3,517,533)	(2,665,209)
Loans and Advances	117,709	17,252
Current Liabilities and Provisions	<u>2,144,091</u>	<u>444,343</u>
	<u>(3,076,719)</u>	<u>(2,860,345)</u>
Cash Generated from Operations	11,360,178	4,150,143
Income Tax paid (net of refund)	(3,102,100)	(970,521)
Net cash from Operating Activities	8,258,078	3,179,622
B. Cash Flow from Investing Activities		
Purchase of Fixed Asset	(1,449,823)	(717,853)
Proceeds from Sale of Fixed Assets	20,230	34,270
Proceeds from Settlement of claims in respect of Sale of Investments in Earlier Years	-	53,081
Investment in Subsidiary (See Note 2)	-	(22,909)
Purchase of Long Term Investments	(28)	(5)
Purchase of Current Investments	(270,000)	(1,807,000)
Redemption of Current Investments	270,000	2,098,117
Advance towards Share Application Money	-	(315,000)
Loans Given	-	(740,000)
Loans Repaid	-	140,000
Interest Received	142,646	70,892
Dividend Received on Current Investment	2,839	7,249
Net Cash (used in) Investing Activities	(1,284,136)	(1,199,158)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011 (Contd.)

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
C. Cash Flow from Financing Activities		
Proceeds from Issue of Shares by a subsidiary	-	896
Proceeds from Borrowings	1,365,614	20,787,104
Repayment of Borrowings	(2,276,328)	(18,543,568)
Proceeds from/(Repayment of) Working Capital Borrowings (net)	1,090,955	(16,980)
Sales Tax Deferment Availed	95,686	101,526
Interest paid	(2,106,834)	(1,934,983)
Premium on Redemption of Senior Subordinated Notes	-	(1,582,778)
Dividend paid [including Dividend Tax Rs. 52,859 (December 31, 2010: Rs. 43,534)]	(378,698)	(302,171)
Buy-back of equity shares (including premium) (Refer Note III (b) of Schedule U)	(137,653)	-
Net Cash (used in) Financing Activities	(2,347,258)	(1,490,954)
Net Increase in Cash and Cash equivalents	4,626,684	489,510
Cash and Cash equivalents - Opening Balance*	3,638,587	3,056,880
Cash and Cash equivalents on acquisition of Subsidiary (See Note 3)	3	85,221
Cash and Cash equivalents - Closing Balance*	8,265,274	3,631,611
Cash and Cash Equivalent comprise:		
Cash and Bank Balance	8,298,798	3,638,587
Unrealized (Gain) on Foreign Currency		
Cash & Cash Equivalents	(33,524)	(6,976)
	8,265,274	3,631,611

*includes money held on margin money deposit accounts

Notes:

- The above Consolidated cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard- 3 on Cash Flow Statements.
- Previous year amount of Rs. 22,909 represents cash paid for investing in RGS Egypt Limited.
- Cash and cash equivalents include Rs. 3 of Renuka Cement Limited acquired consequent to it becoming a subsidiary during the year. In the previous year, Cash and cash equivalents include Rs. 85,221 of RGS Egypt Limited acquired consequent to it becoming a subsidiary.
- Cash and cash equivalents include restricted cash balance Rs. 451,703 (December 31, 2010 Rs. 132,343).
- Cash flow from investing activities excludes Rs.120,500 being acquisition of equity shares of Renuka Cement Limited on conversion of advance (Refer Note XVI of Schedule U).
- Comparative figures of the previous year have been regrouped where necessary to conform to those of the current year.

For and on behalf of the Board of Directors

In terms of our report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

K. Rajasekhar
Partner

S. Venkat Ramana Reddy
Company Secretary

T. Srinivasa Rao
Chief Financial Officer

Place: Hyderabad
Date : February 21, 2012

Place: Hyderabad
Date : February 21, 2012

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
A. CAPITAL		
Authorised		
590,000,000 Equity Shares of Rs. 2/- each (December 31, 2010 : 118,000,000 Equity Shares of Rs. 10/- each) (Refer Note III (a) of Schedule U)	1,180,000	1,180,000
4,900,000 (December 31, 2010 : 4,900,000) Redeemable Preference Shares of Rs. 100/- each	490,000	490,000
	1,670,000	1,670,000
Issued, subscribed and paid up		
354,172,895 Equity shares of Rs. 2/- each (December 31, 2010 : 70,834,579 Equity Shares of Rs. 10/- each) (Refer Note III (a) of Schedule U)	708,346	708,346
Less: 3,723,675 (December 31, 2010 : Nil) Equity Shares of Rs. 2/- each bought back during the year (Refer Note III (b) of Schedule U)	7,447	-
350,449,220 Equity shares of Rs. 2/- each (December 31, 2010: 70,834,579 Equity Shares of Rs. 10/- each)	700,899	708,346
Less: 966,239 Equity Shares bought back and pending to be extinguished as on December 31, 2011 (Refer Note III (b) of Schedule U)	1,932	-
	698,967	708,346
Of the above:		
174,306,430 Equity Shares of Rs. 2/- each (represents after subdivision of 34,861,286 Equity Shares of Rs. 10/- each) were allotted to the shareholders of erstwhile Rain Calcining Limited pursuant to the Scheme of Arrangement between the Company and erstwhile Rain Calcining Limited in November 2007, without payment being received in cash		

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
B. RESERVES AND SURPLUS		
Securities Premium Account		
As at the commencement of the year	1,097,372	1,097,372
Less: Utilised towards buy back of equity shares (Refer Note III (b) of Schedule U)	128,274	-
	<u>969,098</u>	<u>1,097,372</u>
Capital Reserve	<u>37,468</u>	<u>37,468</u>
Capital Redemption Reserve		
As at the commencement of the year	12,000	12,000
Add: Transferred from Profit and Loss Account (Refer Note III (b) of Schedule U)	9,379	-
	<u>21,379</u>	<u>12,000</u>
General Reserve		
As at the commencement of the year	730,327	730,327
Add: Transferred from Profit and Loss Account	149,908	-
	<u>880,235</u>	<u>730,327</u>
Foreign Currency Translation Reserve		
As at the commencement of the year	403,568	802,975
Add: Adjustments during the year (Net)	1,187,999	(399,407)
	<u>1,591,567</u>	<u>403,568</u>
Profit and Loss Account	<u>17,010,242</u>	<u>10,944,397</u>
	<u>20,509,989</u>	<u>13,225,132</u>
C. SECURED LOANS		
Term Loans		
Banks		
- Foreign Currency Loans	9,464,646	9,018,856
- Rupee Loans	271,000	494,000
Financial Institutions	100,000	166,667
Foreign Currency Loans		
- 8.000% Senior Secured Notes (Due for repayment in December 2018)	21,306,400	17,924,000
Working Capital Loans from Banks		
- Buyer's credit denominated in foreign currency	3,043,160	1,253,305
- Others	925,034	253,943
	<u>35,110,240</u>	<u>29,110,771</u>
D. UNSECURED LOANS		
Short Term Loans		
Buyer's credit denominated in foreign currency	549,941	230,550
Other than Short Term		
11.125% Senior Subordinated Notes (Due for repayment in Nov. 2015)	-	713,599
10.000% Junior Subordinated Notes (Due for repayment in Jan. 2018)	1,006,035	769,388
Sales Tax Deferment	952,178	856,492
Others	168,735	100,638
	<u>2,676,889</u>	<u>2,670,667</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

E. FIXED ASSETS

Description	GROSS BLOCK (At Cost)					DEPRECIATION/AMORTISATION					NET BLOCK	
	As at December 31, 2010	Adjustment for currency translation	On Acquisition (Refer Note 3 below)	Additions	Deletions	As at December 31, 2011	Adjustment for currency translation	On Acquisition (Refer Note 3 below)	For the year	On Deletions	As at December 31, 2011	As at December 31, 2010
I. INTANGIBLE ASSETS												
Goodwill (on consolidation) (Refer Note 4 below)	19,125,036	3,566,857	-	120,240	-	22,812,133	-	-	-	-	22,812,133	19,125,036
Software	-	-	-	118	-	118	-	-	19	-	99	-
	19,125,036	3,566,857	-	120,358	-	22,812,251	-	-	19	-	22,812,232	19,125,036
II. TANGIBLE ASSETS												
Land												
- Freehold	291,878	42,889	-	540	-	335,307	-	-	-	-	335,307	291,878
- Mining	19,663	-	-	371	-	20,034	923	-	160	-	18,951	18,740
- Leasehold (Refer Note 1 below)	77,435	-	-	-	-	77,435	552	-	6,497	-	70,386	76,883
Buildings (Refer Note 2 below)	2,993,162	266,017	-	229,215	2,797	3,485,597	45,456	-	147,635	287	2,774,061	2,474,430
Railway Siding	418	-	-	-	-	418	418	-	-	-	-	-
Plant and Machinery	13,897,093	1,214,418	-	636,747	10,758	15,737,500	367,685	-	949,968	9,435	10,718,596	10,186,407
Furniture and Fixtures	127,054	1,306	-	2,592	4	130,948	866	-	6,275	1	96,090	99,336
Office Equipments	98,216	2,576	-	8,319	109	109,002	801	-	12,220	25	59,893	62,103
Vehicles	61,779	551	-	14,281	1,856	74,755	513	-	6,617	443	55,022	48,733
	17,566,698	1,527,757	-	892,065	15,524	19,970,996	415,321	-	1,129,372	10,191	14,128,306	13,258,510
Total	36,691,734	5,094,614	-	1,012,423	15,524	42,783,247	415,321	-	1,129,391	10,191	5,842,709	32,383,546
Year ended December 31, 2010	37,452,908	(1,108,550)	91,486	455,141	199,251	36,691,734	(65,955)	48,150	1,156,847	125,162	4,308,188	

Notes

- 1) Represents land admeasuring 11 acres 82 cents taken on lease from Visakhapatnam Port Trust till October 27, 2022, in respect of which the lease deed is in the process of being executed.
- 2) Includes Buildings constructed on leasehold land and depreciated over the lease period.
- 3) Received on acquisition of RGS Egypt Limited.
- 4) Additions to Goodwill, during the year, is on account of acquisition of Renuka Cement Limited (Refer Note XVI of Schedule U).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
F. INVESTMENTS		
(Unquoted)		
Long Term (At Cost)		
Trade Investments		
Andhra Pradesh Gas Power Corporation Limited	16,000	16,000
134,000 Equity Shares of Rs. 10 each fully paid up		
Other than Trade		
Government Securities - National Savings Certificates (deposited with various Authorities)	125	97
	<u>16,125</u>	<u>16,097</u>
G. INVENTORIES		
Stores and Spare Parts (including Packing Material)*	528,936	445,839
Raw Materials (including Fuel)*	6,192,499	4,468,136
Work-in-Process **	214,402	257,553
Finished Goods **	4,034,100	2,280,880
	<u>10,969,937</u>	<u>7,452,408</u>
Raw Material includes Goods in Transit	744,975	61,666
* at cost or below		
** at lower of cost and net realisable value		
H. Sundry Debtors		
(Considered good, unless otherwise stated)		
Secured		
Considered Good		
- Debts Outstanding for a period exceeding six months	14,053	15,699
- Other debts	123,069	53,832
Unsecured		
Considered Good		
- Debts Outstanding for a period exceeding six months	465,333	258
- Other Debts*	6,644,529	5,353,196
Considered Doubtful		
- Debts Outstanding for a period exceeding six months	17,628	17,581
- Other debts	782	5,650
Less: Provision for doubtful debts	(18,410)	(23,231)
	<u>7,246,984</u>	<u>5,422,985</u>
*Includes unbilled revenue	21,606	20,819

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	As at December 31, 2011	As at December 31, 2010
I. CASH AND BANK BALANCES		
Cash and Cheques on Hand	27,392	29,156
With Banks		
- On Current Accounts	4,801,719	2,966,593
- On Deposit Accounts	3,017,984	510,495
- On Margin Money Accounts*	431,697	116,804
- On Dividend Accounts	20,006	15,539
	8,298,798	3,638,587
*Pledged with banks for guarantees issued and documentary credits		
J. OTHER CURRENT ASSETS		
Interest accrued		
- On Deposits	34,743	2,418
- On Loans	7,890	7,891
	42,633	10,309
K. LOANS AND ADVANCES		
(Unsecured and Considered Good, unless otherwise stated)		
Loans to Employees	739	1,311
Loans to Others	600,000	600,000
Advance towards Share Application money	315,000	315,000
Advances recoverable in cash or kind or for value to be received*	1,264,615	1,595,342
Balance with Government and Public Bodies, etc.	455,526	175,889
Deposits with Others	20,140	20,441
Incentives Receivable	46,340	54,938
Advance Tax (Net of Provision for Tax)	694,771	12,045
	3,397,131	2,774,966
*Includes capital advances Rs. 26,352 (31.12.2010: Rs. 41,903)		
L. CURRENT LIABILITIES		
Sundry Creditors	4,382,842	2,614,415
Security and other deposits	247,451	150,457
Advance from Customers	45,566	76,179
Other Liabilities	601,810	414,161
Interest accrued but not due on loans	242,592	195,712
Unclaimed Dividends*	20,006	15,539
	5,540,267	3,466,463
* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.		
M. PROVISIONS		
Gratuity and Compensated absences	567,122	440,119
Proposed Dividend	380,242	351,860
Tax on Dividend	63,153	54,118
	1,010,517	846,097

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
N. SALES		
Calcined Petroleum Coke	43,704,234	28,896,792
Cement	11,384,596	9,277,407
Green Petroleum Coke	3,308,101	1,106,229
Energy (Power and Steam)	1,124,815	1,133,328
	<u>59,521,746</u>	<u>40,413,756</u>
O. OTHER INCOME		
Interest on Deposits with Banks and Others (Gross)	173,584	65,164
[Tax deducted at source Rs. 28,555 (December 31, 2010- Rs. 4,466)]		
Income from Sale of Certified Emission Reductions (CERs)	95,485	85,076
Scrap sales	19,975	16,612
Incentives towards sales tax and power tariff	4,965	54,938
Dividends from Current Investments	2,839	7,249
Profit on sale of fixed assets (net)	-	819
Miscellaneous Income	115,414	98,374
	<u>412,262</u>	<u>328,232</u>
P. PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	1,566,318	1,294,459
Contribution to Provident Fund and Other Funds	55,525	49,454
Workmen and Staff Welfare Expenses	317,205	273,238
	<u>1,939,048</u>	<u>1,617,151</u>

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
Q. MANUFACTURING/TRADING EXPENSES		
Raw Materials Consumed *	27,125,222	17,883,122
Purchase of Goods for Resale	4,872,076	2,245,393
(Increase)/Decrease in Work-in-process and Finished Goods		
Opening Stock		
Work-in-Process	257,553	253,762
Finished Goods**	2,280,880	1,502,966
	<u>2,538,433</u>	<u>1,756,728</u>
Closing Stock		
Work-in-Process	214,402	257,553
Finished Goods	4,034,100	2,280,880
	<u>4,248,502</u>	<u>2,538,433</u>
(Increase)/Decrease in Stocks	(1,710,069)	(781,705)
Increase/(Decrease) in Excise Duty on Stock	435	60,083
Packing Material Consumed	353,326	352,403
Stores and Spare Parts Consumed	870,930	978,072
Water Charges	23,932	20,667
Power and Fuel	2,464,228	2,204,910
Repairs		
- Buildings	4,294	7,072
- Plant and Machinery	1,702,238	1,421,777
	<u>35,706,612</u>	<u>24,391,794</u>
Less: Expenses Capitalised	27,114	-
Captive consumption of Cement	9,819	11,686
	<u><u>35,669,679</u></u>	<u><u>24,380,108</u></u>

* includes royalty and cess - Rs. 164,837 (December 31, 2010 - Rs. 198,440)

** includes stock received on acquisition of RGS Egypt Limited - Rs.Nil (December 31, 2010 - Rs. 152,920)

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

	Year ended December 31, 2011	Year ended December 31, 2010
R. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	221,346	164,666
Rates and Taxes	131,292	131,238
Repairs - Others	117,267	93,068
Insurance	196,615	155,621
Directors' Sitting Fees	1,320	660
Commission to Directors	32,400	17,980
Cash Discounts	111,799	90,086
Rebate on Power Sales	11,105	36,726
Selling and Distribution Expenses	2,613,490	2,257,813
Communication Expenses	51,556	45,597
Travelling and Conveyance	119,604	101,142
Legal and Professional Charges	433,180	367,549
Provision for Doubtful Debts (net of reversals)	(141)	5,205
Loss on sale/ retirement of fixed asset (net)	4,159	-
Loss/(Gain) on Foreign Exchange Fluctuation	572,334	(226,776)
Miscellaneous Expenses	868,539	833,190
	<u>5,485,865</u>	<u>4,073,765</u>
S. INTEREST AND FINANCE CHARGES		
Interest:		
- On Term Loans	2,055,498	1,848,298
- Others (including interest on Buyers' Credit)	110,091	68,809
Bank and Finance Charges	151,142	205,898
	<u>2,316,731</u>	<u>2,123,005</u>
T. Provision for Taxation		
Current Tax	3,211,830	702,008
Taxation of earlier years (net)	12,763	51,372
Deferred Tax (net) (Refer Note X of Schedule U)	200,940	197,540
	<u>3,425,533</u>	<u>950,920</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

Schedule U. NOTES TO CONSOLIDATED ACCOUNTS

I. Background:

Rain Commodities Limited ('the Company' or 'RCOL') along with its subsidiaries ('the Group' or 'Rain Group') is engaged in the business of manufacture and sale of Calcined Petroleum Coke ('CPC') and Cement and generation of Energy (steam and electricity) through waste heat recovery.

II. Principles of Consolidation & Significant Accounting Policies

a) Basis of preparation of Consolidated Financial Statements

The financial statements are prepared under the historical cost convention on an accrual basis of accounting, to comply with the accounting principles generally accepted in India, Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard 21 - "Consolidated Financial Statements" (AS 21).

All intercompany transactions, balances and unrealized surplus and deficits on transactions amongst group companies are eliminated.

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

	Name of the Company	Relationship	Country of Incorporation	Ownership in % either directly or through Subsidiaries	
				December 31, 2011	December 31, 2010
1.	Rain Cements Limited (RCL)	Subsidiary	India	100.00	100.00
2.	Rain Commodities (USA) Inc. (RCUSA)	Subsidiary	United States of America	100.00	100.00
3.	Moonglow Company Business Inc. (Moonglow)	Subsidiary of RCL	British Virgin Island	100.00	100.00
4.	Rain Carbon USA, LLC (RCUSA1)	Subsidiary of RCUSA	United States of America	100.00	100.00
5.	Carbon Holdings USA, LLC (CHUSA)	Subsidiary of RCUSA1	United States of America	100.00	100.00
6.	CPC Holdings USA, LLC (CPCUSA)	Subsidiary of CHUSA	United States of America	100.00	100.00
7.	Rain CII Carbon (Vizag) Limited (RCCVL)	Subsidiary of CPCUSA	India	100.00	100.00
8.	Rain CII Carbon LLC (RCC)	Subsidiary of CPCUSA	United States of America	100.00	100.00
9.	Rain CII Carbon Mauritius Limited (RCCML)	Subsidiary of RCC	Mauritius	100.00	100.00

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

	Name of the Company	Relationship	Country of Incorporation	Ownership in % either directly or through Subsidiaries	
				December 31, 2011	December 31, 2010
10.	CII Carbon Corp. (CIICC)	Subsidiary of RCC	United States of America	100.00	100.00
11.	Zhenjiang Xin Tian Tansu Co. Ltd (ZXTTCL)	Subsidiary of RCCML	China	100.00	100.00
12.	Rain Global Services LLC (RGS)	Subsidiary of RCUSA	United States of America	61.00	61.00
13.	RGS Egypt Limited (RGS Egypt)	Subsidiary of RGS	Egypt	51.00	51.00
14.	Renuka Cement Limited (RenCL) (From January 14, 2011)*	Subsidiary of RCL	India	100.00	-

* Renuka Cement Limited (RenCL) had become a subsidiary of Rain Cements Limited with effect from January 14, 2011. As permitted by AS 21, for the purpose of consolidation, financial statements of RenCL as at December 31, 2010 have been considered. No adjustments have been made to such financial statements for transactions between January 01, 2011 and January 13, 2011 as they were not material.

b) Use of Estimates

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

c) Revenue Recognition

- Calcined Petroleum Coke - Sales are recognized on dispatch of goods to customers. Sales are inclusive of excise duty, as applicable.
- Energy (Power/Steam) - Sale of energy is exclusive of electricity duty payable to the State Government and recognized in accordance with contract terms.
- Cement - Sales are recognized on dispatch of goods to customers. Gross sales include excise duty and sales tax recovered and are net of trade discounts.

d) Fixed Assets, Depreciation and Impairment

Fixed Assets are stated at cost less accumulated depreciation. Cost includes freight, installation cost, duties and taxes, interest on specific borrowings utilized for financing the assets and other incidental expenses.

Depreciation on buildings and plant and machinery is computed on straight line method at the rates specified in Schedule XIV to 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 to the Companies Act, 1956.

The cost of land used for mining is amortized over the estimated period of mining reserves.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

Leasehold land is amortized over the period of the lease.

Individual assets costing Rs. 5,000 or below are entirely depreciated in the year of acquisition and put to use.

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

e) Inventories

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

Goods in transit are valued at cost or below.

Traded goods are valued at lower of weighted average cost and net realizable value.

f) Employee Benefits

Defined contribution Plans

Contributions paid/payable under defined contribution plans are recognized in the Profit and Loss Account each year. Contribution plans comprises Superannuation covered under a scheme administered and managed by ICICI Prudential Life Insurance Company Limited and Provident Fund administered and managed by the Government of India. The Company makes monthly contributions and has no further obligations under the plan beyond its contributions.

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

Defined Benefit Plans

The Company has a defined benefit Gratuity plan covering all its employees working with in India. Gratuity is covered under a Scheme of Life Insurance Corporation of India (LIC). The liability as at the balance sheet date is provided for based on the actuarial valuation carried out in accordance with Accounting Standard 15 on 'Employee Benefits' (AS - 15).

The Group has a defined benefit retirement plan covering all its employees in United States of America (the 'Pension Plan'). The Pension Plan covers hourly employees under which these employees are paid based on respective years of service and age. The Group contributes to the pension plan to at least meet the minimum requirements as required by law in the United States of America. The Group contributes to post retirement plan based on pay-as-you-go policy. The Group sponsors two defined benefit postretirement plans that cover certain employees in United States of America. One plan provides post retirement medical and dental benefits, the other plan provides life insurance benefits. Both plans are non contributory and neither is funded.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

Other long term employee benefits

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

g) Segment Reporting

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

- Carbon Products (CPC/GPC and Power)
- Cement

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

The geographical segments considered for disclosures are:

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

h) Earnings Per Share (EPS)

The earnings considered in ascertaining the Group's Earnings Per Share (EPS) comprise 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.

i) Taxes on Income

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

j) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year end rates. The resultant gain/loss upon such restatement along with the gain/loss on account of foreign currency transactions are accounted in the Profit and Loss account. In respect of items covered by forward exchange contracts, the premium or discount arising at the inception of such forward exchange contracts is amortized as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward contract is recognized in the Profit and Loss account.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

All subsidiaries of the Group are in the nature of non-integral operations in terms of Accounting Standard 11, "The effects of changes in foreign exchange rates". All monetary and non monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. All revenue and expense transactions during the year are reported at average rate. The resultant translation adjustment is reflected as 'Foreign Currency Translation Reserve' and included under Reserves and Surplus Schedule.

The Group has designated foreign currency loans availed as a hedging instrument to hedge its net investment in non-integral foreign operations, with effect from January 1, 2009. Accordingly, the translation gain/(loss) on such foreign currency loans, determined as an effective net investment hedge is recognized in Foreign Currency Translation Reserve (FCTR) included under Reserves and Surplus Schedule and would be transferred to profit and loss account upon sale or disposal of the investment in the non-integral foreign operations. The Group during 2010, pursuant to the scheme of arrangement, transferred the foreign currency loans availed by one of its wholly owned subsidiaries to another wholly owned subsidiary and the investment continues to remain with the same entity. The Group continues to consider the foreign currency loans as a hedging instrument to hedge its net investment in non-integral foreign operations since the loans and the related investments continue to be within the Group.

k) Investments

Long term investments are stated at cost less provision for diminution, other than temporary, if any, in the value of such investments. Current investments are carried at the lower of cost and fair value.

III. a) Sub-division of Equity Shares

Pursuant to the approval of the shareholders at the Annual General Meeting held on May 12, 2011, each equity share of the Company with a face value of Rs. 10/- each is sub-divided into five equity shares of Rs. 2/- each, with effect from June 16, 2011, being the record date for the said sub-division. Accordingly, as required by Accounting Standard 20 'Earnings Per Share', the basic and diluted Earnings Per Share for the previous year is restated to give effect to the sub-division.

b) Buy-back of Equity Shares

The Board of Directors of the Company, during their meeting held on October 25, 2011, approved the buy-back of 10,000,000 equity shares of Rs. 2/- each at maximum price of Rs. 41/- per share for an amount not exceeding Rs. 350,000. The Board decided to implement the buy-back offer through the open market purchases in the Stock Exchanges.

Pursuant to the offer, the Company from November 14, 2011 to December 31, 2011, has bought back 4,689,914 equity shares of Rs.2/- each aggregating Rs. 137,653. The Company had extinguished 3,723,675 equity shares up to December 31, 2011 and the balance 966,329 equity shares were extinguished subsequent to the year end. Accordingly, Rs. 9,379 has been reduced from paid-up equity share capital and in accordance with the provisions of Section 77A of the Companies Act, 1956, Rs. 128,274 has been utilized from Securities Premium Account.

In terms of Section 77AA of the Companies Act, 1956, an amount of Rs. 9,379 has been transferred to the Capital Redemption Reserve.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

IV. Exceptional Items [Income / (Expense)]

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Premium on redemption of Senior Subordinated Notes and expenses incurred in connection with the issue of Senior Notes by RCC	–	(1,582,778)
Expenses incurred in connection with transfer of businesses pursuant to the Scheme of Arrangement [Refer Note XV]		
• Professional charges incurred in connection with corporate restructuring	–	(5,376)
• Consent Fees paid/payable to the lenders	–	(37,198)
• Duties and taxes incurred in connection with the above corporate restructuring	–	(17,000)
Amounts received / receivable on settlement of claims in respect of sale of investments in earlier years of RCUSA	–	392,960
TOTAL	–	(1,249,392)

V. Contingent liabilities and commitments

a) Power

- (i) During 2002, the erstwhile Rain Calcining Limited had disputed the order of Andhra Pradesh Electricity Regulatory Commission ('APERC') in respect of wheeling charges before the Hon'ble High Court of Andhra Pradesh. The Hon'ble High Court of Andhra Pradesh had set aside the order of APERC. Transmission Corporation of Andhra Pradesh ('AP Transco') filed a Special Leave Petition in the Supreme Court of India against the order of the High Court. The final verdict of Supreme Court of India is awaited. The contingent liability computed on the basis of imputed cost till December 31, 2011, by one of the subsidiaries, is Rs. 407,673 (December 31, 2010 - Rs. 418,168) as per the terms of the said APERC order.
- (ii) Other matters viz. operating charges for State Load Dispatch Centre, minimum energy/demand etc., which are under dispute/appeals Rs. 22,602 (December 31, 2010 - Rs. 5,756).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

b) Others

	December 31, 2011 Amount	December 31, 2010 Amount
Matters under dispute:		
Sales Tax	30,537	30,537
Excise Duty	3,845	4,444
Income tax	85,362	–
Bank guarantees*	519,903	290,769
Corporate Guarantee issued by the Company on behalf of wholly owned subsidiaries:		
– RCUSA - USD 125 million (December 31, 2010: USD 87 million) equivalent to	6,658,250	3,898,470
- RCCVL	–	1,135,000
Corporate Guarantee issued by RCL on behalf of:		
- RCUSA	2,998,875	–
- RCOL	4,186,960	–
- RCCVL	1,000,000	–
- RCC	–	1,165,060

[*includes bank guarantees given to AP Transco - Rs. 146,958 (December 31, 2010 - Rs.146,958)]

VI. Estimated amount of contracts remaining to be executed on capital accounts [net of capital advances - Rs. 26,352 (December 31, 2010 - Rs. 41,903)] not provided for Rs. 15,39,574 (December 31, 2010 - Rs. 59,252).

VII. The Group has entered into various operating lease agreements for assets comprising of storage facilities and an amount of Rs. 221,346 (December 31, 2010 - Rs. 164,666) paid under such agreements have been charged off in the Profit and Loss Account. These agreements are cancelable in nature and there is no restriction in respect of such leases.

VIII. Net Investment Hedge

The Group has designated the 'foreign currency loan' as a hedging instrument to hedge its net investment in a non-integral foreign operation, with effect from January 1, 2009. The translation loss for the year ended December 31, 2011 on such foreign currency loan, determined as an effective net investment hedge, recognized in the Foreign Currency Translation Reserve Account included under Reserves and Surplus Schedule is Rs. 785,001 (December 31, 2010 - gain of Rs. 140,111).

IX. Earnings per Share (EPS)

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
a. Profit after Taxation	6,641,248	2,407,168
b. Weighted average number of equity shares of Rs. 2 each outstanding during the year (Nos.) (Refer Note below)	354,009,317	354,172,895
Earnings Per Share		
c. Basic and Diluted - [a]/[b] - (Rs.)	18.76	6.80

Note: During the current year, equity shares of the Company with a face value of Rs. 10/- each was sub-divided into 5 equity shares of Rs. 2/- each and as required by Accounting Standard 20, Earnings Per Share, the EPS for the previous year is restated [Refer Note III (a)].

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

X. Deferred Tax

	December 31, 2011 Amount	December 31, 2010 Amount
Deferred Tax Liability		
- on account of depreciation / Others A	2,728,218	2,393,480
Deferred Tax Asset		
-on account of unabsorbed losses / depreciation	–	126,900
-on account of other fiscal differences	188,181	93,170
TOTAL B	188,181	220,070
Deferred Tax Liability (Net) A-B	2,540,037	2,173,410

Deferred Tax charge to the Profit and Loss Account Rs. 200,940 (December 31, 2010: Rs.197,540) is excluding foreign currency loss of Rs. 165,687 (December 31, 2010: gain of Rs.284,359) on translation.

XI. Auditors' Remuneration

	Year ended December 31, 2011 Amount	Year ended December 31, 2010 Amount
Audit Fees	20,152	10,763
Other Services	7,520	7,281
Out of pocket expenses	129	42
	27,801	18,086

Note: Remuneration of auditors of subsidiaries ('other auditors') included above Rs. 22,181 (2010: Rs. 13,511)

XII. Income from sale of Certified Emission Reductions (CERs) is recognised on conclusion of CER sale to the ultimate buyers.

XIII. Related Party Disclosures

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

(i) Enterprise where key managerial personnel along with their relatives exercise significant influence	a) Sujala Investments Private Limited b) Focus India Brands Private Limited c) Nivee Holdings Limited d) Arunachala Holdings Limited e) PCL Financial Services Limited f) Rain Entertainment Private Limited (REPL) g) Nivee Property Developers Private Limited (NPDPL)
(ii) Key Management Personnel	a) Mr. N. Radha Krishna Reddy Chairman b) Mr. N. Jagan Mohan Reddy Managing Director with effect from February 10, 2011 c) Mr. N. Sujith Kumar Reddy Executive Director upto February 10, 2011

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

b) Transactions with related parties

Year Ended December 31, 2011

Nature of Transactions	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance Outstanding to/(from)
Managerial Remuneration	-	51,467	22,500
Dividend Paid	75,057	26,679	-
Sales / Receivables			
- REPL	523	-	(89)
- NPDPL	377	-	-
Advance given			
- REPL	95,275	-	-

Year Ended December 31, 2010

Nature of Transactions	Enterprises where Key Managerial Personnel along with their relatives exercise significant influence	Key Management Personnel	Balance Outstanding to/(from)
Managerial Remuneration	-	34,095	10,000
Dividend Paid	27,947	21,459	-

XIV. Segmental Reporting

I. Business Segment

	Year ended December 31, 2011			Year ended December 31, 2010		
	Carbon Products	Cement	Total	Carbon Products	Cement	Total
Revenue						
External Sales (net of excise duties and taxes on sales)	47,528,071	8,672,994	56,201,065	30,485,272	7,164,395	37,649,667
Inter- Segment Sales	763,938	12,110	776,048	409,093	1,069	410,162
Total Sales	48,292,009	8,685,104	56,977,113	30,894,365	7,165,464	38,059,829
Less Eliminations	763,938	12,110	776,048	409,093	1,069	410,162
Total Revenue	47,528,071	8,672,994	56,201,065	30,485,272	7,164,395	37,649,667
Result						
Segment Result	10,453,571	1,638,971	12,092,542	6,006,607	516,878	6,523,485
Operating Profit	-	-	12,092,542	-	-	6,523,485
Interest and Finance Charges	-	-	2,316,731	-	-	2,123,005
Unallocated income	-	-	(296,802)	-	-	(226,543)
Exceptional item	-	-	-	-	-	1,249,392
Profit Before Taxation			10,072,613			3,377,631
Provision for Taxation			3,425,533			950,920

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. NOTES TO CONSOLIDATED ACCOUNTS

Business Segment (Contd.)

	Year ended December 31, 2011			Year ended December 31, 2010		
	Carbon Products	Cement	Total	Carbon Products	Cement	Total
Profit After Taxation before Minority Interest			6,647,080			2,426,711
Segment Assets	60,011,070	7,427,578	67,438,648	45,140,704	7,091,286	52,231,990
Unallocated Corporate Assets	-	-	717,777	-	-	27,585
Total Assets	60,011,070	7,427,578	68,153,425	45,140,704	7,091,286	52,259,575
Segment Liabilities	8,102,588	2,502,930	10,605,518	3,392,134	2,236,706	5,628,840
Unallocated Corporate Liabilities	-	-	3,003,438	-	-	2,594,927
Total Liabilities	8,102,588	2,502,930	13,608,956	3,392,134	2,236,706	8,223,767
Capital Expenditure	1,306,449	143,374	1,449,823	456,555	261,298	717,853
Depreciation	796,911	332,480	1,129,391	833,340	323,507	1,156,847

II. Geographic Segment

	December 31, 2011		December 31, 2010	
	Revenue from external customers	Segment Assets	Revenue from external customers	Segment Assets
India	16,180,467	18,697,404	11,465,613	15,823,949
Outside India	40,020,598	48,741,244	26,184,054	36,408,041
	56,201,065	67,438,648	37,649,667	52,231,990

XV. Pursuant to the Scheme of Arrangement amongst the Company, RCL and RCCVL, ('the Scheme') as approved by the shareholders of the Company in the Extraordinary General Meeting held on July 29, 2010 and subsequently sanctioned by the Hon'ble High Court of Judicature, Andhra Pradesh at Hyderabad on December 29, 2010 and filed with the Registrar of Companies on February 10, 2011:

- the Cement business of the Company was transferred to and vested in RCL with effect from April 1, 2010;
- the CPC and Power businesses of RCL were transferred to and vested in RCCVL with effect from April 1, 2010

The Scheme was accordingly given effect during the year ended December 31, 2010 in the financial statements of the respective entities of the Group.

XVI. The Company had paid an amount of Rs. 120,500 in terms of Memorandum of Understanding (MOU) with certain parties on December 6, 2007 to acquire the entire Equity Shares of M/s. Birla Cement and Industries Limited (BCIL), which controls certain mining lease rights. On December 1, 2010, the Company had entered into a share purchase agreement with the shareholders of BCIL for the transfer of entire shareholding of BCIL and upon

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

All amounts are in Indian Rupees Thousands, except share data and where otherwise stated

SCHEDULE U. CONSOLIDATED NOTES TO ACCOUNTS

fulfillment of the conditions precedent to the agreement, the entire shareholding was transferred to the Company at a consideration of Rs. 120,500 on January 14, 2011. Pursuant to the Scheme of Arrangement (Refer Note XV) these Equity Shares were transferred to Rain Cements Limited (RCL), consequent to which, BCIL has become a wholly owned subsidiary of RCL. During the year, the name of BCIL was changed to Renuka Cement Limited in terms of the approval accorded by the Registrar of Companies.

XVII. Reversal of Dividend proposed in Earlier Year represents dividend proposed by Rain Global Services LLC, USA during the year 2010, which was reversed during the current year.

XVIII. Certain promoters of the Company have given undertaking to ICICI Bank Limited and its affiliates not to dispose of 29,274,850 equity shares of Rs.2/- each held by them in Rain Commodities Limited, pursuant to facilities agreements with such banks.

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

For and on behalf of the Board of Directors

N. Jagan Mohan Reddy
Managing Director

N. Sujith Kumar Reddy
Director

S. Venkat Ramana Reddy
Company Secretary

T. Srinivasa Rao
Chief Financial Officer

Place: Hyderabad
Date : February 21, 2012



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

To,
Karvy Computershare Private Limited
(Unit: Rain Commodities Limited)
Plot No.17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081.

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 M/s. 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**

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

PROXY FORM

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

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 37th Annual General Meeting of the Members of the Company to be held on Wednesday,
the 25th day of April, 2012 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 2012.

Please Affix
Re.1/-
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.



RAIN COMMODITIES LIMITED

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

ATTENDANCE SLIP

37th Annual General Meeting, 25th April, 2012 at 11:00 A.M.

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

Name of the Shareholder	
Name of Proxy	

I/We hereby record my / our presence at the 37th Annual General Meeting of the members of the Company held on Wednesday, the 25th day of April, 2012 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

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