

30th ANNUAL REPORT



Rain Commodities Limited.
[Formerly Priyadarshini Cement Ltd.]

BOARD OF DIRECTORS

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

HEAD (FINANCE & ACCOUNTS)

Sri G. Ramachandran

COMPANY SECRETARY

Sri S.Venkat Ramana Reddy

AUDITORS

M/s. Price Waterhouse,
Chartered Accountants,
6-3-550, 11nd Floor,
L B Bhavan,
Somajiguda,
Hyderabad-500 082.

REGISTERED OFFICE

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

BANKERS

Citi Bank N.A.
Oriental Bank of Commerce.

NOTICE

Notice is hereby given that the 30th Annual General Meeting of the Members of Rain Commodities Limited (formerly Priyadarshini Cement Limited) will be held on Thursday, the 15th day of September, 2005 at 3:00 P M at KLN Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI), Red Hills, Hyderabad-500 004, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance sheet as at 31st March, 2005, Profit and Loss Account for the period ended on 31st March, 2005 and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri N Jagan Mohan Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri N Sujith Kumar Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Price Waterhouse, Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this 30th Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix the remuneration of Auditors.

SPECIAL BUSINESS :

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

"RESOLVED THAT Shri G Krishna Prasad, who was appointed as an Additional

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

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

"RESOLVED THAT Shri P Koteswara Rao, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting of the members of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company 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 Shri G Ram Prasad, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting of the members of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of

the Company whose period of office shall be liable to Determination by retirement of Directors by rotation".

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

"RESOLVED THAT pursuant to provisions of Section 31 and other applicable provisions if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for effecting alterations in the Articles of Association of the Company in the manner detailed below:

- (i) Article 2 is renumbered as Article 2.1.
- (ii) In Article 2(h) the word "Similar" shall be replaced with the word Singular.
- (iii) After Article 2(i) following shall be inserted
 - (j) "Agreement" means the equity subscription agreement dated 16 June, 2005 between the Company, the Investor and Existing Shareholders.
 - (k) "Investor" means Citicorp Finance (India) Limited, a limited liability company incorporated under the Companies Act, 1956 and having its registered office at Citigroup Centre, C-61, G-Block, 5th floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
 - (l) "Affiliate" means,
 - (i) in the case of a natural person, any Relative of such person, any entity controlled, directly or indirectly, by that person or any entity under common control with that person;
 - (ii) in relation to any other person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person, or any entity under common control with that person.
- (m) "Board" means the board of directors of the Company and "Director" means any member of the Board.
- (n) "Business Acquisition" shall include any acquisition involving any Reorganisation including or involving purchases or swaps of assets, shares, or other commitments or transactions involving a substantial change of management or a change of management control.
- (o) "Business Day" means a day that is not a public holiday in Mumbai or Hyderabad.
- (p) "Business Principles" means the principles set out in Article 197.
- (q) "Connected Person/Concern" of the Company includes:
 - (i) Any company under the same management (as defined by Section 370 (1-B) of the Act) as the Company;
 - (ii) Any Existing Shareholder;
 - (iii) Any director of the Company or of any holding or Subsidiary company of the Company or of any Affiliate of the Company;
 - (iv) Any director of any holding or Subsidiary company of any Affiliate of any Existing Shareholder;
 - (v) Any Affiliate of the Company, of an Existing Shareholder or of a director referred to above ("such director");

- (vi) Any firm or unlisted company in which the Company, any Existing Shareholder, any such director or any Affiliate or partner of any such director, Existing Shareholder or Affiliate is a partner, shareholder or director or has any share, control or interest;
- (vii) Any listed company in which the Company, any Existing Shareholder, any such director or any Affiliate or partner of any such director, Existing Shareholder or Affiliate is a director holds shares exceeding 5% of the paid-up equity share capital of such listed company; or
- (viii) Any company, the board of directors, managing director or manager whereof acts or is accustomed to act in accordance with the directions or instructions of the Board of Directors of the Company, of any Existing Shareholder, of any such director or of any Affiliate mentioned above.

NOTE: For the purpose of sub-Clauses (i) to (viii) above, an Investor's Director shall not be deemed to be a director of the Company or of the Subsidiary; and for the purpose of sub-Clauses (vi), (vii) and (viii) above, a director who the Parties agree is an independent director (as such term is defined in Clause 49 of the listing agreement between the Company and the concerned recognised stock exchanges) shall not be deemed to be a Connected Person/Concern.

- (r) **"Constitutional Documents"** means the memorandum and articles of association of the Company and/or the Subsidiaries as the context requires.
- (s) **"Conversion"** shall have the meaning assigned to it in Article 76A(2).
- (t) **"Conversion Date"** shall have the meaning assigned to it in Article 76A(2).
- (u) **"Conversion Notice"** shall have the meaning assigned to it in Article 76A(2).
- (v) **"Current Sponsor Shareholding"** means the percentage shareholding of the Existing Shareholders in the Group Companies as on the date of the Agreement, as set out below:

Name and Address of Existing Shareholder	Name of Group Company	Equity Shares held in the Group Company
N. Radha Krishna Reddy Plot No.38, Srinagar Colony, Hyderabad-500 073.	Rain Industries Limited	100 (but beneficial interest in the said shares is transferred to Rain Commodities limited to make RIL a 100% subsidiary of RCOL)
	Rain Commodities Limited	2018475
N. Jagan Mohan Reddy Plot No.38, Srinagar Colony, Hyderabad-500 073.	Rain Industries Limited	100 (but beneficial interest in the said shares is transferred to Rain Commodities limited to make RIL a 100% subsidiary of RCOL)
	Rain Commodities Limited	1660503
N. Sujith Kumar Reddy Plot No.38, Srinagar Colony, Hyderabad-500 073	Rain Industries Limited	100 (but beneficial interest in the said shares is transferred to Rain Commodities limited to make RIL a 100% subsidiary of RCOL)
	Rain Commodities Limited	1502820

- (w) **"Dangerous Substance"** means any natural or artificial substance (whether in the form of solid, liquid or gas, alone or in combination with any other substance) or radiation capable of causing harm to man or any other living organism, or capable of damaging the environment or public health or welfare, including but not limited to controlled, special, hazardous, toxic or dangerous waste.
- (x) **"Debt"** means installments of repayment of principal and interest expense and other costs relating to indebtedness.
- (y) **"Debt Service Coverage Ratio"** means the ratio of (i) EBITDA less taxes (including withholding taxes), lease rentals and capital expenditure; and (ii) the sum of Debt and lease rentals and interest expenses.
- (z) **"EBITDA"** means earnings before interest expense and other costs relating to indebtedness, taxes (including withholding taxes), depreciation and amortisation.
- (aa) **"Emoluments"** means emoluments of every description including, without limitation, salaries, directors' fees, bonuses, commissions, profit shares under any incentive scheme, pension contributions payable by the Company or a Subsidiary and benefits in kind as quantified for income tax purposes.
- (bb) **"Encumbrance"** means any encumbrance including without limitation any claim, debenture, mortgage, pledge, charge, hypothecation, lien, deposit by way of security, bill of sale, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), public right, common right, way-leave, any provisional or executorial attachment and any other interest held by a third party.
- (cc) **"Environmental Law"** means all applicable statutes, Laws, bye-laws, regulations, directives, codes of practice, company environmental plans and codes of conduct, circulars, guidance notes and the like including those concerning the protection of human health or the environment or the conditions of the workplace or the generation, transportation, storage, treatment or disposal of a Dangerous Substance.
- (dd) **"Environmental License"** means any applicable approval, authorisation, License (including statutory License), consent or permission required under or in relation to any Environmental Law.
- (ee) **"Equity Shares"** means equity shares of the Company, presently of the face or par value of Rs. 10/- each.
- (ff) **"Equity Warrants"** means 5000000 equity warrants issued to the Investor for a total consideration of the Issue Price upon the terms and conditions set out in Article 76A.
- (gg) **"Existing Shareholders"** means collectively, N. Sujith Kumar Reddy, N. Jagan Mohan Reddy and N. Radha Krishna Reddy or any one or more of them as the subject or context may require and "Existing Shareholder" may be construed accordingly.
- (hh) **"Financial Year"** means the financial year, being 1 April of any calendar year to 31 March of the next calendar year or as the Board may amend from time to time with the prior written consent of the Investor's Director(s).
- (ii) **"GAAP"** means the Indian GAAP or Generally Accepted Accounting Principles prescribed by the Institute of Chartered Accountants of India.

- (jj) **"Government"** shall include the President of India, the Government of India, the Governor and the Government of any State in India, any Ministry or Department of the same and any local or other authority exercising powers conferred by law and shall include, without limitation, the RBI.
- (kk) **"Government Approvals"** means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, certificate, exemption, order, registration, declaration, filing, report or notice of, with or to any Government.
- (ll) **"Group"** means the Company and its Subsidiaries and "Group Company" means any of them.
- (mm) **"Independent Director"** shall have the meaning assigned to it in the listing agreement between the Company and the stock exchanges on which the shares of the Company are listed.
- (nn) **"Investor's Consent"** means the prior consent or approval of the Investor given in writing signed by or on behalf of the Investor.
- (oo) **"Investor's Director"** means the director from time to time appointed pursuant to nomination by the Investor under Article 107B or his or her alternate director.
- (pp) **"Investor's Director's Consent"** means the prior consent or approval given in writing signed by the Investor's Director.
- (qq) **"Investor's Shares"** means the Equity Shares in the Company from time to time held by the Investor (including the Equity Shares to be issued to the Investor upon Conversion), so long as such Equity Shares are held by the Investor.
- (rr) **"Issue Price"** shall have the meaning assigned to it in Article 76A(2).
- (ss) **"Issued Shares"** means the shares of the Existing Shareholders in the Group Companies as on the date of the Agreement, as set out in the definition of Current Sponsor Shareholding.
- (tt) **"Land"** includes land, mines and minerals (whether or not owned separately from the surface) buildings or parts of buildings (whether the division is horizontal, vertical or made in any other way) and a right, privilege or benefit in, over or derived from Land.
- (uu) **"Material Adverse Effect"** shall mean a material adverse effect on:
- (i) The reputation, assets, business, properties, liabilities, financial condition, results, operations, prospects or profits of the Company or any of the Subsidiaries or the market for the Company's and/or any of the Subsidiaries' products/services by reason of any act or omission on the part of any Group Company or any Existing Shareholder;
 - (ii) The ability of the Company to perform its obligations under the Agreement;
 - (iii) The ability of any of the Existing Shareholders to perform his or their obligations under the Agreement;
 - (iv) The validity or enforceability of the Agreement or of the rights or remedies of the Investor hereunder; or
 - (v) The status and validity of any permits, approvals, licenses or permissions required for the Company or any of the Subsidiaries of the Company to carry on its business.

- (vv) **"Minimum Sponsor Shareholding"** shall have the meaning assigned to it in Article 67A(2).
- (ww) **"Operating Budget"** means, in relation to a Financial Year of the Company, the projected consolidated balance sheet, profit and loss account and cash flow statement in relation to the Group Companies, together with the statement of projected capital expenditure in relation to the Group Companies, for that Financial Year.
- (xx) **"Parties"** means the Company, the Investor and the Existing Shareholders, and "Party" shall mean any of them individually..
- (yy) **"Permitted Indebtedness"** means the indebtedness of the Group Companies as more specifically detailed in Annexure 6 of the Agreement.
- (zz) **"RBI"** means the Reserve Bank of India.
- (aaa) **"Relative"** means "relative" as defined by sub-section (41) of section 2 of the Act.
- (bbb) **"Reorganisation"** shall mean any merger or any sale, lease, transfer or conveyance to another corporation of the property and assets of the Company as an entirety.
- (ccc) **"Required Governmental Approvals"** means such Government Approvals, if any, as may be necessary or advisable for the issue of the Equity Warrants and/or for the issue of Equity Shares upon conversion of the Equity Warrants, including, without limitation, any Governmental Approvals which are granted automatically contingent upon requisite filing of specified documents and/or reports being made.
- (ddd) **"SEBI"** means the Securities and Exchange Board of India.
- (eee) **"Security Interest"** means any mortgage, pledge, lien, hypothecation, assignment, charge or interest in the nature of a security, deed of trust or other Encumbrance of any kind or any other type of preferential arrangement, deposit, preference, priority or other security agreement of any kind or nature whatsoever creating security over the properties/ assets/ revenues of the Group or the Existing Shareholders.
- (fff) **"Warrant Subscribers"** means the Investor, Meghamala Enterprises Private Limited and Sujala Investments Private Limited or any one or more of them as the subject or context may require.
- (ggg) **"Subscription Price"** shall have the meaning assigned to it in Article 76A(2).
- (hhh) **"Subsidiary"** means Rain Industries Limited and includes any other subsidiary of the Company from time to time, so long as it remains a subsidiary of the Company.
- (iii) **"Transaction Documents"** means the Agreement and the documents (including resolutions) evidencing the fulfillment of any and all the conditions precedent as set out in the Agreement.
- 2.2 In these Articles, unless the context otherwise requires
- (a) A reference to an "amendment" includes a supplement, modification, novation, replacement or re-enactment and "amended" is to be construed accordingly.
- (b) A reference to "assets" include all properties whatsoever both present and future, (whether tangible, intangible or otherwise) (including intellectual property and intellectual property rights), investments, cash flows, revenues, rights, benefits, interests and title of every description.

- (c) A reference to "authorisation" includes an authorisation, consent, clearance, approval, permission, resolution, license, exemption, filing and registration.
- (d) A reference to "control" includes the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise.
- (e) A company is a "subsidiary" of another company, its "holding company", if that other company:
- (i) Is its holding company within the meaning of the Act, or
 - (ii) Holds a majority of the voting rights in it, or
 - (iii) Is a member of it and has the right to appoint or remove a majority of its board of directors, or
 - (iv) Is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it, or
 - (v) If it is a subsidiary of a company which itself is a subsidiary of that other company.
- (f) A reference to "person" includes an individual, corporation, partnership, joint venture, association of persons, trust, unincorporated organisation, government (central, state or otherwise), sovereign state, or any agency, department, authority or political subdivision thereof, international organisation, agency or authority (in each case, whether or not having separate legal personality) and shall include their respective successors and assigns and in case of an individual shall include his legal representatives, administrators, executors and heirs and in case of a trust shall include the trustee or the trustees for the time being.
- (g) A reference to "law" includes any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree, authorisation, or any published directive, guideline, requirement or governmental restriction having the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, whether in effect as of the date of the Facility Agreement or thereafter and each as amended from time to time.
- (h) A reference to "repayment" includes "redemption" and vice-versa and repaid, repayable, repay, redeemed, redeemable and redemption shall be construed accordingly.
- (i) A references to "Rupees" or "Rs" are to the lawful currency from time to time of India.
- (j) Where any statement in these Articles is qualified by the expression "material" on or with respect to an entity (or group of entities, taken as a whole) it means the event, change or effect referred to in such statement is material or materially adverse, as the case may be, to the business, financial condition, profits, operations, properties, assets and/or liabilities of any Group Company or Companies causing or having the potential to cause a Material Adverse Effect.
- (k) A reference to any statutory provisions shall be construed as references to those provisions as replaced, amended, modified or re-enacted from time to time.
- (l) An expression importing a natural person includes any company, partnership, trust, joint venture, association, corporation or other body corporate and any governmental authority or agency.

- (m) Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neutral gender shall include all genders:
- (n) The words "hereof", "herein" and "hereunder" and words of similar import, when used in these Articles shall refer to these Articles as a whole and not to any particular provision of these Articles.
- (o) The words "include", "includes" and "including" when used in this Agreement are deemed to be followed by the phrase "without limitation" or "not limited to".
- (iv) In Article No. 8 before the words "the Board of Directors", following words be inserted :
- Subject to the provisions of these Articles.
- (v) In Article No. 9(a) after the words "the Act", following words be inserted:
- and these Articles.
- (vi) The existing Article No.9(c) be replaced with the following :
- 9(c) Nothing herein contained shall prevent the Directors from issuing fully paid up shares in satisfaction of any outstanding debt or obligation of the Company.
- (vii) In Article No. 10 before the words "the Company" following words be inserted :
- Subject to the provisions of these Articles.
- (viii) In Article No. 13 after the words "the Act" following words be inserted:
- and these Articles.
- (ix) The Existing Article No. 14 be replaced with the following :
14. Subject to the provisions of Section 94 of the Act and the provisions of these Articles, the Company in General Meeting may by an ordinary resolution, from time to time, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such share shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject as aforesaid and to the other provisions of these Articles, the company in General Meeting may by ordinary resolution also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- (x) In Article No. 18(b) after the words "sub-clause" following shall be inserted:
- And subject to the provisions of these Articles
- (xi) In Article No. 18(c) after the words "the Act" following shall be inserted:
- And these Articles
- (xii) In Article No. 24 after the words "every Director" following shall be inserted :
- (other than the Investor's Director)
- (xiii) In Article No. 27 after the words "the Act" following shall be inserted:
- And Article 190