



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### NOTICE

**NOTICE** is hereby given that the **26<sup>th</sup> Annual General Meeting of the Members of SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED** will be held at the Registered Office of the Company at the factory premises, Gondiparla, Kurnool - 518 004 (A.P), Thursday on 10th July, 2008 at 4.00 P.M. to transact the following business :

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the period ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M.P.Murti, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri O.D.Reddy, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification the following as a **SPECIAL RESOLUTION**.

"RESOLVED THAT subject to the provisions of 224 A of Companies Act, 1956 the retiring Auditors, M/s. Brahmayya & Co., Chartered Accountants, Adoni, Kurnool District be and hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration as decided by the Board of Directors on recommendation of the Audit Committee as "Audit Fee" exclusive of reimbursement of actual travelling and other expenses."

BY ORDER OF THE BOARD

Sd/-

(**V.RADHAKRISHNA MURTHY**)  
SR.GENERAL MANAGER AND  
COMPANY SECRETARY

Place: Hyderabad  
Date : 30.04.2008

#### NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint one or more Proxies to attend and vote on a poll on his behalf and such proxy need not be a member of the company. A Proxy Form is enclosed. Proxy Form in order to be effective, duly completed, must be received by the company at the Registered Office not less than 48 hours before the time fixed for the Meeting.
2. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Members are requested to bring with them the attendance Slip sent with the Annual Report duly completed and signed and hand it over at the entrance.
4. Pursuant to Sec.154 of the Companies Act, 1956 and Clause 16 of the Listing Agreement, the Register of Members and Share Transfer Books of the Company will remain closed for 7 days i.e., from 04-07-2008 to 10-07-2008 (both days inclusive).
5. Non-resident Indian Shareholders are requested to inform us immediately :
  - a) the change in Residential Status on return to India for permanent settlement.
  - b) the particulars of Bank NRE Account, if not furnished earlier.

#### Request to the Members:

1. Queries, if any, on Annual Accounts may please be forwarded to the Registered Office of the Company atleast 7 days before the date of the Annual General Meeting to enable us to prepare the answers well in advance.
2. Members are requested to quote Folio No. / Client ID No. in all correspondence.
3. Since the company's shares are permitted for trading under compulsory demat mode, shareholders holding shares in physical form are requested to dematerialize the same immediately to avoid any inconvenience in future. Company's Equity Shares ISIN No.INE284B01028 and CRPS ISIN NO.INE284B04014.



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4. Members are requested to note the following "e-mail Id" for any clarification on shares and other related matters "radhakrishnav55@rediffmail.com".

None of the Directors is interested or concerned in the resolution.

The Board of Directors recommends the above as Special resolution for your approval.

### EXPLANATORY STATEMENT

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

BY ORDER OF THE BOARD

### ITEM NO. 4

Since the combined shareholding of public financial institutions in the Company together exceeds 25% of the subscribed share Capital, the reappointment of Auditors of the Company is required to be made by a Special Resolution, as required under Section 224 A of the Companies Act, 1956.

Place: Hyderabad

Date : 30.04.2008

Sd/-

**(V.RADHAKRISHNA MURTHY)**

SR.GENERAL MANAGER AND

COMPANY SECRETARY

### Additional Information :

Details of Directors seeking reappointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement).

1.	Name of the Director	Sri M.P.Murti	Sri O.D.Reddy
2.	Date of Birth	01-12-1919	15-03-1940
3.	Date of Appointment	June 25, 1986	December 31, 1996
4.	Experience in Specific areas	More than 37 years Industrial Experience at very senior level in Indian and Multi National Companies.	More than 32 years at Senior level in Management and Administration in Govt. undertaking.
5.	Qualifications	M.Sc.M.S(Case Western – USA)	B.Sc (Agri)
6.	Shareholding in the Company	1,000 Shares	2,850 Shares
7.	Directorships in other Companies	1. Vybra Automet Ltd., 2. Novopan Industries Ltd., 3. Reliance Cellulose Products Ltd., 4. CIL Securities Ltd., 5. Sree Rayalaseema Hi-Strength Hypo Ltd., 6. SRHHL Industries Ltd.,	1. Sree Rayalaseema Hi-Strength Hypo Ltd., 2. SRHHL Industries Ltd., 3. Roopa Industries Ltd.,
8.	Membership in other Company committees	Audit, Remuneration Committee in SRHHL Industries Ltd., and Sree Rayalaseema Hi-Strength Hypo Ltd.,	Audit, Remuneration, Investors Grievance Committee in SRHHL Industries Ltd., and Sree Rayalaseema Hi-Strength Hypo Ltd., Audit, Remuneration Committee in Roopa Industries Ltd.,



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### DIRECTORS' REPORT

Dear Members,

Your Directors' have pleasure in presenting the Annual Report and the Audited statements of Accounts of the Company for the year ended 31st March, 2008.

#### OPERATIONS :

Yours Directors' are pleased to inform that there is an increase in turnover i.e., from Rs.43276 lacs to Rs. 51412 lacs (excluding internal transfer and other income) when compared to the previous year and shows 19% increase. The increase is due to better performance and improvement in chemicals, Castor Oil, Fatty Acids and Power division operations.

#### DIVISION/SEGMENTWISE OPERATIONS :

The Caustic unit has produced 97672 MT (capacity utilisation 106%) of Caustic Soda as against 75213 MT (capacity utilisation 108%) for the previous year. As against net sales of Rs. 16201 lacs for previous year, the current year sales comes to Rs. 20411 lacs representing an increase of 26%.

The Potassium plant has produced 11909 MT (capacity utilisation 62%) of Potassium Hydroxide as against 17726 MT (capacity utilisation 107%) for the previous year. As against net sales of Rs. 6832 lacs for previous year, the current sales recorded Rs. 4626 lacs representing a decrease of 32%.

The Castor oil plant yielded 9403 MT (capacity utilisation 57%) of oil processing as against 12797 MT (capacity utilisation 78%) for the previous year. As against net sales of Rs. 3486 lacs for the previous year, the current year sales stood at Rs. 3872 lacs representing an increase of 11%.

The Fatty acid plant has processed 17091 MT (capacity utilisation 69%) for the current year as against 14269 MT (capacity utilisation 58%) for the previous year. The net sales of this division has increased from Rs. 5559 lacs to Rs. 9032 lacs representing an increase of 62%.

The Power plant at Bellary has billed 1843 lakhs KWH (capacity utilisation 77%) of electricity (including deemed generation) to Karnataka Power Transmission Corporation Limited (KPTCL) during the current year as against 1881 lacs KWH (capacity utilisation 77%) for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs. 5239 lacs for the previous year, the current year sales comes to Rs. 6602 lacs showing an increase of 26%.

#### OUTLOOK FOR THE CURRENT YEAR :

Segmentwise discussion is furnished in Management Discussion and Analysis annexed to this report.

#### FINANCIAL RESULTS :

	YEAR ENDED	
	31.03.2008 (Rs.in lakhs)	31.03.2007 (Rs.in lakhs)
Sales- Gross	<b>51412.05</b>	43276.29
Other Income	<b>740.70</b>	485.64
Profit on sale of Fixed Assets/Investments	<b>33.33</b>	1.33
Increase (Decrease) in Stocks	<b>112.53</b>	157.02
Total Income	<b>52298.61</b>	45920.28
Profit before Interest & Depreciation	<b>9690.59</b>	9051.50
Less: Interest	<b>2924.98</b>	3059.87
Profit before Depreciation	<b>6765.61</b>	5991.63
Less: Depreciation	<b>2932.86</b>	2715.74
Profit(Loss) before Extraordinary items and Taxation	<b>3832.75</b>	3275.89
Less: Preliminary and Deferred Revenue Expenditure Written-off Expenses/Income relating to Earlier Years (Net)	<b>60.62</b>	45.62
Profit/Loss Before Taxation	<b>2771.77</b>	2070.27
Less: Provision for Taxation (MAT)		
- for Current Year	<b>314.04</b>	232.29
- for Earlier Year	<b>0.39</b>	0.36
- for Fringe benefit Tax	<b>29.00</b>	30.00
- for Deferred Tax Liability	<b>122.89</b>	-
Profit/Loss After Taxation	<b>2305.45</b>	1807.62
Add: Balance Carried from Previous year	<b>2424.31</b>	1116.69
Profit available for Appropriation	<b>4729.76</b>	2924.31
Less: Transfer to General Reserve	<b>3000.00</b>	-
Less: Transfer to Debenture Redemption reserve	<b>500.00</b>	500.00
	<b>1229.76</b>	2421.31
Transfer from General Reserve	5961.93	
Less : Accumulated Deferred Tax Liability upto previous year	2860.53	
Less : Unadjusted Deferred Revenue expenditure charged off	3101.40	-
Surplus carried to Balance Sheet	<b>1229.76</b>	2424.31



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Profit for the Current year at Rs. 2305.45 Lakhs shows the increase of more than 27.5% compared to previous year Profit of Rs. 1807.62 Lakhs. Overall increase in efficiency of all divisions except fatty acid has resulted in excellent performance of the company.

### **Dividend :**

In view of the strengthening and expansion of activities and future funds requirement, your Directors have decided not to declare any dividend for the year 2007-08.

### **Capital Expenditure :**

During the year the Company has incurred an amount of Rs. 5613 lacs on Capital Expenditure which is mainly towards installation of Electrolyzer elements, Boiler, Turbine, Electrical equipments, Effluent system etc.,

### **Safety and Environment Protection :**

The management has recognized that Safety and Environment are the two vital aspects which will stimulate the growth of the company. Every effort is being made to ensure safety in all activities of the company and the steps taken by the management to develop green environs around the factory has given desired results. A separate cell has been created and entrusted with the responsibility of ensuring safety with a team of Officials working round the clock with the motto of "ALL TIME SAFETY FOR ALL". Apart from clean and green programmes undertaken both inside and outside the Factory, the Company is in the process of developing Green belt area to protect environment.

### **Listing Fees :**

The Company has paid Listing Fee to Bombay Stock Exchange vide its letter dtd.25.04.2008.

### **Insurance :**

Assets of the Company are adequately insured.

### **Fixed Deposits :**

The company has not accepted any fixed deposits during the year and there are no fixed deposits outstanding as on 31-3-08.

### **Directors :**

Sri M.P.Murti and Sri O.D.Reddy are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offers themselves to be reelected as Directors. M/s.IFCI has appointed Sri S.K.Ganguli as its Nominee on the Board in place of Sri R.K.Chavali vide its

letter Ref.No.IFCI/NDC-2/2007-3913 dtd.03.05.2007. The Board in its meeting held on 19.05.07 has co-opted Sri S.K.Ganguli. The Board further taken on record the valuable advises given by Sri R.K.Chavali during his tenure on the Board.

### **Industrial Relations :**

Your Company's Industrial Relations continue to be harmonious and cordial.

### **Particulars of Employees :**

Except Sri T.G.Venkatesh, CMD, there were no employee of the Company drawing monthly remuneration of Rs.2,00,000/- or more. Particulars of employees as required under section 217(2A) of the Companies Act, 1956 is given as "Annexure - AE ".

### **Energy Conservation Technology Absorption and Foreign Exchange Earnings and Outgo :**

Particulars required to be disclosed under Section 217(2)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed hereto as "Annexure-A" to this report.

### **Directors' Responsibility Statement :**

As required by the provisions of Section 217(2AA) of the Companies Act, 1956, Directors' Responsibility Statement is attached as "Annexure - B".

### **Corporate Governance :**

Pursuant to clause 49 to the Listing Agreement, the mandatory requirements relating to Corporate Governance are to be complied with by your Company. Accordingly your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of Clause 49 to the Listing Agreements with the Stock Exchanges, are complied with.

### **Corporate Governance – Clause 49 of Listing Agreement :**

A separate report on Corporate Governance (Annexure-C) is being incorporated as a part of the Annual Report along with a certificate from the Auditors of the Company (Annexure - D) regarding compliance of the conditions of Corporate Governance. The "Annexure C and D" are attached to this report.

Further to comply with Clause 49 of listing agreement "Management Discussion and Analysis" has been given as "Annexure - E" to the Directors' Report.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### Auditors :

M/s. Brahmayya & Co., Chartered Accountants, Adoni, will retire at the conclusion of this Annual General Meeting and are eligible for reappointment. M/s. Brahmayya & Co., are being proposed for reappointment as Auditors to hold office for the current year 2008-09.

### Cost Audit :

The Cost Audit under Section 233 B is being carried out by M/S. GEEYES & CO., Cost Auditor of the Company. As per the Central Government Order 52/75/CCAB/91(CLB) dated 23/02/93, Cost Audit has to be done on a regular basis by a qualified Cost Accountant from 1992-93 onwards and the same is submitted to Central Govt. every year. The Company has complied with all the provisions of the said order.

### Audit Committee :

An Audit Committee continues to function to comply with provisions of Sec 292(A) of the Companies Act, 1956 and also Clause 49 of Listing Agreement. The Audit Committee comprises of Sri S.K.Ganguli, Sri D.S.Prasad and Sri P.N.Vednarayanan as members with Sri M.P.Murti as Chairman of the Audit Committee.

### Acknowledgement :

Your Directors wish to express their sincere thanks to Financial Institutions, Bankers, Distributors and Customers for their continued support to the Company. The Directors also acknowledge with gratitude the continued help and support received from the various departments of the Government of India and the Government of Andhra Pradesh and Government of Karnataka.

The Directors place on record their appreciation of the sincerity, commitment and contribution made by the Employees at all levels and this was mainly responsible to carry on the business of the Company during the year.

On behalf of the Board of Directors

Place : Hyderabad

Date : 30.04.2008

Sd/-

**T.G.VENKATESH**  
CHAIRMAN AND  
MANAGING DIRECTOR

## “ANNEXURE - AE” TO THE DIRECTORS’ REPORT

Information as per the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 are forming part of the Director's Report for the period ended 31st March, 2008.

Name of the Employee	Age	Qualifications	Designation/ Nature of Duties	Date of commencement of Employment	Remuneration Received Rs. (Gross)	Experience (years)	Last Employment held
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### a) Employed throughout the Financial Year :

1. Sri T.G. Venkatesh	58	B.Com.	Chairman & Managing Director	20.09.1985	28,99,713	36	General Manager (Commercial), Sree Rayalaseema Paper Mills Ltd.
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### Notes :

1. Remuneration includes Salary and other perquisites.
2. The Appointment of the Managing Director is Contractual and on the terms and conditions approved by the Members in the Annual General Meetings held on 16.08.2005 and 28.09.2007.

On behalf of the Board of Directors

Place : Hyderabad  
Date : 30.04.2008

Chairman and Managing Director



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### ANNEXURE 'A' TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

#### A. Conservation of Energy :

1. Installation of HT capacitors banks completed. The power factor improved from 0.93 to 0.95 and also distribution losses minimized.
2. Installed 31.5 MVA transformer to meet progressive production increase and to minimize transformer losses when compared to existing low capacity transformers.

#### FORM – A

Disclosure of Particulars with respect to conservation of energy:	Current Year 31.03.2008	Previous Year 31.03.2007
<b>A. Power and Fuel Consumption :</b>		
1. Electricity:		
a) i) Electricity from APCPDCL Units (KWH)	127769438	104715074
Total Amount (Rs.in Lakhs)	3319.09	3106.48
Rate/Unit (Rs.)	2.60	2.97
ii) Electricity from APGPCL Units (KWH)	26697189	20472439
Total Amount (Rs.in Lakhs)	464.66	357.80
Rate/Unit (Rs.)	1.74	1.75
b) Own Generation:		
i) Through Diesel Generators Units(KWH)	4016415	5981527
Unit per Lt of Fuel (KWH)	3.36	3.58
Cost/Unit (Rs.)	27.51	20.49
ii) Through Wind Farm Units(KWH)	2232116	2914892
Cost/Unit (Rs.)	4.81	3.49
iii) Through Co-Gen Plant Units(KWH)	139185500	120935808
Cost/Unit (Rs.)	2.26	2.29
2. Coal :		
Quantity (MT)	240780	199810
Total amount (Rs.in lakhs)	4163.41	3682.03
Average Rate (Rs./MT)	1729	1843
3. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	1958	2468
Total Amount (Rs.in lakhs)	380.82	476.60
Average Rate (Rs/MT)	19445	19314
<b>B. Consumption per MT of Caustic Soda Lye Production</b>		
No.of Units (KWH) (AC Power)	2476	2503



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### C. Technology Absorption:

Efforts made in technology absorption are provided in "Form - B" as follows:

#### FORM – B

### Research and Development (R & D) :

#### 1. Specific areas in which R&D carried out by the Company :

- Trials are in progress to utilize hydrazine free oxygen scavenger in high pressure boiler feed water to improve boiler's internal life.
- Experiments are in progress to reduce nickel content in hydrogenated castor oil to the extent of < 3 ppm.

#### 2. Benefits derived as a result of R & D :

- Utilisation of hydrazine free oxygen scavenger will improve life of boiler internals and also reduce ammonia generation in steam which will improve turbine condenser life.
- Strengthening of laboratory facilities will improve electrolyser performance and reduction of nickel content in hydrogenated castor oil will facilitate our efforts to meet special customers requirement.

#### 3. Future Plans :

- Contemplated to strengthen laboratory facilities by procuring TOC analyzer and ICP to monitor TOC and heavy metals in brine to improve electrolyser efficiency and membrane life.

#### 4. Technology Absorption, Adoption and Innovation :

- There is no technology innovation, absorption and adoption during the year.

### 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:
- i) Exported Hydrogenated Castor Oil, 12 Hydroxy Stearic Acid, Caustic Potash and planning to enlarge exports by increasing export quantity and explore export possibility for other products.
- b) Total Foreign Exchange used and earned (Rs.in lakhs)
- |                             |         |
|-----------------------------|---------|
| i) Foreign Exchange used    | 3605.87 |
| ii) Foreign Exchange earned | 2448.82 |

## ANNEXURE 'B' TO THE DIRECTORS' REPORT

### Directors' Responsibility Statement

#### Yours Directors Further confirm that :

- (i) In the presentation of the Annual Accounts, applicable Accounting Standards have been followed and there is no material departure from the same.
- (ii) The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the company for that period.
- (iii) The Directors had 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.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

(iv) The Directors have prepared the Annual Accounts on a going concern basis.

On behalf of the Board of Directors

Place : Hyderabad  
Date : 30.04.2008

Sd/-  
**T.G.VENKATESH**  
CHAIRMAN AND MANAGING DIRECTOR

### ANNEXURE 'C' TO THE DIRECTORS' REPORT

#### Report on Corporate Governance :

The Management of SRAAC Ltd., hereby confirm and certify that the relevant provisions of Clause-49 of Listing Agreement dealing with "Corporate Governance" have been complied for the year 2007-08. The Corporate Governance compliance details are furnished hereunder:

#### (1) Company's Philosophy :

The company is firmly committed to fulfill the objective of good Corporate Governance. The company has complied with almost all the provisions of Corporate Governance before its enactment in the Listing Agreement by respective Stock Exchanges on the order of SEBI. The company's humble philosophy is "SERVING SOCIETY THROUGH HARMONIOUS INDUSTRY ACTIVITIES" synchronizing socio, economic and human objectives which is backed by principles of concern, commitment, ethics, excellence and learning in all its acts and relationships with stakeholders, customers, associates and community at large which has always propelled the Group towards higher horizons.

#### (2) Board Procedure :

All the mandatory information as mentioned in Annexure – 1A for Clause 49 of Listing Agreement is being placed before the Board during its meetings.

#### (3) Board of Directors :

The Composition of the Board is in compliance with the guidelines given in Clause-49 of the Listing Agreement. The Board comprises of seven Directors and Majority of Directors are independent/nominee Directors. Except Chairman and Managing Director the other Directors are non-executive Directors. The day-to-day management of the Company is conducted by Chairman and Managing Director subject to the Superintendence and control of the Board of Directors. The details of Directors attending the Meetings and Date of the Meetings are further furnished hereunder:

S.No	Name of the Director	Designation	No. of Board Meetings		Other Membership	
			Held	Attended	Board	Committee
1.	Sri T.G. Venkatesh	Chairman and Managing Director (Promoter)	5	5	2	-
2.	Sri M.P. Murti	Director (Independent)	5	4	6	4
3.	Sri D.S. Prasad	Director (IDBI Nominee)	5	1	1	-
4.	Sri S.K. Ganguli	Director (IFCI Nominee)	5	5	5	2
5.	Sri P.N. Vedanarayanan	Director (Independent)	5	4	1	-
6.	Sri G. Krishna Murthy	Director	5	5	3	3
7.	Sri O.D. Reddy	Director (Independent)	5	5	3	7





## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

During the financial year ended 31st March, 2008, Five Board Meetings were held on (1) 19.05.07 (2) 28.07.07 (3) 28.09.07 (4) 26.10.07 and (5) 03.01.08 respectively. The last Annual General Meeting of the Company was held on 28.09.07 and it was attended by Sri T.G.Venkatesh, Chairman and Managing Director and Sri M.P.Murti, Chairman of Audit Committee. Besides, other directors viz., S.K. Ganguli, Sri O.D. Reddy and Sri G. Krishna Murthy.

### (4) Audit Committee :

The composition of the Audit Committee is in accordance with the Corporate Governance guidelines and the provisions of 292A of the Companies Act, 1956. The main terms of reference of the Audit Committee are;

1. Oversight of the Company's financial reporting process to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board appointment, reappointment, fixation of fees etc., of Statutory auditors, Cost auditors etc.,
3. Reviewing with management the annual Financial Statement before submitting to the Board with particular reference to Directors Responsibility statement, Changes in Accounting Policies, major accounting entries involving estimates, compliance with other Listing Agreement, disclosure of other related party transactions.
4. Qualifications in draft Audit Report.
5. Reviewing with management quarterly financial statements.
6. The adequacy of internal audit functions.
7. Discussion with statutory auditors before the audit commences.
8. Reviewing the findings of any investigations by the internal auditors etc.,

In addition to quarterly and yearly Un-audited/Audited financial results the Committee deliberate upon the relevant matters mentioned in Listing agreement, Companies Act and Cost Audit Report rules etc., The Committee is headed by Sri M.P.Murti, the Senior most independent Director. Majority of the committee members are independent Directors or Nominee Directors of Financial Institutions viz., IDBI and IFCI. The Audit Committee was reconstituted by the Board in its meeting held on 19.05.07 with (1) Sri M.P.Murti, Chairman (2) Sri S.K.Ganguli, Member (3) Sri D.S.Prasad, Member and (4) Sri P.N.Vednarayanan, Member.

S.No	Name of the Director	Designation	No.of Meetings	
			Held	Attended
1.	Sri M.P.Murti	Chairman	4	3
2.	Sri D.S. Prasad	Member	4	1
3.	Sri S.K. Ganguli	Member	4	4
4.	Sri P.N. Vednarayanan	Member	4	4

During the financial year ended 31st March, 2008, Four Board Audit Committee Meetings were held on (1) 19.05.07 (2) 28.07.07 (3) 26.10.07 and (4) 03.01.08 respectively.

### (5) Remuneration Committee :

The Remuneration Committee has been reconstituted by the Board in its Meeting held on 09.01.2005 with the following Directors as its members. During the year the committee meeting was held on 19.05.07 to discuss the matters relating to upward revision in sitting fee payable to Directors for attending Board and other committee meetings of the company. The members of the Remuneration Committee are (1) Sri M.P.Murti, Chairman (2) Sri P.N.Vednarayanan, Member and (3) Sri O.D.Reddy, Member.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

S.No	Name of the Director	Designation	No. of Meetings	
			Held	Attended
1.	Sri M.P. Murti	Chairman	1	1
2.	Sri P.N. Vedanarayanan	Member	1	1
3.	Sri O.D. Reddy	Member	1	1

During the financial year ended 31st March, 2008 One Remuneration Committee Meeting was held on 19.05.07.

The non-executive Directors will be paid sitting fee of Rs.5000/- per meeting of Board and Audit Committee and Rs.1500/- for Sub-committees of the Board. The CMD will not be paid any sitting fee for attending the Board/ Committee meetings. The details of total remuneration paid to Sri T.G.Venkatesh, CMD for the year is furnished hereunder:

Salary	Perquisites	Commission	Total
24,00,000	4,99,713	-	28,99,713

### (6) Shareholders Committee (Investors Grievance Committee) :

To review the actions taken by the company in relieving Investor's Grievances and its response to Stock Exchange, SEBI and other related Government correspondence Investors Grievance Committee/Shareholders Committee was constituted by the Board on 11.06.01 and the same was subsequently reconstituted latest on 27.01.03. The details of the committee meetings and composition are detailed hereunder.

S.No	Name of the Director	Designation	No. of Meetings	
			Held	Attended
1.	Sri M.P. Murti	Chairman	4	4
2.	Sri O.D. Reddy	Member	4	4
3.	Sri G. Krishna Murthy	Member	4	4

During the financial year ended 31st March, 2008 four Investors Grievance Committee Meetings were held on (1) 09.04.07 (2) 10.07.07 (3) 10.10.07 and (4) 10.01.08 respectively.

### (7) General Body meetings :

The last three Annual General Meetings of the Company were held on (1) 16.08.05 (4.30 P.M) (2) 27.05.06 (4.00 P.M) (3) 28.09.07 (3.00 P.M) at Regd.Office: Gondiparla, Kurnool-518 004 (A.P). The special business transacted and approved by the members at the previous 3 Annual General Meetings are as follows:

#### (a) 2004-2005

1. Reappointment of Chairman and Managing Director.

#### (b) 2005-2006

- Not Applicable -

#### (c) 2006-2007

1. Ratification of company's action for Creation of Mortgage/Charge in favour of Financial Institutions and Banks in pursuance to Section 293(1)(a) of the Companies Act, 1956.
2. Proposal for upward revision in salary payable to Sri T.G.Venkatesh, Chairman and Managing Director.

### (8) Disclosures :

None of the transactions with any of the related parties were in conflict with the interests of the Company at large. The details of related party transactions are furnished under Schedule J point no. 12 of - Notes to Accounts of



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Balance Sheet and Profit & Loss account to comply with Accounting Standard 18. The company has not received any notices from Stock Exchange or SEBI regarding non compliance of statutory provisions. The Company is complying with all mandatory requirements stipulated in Clause 49 and non-mandatory requirements are not yet adopted by the Company.

### (9) Means of communication :

Quarterly results approved by the Board are published in (1) Business Standard (English) (2) Andhra Prabha (Telugu) newspapers generally.

In addition to this the company is communicating its results to all the Stock Exchanges where the shares are listed. As the company is covered under the EDIFAR scheme notified by SEBI, necessary details are placed in the National Informatic Centre website. Further quarterly results, shareholding pattern and other related information is placed on the company's website. The company is also making presentations to the Financial Institutions with all the details relating its quarterly results. Further to confirm that the management discussion and analysis report communicated to shareholders and all the concerned it has been made part and of parcel of Annual Report. Further the Quarterly/Half yearly Results are generally posted in Company's Website [www.tgvgroup.com](http://www.tgvgroup.com).

### (10) General Shareholder information :

- a. AGM Date, time and Venue : 10th July, 2008  
at Regd .Office : Gondiparla,  
Kurnool - 518 004 (A.P).
- b. Tentative Financial Calendar : The next financial year covers the period from  
1<sup>st</sup> April, 2008 to 31<sup>st</sup> March, 2009  
Un-Audited Financial result for : First Quarter - July'08  
Second Quarter- October'08  
Third quarter - January'09  
Fourth quarter- April'09
- c. Book Closure period : 04-07-2008 to 10-07-2008 (both days inclusive)
- d. Dividend payment date : - N.A -
- e. The shares of the Company is listed on:

1. Bombay Stock Exchange Limited, Dalal Street, Mumbai.

ISIN NO: INE 284B01028, SCRIP CODE : 507753 in EQUITY SHARES

ISIN NO: INE 284B04014, SCRIP CODE : 700102 in C.R.P.S

The listing fee to the Stock Exchange for the year 2008-09 is paid by the company vide its letter dtd.25.04.2008.

- f. i) Shareholding pattern for Equity Shares and CRPS as on 31<sup>st</sup> March, 2008.

S.No	CATEGORY	EQUITY SHARES		C R P S (*)	
		SHARES	%	SHARES	%
1.	Promoters	27940988	41.40	8429105	44.64
2.	Mutual Funds and UTI	37787	0.06	37787	0.20
3.	Banks & Financial Institutions & Insurance Companies	28737203	42.57	2424694	12.84
4.	Corporate Bodies	1591915	2.36	548543	2.91
5.	Indian Public	8483973	12.57	6856562	36.31
6.	NRI's / OCBs	701420	1.04	585641	3.10
	TOTAL	67493286	100.00	18882332	100.00

(\*) CRPS .... Cumulative Redeemable Preference Shares



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- ii) Market Price data: The monthly high and low of stock quotations during the financial year 2007-08.

### STOCK MARKET DATA – (BSE based)

Month & Year	High (Rs.)	Low (Rs.)
April, 2007	13.45	10.00
May, 2007	13.50	11.70
June, 2007	13.25	11.25
July, 2007	14.00	12.25
August, 2007	13.00	11.20
September, 2007	17.75	12.50
October, 2007	21.90	13.20
November, 2007	21.65	14.55
December, 2007	30.85	17.50
January, 2008	36.20	16.90
February, 2008	19.00	15.00
March, 2008	15.65	9.85

**(g) Dematerialisation of Shares :**

As on 31<sup>st</sup> March, 2008 out of 67493286 Equity Shares 61663608 No. of Shares were dematerialised (91.36%). Out of 18882332 No. of CRP Shares 15580005 were dematerialised (82.51%). Since the company's shares are trading under compulsory De-mat mode shareholders are requested to take necessary steps to dematerialise their shares held in physical form.

**(h) Code of conduct :**

In pursuance to the Clause 49 of the listing agreement "Code of Conduct" applicable to (1) Directors (2) Senior Management has been approved by the Board and the same has been placed on the company's website. Copy of the code of conduct circulated to all the concerned and affirmed by them as to its compliance on an annual basis.

**(i) Plant Location :** Regd. Office : Gondiparla, Kurnool – 518 004 (A.P).

Bellary Power Plant : Tagginabudihalli, Bellary.

**(j) Address for Correspondance on matters relating to shares :**

6-2-1012, TGV Mansion, II Floor, Above ICICI Bank, Khairatabad, Hyderabad - 500 004 (A.P)

**(K) E-mail ID :** radhakrishnav55@rediffmail.com

On behalf of the Board of Directors

Place : Hyderabad  
Date : 30.04.2008

Sd/-  
**T.G.VENKATESH**  
CHAIRMAN AND MANAGING DIRECTOR



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### DECLARATION BY CEO

As provided in Clause 49 of the Listing Agreement with Stock Exchanges the Directors and Senior Management personnel have confirmed compliance with code of conduct for the period ended 31.03.2008.

On behalf of the Board of Directors

Place : Hyderabad  
Date : 30.04.2008

Sd/-  
**T.G.VENKATESH**  
CHAIRMAN AND MANAGING DIRECTOR

## ANNEXURE 'D' TO THE DIRECTORS' REPORT

### AUDITOR'S CERTIFICATE

To  
The Members of  
**SREE RAYALASEEMA ALKALIES AND  
ALLIED CHEMICALS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Sree Rayalaseema Alkalies and Allied Chemicals Ltd., Kurnool for the year ended March 31, 2008 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 state that generally no Investor Grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

**For Brahmayya & Co.,**  
Chartered Accountants

Place : Hyderabad  
Date : 30.04.2008

Sd/-  
**B.DAIVADHEENAM REDDY**  
Partner  
Membership No.026450



**ANNEXURE 'E' TO THE DIRECTORS' REPORT**

**MANAGEMENT DISCUSSION AND ANALYSIS :**

The Company is having mainly three Business Division namely:-

- (1) Chemicals Division
- (2) Oils and Fats Division
- (3) Power Division

**1. CHEMICALS DIVISION :**

**(1) Industry Structure and Developments:**

The Company is manufacturing Caustic Soda, Potassium Hydroxide, Chlorine and other chemicals. Caustic Soda and Chlorine are joint products. Caustic Soda and KOH are marketed in lye and flake forms. Whereas Chlorine is marketed in compressed gaseous form through specially built cylinders. In view of the specific qualities of the products specially built vehicles and cylinders are required for transportation of the same and with respect to chlorine proper care has to be taken to insure safety.

**(2) Opportunity and Threats:**

Since Chlor-Alkalie Industry is power intensive in its nature and any measures to reduce the cost of power will result in increased profits. As the economy is expected to be buoyant, the market for these products are also expected to be positive. The main raw material (Industrial Grade Salt) is like agriculture produce, the availability of the same is dependent on nature.

**(3) Out look:**

Considerable growth in user industries viz., aluminium, paper, pharmaceuticals will further increase demand and hence future outlook would be encouraging.

**(4) Risks and concerns:**

Availability of power at reasonable cost is the main concern.

**2. OILS AND FATS DIVISION :**

**(1) Industry Structure and Developments:**

Castor Oil and its derivatives, Fatty Acids, Glycerine, Soaps and Soap noodles are manufactured under this division. Castor Oil and its derivatives are having export potential. Fatty Acids are mainly used in Soap, Paints, Rubber, Plastics and Cosmetics etc.,

**(2) Opportunity and Threats:**

Frequent fluctuations in the prices of of Castor Oil is the main threat for the Industry. With respect to Fatty Acids, operations are expected to grow favourably. The low cost availability of vegetable oils in far east Asian countries may affect the local prices to some extent.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### (3) Out look:

With the increase in the thirst for exports for fatty acids the future outlook will be optimistic.

### (4) Risks and concerns:

Castor Oil derivatives being the export oriented products the foreign exchange fluctuations will be a threat. Recent trends in rupee strengthening against dollar may also pose a problem. Additional incentives offered by some States luring the manufactures to relocate/establish new plants there.

## 3. POWER DIVISION:

### (1) Industry Structure and Developments:

The Company is generating Electricity with independent power producer status at Bellary, Karnataka which uses Furnace Oil as its feed stock. The Power generated is sold to Karnataka Power Transmission Corporation Limited (KPTCL).

### (2) Opportunity and Threats:

With ever increasing demand for power, this segment is expected to do well. However regular increase in fuel prices making the power generation a costlier affair. The buyer KPTCL may restrict Company's power generation depending on merit cost.

### (3) Out look:

The demand and supply of power in Karnataka State will not vary the units profitability as capacities and compensations are fixed.

### (4) Risks and concerns:

There are no major risks contemplated in this division in view of the agreement with KPTCL.

## GENERAL-SEGMENT-WISE PERFORMANCE TOGETHER WITH DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE :

Segment-wise performance together with discussion on financial performance with respect to operational performance has been dealt with in the Directors' Report which should be treated as forming part of this Management Discussion and Analysis.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorised use or disposal. The Internal Audit is conducted at all divisions for all the key areas of business. The Internal Control System is supplemented by a programme of Internal Audits to ensure that the assets are properly accounted for and the business operations are conducted in adherence to laid down policies and procedures. The Internal Audit is oriented towards review of controls and operational improvements.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### **MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED :**

Relations with the employees remained cordial in general throughout the year. In order to optimise the contribution of the employees to the Company's business and operations, in-house training is given to the employees to induce contribution to productivity increase and development programmes for all levels of employees have been devised. Occupational Health Safety and Environmental Management are given utmost importance. As at 31st March, 2008 the employee strength (on permanent rolls) of the Company was 870.

### **CAUTIONARY STATEMENT :**

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations and such forward-looking statements involve risks and uncertainties. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts business and other incidental factors. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new informations, future events, or otherwise. Readers are cautioned not to place undue reliance on these forward looking statements that speaks only as of their dates.

On behalf of the Board of Directors

Place : Hyderabad  
Date : 30.04.2008

Sd/-  
**T.G.VENKATESH**  
CHAIRMAN AND MANAGING DIRECTOR





## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### AUDITOR'S REPORT

To  
The Members

**SREE RAYALASEEMA ALKALIES AND  
ALLIED CHEMICALS LIMITED**

1. We have audited the attached Balance Sheet of M/s. Sree Rayalaseema Alkalies and Allied Chemicals Ltd., Kurnool as at 31st March, 2008 and the Profit and Loss Account and also Cash Flow Statement for the year ended on that date 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 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 disclosures in financial statements. An audit also includes assessing the accounting principles used and 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 issued by the Central Government of India in terms of sub-section (4A) of section 227 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 that:
  - i) 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.
  - ii) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books.

- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon 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 ;
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
  - b) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
  - c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Brahmayya & Co.,**  
Chartered Accountants

Sd/-

**(B.DAIVADHEENAM REDDY)**

Partner

Membership No.026450

Place : Hyderabad

Date : 30.04.2008



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### ANNEXURE TO AUDITOR'S REPORT

**Re: Sree Rayalaseema Alkalies and Allied Chemicals Ltd., Kurnool.**

Referred to in Paragraph 3 of our report of even date;

- (i) In respect of fixed assets;
  - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. As explained to us, all the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- (ii) In respect of inventories;
  - a. The inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. The Company has maintained proper records of inventories. As explained to us, the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
- (iii) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of Clause 4(iii)(b)(c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) In respect of transactions covered under Section 301 of the Companies Act, 1956;
  - a. According to the information and explanations given to us, we are of the opinion that the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public specified under the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. No order has been passed by the Company Law Board.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of Caustic Soda manufacturing activities of the Company. We have broadly reviewed the books of account and records relating to materials, labour and other items of cost maintained by the Company and we are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) In respect of statutory dues:
- According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees's State Insurance, Income-Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues have been generally regularly deposited with marginal delays with the appropriate authorities.
  - According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31st March, 2008 for a period of more than six months from the date they became payable.
  - According to the information and explanations given to us, there are disputed statutory dues, which have not been deposited in respect of the following :

Sl. No.	Name of the Statute	Nature of dues	Rs. lakhs	Period	Forum where dispute is pending
1.	Central Excise Act, 1944	Duty exemption disallowed	0.35	2007-08	Commissioner of Central Excise (Appeals), Guntur.
2.	Central Excise Act, 1944	Service tax levied on goods transport operator and clearing & forwarding agent services	32.18	1997-98	Commissioner of Central Excise (Appeals), Guntur.
3.	Central Excise Act, 1944	CENVAT Credit on service tax paid disallowed	34.23	2007-08	Commissioner of Central Excise, Tirupati.
4.	A.P.VAT Act, 2005	Input tax credit on furnace oil & coal disallowed (Paid)	53.91 (53.91)	2005	Appellate Deputy Commissioner of Commercial Tax, Kurnool
5	Indian Customs Act, 1962	Differential customs duty on raw material (Paid)	1161.14 (125.00)	2000-06	Commissioner of Customs, Chennai.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- (x) In our opinion, the company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, we are of the opinion, that the Company has not defaulted in repayment of dues to Financial Institutions, Banks or Debenture holders, except the interest and principal dues fallen due during the year, which were paid subsequent to due dates and no amount was due at the year end.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and others investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not raised any new term loans during the year. In our opinion, the term loans outstanding at the beginning of the year were applied for the purposes for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has created securities in respect of debentures issued.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For Brahmayya & Co.,**

Chartered Accountants

Sd/-

**(B.DAIVADHEENAM REDDY)**

Partner

Membership No.026450

Place : Hyderabad

Date : 30.04.2008



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### BALANCE SHEET AS AT 31st MARCH, 2008

Rs. In Lakhs

SCHEDULE	As at 31.03.08	As at 31.03.07
<b>SOURCES OF FUNDS</b>		
<b>SHAREHOLDERS FUNDS:</b>		
Share Capital	A	8641.84
Reserves and Surplus	B	6589.30
		10245.78
<b>LOAN FUNDS:</b>		
Secured Loans	C	26336.23
Unsecured Loans	D	2459.62
Deferred Tax liability		2983.42
		-
<b>TOTAL</b>	<b>47010.41</b>	<b>48966.95</b>
<b>APPLICATION OF FUNDS</b>		
Fixed Assets - Net of Depreciation	E	41640.59
Investments	F	198.31
Current Assets	G-A	11399.80
Loans and Advances	G-B	2792.19
		14191.99
Less: Current Liabilities & Provisions	H	9033.20
Net Current Assets		5158.79
Miscellaneous Expenditure	I	4101.76
(Deferred Revenue Expenditure to the extent not written off or adjusted)		
<b>TOTAL</b>	<b>47010.41</b>	<b>48966.95</b>
Notes to Accounts	J	

Schedules "A" to "J" annexed form integral part of Balance Sheet

As Per our Report of even date attached

**For Brahmayya & Co.,**

Chartered Accountants

For and on behalf of the Board

Sd/-

**B. DAIVADHEENAM REDDY**

Partner

Sd/-

**T.G.VENKATESH**

Chairman and Managing Director

Sd/-

**M.P. MURTI**

Director

Sd/-

**V.RADHAKRISHNA MURTHY**

Sr.General Manager & Company Secretary

Place : Hyderabad

Date : 30.04.2008



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.08

Rs. In Lakhs

SCHEDULE	Year Ended 31.03.08	Year Ended 31.03.07
<b>INCOME</b>		
Sales — Gross	1	51412.05
Less: Excise Duty & Sales Tax	6868.74	43276.29
Sales—Net	44543.31	5959.55
Process Charges	270.36	37316.74
Other Income	2	470.34
Profit on Sale of Investments/Fixed Assets	33.33	409.01
Increase / (Decrease) in Stocks	3	112.53
<b>TOTAL INCOME</b>	<b>45429.87</b>	<b>37960.73</b>
<b>EXPENDITURE</b>		
Consumption of Raw materials	4	18779.23
Employees Remuneration & Benefits	5	1871.83
Power and Fuel	8437.78	14539.01
Consumption of Chemicals Packing and stores	2516.88	1593.62
Other Manufacturing, Administrative &		7714.96
Selling Expenses	6	4133.56
Interest/Finance Charges	7	2924.98
<b>TOTAL EXPENSES</b>	<b>38664.26</b>	<b>31969.10</b>
<b>PROFIT BEFORE DEPRECIATION &amp; TAX</b>	<b>6765.61</b>	<b>5991.63</b>
LESS: Depreciation	E	2932.86
Deferred Revenue Expenditure Written Off	1000.36	2715.74
Expenses/(Income) relating to Earlier Years (Net)	60.62	1160.00
<b>PROFIT BEFORE TAX</b>	<b>2771.77</b>	<b>45.62</b>
LESS Provision for Taxation(MAT)-for Current Year	314.04	232.29
LESS Provision for Taxation -for Earlier Years	0.39	0.36
LESS Provision for Fringe Benefit Tax	29.00	30.00
LESS Provision for Deferred Tax Liability for the year	122.89	-
<b>PROFIT AFTER TAX</b>	<b>466.32</b>	<b>262.65</b>
ADD : Surplus Carried from Previous Year	2305.45	1807.62
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	<b>2424.31</b>	<b>1116.69</b>
Less: Transfer to Debentures Redemption Reserve	500.00	500.00
Less: Transfer to General Reserve	3000.00	-
Transfer from General Reserve	5961.93	500.00
Less: Accumulated Deferred Tax Liability upto previous year	2860.53	-
Less: Unadjusted Deferred Revenue expenditure charged off	3101.40	-
Surplus carried to Balance Sheet	1229.76	2424.31
Notes to Accounts	J	

Schedules "1" to "7" and "E" to "J" annexed form integral part of Profit and Loss account

As Per our Report of even date attached

**For Brahmayya & Co.,**

Chartered Accountants

Sd/-

**B. DAIVADHEENAM REDDY**

Partner

For and on behalf of the Board

Sd/-

**T.G.VENKATESH**

Chairman and Managing Director

Sd/-

**M.P. MURTI**

Director

Sd/-

**V.RADHAKRISHNA MURTHY**

Sr.General Manager & Company Secretary

Place : Hyderabad

Date : 30.04.2008



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.08 Rs. In Lakhs	As at 31.03.07 Rs. In Lakhs
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED:</b>		
i) 6,80,00,000 Equity shares of Rs.10/- each	<b>6800.00</b>	6800.00
ii) 1,90,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each having Coupon rate of 0.01% redeemable after 15 years	<b>1900.00</b>	1900.00
<b>ISSUED:</b>		
(A) 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each allotted on sub-division and consolidation having a Coupon rate of 0.01% from April,2002 redeemable after 15 Years in 4 Quarterly instalments commencing from 1.04.2018.	<b>1888.23</b>	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each issued on sub-division and consolidation	<b>1888.23</b>	1888.23
(C) 2,86,10,955 Equity Shares of Rs.10/- each issued on preferential allotment to IDBI & IFCI by Conversion of 15% of Rupee/Foreign Currency loans and Debentures	<b>2861.10</b>	2861.10
(D) 2,00,00,000 Equity Shares of Rs.10/- each. Share Warrants issued to Promoters group on Preferential allotment	<b>2000.00</b> <b>8637.56</b>	<b>2000.00</b> <b>8637.56</b>
<b>SUBSCRIBED, CALLED-UP &amp; PAID UP:</b>		
(A) 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each allotted on sub-division and consolidation having a Coupon rate of 0.01% from April,2002 redeemable after 15 Years in 4 Quarterly instalments commencing from 1.04.2018.	<b>1888.23</b>	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each allotted on sub-division and consolidation	<b>1888.23</b>	1888.23
(C) 2,86,10,955 Equity Shares of Rs.10/- each allotted on preferential allotment to IDBI & IFCI by Conversion of 15% of Rupee/F.C.loans and Debentures	<b>2861.10</b>	2861.10
(D) 1,45,80,000 Equity Shares of Rs.10/- each allotted on Preferential allotment to Promoters group.	<b>1458.00</b>	1458.00
(E) 54,20,000 Equity Shares of Rs.10/- each allotted on 25.04.2006 to promoters group on conversion of fully paid share warrants issued on preferential allotment.	<b>542.00</b> <b>8637.56</b>	542.00 8637.56
ADD: Amount received on Forfeited Shares of Original Issue in 1995-96 (180086 Shares)	<b>4.28</b>	4.28
	<b>8641.84</b>	<b>8641.84</b>



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.08 Rs. In Lakhs	As at 31.03.07 Rs. In Lakhs
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
Central Subsidy - Per last Balance Sheet	111.67	111.67
Capital Reserve - Per last Balance sheet	2.00	2.00
Share Premium Account	2288.51	2288.51
General Reserve- Per last Balance Sheet	3399.29	3399.29
Add: Transfer from Appropriation Account	3000.00	-
	6399.29	3399.29
Less: Transfer to Appropriation Account to charge off		
Accumulated Deferred Tax Liability upto previous year and		
Unadjusted Deferred Revenue expenditure charged off	5961.93	437.36
		-
Investment Allowance Reserve - Per last Balance Sheet	520.00	520.00
Debentures Redemption Reserve - Per last Balance Sheet	1500.00	1000.00
Add: Transfer from Appropriation Account	500.00	500.00
	5359.54	7821.47
Surplus in Profit & Loss Account	1229.76	2424.31
<b>TOTAL</b>	<b>6589.30</b>	<b>10245.78</b>

### SCHEDULE - C

#### SECURED LOANS

##### A) DEBENTURES (PRIVATELY PLACED):

i)	8,50,000 - 11% Redeemable Non-convertible Debentures of Rs. 100/- each issued to IDBI (As per Restructuring of Debts payable in 96 Monthly instalments from April, 2008)	850.00	850.00
ii)	- 3,10,761- Series "A" 5% interest Redeemable Non-Convertible Debentures of Rs.100/- each issued to I.F.C.I.Ltd (as per restructuring package redeemable in 96 Monthly Instalments from April, 2008)	310.76	310.76
	- 2,05,177 - Series "B" 5% interest Redeemable Optionally Fully convertible debentures of Rs.100/- each issued to I.F.C.I.Ltd (as per restructuring package redeemable in 96 Monthly Instalments from April, 2008)	205.18	205.18
	- 33,26,200 - Series "C" 5% interest Redeemable Non-convertible Debentures of Rs.100/- each issued to I.F.C.I.Ltd (liability to the extent of crystallised dues) as per restructuring package Redeemable in 96 Monthly Instalments from April, 2008)	3032.01	3032.01





## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.08 Rs. In Lakhs	As at 31.03.07 Rs. In Lakhs
<b>B) LOANS FROM INSTITUTIONS:</b>		
i) - Term Loans IDBI & IFCI Loans Repayable in 96 Monthly Instalments from April,2008	<b>15257.92</b>	15395.88
- Deferred Loans (Repayable in 120 Monthly instalments from April,2006 as per Restructuring package)	<b>3825.26</b>	4324.76
ii) Term Loans from Foreign Banks SEB AG (Foreign Currency Loan),Germany	<b>931.36</b>	2105.41
<b>C) WORKING CAPITAL LOANS FROM :</b>		
United Bank of India	<b>677.25</b>	632.77
Indian Bank	<b>145.29</b>	201.96
The South Indian Bank Ltd.,	<b>616.06</b>	477.40
State Bank of Travancore	<b>130.17</b>	139.53
The Federal bank Ltd.,	<b>100.85</b>	183.09
Canbank Factors Ltd., (Bills discounted)	<b>254.12</b>	173.49
	<b>1923.74</b>	1808.24
<b>TOTAL</b>	<b>26336.23</b>	28032.24

### SECURITY:

- 1) The above Debentures issued to IDBI are secured by first charge of all the Company's immovable properties both present and future ranking paripassu with the mortgages and charges created / to be created with other loans and further secured by first charge by way of mortgage of Company's properties (save and except book debts and assets exclusively charged / to be charged in favour of IDBI) including movable machinery, machinery spares, tools and accessories present and future subject to prior charge created and/or to be created in favour of Company's Bankers on the Company's stock of raw materials as well as to Banks on semi-finished and finished goods, consumable stores and such other movables as may be agreed to by the Trustees for securing the borrowings for working capital requirements in the ordinary course of business and further secured by pledge of 804000 Nos. of APGPCL Equity shares of Rs.10/- each and guaranteed by the Managing Director.
- 2) The above series "A" debentures issued to IFCI are secured in favour of Trustees by way of first charge on all immovable properties situated at Bellary both present and future and further secured by way of first charge on company's movable (save and except book-debts), including movable machinery, machinery spares, tools and accessories; present and future, subject to prior charge created and/or to be created in favour of company's bankers on the stock of raw materials, semi finished goods, consumable stores and such other movable, as may be agreed to by the trustees, for securing the borrowings for working capital requirements in the ordinary course of business and further guaranteed by Managing Director.
- 3) The above series "B&C" debentures issued to IFCI are secured in favour of Trustees by way of first charge on all immovable both present and future and further secured by way of first charge on company's movable ( save and



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

except book-debts ), including movable machinery, machinery spares, tools and accessories; present and future, subject to prior charges created and / or to be created in favour of company's bankers on the stock of raw materials, semi finished goods, consumable stores and such other movable, as may be agreed to by the trustees, for securing the borrowings for working capital requirements in the ordinary course of business and further guaranteed by Managing Director.

- 4) The above Term Loans from Institutions [except the Term Loan amount of Rs.6232.73 lakhs from M/s IFCI Ltd. secured by first exclusive charge on the building, plant and machinery acquired under project schemes of Fatty Acid, Potassium Hydroxide / and power plant at Bellary are secured by first charge on all the immovable properties both present and future and further secured by first charge by way of hypothecation of all movables (save and except book debts and inventories including movable machineries, spares, tools, accessories both at present and future, subject to prior charges created/ to be created in favour of the company's bankers as specified movables for working capital requirements) and further Guaranteed by the Managing Director.

IFCI's Additional Margin money for working capital loan of Rs.850 Lakhs is further secured by pledge of 536000 Nos. of APGCL Equity shares of Rs.10/- each.

- 5) The loan from SEB AG Germany of EURO 14.76 Lakhs (Equivalent to Rs.931.37 Lakhs) from SEB AG Germany is secured by second and subservient charge on the fixed assets of power plant at Bellary.
- 6) The above Working Capital Loans from Banks are secured by hypothecation of Raw materials, stock in process, finished goods, stores and spares of the company wherever situated and Book debts to the extent of sanctioned limits, and further secured by second charge on all immovable properties and guaranteed by the Managing Director. And the Bill discounting facility from Canbank Factors Ltd is secured by second charge on fixed assets of the company ranking pari passu with the charges already created/ to be created by the Company and further guaranteed by the Managing director.

	As at 31.03.08 Rs. In Lakhs	As at 31.03.09 Rs. In Lakhs
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS</b>		
Trade Deposits	336.25	337.17
Factoring Bills Payable	563.71	273.21
Sales Tax Deferment(Payable within 12 Months Rs. 2.66 Lakhs)	1559.66	1436.71
<b>TOTAL</b>	<b>2459.62</b>	<b>2047.09</b>

# SCHEDULE "E" FIXED ASSETS

Rs.in Lakhs



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Sl. No.	DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
		As at 1/4/2007	Additions	Deductions	As at 31/03/08	upto 31/03/07	For the year	Deductions	As at 31/03/08	As at 31/03/08	As at 31/03/07
1	a) Free hold Land and Development	332.66	104.58	4.99	432.25*	-	-	-	-	432.25	332.66
	b) Lease hold Land	53.74	-	-	53.74	-	-	-	-	53.74	53.74
2	Buildings	3070.43	468.73	26.24	3512.92	693.26	99.33	1.10	791.49	2721.43	2377.17
3	Plant & Machinery	30162.28	9003.28	675.02	38490.54	14010.32	1700.65	157.24	15553.73	22936.81	16151.96
4	Power Plant & Machinery	12604.72	3.05	-	12607.77	3785.24	665.60	-	4450.84	8156.93	8819.48
5	Electricals & D.G.Sets	7736.95	1369.20	-	9106.15	3244.02	394.67	-	3638.69	5467.46	4492.93
6	Furniture & Fittings	60.58	6.20	-	66.78	48.51	2.75	-	51.26	15.52	12.07
7	Office and Telephone Equipment	169.02	44.18	-	213.20	86.13	14.60	-	100.73	112.47	82.89
8	Computers	213.01	23.55	-	236.56	145.84	31.57	-	177.41	59.15	67.17
9	Lab, Workshop & Other Equipment	173.90	24.23	-	198.13	85.61	13.97	-	99.58	98.55	88.29
10	Vehicles	283.19	7.99	6.31	284.87	252.56	9.72	6.31	255.97	28.90	30.63
11	Capital Works-in-Progress	54860.48	11054.99	712.56	65202.91	22351.49	2932.86	164.65	25119.70	40083.21	32508.99
	a) Civil Works	823.91	249.90	468.73	605.08	-	-	-	-	605.08	823.91
	b) Electricals & D.G.Sets	509.68	949.29	1369.20	89.77	-	-	-	-	89.77	509.68
	c) Plant & Machinery	5665.51	4203.35	9006.33	862.53	-	-	-	-	862.53	5665.51
	TOTAL	61859.58	16457.53	11556.82	66760.29	22351.49	2932.86	164.65	25119.70	41640.59	39508.09
	PREVIOUS YEAR	57367.28	4541.25	48.95	61859.58	19635.78	2715.74	0.03	22351.49	39508.09	37731.50

\* Includes land value of Rs.85.26 Lakhs registered in the name of Chairman and Managing Director and Company's employee due to restriction on registration in Company's name.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.08 Rs. In Lakhs	As at 31.03.07 Rs. In Lakhs
<b>SCHEDULE - F</b>		
<b>INVESTMENTS</b>		
<b>NON-TRADE INVESTMENTS-IN GOVERNMENT SECURITIES</b>		
National Saving Certificates(unquoted at cost)	1.00	1.00
<b>NON-TRADE INVESTMENTS (Long Term - Investments)</b>		
i) In Shares (unquoted at cost)		
a) Andhra Pradesh Gas Power Corporation Ltd., (536000 Equity Shares of Rs.10/- each and 804000 Equity Shares of Rs.10/- each at Rs.12.50 & Bonus Shares 53600,which are pledged with Financial Institutions)	144.05	144.05
ii) Quoted:		
a) SRHHL Industries Ltd. (316666 Equity Shares of Rs.10/- each)	31.67	31.67
b) Sree Rayalaseema Hi-Strength Hypo Ltd (resulting company) (208333 Equity Shares of Rs.10/- each)	20.83	20.83
c) Indian Bank (839 Equity Shares of Rs.10/- each at Rs.91/- each)	0.76	0.76
<b>TOTAL</b>	<u>198.31</u>	<u>198.31</u>
Aggregate Book Value of Quoted Investments	53.26	53.26
Aggregate Market Value of Quoted Investments (Quoted after 31.3.07)	63.90	-
Aggregate Book Value of Unquoted Investments	145.05	145.05
<b>SCHEDULE - G</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. <b>Inventories</b> (As taken, valued and certified by the Management)		
Raw Materials	1014.74	957.79
Stores, Consumables & Spares	1940.91	1547.25
Goods in Bonded Warehouse(Includes goods in transit)	1653.26	1836.62
Stock in Process	297.02	277.81
Finished Goods	738.75	624.98
Scrap & Disposables	4.11	24.57
	<u>5648.79</u>	<u>5269.02</u>
2. <b>Sundry debtors (unsecured)</b>		
Outstanding for more than six months		
Considered Doubtful	6.80	3.68
Less: Provision for Doubtful Debts	6.80	3.68
Considered good-others(Less than Six months)	5413.74	4916.20
	<u>5413.74</u>	<u>4916.20</u>



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.08 Rs. In Lakhs	As at 31.03.07 Rs. In Lakhs
<b>3. Cash &amp; Bank Balances</b>		
cash on hand	0.90	4.21
<b>Balance with Scheduled Banks</b>		
In Current Account	363.44	138.98
In Deposit Account (Includes Margin Money)	2171.33	1020.27
Interest Accrued on Bank Deposits	121.01	51.12
	<u>2656.68</u>	<u>1214.58</u>
<b>TOTAL (1 + 2 + 3)</b>	<u>13719.21</u>	<u>11399.80</u>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Deposits for power supply	578.66	523.51
Other Deposits	980.64	634.69
Advances recoverable in cash or in kind or for value to be received		
Advance for supply of materials	459.72	382.29
Advance for supply of Capital goods	271.97	265.77
Advance to Contractors	47.68	37.48
Advance to Employees	52.99	34.13
Advance to Transporters	24.09	71.94
Other Advances	398.37	434.73
Advance Income Tax/TDS	207.05	43.23
Claims Receivable	696.34	340.97
Prepaid Expenses	43.63	23.45
<b>TOTAL</b>	<u>3761.14</u>	<u>2792.19</u>
<b>SCHEDULE - H</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors for Capital Goods	2364.30	1912.06
Sundry Creditors for Supplies		
- Small, Medium and Micro Industrial Under Takings	240.54	496.62
- Others	<u>7164.82</u>	<u>4544.68</u>
	7405.36	5041.30
Sundry Creditors for Expenses	274.58	201.29
Customers Credit Balances	727.41	560.65
Other liabilities	885.16	839.89
Interest accrued but not due on loans	113.62	194.77
Balance due to Banks	185.34	15.15
<b>B. PROVISIONS</b>	<u>11955.77</u>	<u>8765.11</u>
Provision for Taxation(MAT)	319.17	234.19
Provision for Fringe Benefit Tax	33.90	33.90
<b>TOTAL</b>	<u>12308.84</u>	<u>9033.20</u>



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.08 Rs. In Lakhs	As at 31.03.07 Rs. In Lakhs
<b>SCHEDULE - I</b>		
<b>Miscellaneous Expenditure</b>		
(Deferred Revenue Expenditure-to the extent not written off or adjusted)		
Deferred Revenue Expenditure	4101.76	6073.37
Add: Additions during the year	-	-
	<u>4101.76</u>	<u>6073.37</u>
Less: amount written off during the year	1000.36	1160.00
Less: transfer to Fixed Assets in previous year	-	811.61
Less: charged off to General Reserve during the year-refer to Note No:10	3101.40	-
	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>-</u>	<u>4101.76</u>
	<b>Year ended 31.03.08</b>	Year ended 31.03.07
	<b>Rs. In Lakhs</b>	<b>Rs. In Lakhs</b>
<b>SCHEDULE - 1</b>		
<b>SALES (Gross)</b>		
Caustic Soda Lye/Flakes	18429.93	14589.83
Liquid Chlorine/Gas	3651.36	3201.01
Hydrochloric Acid	1649.23	1291.23
Hydrogenated Castor Oil	1274.08	1274.68
12 Hydroxy Stearic Acid	2443.81	2164.98
Caustic Potassium Hydroxide	5035.00	7193.07
Stearic Acid-Different Grades	3336.89	1768.16
Toilet Soaps	893.97	517.74
Soap Noodles	4398.15	3485.22
Trading sales	14.95	-
D.G.Power under Power Purchase Agreement	6602.12	5239.06
Miscellaneous and Other Oils Sales	3682.56	2551.31
	<u>51412.05</u>	<u>43276.29</u>
<b>TOTAL</b>	<u>51412.05</u>	<u>43276.29</u>
<b>SCHEDULE - 2</b>		
<b>OTHER INCOME</b>		
Export Incentives	80.21	16.51
F.E.Fluctuation gains	41.14	-
Hire Charges Receipts	2.62	2.38
Insurance Claims	287.85	1.31
Other Miscellaneous Receipts	58.52	56.43
	<u>470.34</u>	<u>76.63</u>
<b>TOTAL</b>	<u>470.34</u>	<u>76.63</u>



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Year ended 31.03.08  
Rs. In Lakhs

Year ended 31.03.07  
Rs. In Lakhs

### SCHEDULE - 3

#### INCREASE/(DECREASE) IN STOCKS

##### CLOSING STOCKS

Finished goods	738.75	624.98
Scrap & Disposables	4.11	24.56
Stock-in-process	297.02	277.81
<b>TOTAL (A)</b>	<b>1039.88</b>	<b>927.35</b>

##### OPENING STOCKS

Finished Goods	624.98	462.97
Scrap & Disposables	24.56	28.37
Stock-in-process	277.81	278.99
<b>TOTAL (B)</b>	<b>927.35</b>	<b>770.33</b>

<b>INCREASE/(DECREASE) IN STOCKS (A)-(B)</b>	<b>112.53</b>	<b>157.02</b>
--	---------------	---------------

	Year ended 31.03.08	Year ended 31.03.08 Rs. In Lakhs	Year ended 31.03.07	Year ended 31.03.07 Rs. In Lakhs
UNIT	QUANTITY	COST	QUANTITY	COST

### SCHEDULE - 4

#### CONSUMPTION OF RAW MATERIALS

i) Salt	MT	175600	2293.81	127887	1619.62
ii) Castor Oil	MT	6810	3132.71	7530	2585.43
iii) Acid Oil & Other Oils	MT	22422	6373.04	17199	3818.70
iv) F.O./HSD/Lubricants for Power Generation	KL	15153	4773.43	13181	3185.00
v) Potassium Chloride & Carbonate	MT	16815	2102.28	24034	3220.37
vi) Other Raw Materials			103.96		109.89
<b>TOTAL</b>			<b>18779.23</b>		<b>14539.01</b>

### SCHEDULE - 5

#### EMPLOYEES REMUNERATION & BENEFITS

Salaries, Wages, Bonus and Allowances	1474.52	1223.50
Welfare expenses	257.56	231.36
Contribution to ESI & Provident Fund	98.21	89.98
Contribution to Gratuity & Superannuation Scheme	41.54	48.78
<b>TOTAL</b>	<b>1871.83</b>	<b>1593.62</b>



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Year ended 31.03.08  
Rs. In Lakhs

Year ended 31.03.07  
Rs. In Lakhs

### SCHEDULE - 6

#### MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES

Insurance	76.57	82.42
Repairs & Maintenance		
a) Buildings	172.68	47.55
b) Plant & Machinery	462.39	305.04
c) Others	163.37	98.94
Excise duty on captive consumption/Stocks	7.35	7.86
Processing Charges	1.15	0.64
Travelling and conveyance	209.99	228.60
Printing and stationery	31.27	23.43
Postage Telegrams and Telephones	47.07	43.16
Directors sitting fee	2.28	0.61
Remuneration to Managing Director	29.00	8.09
Directors Travelling	36.09	22.84
Remuneration to Auditors		
Audit - Fee	1.50	1.50
Tax Audit Fee	1.00	0.75
Audit - Expenses	0.18	0.15
Cost Audit Fee	0.20	0.20
Cost Audit expenses	0.06	0.04
Freight Inward	355.82	265.00
Selling expenses	1202.53	844.76
Trading purchase	14.33	-
Advertisement	3.78	1.42
Rent including Lease Rents	298.28	178.81
Fee and Expenses	36.63	55.37
Bank Charges	329.29	336.06
Service Charges	233.29	151.83
Rates & Taxes	1.66	3.42
Legal Expenses	38.73	18.67
Research and Development Expenses	28.52	35.70
Water Charges	17.88	23.13
Provision for Doubtful Debts	3.61	3.68
F.E.Fluctuation on Term Loans & Export Receivables	-	258.31
Other Expenses	226.54	225.24
Loss of materials in floods	59.29	-
Loss on reduction of investments in shares	-	30.83
Donations	41.23	42.03
<b>TOTAL</b>	<b>4133.56</b>	<b>3346.08</b>

### SCHEDULE - 7

#### INTEREST/FINANCE CHARGES

On Term loans	2269.72	2455.76
On cash credits	154.71	153.40
On Bill Discounting, Deposits & Others	500.55	450.71
(Net of Interest Receipts Rs.162.42 Lakhs (Rs.71.71 Lakhs)		
<b>TOTAL</b>	<b>2924.98</b>	<b>3059.87</b>





## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### SCHEDULE - J : NOTES TO ACCOUNTS

#### I. Significant Accounting Policies :

##### 1. Basis of Preparation and Presentation of Financial Statements:

The financial statements are prepared under the Historical Cost Convention as a going concern in accordance with generally accepted Accounting principles in India and the provisions of Companies Act, 1956. The Company follows the mercantile method of accounting.

##### 2. Inventories:

Inventories of Finished goods are valued at lower of cost or net realisable value. Inventories of Raw materials, Stock-in-Process and Stores & Spares are valued at cost. Scrap and disposables are valued at realisable value. Cost of Inventories consist of purchase price including duties and taxes ( other than CENVAT credit and input tax credit recoverable under AP VAT Act 2005), cost of conversion and other costs incurred in bringing them to current location and condition. Value of finished goods comprises central excise duty, which is considered as cost in accordance with Accounting Standard (AS-2).

##### 3. Depreciation:

Depreciation on Fixed Assets has been provided on Straight line method in respect of Plant & Machinery and Buildings and in respect of other assets on written down value method as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

##### 4. Revenue Recognition:

- (i) Sales revenue is recognised on supply of goods. Turnover includes Sales Tax, Excise Duty and Education Cess in respect of goods sold. Income and Expenditure are recognised on accrual basis except for transactions below Rs.10,000/- per transaction, accounted in the year of payment / receipt.
- (ii) Export incentives such as Duty Entitlement Pass Book (DEPB) license are taken into account on the basis of eligible export FOB value.
- (iii) Dividends on investments are recognised when the right to receive is established.
- (iv) Interest on delay payments to creditors / by debtors accounted on the basis of debit notes / Credit notes raised / received from the parties.
- (v) Insurance claims are accounted on the basis of claims lodged.
- (vi) Interest/Hire Charges on Hire Purchase Loans has been taken into account on due and payable basis.

##### 5. Research and Development Expenditure:

Research and Development expenditure incurred on salaries of personnel engaged and cost of materials and services consumed are charged to Profit and Loss account of the year under relevant heads of account.

##### 6. Fixed Assets and Capital Work-in-Progress:

Fixed Assets are stated at cost (net of CENVAT credit and including related financial costs till commencement of commercial production) less accumulated depreciation. Capital work-in-progress includes advances paid for capital items / works. Indirect & pre-operative expenses related or attributable to the capital works and trial run expenses incurred upto commencement of commercial production are added to the cost of fixed assets in the year of commencement of commercial production.

##### 7. Foreign Currency Transactions:

Transactions in Foreign Currencies are recorded during the year at the exchange rates prevailing on the date of transaction. At the year-end, Current assets and Current Liabilities in Foreign currency are accounted as per the rates prevailing on the Balance Sheet date and the exchange differences are recognised as Income / expenditure in Profit and Loss Account. Foreign Currency Term Loans outstanding are stated at exchange rates prevailing on the Balance Sheet date. Any increase or decrease in foreign currency Term loans relating to acquisition of fixed assets, on account of exchange differences either paid or outstanding are treated as profit or loss in profit and loss account as per Revised AS 11.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### 8. Retirement Benefits:

#### a) Gratuity:

The Company has created a Trust and has taken a Group Gratuity Life Assurance Policy with Life Insurance Corporation of India for future payments of Gratuity to employees. The premium paid thereon on actuarial valuation is charged to the Profit and Loss account.

#### b) Leave Encashment:

Liability on account of Leave Encashment is provided on accrual basis as per the rules of the company.

### 9. Investments:

Investments are stated at Cost. In case there is a permanent diminution in the value of any investments, the same is considered for valuation of investments.

### 10. Borrowing Costs:

Interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or erection of a qualifying asset, are capitalised as cost of such asset and the other borrowing costs are recognised as an expense in the year in which incurred.

### 11. Segment Reporting:

For Segment Reporting, the business segments have been identified based on production process of individual products and its related products, such as (i) Chemicals (ii) Oils and Fats and (iii) Generation of Power under PPA.

### 12. Leases:

Lease payments in respect of operating leases, are recognised as an expense on due and payable basis as per the lease agreements and the future lease payments under non-cancelable operating leases for each period are disclosed in notes to accounts.

### 13. Accounting for Taxes on Income:

- Current and deferred tax liability, if any, for the year is recognised for the estimated tax payable on the taxable income and timing differences, subject to consideration of prudence in respect of deferred tax asset and the same is treated as tax expense in determination of net profit for the year.
- Deferred tax liability as at the beginning of the year is recognised for all timing differences arising on account of difference in methods/rates of depreciation, deferred revenue expenditure and deferred tax asset is considered in respect of expenditure allowable under Sec 43 B and carry forward losses / allowances on the principle of prudence and the same is charged to Reserves.

### 14. CENVAT / IN-PUT TAX CREDIT:

CENVAT Credit and Input Tax Credit recoverable under AP VAT Act, 2005 on Capital goods, Raw materials, Stores and fuels is accounted for by reducing from its purchase cost.

### 15. Deferred Revenue Expenditure :

- Cost of replacement of Membranes/Gaskets/Anode Mesh consumed, the benefit of which will accrue over three years, is amortized over a period of three years.
- Initial advertisement and sales promotion expenses incurred for launching of consumer products (Toilet Soaps), debt restructuring fee and expenditure incurred on major repairs / overhaul of DG Sets and cost of returnable containers, the benefit of which accrues for a period of five years, are amortised over that period.
- Expenditure incurred towards interest on loans during the commercial/technical stabilisation period in respect of new projects, amortised over a period of four years from 2005-06. Funded interest on term loans of Financial Institutions is amortised proportionately over the repayment schedule as per Debt Restructuring package from 2006-07. ( Refer Note No. 10 regarding change in Accounting Policy).



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### 16. Change in Accounting Policy:

During the current year 2007-08, in respect of the above said Deferred Revenue Expenditures, the company has changed the Accounting Policy, since most of the items have been written-off up to the year ending 31.03.2008, except interest on loans for which the period of amortization is longer as per the accounting policy in vogue and other expenditures, which are not material. Accordingly, the un-adjusted deferred revenue expenditure to the extent not written-off as on 31-3-2008 is charged to General Reserve. This change in Accounting Policy has no impact on the profits for the current year and has effect on General Reserve at the year end and has effect on net profits in later years over the period of amortization to the extent not charged to Profit & Loss Account of that year.

### NOTES TO ACCOUNTS:

#### 1. Contingent Liabilities not provided in respect of

Particulars	Current Year 2007-08 (Rs. Lakh)	Previous Year 2006-07 (Rs. Lakh)
a) Cheques / Bills Discounted with Banks.	249.96	126.24
b) Unexpired Bank guarantees / letters of Credit (net of margin money paid).	934.84	2001.90
c) Estimated amount of Contracts remaining to be executed on Capital Account.(Net of advances).	2569.81	1099.42
d) Arrears of dividend on cumulative redeemable preference shares of Rs.1888.23 lacs at a coupon rate of 0.01 %, for the period from 01.04.2002 to 31.03.2008. (payable after 15 years i.e from 01.04.2017).	1.13	0.94
e) Claims against the company not acknowledged as debts, being disputed and pending in appeals/ Assessments in respect of :		
i) Central excise matters regarding Modvat credit availed and duty on hire/rental and testing charges and service tax on freight payments.	66.76	37.11
ii) Customs matters regarding redemption fine and penalty in respect of dispute on classification of imports, during the year matter was decided in favour of the company and hence no liability.	-	9.90
iii) Sales tax matters regarding Input tax credit availed on fuels used for steam generation disallowed by the Department and levied penalty and interest (Paid under protest).	53.91 (53.91)	61.35 (47.77)
iv) Electricity matters regarding Category Charges/subsidy, and surcharge/ interest – Pending before Courts, during the year the matters were decided in favour of the Company and hence no liability. (amount paid / refundable).	Nil (5.00)	711.13 (44.81)
v) 1) Wheeling Charges levied by APCPDCL pending in Supreme Court. 2) Wheeling charges levied on APGAS power supplies covered by Bank guarantee Rs.69.30 lakhs.	24.21 NIL	24.21 NIL
f) Differential duty on procurement of raw material as per show cause notices issued by the Customs Authorities is contested and for which no provision is considered as there will be no liability on the company as per legal opinion obtained (paid under Protest).	1161.14 (125.00)	1161.14 (125.00)
g) Claims made by M/s.National Aluminium Company Ltd (NALCO), one of our customers, for non-performance of supply contract, which was pending before the Arbitrator, now decided in favour of the company and hence no liability.	NIL	227.23



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

2. Customs Duty on goods in Bonded Ware house as on 31-3-08 has not been provided in accounts for the year and not included in the valuation of inventory. The same is accounted at the time of clearance of goods and the duty is estimated at Rs. 461.92 lakhs (Previous Year Rs.545.04 lakhs) and this has no impact on profit for the year.
3. Legal cases filed by the company for recovery of dues/advances and pending in courts for disposal:

	As at 31-3-08 (Rs.lakhs)	As at 31-3-07 (Rs.lakhs)
a) Against Debtors	46.60	131.89
b) Against suppliers/transporters	18.03	25.40
<b>TOTAL</b>	<b>64.63</b>	<b>157.29</b>

4. a) Exchange differences on Foreign Currency Term Loans from financial institutions in respect of installments paid during the year amounting to Rs. 21.93 lakhs (previous year gain Rs. 85.84 lakhs) and exchange difference on outstanding loans as on 31.3.2008 valued at applicable Foreign Currency Exchange Rates on 31<sup>st</sup> March, 2008 and exchange difference amounting to Rs. 13.37 lakhs was credited to profit and loss account as per AS-11 (Revised) (previous year loss Rs.164.66 lakhs debited to profit and loss account).
- b) Foreign Currency receivables on exports made and outstanding as on 31.03.08 are valued at applicable exchange rate and the exchange difference of Rs.4.58 lakhs was credited to profit and loss account (Previous year Rs.0.60 lakhs debited to profit and loss account).
5. Particulars of Managerial Remuneration to Chairman and Managing Director:

	Current Year 2007-08 (Rs. Lakhs)	Previous Year 2006-07 (Rs. Lakhs)
a) Salary	24.00	4.80
b) Perquisites – rent & insurance	4.17	2.44
c) Contribution to Provident Fund		
Superannuation & medical expenses	0.83	0.85
<b>TOTAL</b>	<b>29.00</b>	<b>8.09</b>

Computation of Profit U/s 350 of the Companies Act, 1956 has not been given since no commission is paid to Chairman and Managing Director.

6. a) Sundry Creditors for supplies under "Current Liabilities" in Schedule "H-A" to the accounts includes Rs. 240.54 Lakhs (Previous Year 496.62 Lakhs) due to Small, Medium and Micro Industrial Undertakings.
- b) The above includes Rs. 237.83 Lakhs due to Small, Medium and Micro Industrial undertakings in whose account an amount of Rs.1.00 lakh or more for more than 30 days outstanding and the same is as under:
- |  |  |
|--|--|
| 01) KTV Health Foods Pvt. Ltd.,            | 02) Blow Packaging India Ltd.,             |
| 03) Chemical Process Equipments Pvt. Ltd., | 04) Colour Shade Quality Printers          |
| 05) Canara Engineers Pvt. Ltd.,            | 06) Arun & Company                         |
| 07) Elson Packaging Industries Pvt. Ltd.,  | 08) Electro Copper & Alloys Mfg. Co.,      |
| 09) Rapid Valves (India) Pvt. Ltd.,        | 10) North Street Cooling Towers Pvt. Ltd., |
| 11) R.S. Enterprises                       | 12) Rolan Seals                            |
| 13) Vijayakumar Refractories & Chemicals   | 14) Shkthi Containers Pvt. Ltd.,           |



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

7. "Interest on Others" is net of interest receipts on Bank Deposits etc. of Rs.162.42 Lakhs (Previous year Rs.71.71 Lakhs).
8. Lease Payments: The total future minimum lease payments under non-cancelable operating leases are as under :

	2007-08 Rs.lakhs	2006-07 Rs.lakhs
(i) Not later than one year	18.60	9.00
(ii) Later than one year and not later than five years	71.10	29.00
(iii) Later than five years	3.59	2.10

### 9. DEFERRED TAX LIABILITY:

	As on 31.03.08 (Rs.in lakhs)	As on 31.03.07 (Rs.in lakhs)
Deferred tax liability as on 01.04.2007 in respect of timing difference arising on account of difference between straight line and written down Value methods and rates of depreciation and claim of deferred revenue expenditure.	8375.32	9031.52
Less: Deferred tax asset as on 01.04.07 in respect of unabsorbed depreciation/losses and allowable expenses U/s 43B.	5514.79	6896.88
Opening deferred tax liability (net)	2860.53	2134.64
Add : Deferred tax liability for the year	122.89	725.89
Deferred tax liability (Net) as on 31.03.2008	2983.42	2860.53

During the year 2007-08 the accumulated deferred tax liability upto previous year of Rs.2860.53 lakhs has been provided by corresponding charge to the General Reserve and the liability for the year of Rs.122.89 lakhs has been charged to Profit & Loss Account.

### 10. Deferred Revenue Expenditure to the extent not written-off charged to General Reserve:

As per change in Accounting policy during the year 2007-08, the un-adjusted deferred revenue expenditure to the extent not written-off as on 31.03.2008 of Rs. 3101.40 lakhs has been charged to General Reserve, since most of the deferred revenue expenditures have been written-off upto the year 31.03.2008, except interest on term loans of Rs. 2988.15 lakhs, for which the period of amortization is longer as per the accounting policy in vogue and other expenditures of Rs. 113.25 lakhs, which are not material. This change in Accounting Policy has no impact on the Profit for the current year and has effect on General Reserve at the year end and has effect on net profits in later years over the period of amortization to the extent not charged to Profit & Loss Account of that year.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### 11. Segment Reporting :

Rs.lakhs

Sl. No.	Particulars	For the Year 2007-2008	For the Year 2006-2007
01	Segment Revenue		
	A. Chemicals	25763	23517
	B. Oils & Fats	13352	9500
	C. Power Plant	6602	5239
	<b>TOTAL</b>	<b>45717</b>	<b>38256</b>
	Less: Inter Segment Revenue	722	453
	Net Sales/Income from Operations	<b>44995</b>	<b>37803</b>
02	Segment Results (Profit)(+)/Loss(-) beforeTax and interest from segments.		
	A. Chemicals	4672	4473
	B. Oils & Fats	501	2
	C. Power Plant	524	655
	<b>TOTAL</b>	<b>5697</b>	<b>5130</b>
	Less: (i) Interest	2925	3060
	(ii) Other un-allocable expenditure (Net of un-allocable income)	-	-
	Total Profit before Tax	<b>2772</b>	<b>2070</b>
03	Capital Employed(Segment Assets and Liabilities)		
	A. Chemicals	33137	29897
	B. Oils & Fats	4030	4319
	C. Power Plant	10129	10854
	D. Others	2251	3875
	<b>TOTAL</b>	<b>49547</b>	<b>48945</b>

### 12. Related Parties Disclosures :

1. The names of transacting related party and description of relationship are given below :

A. Particulars of Associate Companies:

Sl. No.	Name of the transacting related party	Nature of Relationship
1.	Sree Rayalaseema Hi-Strength Hypo Limited	Associate
2.	Sree Rayalaseema Dutch Kassenbouw Private Limited	Associate
3.	TGV Projects and Investments Private Limited	Associate
4.	Brilliant Industries Limited	Associate
5.	Sree Maruthi Marine Industries Limited	Associate
6.	Sree Maurthi Agro Tech Limited	Associate
7.	Gowri Gopal Hospitals Private Limited	Associate
8.	Sree Rayalaseema Agro Chemicals Private Limited	Associate
9.	Sree Rayalaseema Galaxy Projects Private Limited	Associate
10.	SRHHL Industries Limited	Associate



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Note: Associate companies by virtue of shareholding by key management personnel and relatives.

B Key Management Personnel: T.G.Venkatesh, Chairman and Managing Director.

C. Relatives to Key Management Personnel: Sri T.G.Bharath, Smt T.G.Rajyalakshmi.

2. Disclosures of transactions between the company and related parties and outstanding balances as on 31<sup>st</sup> March 2008.

(Rs. in Lakhs)

Sl. No.	Nature of Transaction	For the year ended 31.03.08	For the year ended 31.03.07	Balance outstanding as on 31.03.08	Balance outstanding as on 31.03.07
<b>A.</b>	<b>Associate Companies</b>				
1	Sales / Receivables	3055.58	3192.77	687.80 (Dr)	958.45(Dr)
2	Purchases / Payables	604.09	768.49	46.02 (Dr)	55.54 (Dr)
3	Office / Lease Rentals Paid	189.92	65.95		-
4	Office / Lease Rents received	4.30	3.90		-
5	Rent / Cylinder deposit paid	-	22.19	171.19 (Dr)	171.19 (Dr)
6	Services availed	54.57	84.48		-
7	Services rendered	-	2.67		-
8	Guarantees provided by Associate Companies	Nil	Nil	5551.26	5551.26
<b>B</b>	<b>Key Management personnel</b>				
1	Remuneration	29.00	8.09		-
2	Sitting fee to Directors	2.28	0.61		-
<b>C</b>	<b>Relatives to Key Management Personnel</b>	-	-	-	-

Note : Cr indicates Credit balance & Dr indicates Debit balance

13. Balances of Sundry Creditors and Debtors are shown as appearing in the books of account of the company and the company has sent confirmation letters to the parties and the confirmations are awaited.

#### 14. Earnings Per Share:

Basic and diluted earnings per share calculated in compliance with the provisions of Accounting standard (AS20) for the year ending 31.03.08 comes to Rs. 3.42 p.a (Previous year Rs.2.69) and Rs. 3.33 p.a (previous year Rs.2.63) respectively.

The denominator for Basic EPS is 6,74,93,286 (previous year 6,71,22,053) equity shares and the numerator is net profit after tax Rs.23,05,45,528 (previous year Rs.18,07,62,201) as per Profit and Loss account and after adjusting preference dividend for the year Rs. 18,883/- (previous year Rs.18,883/-).

The denominator for diluted EPS is increased by potential equity deemed to be issued for OFCD i.e. (6,74,93,286+20,51,770) = 6,95,45,056 (previous year 6,91,73,823) and the numerator for this calculation is the net profit after tax Rs.23,05,45,528 (previous year Rs.18,07,62,201) as per Profit and Loss account and after adjusting preference dividend Rs.18,883 and the interest at 5 % on OFCDs Rs. 10,25,885 and the tax liability Rs. 3,48,698 thereon.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Therefore

Basic Earnings per share = Profit Rs. 23,05,26,645 / 6,74,93,286 = Rs.3.42 p.a.

(Previous year profit Rs. 18,07,43,318/6,71,22,053 = Rs. 2.69 p.a)

Diluted Earnings per share = Profit Rs. 23,12,03,832 / 6,95,45,056 = Rs.3.33 p.a.

(Previous year profit Rs. 18,16,54,099/6,91,73,823 = Rs.2.63 p.a.)

15. Figures have been rounded off to the nearest to thousand and expressed in decimals of lakhs.
16. Previous year figures have been regrouped/ rearranged wherever necessary to make them comparable with the current year figures.

Additional Information pursuant to paragraphs 3,4C and 4D of Schedule – VI of Companies Act, 1956.

### A. Licensed and Installed Capacity:

Product	As on 31.03.2008		As on 31.03.2007	
	Licensed	Installed	Licensed	Installed
Caustic Soda Lye	181700	123950	123950	69500
Liquid Chlorine	92729	92729	66329	49829
Hydrochloric Acid	109190	57187	61470	24740
Barium Sulphate	1980	1980	1980	1980
Bleach Liquor	1650	1650	1650	1650
Hydrogenated Castor Oil	33000	16500	16500	16500
12 Hydroxy / Rubber Grade Stearic Acid	23100	9900	9900	9900
Ricinoleic Acid	660	660	660	660
Sodium Sulphate	7920	1980	1980	-
Distilled Fatty Acid / Stearic Acid	18150	18150	18150	18150
Glycerine	24750	24750	6600	6600
Potassium Hydroxide	47850	23100	23100	16500
Potassium Carbonate	3300	3300	3300	3300
Soap Noodles	33000	33000	33000	33000
Toilet Soaps and Bathing Soaps	16500	16500	16500	16500
Wind Power Generation	3 MW	3 MW	3 MW	3 MW
Power Generation(Commercial)	37.8 MW	37.8 MW	37.8 MW	37.8 MW
D.G.Sets	31.0 MW	24.8 MW	31.0 MW	24.8 MW
Co-Gen Power Plant	76.0 MW	45.0 MW	58.0 MW	45.0 MW





## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### B. Actual Production, Turnover and Stocks: (Quantity in MTs and Rs. in lakhs)

Product	Opening Stock		Production	Turnover		Closing Stock	
	Qty	Rs.	Qty	Qty	Rs.	Qty	Rs.
1. Caustic soda lye/Flakes	1783 (487)	215.79 (72.75)	90664 (69335)	92120 (68039)	18429.93 (14589.83)	327 (1783)	39.23 (215.79)
2. Liquid chlorine	745 (361)	27.63 (19.69)	69306 (52415)	69721 (52031)	3651.36 (3201.08)	330 (745)	11.14 (27.63)
3. Hydrochloric acid	391 (502)	5.94 (10.14)	64209 (62985)	64482 (63096)	1548.97 (1116.43)	118 (391)	2.02 (5.94)
4. Barium sulphate	4 (311)	0.96 (73.22)	665 (448)	640 (755)	173.40 (168.05)	29 (4)	6.49 (0.96)
5. Hydrogen gas (M3) saleable	40 (26)	- (-)	2967697 (2987166)	2967697 (2987152)	365.96 (385.97)	40 (40)	- (-)
6. Bleach liquor	17 (32)	0.47 (0.82)	17344 (15714)	17295 (15729)	554.63 (548.07)	66 (17)	1.71 (0.47)
7. HCL Gas	- (-)	- (-)	1088 (2558)	1088 (2558)	100.26 (174.79)	- (-)	- (-)
8. Hydrogenated castor oil	59 (62)	33.22 (26.13)	2356 (3079)	2267 (3082)	1274.08 (1274.68)	148 (59)	108.91 (33.22)
9. 12 Hydroxy stearic acid	161 (116)	100.30 (56.48)	3769 (4168)	3831 (4123)	2443.81 (2164.98)	99 (161)	79.55 (100.30)
10. Ricinoleic acid	- (-)	- (-)	260 (78)	260 (78)	152.85 (45.36)	- (-)	- (-)
11. Caustic potash flakes/lye	280 (59)	74.22 (13.45)	12632 (19157)	12657 (18936)	5035 (7193.87)	255 (280)	69.20 (74.22)
12. Stearic acid	36 (1)	13.77 (0.16)	6755 (4852)	6545 (4817)	3336.89 (1768.15)	246 (36)	23.45 (13.77)
13. Fatty acids (Monocarboxylic acid)	30 (60)	10.06 (19.65)	20 (-)	(Int Cons) (30)	- (-)	50 (30)	10.06 (10.06)
14. Soap Noodles	137 (315)	48.37 (97.48)	10011 (10245)	9938 (10423)	4398.15 (3458.39)	210 (137)	80.16 (97.48)
15. Toilet soaps	135 (144)	66.44 (66.85)	1189 (881)	1210 (890)	893.97 (518.66)	114 (135)	104.70 (66.44)
16. Refined glycerine	33 (7)	8.65 (2.69)	3352 (2283)	3261 (2257)	1669.01 (831.03)	124 (33)	70.70 (8.65)
17. Wind power generation (KWH)	- (-)	- (-)	2232116 (2914696)	2232116 (2914696)	- (-)	- (-)	- (-)
18. Power generation at Bellary (KWH)	- (-)	- (-)	184273043 (188100000)	184273043 (188100000)	6602.12 (5239.06)	- (-)	- (-)

- Production shown is net of internal consumption.
- Figures in brackets relate to previous year.
- Opening and closing stocks includes sales returns, branch and consignment stock transfers.
- Above production figures are exclusive of production made under processing agreements for Hydrogenated Castor Oil 638 MT (Previous Year 1205 MTs), 12 Hydroxy Stearic Acid 1888 MT (Previous Year 3444 MTs), Ricinoleic Acid 101 MTs (Previous year 216 MTs) and Refined Glycerine 1,578 MTs (Previous Year 3063 MT).
- Power generation at Bellary includes deemed generation value of Rs.6608.27 lakhs (previous year Rs.2029 lakhs).
- Wind power generation was totally used for captive consumption through grid.



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### C. Value of Imports (Calculated on C.I.F basis):

Rs.in lakhs

	Current Year 31.03.2008	Previous year 31.03.2007
i) Raw Materials	1416.37	866.05
ii) Chemicals	56.98	42.06
iii) Components, Spares & Stores	127.12	6.26
iv) Capital Goods / Services	661.54	1842.86
v) Others	0.26	-

### D. Raw material consumed

	Current Year 2007-08			Previous Year 2006-07		
	Qty. Mt/KL	Rs. lakhs	%	Qty. Mt/KL	Rs. lakhs	%
<b>a) IMPORTED</b>						
i) Palm fatty acid distilled	1098	303.46	6.82	-	-	-
ii) Palm kernal oil/Distilled fatty acid	1698	618.96	98.05	814	248.55	90.08
iii) Lauric acid	153	55.37	79.10	240	87.87	36.27
iv) Potassium chloride	3049	350.97	16.69	3453	472.58	14.67
v) Other Rawmaterials		111.77	8.44		-	-
<b>TOTAL</b>		1440.53			809.00	
<b>b) INDIGENOUS</b>						
i) Salt	175600	2293.81	100.00	127887	1619.62	100.00
ii) Castor oil	6810	3132.71	100.00	7530	2585.43	100.00
iii) Palm kernal oil /Distilled fatty acid	33.80	12.29	1.95	99	27.36	9.92
iv) Furnace oil, Diesel & lubricant for power project	15153	4773.43	100.00	13181	3185.00	100.00
v) Palm fatty acid distilled	12766	4147.30	93.18	12523	2848.28	100.00
vi) Lauric acid	23	14.63	20.90	372	154.39	63.73
vii) Potassium chloride (Industrial grade)	13766	1751.31	83.31	20580	2747.79	85.33
viii) Other Raw Materials	-	1213.22	91.56		562.14	100.00
<b>TOTAL</b>		17338.70			13730.01	
Total of Imports and Indigenous		18779.23			14539.01	

### E. Value of chemicals, Packing and stores consumed (other than used for repairs)

	Current Year 2007-08		Previous Year 2006-07	
	Rs. lakhs	%	Rs. lakhs	%
a) Imported	80.58	3.20	119.16	3.23
b) Indigenous	2436.30	96.80	1596.40	96.77
<b>TOTAL</b>	2516.88	100.00	1715.56	100.00

### F. Earnings in Foreign Exchange

Rs.in lakhs

	Current Year 31.03.2008	Previous year 31.03.2007
i) FOB value of exports	2322.34	1936.38
ii) Others	Nil	Nil

### G. Expenditure in Foreign Exchange

Rs.in lakhs

	Current Year 31.03.2008	Previous year 31.03.2007
i) Management Fees, Commitment Charges and legal charges	1.29	0.08
ii) Travelling	27.65	26.51
iii) Fees and charges	-	-
iv) Interest on Term Loans	95.46	144.92
v) Commission Paid	2.11	2.66
vi) Repayment of Term Loans	1225.19	1254.13
vii) Raw Materials and Chemicals	1473.35	615.11
viii) Stores & Spares	127.12	24.01
ix) Capital Goods	661.54	385.51
x) Supervision charges	48.41	-
xi) Others	0.26	-



# SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

### I. Registration Details

Registration No. 

L	2	4	1	1	0	A	P	1	9	8	1	P	L	C	0	0	3	0	7	7
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 State Code : 

0	1
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Balance Sheet Date 

3	1
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0	3
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2	0	0	8
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Date                      Month                      Year

### II. Capital Raised during the year (Amount in Rs. Lakhs)

Public Issue	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L			Rights Issue	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L		
			N	I	L														
			N	I	L														
Bonus Issue	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L			Private Placements	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L		
			N	I	L														
			N	I	L														

### III. Position of Mobilisation and Deployment of Funds (Amount Rs. Lakhs)

Total Liabilities 

4	7	0	1	0	.	4	1
---	---	---	---	---	---	---	---

 Total Assets: 

4	7	0	1	0	.	4	1
---	---	---	---	---	---	---	---

#### SOURCE OF FUNDS

Paid up Capital	<table><tr><td></td><td>8</td><td>6</td><td>4</td><td>1</td><td>.</td><td>8</td><td>4</td></tr></table>		8	6	4	1	.	8	4	Reserves and Surplus	<table><tr><td></td><td>6</td><td>5</td><td>8</td><td>9</td><td>.</td><td>3</td><td>0</td></tr></table>		6	5	8	9	.	3	0
	8	6	4	1	.	8	4												
	6	5	8	9	.	3	0												
Secured Loans	<table><tr><td>2</td><td>6</td><td>3</td><td>3</td><td>6</td><td>.</td><td>2</td><td>3</td></tr></table>	2	6	3	3	6	.	2	3	Unsecured Loans	<table><tr><td></td><td>2</td><td>4</td><td>5</td><td>9</td><td>.</td><td>6</td><td>2</td></tr></table>		2	4	5	9	.	6	2
2	6	3	3	6	.	2	3												
	2	4	5	9	.	6	2												
Deferred Tax Liability	<table><tr><td></td><td>2</td><td>9</td><td>8</td><td>3</td><td>.</td><td>4</td><td>2</td></tr></table>		2	9	8	3	.	4	2										
	2	9	8	3	.	4	2												

#### APPLICATION OF FUNDS

Net Fixed Assets	<table><tr><td>4</td><td>1</td><td>6</td><td>4</td><td>0</td><td>.</td><td>5</td><td>9</td></tr></table>	4	1	6	4	0	.	5	9	Investments	<table><tr><td></td><td></td><td>1</td><td>9</td><td>8</td><td>.</td><td>3</td><td>1</td></tr></table>			1	9	8	.	3	1
4	1	6	4	0	.	5	9												
		1	9	8	.	3	1												
Net current Assets	<table><tr><td></td><td>5</td><td>1</td><td>7</td><td>1</td><td>.</td><td>5</td><td>1</td></tr></table>		5	1	7	1	.	5	1	Misc. Expenditure	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L		
	5	1	7	1	.	5	1												
			N	I	L														
Accumulated Losses	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L												
			N	I	L														

### IV. Performance of the Company (Amount in Rs. Lakhs)

Total Income	<table><tr><td>4</td><td>5</td><td>4</td><td>2</td><td>9</td><td>.</td><td>8</td><td>7</td></tr></table>	4	5	4	2	9	.	8	7	Total Expenditure	<table><tr><td>4</td><td>2</td><td>6</td><td>5</td><td>8</td><td>.</td><td>1</td><td>0</td></tr></table>	4	2	6	5	8	.	1	0
4	5	4	2	9	.	8	7												
4	2	6	5	8	.	1	0												
Profit Before Tax	<table><tr><td></td><td>2</td><td>7</td><td>7</td><td>1</td><td>.</td><td>7</td><td>7</td></tr></table>		2	7	7	1	.	7	7	Profit after Tax	<table><tr><td></td><td>2</td><td>3</td><td>0</td><td>5</td><td>.</td><td>4</td><td>5</td></tr></table>		2	3	0	5	.	4	5
	2	7	7	1	.	7	7												
	2	3	0	5	.	4	5												
Earnings per share(Rs.)	<table><tr><td></td><td></td><td></td><td>+</td><td>3</td><td>.</td><td>4</td><td>2</td></tr></table>				+	3	.	4	2	Dividend %	<table><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>				N	I	L		
			+	3	.	4	2												
			N	I	L														

### V. Generic Names of three Principal Products of the Company (as per monetary terms)

- Item Code No. (ITC Code) 

2	8	1	5	1	2	0	0
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Product Description 

C	A	U	S	T	I	C		S	O	D	A		L	Y	E
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- Item Code No. (ITC Code) 

2	8	0	1	1	0	0	0
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Product Description 

L	I	Q	U	I	D		C	H	L	O	R	I	N	E
---	---	---	---	---	---	--	---	---	---	---	---	---	---	---
- Item Code No. (ITC Code) 

1	5	0	4	0	0
---	---	---	---	---	---

  
Product Description 

H	Y	D	R	O	G	E	N	T	E	D		C	A	S	T	O	R		O	I	L
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### SIGNATURE TO SCHEDULES "A" TO "J" AND "I" TO "7"

As Per our Report of even date attached

**For Brahmayya & Co.,**  
Chartered Accountants

Sd/-

**B. DAIVADHEENAM REDDY**  
Partner

For and on behalf of the Board

Sd/-

**T.G.VENKATESH**  
Chairman and Managing Director

Sd/-

**M.P. MURTI**  
Director

Sd/-

Place : Hyderabad  
Date : 30.04.2008

**V.RADHAKRISHNA MURTHY**  
Sr.General Manager & Company Secretary



## SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

### CASH FLOW STATEMENT FOR 31-3-2008 AS PER CLAUSE 32 OF LISTING AGREEMENT

	2007-08			2006-07		
	+	-	Rs. lakhs	+	-	Rs. lakhs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>						
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS			2771.71			2070.28
ADJUSTMENT FOR:						
DEPRECIATION	2932.85		2932.85	2715.74		2715.74
FOREIGN EXCHANGE						
PROFIT ON SALE OF FIXED ASSETS		33.33	(33.33)		1.33	(1.33)
INTEREST PAID / RECEIVED	3087.39	162.42	2924.97	3131.59	71.71	3059.88
<b>TOTAL</b>	<b>6020.24</b>	<b>195.75</b>	<b>5824.49</b>	<b>5847.33</b>	<b>73.04</b>	<b>5774.29</b>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			8596.20			7844.57
ADJUSTMENTS FOR:						
TRADE AND OTHER RECEIVABLES		1466.47	(1466.47)		1186.21	(1186.21)
INVENTORIES		379.77	(379.77)		2367.13	(2367.13)
TRADE PAYABLES	3803.66		3803.66	3901.94	-	3901.94
	<b>3803.66</b>	<b>1846.24</b>	<b>1957.42</b>	<b>3901.94</b>	<b>3553.34</b>	<b>348.60</b>
CASH GENERATED FROM OPERATIONS			10553.62			8193.17
INTEREST RECEIVED / PAID	162.42	3087.39	(2924.97)	71.71	3131.59	(3059.88)
DIRECT TAXES PAID	-	343.44	(343.44)	-	262.65	(262.65)
DEFERRED REV. EXP. WRITTEN OFF	4101.76		4101.76	1160.00		1160.00
CASH FLOW BEFORE EXTRAORDINARY ITEMS			11386.97			6030.64
EXTRAORDINARY ITEMS (DECREASE IN RESERVES)		3101.40	(3101.40)			-
NET CASH FLOW FROM OPERATING ACTIVITIES			8285.57			6030.64
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>						
SALE / PURCHASE OF FIXED ASSETS	581.24	5613.22	(5031.98)	0.06	3680.83	(3680.77)
DEFERRED REVENUE EXPENDITURE	-	-	-	-	-	-
PURCHASE OF INVESTMENTS	-	-	-	-	0.76	(0.76)
SALE OF INVESTMENTS / REDUCTION	-	-	-	36.84	-	36.84
INTEREST RECEIVED	-	-	-	-	-	-
DIVIDEND RECEIVED	-	-	-	-	-	-
NET CASHFLOW FROM INVESTING ACTIVITIES	<b>581.24</b>	<b>5613.22</b>	<b>(5031.98)</b>	<b>36.90</b>	<b>3681.59</b>	<b>(3644.68)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>						
PROCEEDS FROM ISSUE OF SHARE CAP.	-		-	-		-
EXCHANGE FLUCTUATION ON F.C. LOANS	-	35.30	(35.30)	250.49		250.49
REPAYMENT OF FINANCE/LEASE LIABILITIES	-	1776.19	(1776.19)		2179.73	(2179.73)
NET CASH FLOW FROM FINANCING ACTIVITIES	-	1811.49	(1811.49)	250.49	2179.73	(1929.23)
NET INCREASE IN CASH AND CASH EQUIVALENTS			1442.11			456.73
CASH AND CASH EQUIVALENTS AS AT 01.04.07 (OPENING BALANCE)			1214.57			757.84
CASH AND CASH EQUIVALENTS AS AT 31.03.08 (CLOSING BALANCE)			2656.68			1214.57

#### CERTIFICATE

The above cash flow statement has been prepared on the basis of Audited Accounts approved by the Board of Directors and is in agreement with the Profit and Loss Account and Balance Sheet.

**For Brahmayya & Co.,**

Chartered Accountants

Sd/-

**B.DAIVADEENAM REDDY**

Partner

Place : Hyderabad

Date : 30<sup>th</sup> April, 2008

for and on behalf of the Board

Sd/-

**T.G.VENKATESH**

Chairman and Managing Director