



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the **28th 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.) Saturday on 7th August, 2010 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, 2010 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."

SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an **ORDINARY RESOLUTION**.

"RESOLVED THAT Sri K.Karunakar Rao who has been appointed by the Board of Directors as an Additional Director of the Company with effect from 11.05.2010 pursuant to Article 108 of the

Articles of Association of the Company and who holds office up to the date of 28th Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Sri N. Jeswanth Reddy who has been appointed by the Board of Directors as an Additional Director of the Company with effect from 11.05.2010 pursuant to Article 108 of the Articles of Association of the Company and who holds office up to the date of 28th Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification, the following resolutions which is proposed as **SPECIAL RESOLUTION**.

"RESOLVED THAT pursuant to Sec 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to required statutory approvals, the appointment of Sri K.Karunakar Rao as Executive Director (Finance & Commercial) by the Board in its meeting held on 11.05.2010 upon the recommendation of Remuneration Committee (vide its meeting dt. 11.05.2010) for a period of 3 years to be effective from 11.05.2010 on the following remuneration be and is hereby ratified subject to the condition that this remuneration be paid so long as he continues to be a Director liable to retire by rotation."

"RESOLVED FURTHER THAT Sri K.Karunakar Rao will be paid Rs. 90,000/- per month as consolidated Salary + allowances, perquisites and other benefits as per the rules of the company. Perquisites shall be evaluated as per Income Tax rules or at actual costs. However the following will not be included in the above perquisites limit.





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- a) Company's contribution to Provident Fund, Pension and Superannuation Fund will not be included in computation of the ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
 - b) Use of Company Car for official purpose and phone at residence and Cell phone for official purpose (including payment of local and long distance calls).
 - c) Earned/privilege leave - On full pay and allowance as per Rules of Company. Leave accumulated and not availed during the tenure may be encashed as per Rules of the Company.
- b) Use of Company Car for official purpose and phone at residence and Cell phone for official purpose (including payment of local and long distance calls).
 - c) Earned/privilege leave - On full pay and allowance as per Rules of Company. Leave accumulated and not availed during the tenure may be encashed as per Rules of the Company.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of Profits in any financial year the aforesaid remuneration shall be treated as minimum remuneration in pursuance to Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time."

8. To consider and if thought fit, to pass with or without modification, the following resolutions which is proposed as **SPECIAL RESOLUTION**.

"RESOLVED THAT pursuant to Sec 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to required statutory approvals, the appointment of Sri N. Jeswanth Reddy as Executive Director (Technical) by the Board in its meeting held on 11.05.2010 upon the recommendation of Remuneration Committee (vide its meeting dt. 11.05.2010) for a period of 3 years to be effective from 11.05.2010 on the following remuneration be and is hereby ratified subject to the condition that this remuneration be paid so long as he continues to be a Director liable to retire by rotation."

"RESOLVED FURTHER THAT Sri N. Jeswanth Reddy will be paid Rs. 90,000/- per month as consolidated salary + allowances, perquisites and other benefits as per the rules of the company. Perquisites shall be evaluated as per Income Tax rules or at actual costs. However the following will not be included in the above perquisites limit.

- a) Company's contribution to Provident Fund, Pension and Superannuation Fund will not

be included in computation of the ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.

- b) Use of Company Car for official purpose and phone at residence and Cell phone for official purpose (including payment of local and long distance calls).
- c) Earned/privilege leave - On full pay and allowance as per Rules of Company. Leave accumulated and not availed during the tenure may be encashed as per Rules of the Company.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of Profits in any financial year the aforesaid remuneration shall be treated as minimum remuneration in pursuance to Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time."

9. To consider and if thought fit, to pass with or without modification the following resolution which is proposed as **SPECIAL RESOLUTION**.

"RESOLVED THAT pursuant to sections 198, 269, 309, 310 and schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendment or modification thereof, and subject to required statutory approvals if any, consent be and is hereby accorded to reappoint Sri T.G.Venkatesh as Chairman and Managing Director, for a period of three years with effect from 20th September, 2010."

"RESOLVED FURTHER THAT Sri T.G.Venkatesh will be paid the following Salary, Perquisites allowances and other benefits if any, w.e.f. 20.09.2010.

REMUNERATION

Consolidated salary of Rs.5,00,000/- per month. In addition to the above Sri T.G.Venkatesh, Chairman and Managing Director shall be entitled to perquisites as below.

Perquisites like HRA/Rent free accommodation, Gas, Electricity, Water Furnishings, Medical Reimbursement and LTC, for self and family. Personal Accident Insurance, Club Fees etc., and any other benefit in accordance with the rules of



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the Company. Perquisites shall be evaluated as per Income Tax rules (or) perquisite shall be evaluated at actual cost. However the following shall not be included in the above perquisite limit.

- a) Company's contribution to Provident Fund, Pension and Superannuation Fund will not be included in computation of the ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
- b) Use of Company Car for official purpose and phone at residence and Cell phone for official purpose (including payment of local and long distance calls).
- c) Earned/privilege leave - On full pay and allowance as per Rules of Company. Leave accumulated and not availed during the tenure may be encashed as per Rules of the Company."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of Profits in any financial year the aforesaid remuneration shall be treated as minimum remuneration in pursuance to Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time."

10. To consider and if thought fit, to pass with or without modification, the following resolution which is proposed as **ORDINARY RESOLUTION**.

"RESOLVED THAT the consent of the members of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to Mortgage and / or charge by the Board of Directors of the Company of all the movable and immovable properties of the proposed Chloromethanes Project to be acquired by the Company present and future and / or conferring power to enter upon and to take possession of the assets of Chloromethanes Project of the Company in certain events, to / or in favour of the following Lenders of the Chloromethanes Project of the Company on first charge basis to the following Institutions, namely –

- (1) Indian Bank of its Term Loan of Rs.25 Crores;
- (2) The South Indian Bank Ltd. of its Term Loan of Rs.5 Crores;

- (3) ICICI Bank (Hyderabad) of its Term Loan of Rs. 22 Crores;
- (4) United Bank of India of its Term Loan of Rs. 20 Crores.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise with the Financial Institutions and Banks Consortium the events for creation of Mortgage and charge and do such acts and deeds as may be necessary to give effect to the above Resolution."

"RESOLVED FURTHER THAT the consent of the members of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to ratify the action taken by the Board of Directors of the Company for creation / modification of Second Charge on Fixed Assets of the Company by creation of joint mortgage with M/s. IDBI (being the lead institution) by way of extension on 11.06.2010 pari passu basis with other members of the Banks Consortium (excluding Assets of Bellary Power Project) and subject to the existing Mortgages / charges in favour of Financial Institutions and Banks on first charge basis for whatsoever present and future in favour of the following members of the Banks for regularizing their revised working capital limits to the Company:

- (1) IDBI Bank Ltd. of its Working Capital facilities of Rs.2375 lakhs;
- (2) Indian Bank of its Working Capital facilities of Rs.3470.84 lakhs;
- (3) United Bank of India of its Working Capital facilities of Rs.1532 lakhs;
- (4) The South Indian Bank Ltd. of its Working Capital facilities of Rs.365 lakhs;
- (5) The Federal Bank Ltd. of its Working Capital facilities of Rs.118.68 lakhs.

BY ORDER OF THE BOARD
Sd/-

Place: Kurnool (V. RADHAKRISHNA MURTHY)

Date : 11.05.2010 CHIEF GENERAL MANAGER AND
COMPANY SECRETARY



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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 5 days i.e., from 03-08-2010 to 07-08-2010 (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.

EXPLANATORY STATEMENT

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

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.

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

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

ITEM NO. 5 & 6

Sri K. Karunakar Rao and Sri N. Jeswanth Reddy were co-opted as Addl. Directors on the Board of the Company w.e.f. 11.05.2010 pursuant to Section 260 of the Companies Act, 1956 read with Article 108 of the Articles of Association of the Company and will hold office only upto the date of AGM of the Company.

The Company has received notice in writing alongwith deposit of Rs. 500/- each from two (2) Members of the Company in respect of the above two Additional Directors signifying their intention to propose Sri K. Karunakar Rao and Sri N. Jeswanth Reddy as the candidates for the office of the Directors whose term is liable for retirement by rotation pursuant to Section 255 of the Companies Act, 1956. Induction of the two Directors on the Board, who are having more than three decades of experience and professionally qualified in their field will suit the Board in taking policy decisions of the Company. Their association with the Board will be beneficial to the Company in the long run sustained growth.

Except Sri K. Karunakar Rao and Sri N. Jeswanth Reddy, none of the Director is interested in the above proposal.

Your Board of Directors recommend the necessary Resolutions in item Nos. 5 & 6 of the Notice.

ITEM NO. 7 & 8

With the increase in business operations of the company as a result of expansion and diversification the need for strengthening management of the company by inducting Executive Directors to assist Managing Director has arisen. This will facilitate better administration and control. In view of the above explained reasons the Board in its meeting held on 11.05.2010 has appointed Sri K. Karunakar Rao as Executive Director (Finance & Commercial) and Sri N. Jeswanth Reddy as Executive Director (Technical) upon the recommendation of Remuneration Committee and Audit Committee in its meeting



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dt.11.05.2010. Both of these officials are having enormous exposure and experience in their professional/technical fields.

The terms as set out in the resolution may be treated as an abstract of terms under section 302 of the companies Act, 1956.

Your directors commend these special resolutions for your approval and ratification.

None of the directors except Sri K.Karunakar Rao and Sri N.Jeswanth Reddy is in any way concerned or interested in the above resolution.

ITEM NO. 9

The existing term of Sri T.G.Venkatesh as Chairman and Managing Director will expire on 19.09.2010 in pursuance to the previous shareholders approvals in the Annual General Meetings held on 16.08.2005 and 28.09.2007.

Sri T.G.Venkatesh is associated with the Company since its incorporation and his directions and guidance are the main reasons for the company's present position. He is instrumental in the achievements of the company under the guidance of the Board to achieve the targeted objectives for which he has endeavoured day and night.

In view of his role in the growth, success and stability of the Company and the need for his association in future the Remuneration Committee and Board have recommended for his reappointment in its meetings held on 12.02.2010 and 11.05.2010 at a salary of Rs.5,00,000/- per month plus perquisites and allowances as mentioned in the resolution subject to Schedule XIII and other provisions of the Companies Act, 1956 to be effective from 20.09.2010 for a period of three years.

According to the present trends in the industry the remuneration now proposed to be payable to Sri T.G.Venkatesh is commensurate with the similar sized companies. Further CDR Cell of IDBI vide its letter dt.28.10.2009 has given their approval for the reappointment.

The terms as set out in the resolution may be treated as an abstract of terms under section 302 of the companies Act, 1956.

Sri T.G.Venkatesh is interested in the resolution. No other Director is concerned or interested in the resolution.

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

ITEM NO. 10

During the course of the business, the Consortium of Banks have sanctioned enhanced working capital limits to the Company. These revised limits have been regularized subsequently. For this purpose, the Company has created joint mortgage with M/s. IDBI Bank Ltd, the lead Financial Institution by way of extension by deposit of Title Deeds on Second Charge basis on its behalf and on behalf of other Financial Institutions and Banks Consortium namely – IB, UBI, SIB, FBL and IDBI Bank Ltd. in respect of their outstanding working capital facilities. The Board commends the resolution to ratify the action taken by the Board for creation of second charge on fixed assets in favour of Banks consortium.

Further, for the proposed Chloromethanes Project, the Company has completed financial closure by obtaining required Term Loans sanctioned by IB, SIB, ICICI Bank and UBI for which respect, the Company has to create Mortgage with exclusive charge in favour of the above Financial Institutions and Banks, for which purpose, the Board of Directors seeks Members approval to the Company for taking necessary action for creation of Mortgage with Indian Bank being the lead Bank by deposit of title deeds on its behalf and on behalf of other Banks, who have provided term loan assistance to the Company for the proposed Chloromethanes Project.

None of the Directors is deemed to be interested in the above Resolution.

Your Directors recommend the Ordinary Resolution for your approval.

BY ORDER OF THE BOARD

Sd/-

Place: Kurnool (V. RADHAKRISHNA MURTHY)

Date : 11.05.2010 CHIEF GENERAL MANAGER AND
COMPANY SECRETARY



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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 T.G. Venkatesh	Sri M.P.Murti	Sri O.D.Reddy
2.	Date of Birth	16-05-1950	01-12-1919	15-03-1940
3.	Date of Appointment	September 20, 1985	June 25, 1986	December 31, 1996
4.	Experience in Specific areas	Hailing from renowned family of industrialists and an entrepreneur himself has over 38 years of experience in steering diverse business enterprises.	More than 38 years Industrial experience at very senior level in Indian and Multi National Companies.	More than 33 years experience at Senior level in Management and Administration in govt. undertaking.
5.	Qualification	B.Com.,	M.Sc.M.S(Case Western-USA)	B.Sc (Agri)
6.	Shareholding in the Company	3,03,848 Equity shares	1,000 Equity Shares	2,850 Equity Shares
7.	Directorships in other Companies	1. Sree Maruthi Marine Industries Ltd. 2. A.P. Gas Power Corporation Ltd.	1. Novopan Industries Ltd. 2. Reliance Cellulose Products Ltd. 3. CIL Securities Ltd.	Roopa Industries Limited.
8.	Membership in other Company committees	NIL	NIL	Audit and Share holders Grievance Committees in Roopa Industries Limited.

1.	Name of the Director	Sri K.Karunakar Rao	Sri N.Jeswanth Reddy
2.	Date of Birth	14-06-1950	11-06-1954
3.	Date of Appointment	May 11, 2010	May 11, 2010
4.	Experience in Specific areas	More than 35 years in the field Finance & Accounts of listed and unlisted companies.	More than 30 years in paper and chemical industries.
5.	Qualifications	B.Com., ACA	B. E. (Mech)
6.	Shareholding in the Company	50 Equity Shares	NIL
7.	Directorships in other Companies	NIL	NIL
8.	Membership in other Company committees	NIL	NIL



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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, 2010.

Operations :

The turnover for the year under review was Rs. 63008 lakhs as compared to Rs. 75196 lakhs in the previous year. The unprecedented floods which occurred during the year impacted the operations resulting in production losses. Price realizations were also lower reflecting the general economic conditions.

Division / Segment Wise Operations :

The Caustic unit has produced 99452 MT of Caustic Soda as against 110223 M.T. for the previous year. As against net sales of Rs. 25848 lacs for previous year, the current year sales comes to Rs. 21175 lacs representing a decrease of 18 %.

The Potassium plant has produced 9041 MT of Potassium Hydroxide as against 15023 MT for the previous year. As against net sales of Rs. 12607 lacs for previous year, the current sales comes to Rs. 6178 lacs representing a decrease of 51 %.

The Castor oil plant yielded 10231 MT of oil processing as against 8036 MT for the previous year. As against net sales of Rs. 6090 lacs for the previous year, the current year sales stood at Rs. 6773 lacs representing an increase of 11 %.

The Fatty acid plant has processed 23275 MT for the current year as against 21935 MT for the previous year. The net sales of this division has decreased from Rs. 12451 lacs to Rs. 11929 lacs representing a decrease of 4 %.

The Power plant at Bellary has billed 1828 lakhs KWH of electricity (including deemed generation) to Karnataka Power Transmission Corporation Limited (KPTCL) during the current year as against 1813 lacs KWH for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs. 11016 lacs for the previous year, the current year sales comes to Rs. 12386 lacs showing an increase of 12%.

Outlook For The Current Year :

Segmentwise discussion is furnished in **Management Discussion and Analysis** annexed to this report in Page No. 19 as "ANNEXURE – E".

Financial Results : YEAR ENDED

	31.03.2010 (Rs.in lakhs)	31.03.2009 (Rs.in lakhs)
Sales - Gross	63008.29	75195.63
Other Income	3389.67	1170.22
Profit on sale of Fixed Assets/Investments	1.78	-
Increase (Decrease)in Stocks	188.64	224.67
Total Income	66588.38	76590.52
Profit before Interest & Depreciation	9674.03	11908.61
Less: Interest	3418.85	3414.59
Profit before Depreciation	6255.18	8494.02
Less: Depreciation	3272.28	3257.28
Profit(Loss)before Extraordinary items and Taxation	2982.90	5236.74
Expenses/Income relating to Earlier Years (Net)	21.51	43.70
Profit/Loss Before Taxation	2961.39	5193.04
Less: Provision for Taxation (MAT)		
- for Current Year	504.00	589.00
- for Earlier Year	17.29	0.15
- for Fringe benefit Tax	-	25.00
- for Deferred Tax Liability	1039.17	1848.32
Profit/Loss After Taxation	1400.93	2730.57
Add: Balance Carried from Previous year	2460.33	1229.76
Profit available for Appropriation	3861.26	3960.33
Less: Transfer to General Reserve	500.00	1000.00
Less: Transfer to Debenture Redemption reserve	500.00	500.00
Surplus carried to Balance Sheet	2861.26	2460.33

Profit for the Current year at Rs. 1400.93 Lakhs shows a decrease of 49 % compared to previous year Profit of Rs. 2730.57 Lakhs. Stiff market and recessionary conditions, increase in imports are the main reasons for over all decrease in performance.





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Floods :

Members are aware that flood havoc in October, 2009 in Kurnool and Mahabubnagar Districts of Andhra Pradesh from river Tungabhadra and at Bellary District of Karnataka. The intensity of floods was such that this extent of flood was not witnessed during the past 400 years. The flood waters have entered into the factory and made havoc due to which part of inventories, machinery etc., were suffered/damaged. The operations of the factory have come to a stand still for about 45 days. Considering the losses, the company has preferred claims with Insurance Company and Accounted for Rs. 3239.25 lakhs and same is under active consideration by the Insurer.

Dividend :

In view of the need for strengthening the financial base of the company, your Directors have decided not to declare any dividend for the year 2009-10.

Capital Expenditure :

During the year the Company has incurred an amount of Rs. 3958 lacs on Capital Expenditure which is mainly towards Flaker, Boiler, Turbine and other normal expenditure. The funds required for the expenditure are met from internal accruals.

Safety And Environment Protection :

Your management firmly believes the objective of company's growth by giving due importance to Safety and congenial Environment as a matter of corporate responsibility which will pay dividends in the long run. 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 have 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 "ANY TIME SAFETY TIME". 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.19.04.2010.

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 31.3.2010.

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.IDBI Bank has appointed Sri P.Sitaram as its Nominee on the Board in place of Sri D.S.Prasad vide its letter Ref.No.SS-ICG.53/678/Nom.8 dated 26.03.2009 to be effective from 09.04.09. The Board in its meeting held on 02.05.09 has taken note of the same. The Board further taken on record with appreciation the valuable advises given by Sri D.S.Prasad 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 are 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 were 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 by the company.

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



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Governance as “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.

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 2010-11.

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 regularly.

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 P.Sitaram and Sri P.N.Vedanarayanan as members with Sri M.P.Murti as Chairman of the Audit Committee. Audit Committee was reconstituted on 02.05.09 to give effect to the change in IDBI Nominee Director.

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
Sd/-

Place : Kurnool

Date : 11.05.2010

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 2010.

Name of the Employee	Age	Qualifications	Designation/ Nature of Duties	Date of commencement of Employment	Remuneration Received Rs. (Gross)	Experience (Years)	Last Employment held
a) Employed throughout the Year :							
1. Sri T.G. Venkatesh	60	B.Com.,	Chairman & Managing Director	20.09.1985	30,00,442	38	General Manager (Commercial) Sree Rayalaseema Paper Mills Ltd.

Notes :

1. Remuneration includes Salary and other prerequisites.
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

sd/-

Place : Kurnool
Date : 11.05.2010

T.G.VENKATESH
Chairman and Marketing 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) 1 x 100 TPT Furnace is installed with steam recovery to the extent of 2TPH @ 3kg/cm²., which will reduce load on cooling tower.
- 2) 1 x 5.1 MW Back pressure Turbine is installed in place of PRDS. At present about 2.5 MW power is generated through the steam which is going to process.

FORM – A

Disclosure of Particulars with respect to conservation of energy:	Current Year 31.03.2010	Previous Year 31.03.2009
A. Power and Fuel Consumption :		
1. Electricity :		
a) i) Electricity from APCPDCL		
Units (KWH)	179689309	198938591
Total Amount (Rs. In lakhs)	5196.59	5686.89
Rate/Unit (Rs.)	2.89	2.86
ii) Electricity from APGPCL		
Units (KWH)	32577223	20727266
Total Amount (Rs. In lakhs)	678.72	477.85
Rate/Unit (Rs.)	2.08	2.31
b) Own Generation :		
i) Through Diesel Generators		
Units(KWH)	688345	2768540
Unit per Lt of Fuel (KWH)	2.38	2.94
Cost/Unit (Rs.)	66.55	39.25
ii) Through Wind Farm		
Units(KWH)	2181082	2084631
Cost/Unit (Rs.)	3.80	3.53
iii) Through Co-Gen plant		
Units(KWH)	83999480	113145105
Cost/Unit (Rs.)	3.39	3.09
2. Coal :		
Quantity (MT)	193040	249611
Total amount (Rs. In lakhs)	4256.97	4951.84
Average Rate (Rs./MT)	2205	1984
3. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	769	1576
Total Amount (Rs. In lakhs)	191.37	413.72
Average Rate (Rs./MT)	24901	24486
B. Consumption per MT of Caustic Soda Lye Production :		
No. of Units (KWH) (AC Power)	2440	2461

C. Technology Absorption :

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



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

FORM – B

Research And Development (R & D) :

1. Specific Areas In Which R&D Carried Out By The Company :

- Studies are under progress in Fatty acid division to control C8 and C10 content.

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

- By controlling C8, C10 content in Fatty acid and by introducing washing system of Activated Carbon Bed the quality of Toilet soap, noodles and Refined Glycerine will be improved to a great extent.

3. Future Plans :

- Sulphate removal by non-chemical treatment.

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 for future.

- 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	...	2616.63
ii) Foreign Exchange earned	...	5550.32

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 along with proper explanation relating to material departure or non-compliance in notes to accounts and Directors' Report.
- (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.
- (iv) The Directors had prepared the Annual Accounts on a going concern basis.

On behalf of the Board of Directors

Sd/-

Place : Kurnool

Date : 11.05.2010

T.G.VENKATESH

CHAIRMAN AND MANAGING DIRECTOR



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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" as amended from time to time by SEBI and BSE have been complied for the year 2009-10. 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 AND CORDIAL INDUSTRY ACTIVITIES" synchronizing socio, economic and human objectives which are 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:

Sl. 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)	4	4	2	-
2.	Sri M.P.Murti	Director (Independent)	4	3	3	-
3.	Sri S.K.Ganguli	Director (IFCI Nominee)	4	4	5	4
4.	Sri P.Sitaram	Director (IDBI Nominee)	4	2	-	-
5.	Sri P.N.Vedanarayanan	Director (Independent)	4	4	1	-
6.	Sri G.Krishna Murthy	Director	4	4	-	-
7.	Sri O.D.Reddy	Director (Independent)	4	4	2	3

During the financial year ended 31st March, 2010, Four Board Meetings were held on (1) 02.05.09 (2) 18.07.09 (3) 22.10.09 and (4) 28.01.10 respectively. The last Annual General Meeting of the Company was held on 18.07.09 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., Sri S.K.Ganguli, Sri P.N.Vedanarayanan, Sri G.Krishna Murthy and Sri O.D.Reddy.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

(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, Tax 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.,
9. Appointment of CFO.

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 02.05.09 with the following directors as its members (1) Sri M.P.Murti, Chairman (2) Sri S.K.Ganguli, Member (3) Sri P.Sitaram, Member and (4) Sri P.N.Vedananarayanan, Member.

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

During the financial year ended 31st March, 2010, Four Board Audit Committee Meetings were held on (1) 02.05.09 (2) 18.07.09 (3) 22.10.09 and (4) 28.01.10 respectively.

(5) Remuneration Committee :

The Remuneration Committee was reconstituted by the Board in its Meeting held on 09.01.2005 with the following Directors as its members. During the year one committee meeting was held on 12.02.2010 to consider reappointment of Sri T.G.Venkatesh as Chairman and Managing Director and to fix his remuneration. The committee comprises of the following directors as its members (1) Sri M.P.Murti, Chairman (2) Sri P.N.Vedananarayanan, Member and (3) Sri O.D.Reddy, Member.

The non-executive Directors will be paid sitting fee of Rs.5000/- per meeting for Board and Audit Committee and Rs.1500/- for other 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, Chairman and Managing Director for the year is furnished hereunder:



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

(Amount in Rs.)

Salary	Perquisites	Commission	Total
24,00,000	6,00,442	N.A.	30,00,442

(6) Shareholder(s) / Investor(s) 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:

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

During the financial year ended 31st March, 2010, Four Investors Grievance Committee Meetings were held on (1) 06.04.09 (2) 08.07.09 (3) 15.10.09 and (4) 11.01.10 respectively.

The Company is vested with the requisite powers and authorities to specifically look into redressal of shareholder and investor grievances.

No. of Investor Queries/complaints received in the year 2009-10	Pending at the end of the year	No. of pending Share Transfers
44	NIL	NIL

(7) General Body Meetings :

The last three Annual General Meetings of the Company were held on (1) 28.09.07 (3.00 P.M) (2) 10.07.08 (4.00 P.M) (3) 18.07.09 (4.00 P.M) at Registered 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) 2006 - 07

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.

(b) 2007 - 08

1. Recommendation for appointment of Statutory Auditors for the year 2008-09.

(c) 2008 - 09

1. Recommendation for appointment of Statutory Auditors for the year 2009-10.

(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 I - Point No.11 of - Notes to Accounts of 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.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

(9) Means Of Communication :

The Company publishes its quarterly, half yearly and annual results in the (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. 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 parcel of Annual Report. Further the Quarterly/Half yearly Results are generally posted in Company's Website www.tgvgroup.com.

(10) General Shareholder Information :

- a) **AGM Date, Time and Venue** : 7th August, 2010 At 4.00 p.m.
at Regd .Office : Gondiparla,
Kurnool - 518 004 (A.P).
- b) **Tentative Financial Calendar** : The next financial year covers the period from
1st April, 2010 to 31st March, 2011
- Un-Audited Financial results for** : First Quarter - July / August, 2010
Second Quarter - October / November, 2010
Third quarter - January / February 2011
Fourth quarter - April / May, 2011
- c) **Book Closure period** : 03-08-2010 to 07-08-2010 (both days inclusive)
- d) **Dividend payment date** : - Not Applicable -

e) The Shares of the Company are listed on :

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 2010-11 is paid by the Company vide its letter dtd.19.04.2010.

f) Market Price Data: The Monthly High And Low of Stock Quotations during the Financial Year 2009-10.

Month & Year	High (Rs.)	Low (Rs.)
April, 2009	13.03	9.50
May, 2009	17.70	11.10
June, 2009	20.80	13.01
July, 2009	15.30	12.20
August, 2009	15.50	13.03
September, 2009	16.89	13.92
October, 2009	16.40	11.50
November, 2009	13.50	11.01
December, 2009	14.68	12.00
January, 2010	16.25	12.61
February, 2010	14.34	12.00
March, 2010	13.90	11.32



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

g) Distribution of Shareholding pattern for Equity Shares and CRPS as on 31st March, 2010.

Sl. No	CATEGORY	EQUITY SHARES		C R P S (*)	
		SHARES	%	SHARES	%
1.	Promoters	28060558	41.58	8448145	44.74
2.	Mutual Funds and UTI	37787	0.06	37787	0.20
3.	Banks & Financial Institution & Insurance Companies	26393287	39.11	2424694	12.84
4.	Corporate Bodies	1882933	2.79	1280532	6.78
5.	Indian Public	10187810	15.08	6122760	32.43
6.	NRIs / OCBs	930911	1.38	568414	3.01
	TOTAL	67493286	100.00	18882332	100.00

(*) CRPS .. Cumulative Redeemable Preference Shares.

h) Share Transfer Agents :

M/s.Aarthi consultants Pvt. Ltd., Regd.Office : 1-2-285, Domalguda, Hyderabad – 500 029 has been acting as Share Transfer Agent (STA) to the company. Shareholders who desire to transfer (Physical) or dematerialize their shares are requested to send their shares along with supporting documents to the above Share Transfer Agent (STA).

i) Dematerialisation of Shares And Liquidity :

As on 31st March, 2010 out of 67493286 Equity Shares 65443715 No.of Shares were dematerialized (96.96%). Out of 18882332 No.of 0.01% CRP Shares 16323953 (86.45%) CRPS were dematerialized. 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.

j) Outstanding GDR / ADRs / Warrants / Convertible Instruments :

- Not Applicable -

k) 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 obtained their affirmation.

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 31.03.2010.

On behalf of the Board of Directors

Sd/-

Place : Kurnool
Date : 11.05.2010

T.G.VENKATESH

CHAIRMAN AND MANAGING DIRECTOR

l) Plant Location :

Regd.Office : Gondiparla, Kurnool – 518 004 (A.P).

Bellary Power Plant : Tagginabudihalli, Bellary.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

m) For all matters, address for Correspondance at any of the following addresses :

- (A) Registrar and Share Transfer Agent :
Aarthi Consultants Private Limited
Regd.Office : 1-2-285, Domalguda, Hyderabad – 500 029. (A.P)
Tel.No. : 040 – 27638111, 27634445, 27642217, 66611921 Fax No. : 040 – 27632184
- (B) Sree Rayalaseema Alkalies And Allied Chemicals Limited
6-2-1012, II Floor, TGV Mansion, Opp.Institute of Engineers, Khairatabad,
Hyderabad – 500 004 (A.P) Tel No. : 040 – 23313842/43 Fax No.: 040 - 23313875

n) E-mail ID : sralkalies@tgmail.net

On behalf of the Board of Directors

Sd/-

T.G.VENKATESH

CHAIRMAN AND MANAGING DIRECTOR

Place : Kurnool
Date : 11.05.2010

ANNEXURE 'D' TO THE DIRECTORS' REPORT

Auditor's Certificate on Corporate Governance :

(Under Clause 49 of the Listing Agreement the Auditor's Certificate is given for the Corporate Governance as annexure to the Directors' Report)

To

The Members of

M/s. 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, 2010 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 Brahmaya & Co.,

Chartered Accountants
Firm's Regn.No.000514S

Sd/-

(B.DAIVADHEENAM REDDY)

Partner
Membership No.026450

Place : Kurnool (Camp)
Date : 11.05.2010



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

ANNEXURES '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

Division wise analysis of Industry Structure, Opportunity and Threats and Out Look are discussed hereunder for information of the members.

1. CHEMICALS DIVISION :

Under this division Caustic Soda, Pottasium Hydroxide, Chlorine, Hydrochloric Acid etc. are manufactured. Chlorine is produced as a joint product along with Caustic Soda and Pottasium Hydroxide. Caustic Soda is used in industrial products like paper, pulp, aluminium, pvc, pharmaceuticals etc, chlorine is used in water treatment, pigments, pulp, paper, textiles etc. and Hydrochloric Acid is used in pesticides, cleaning purposes of metal etc.

Caustic Soda is a basic chemical and is used in almost all manufacturing processes. The performance of alkalie industry is reflected in the performance of the industry in general and also country's GDP. The Chloro Alkalie industry being power intensive any increase in power cost would affect its performance. The commercial disposal of chlorine is the main concern for any caustic unit. To overcome this the Company has obtained in-principle approval of the financial institutions to set up Chloromethane project. The company has achieved financial closure as a step towards implementation of the project. Signs of recovery shown in general market is a good sign towards the optimistic future market. Steep increase in imports of Caustic Soda into the country and withdrawal of Safe Guard Duty are the concerns for the product/division.

2. OILS AND FATS DIVISION :

Castor oil derivatives (comprising of Hydrogenated Castor Oil, 12 Hydroxy Stearic Acid and Recinolic Acid), Fatty Acids, Soap noodles, Glycerine and bathing / toilet soap forms part of this division. The raw materials namely Castor Oil, various industrial vegetable oils and crude glycerine are highly volatile in their prices. India is a leading country in exporting castor oil derivatives with abundant availability of raw material. Being a composite plant, many inputs like caustic soda, steam, Hydrogen are available internally and the same is main strength and an opportunity for the company. During the year the market for both fatty acids and castor oil is encouraging and it is hoped that the same will prevail in future. The forecast of normal monsoon is also a good sign for better performance of this division in future.

3. POWER DIVISION :

The power plant at Bellary is being operated with furnace oil as feed stock and the company delivers its generation to KPTCL under a power purchase agreement. The increase in fuel costs though a concern, is a pass through in pricing the sale of power to KPTCL. Ever increasing demand for power is a favourable sign for better future of this division.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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 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.

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, 2010 the employee strength (on permanent rolls) of the Company was 951.

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

Sd/-

Place: Kurnool

Date : 11.05.2010

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,2010 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, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March,2010 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, 2010;
 - 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
Firm's Regn.No.000514S

Sd/-

(B.DAIVADHEENAM REDDY)

Partner

Place: Kurnool (Camp)

Date : 11.05.2010

Membership No.026450



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.
- (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 chemicals and soaps manufacturing and electricity generation



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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;

- a. 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.
- b. 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, 2010 for a period of more than six months from the date they became payable.
- c. 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.	The Central Excise Act, 1944	Service tax levied on goods transport operator and clearing & forwarding agent services	32.18	1997-98 (16.11.97 to 02.06.98)	Central Excise and Service Tax Appellate Tribunal, Bangalore.
2.	The Central Excise Act, 1944	CENVAT Credit availed on input services	8.35	2005-07	Central Excise and Service Tax Appellate Tribunal, Bangalore.
3.	The Central Excise Act, 1944	CENVAT Credit availed against manufacture of exempted goods disallowed	95.41	2008-09	Central Excise and Service Tax Appellate Tribunal, Bangalore.
4.	The Central Excise Act, 1944	CENVAT Credit availed on welding electrodes disallowed	2.77	2008-09	Central Excise and Service Tax Appellate Tribunal, Bangalore.
5.	The Central Excise Act, 1944	CENVAT Credit availed on service tax disallowed	77.27	2007-08 (April,07 to Feb'08)	Central Excise and Service Tax Appellate Tribunal, Bangalore.
6.	The Central Excise Act, 1944	CENVAT Credit availed on service tax disallowed	45.67	2008-09 (March'08 to Aug'08)	Commissioner of Central Excise, Tirupati.
7.	The Central Excise Act, 1944	CENVAT Credit on input service tax	40.41	2008-09 (Sep'08 to March'09)	Commissioner of Central Excise, Tirupati.
8.	A.P.VAT Act, 2005	Input tax credit on furnace oil & coal disallowed (Paid)	53.91 (53.91)	2005-06	Sales Tax Appellate Tribunal, Hyderabad.
9.	Indian Customs Act, 1962	Differential customs duty on raw material purchases(Paid)	1161.14 (125.00)	2000-06	Commissioner of Customs, Chennai.
10.	Indian Customs Act, 1962	Penalty on classification of goods disputed	9.90	2008-09	High Court of Andhra Pradesh, Hyderabad.
11.	Employees Provident Fund and Miscellaneous Provisions Act, 1952	PF delay charges/ damages for belated payments	15.34	May'02 to Nov'06	Regional PF Commissioner, Cuddapah(for waiver).



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, but 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
Firm's Regn.No.000514S

Sd/-
(B.DAIVADHEENAM REDDY)
Partner
Membership No.026450

Place: Kurnool (Camp)
Date : 11.05.2010

**SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED****BALANCE SHEET AS AT 31st MARCH, 2010**

Rs. in Lakhs

SCHEDULE		As at 31.03.10	As at 31.03.09
SOURCES OF FUNDS			
(1) SHAREHOLDERS FUNDS:			
(a) Share Capital	A	8641.84	8641.84
(b) Reserves and Surplus	B	10720.80	9319.87
		<u>19362.64</u>	<u>17961.71</u>
(2) LOAN FUNDS:			
(a) Secured Loans	C	22227.44	23703.29
(b) Unsecured Loans	D	2866.71	2131.59
		<u>25094.15</u>	<u>25834.88</u>
(3) DEFERRED TAX LIABILITY		<u>5870.91</u>	<u>4831.74</u>
TOTAL		<u>50327.70</u>	<u>48628.33</u>
APPLICATION OF FUNDS			
(1) Fixed Assets			
(a) Gross Block	E	72661.61	68608.92
(b) Less: Depreciation		31571.59	28376.98
(c) Net Block		41090.02	40231.94
(d) Capital Work-in- process		2344.41	2563.63
		<u>43434.43</u>	<u>42795.57</u>
(2) Investments		198.31	198.31
(3) Current Assets, Loans and Advances			
(a) Inventories		4899.94	7177.31
(b) Sundry debtors		5683.70	5421.19
(c) Cash and Bank Balances		1622.84	1905.91
		<u>12206.48</u>	<u>14504.41</u>
(d) Loans and Advances		7831.42	4293.66
		<u>20037.90</u>	<u>18798.07</u>
(e) Less: Current Liabilities	H-A	12835.04	12543.50
(f) Less: Provisions	H-B	507.90	620.12
Net Current Assets		<u>6694.96</u>	<u>5634.45</u>
TOTAL		<u>50327.70</u>	<u>48628.33</u>
Notes to Accounts	I		

Schedules "A" to "I" annexed form integral part of Balance Sheet
As Per our Report of even date attached

For Brahmaya & Co.,

Chartered Accountants

Firm's Regn.No.000514S

Sd/-

B.DAIVADHEENAM REDDY

Partner

Membership No.026450

Place : Kurnool

Date : 11.05.2010

For and on behalf of the Board

Sd/-

T.G.VENKATESH

Chairman and Managing Director

Sd/-

V.RADHAKRISHNA MURTHY

C.G.M. & Company Secretary

Place : Kurnool

Date : 11.05.2010

Sd/-

M.P.MURTI

Director

Sd/-

K.KARUNAKAR RAO

Executive Director

(Finance&Commercial)



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.10

Rs. in Lakhs

SCHEDULE		Year Ended 31.03.10	Year Ended 31.03.09
INCOME			
Sales - Gross	1	63008.29	75195.63
Less: Excise Duty & Sales Tax		4573.23	7197.13
Sales - Net		58435.06	67998.50
Export Incentives		329.37	623.68
Process Charges		163.00	157.99
Other Income	2	2897.30	388.55
Profit on Sale of Fixed Assets		1.78	-
Increase / (Decrease) in Stocks	3	188.64	224.67
TOTAL INCOME		62015.15	69393.39
EXPENDITURE			
Consumption of Raw materials	4	32067.94	33072.86
Employees Remuneration & Benefits	5	2169.24	2119.10
Power and Fuel		10368.40	11723.59
Consumption of Chemicals, Packing and stores		2782.43	3942.30
Other Manufacturing, Administrative & Selling Expenses	6	4953.11	6626.93
Interest/Finance Charges	7	3418.85	3414.59
TOTAL EXPENSES		55759.97	60899.37
PROFIT BEFORE DEPRECIATION & TAX		6255.18	8494.02
LESS: Depreciation	E	3272.28	3257.28
Expenses/(Income) relating to Earlier Years (Net)		21.51	43.70
PROFIT BEFORE TAX		2961.39	5193.04
LESS : Provision for Taxation(MAT)-for Current Year	504.00		589.00
LESS : Provision for Taxation - for Earlier Years	17.29		0.15
LESS : Provision for Fringe Benefit Tax	-		25.00
LESS : Provision for Deferred Tax Liability for the year	1039.17		1848.32
		1560.46	2462.47
PROFIT AFTER TAX		1400.93	2730.57
ADD : Surplus Carried from Previous Year		2460.33	1229.76
PROFIT AVAILABLE FOR APPROPRIATION		3861.26	3960.33
Less: Transfer to Debentures Redemption Reserve	500.00		500.00
Less: Transfer to General Reserve	500.00	1000.00	1000.00
			1500.00
Surplus carried to Balance Sheet		2861.26	2460.33
Notes to Accounts	I		

Schedules "1" to "7" and "E" to "I" annexed form integral part of Profit and Loss account
As Per our Report of even date attached

For Brahmaya & Co.,

Chartered Accountants

Firm's Regn.No.000514S

Sd/-

B.DAIVADHEENAM REDDY

Partner

Membership No.026450

Place : Kurnool

Date : 11.05.2010

For and on behalf of the Board

Sd/-

T.G.VENKATESH

Chairman and Managing Director

Sd/-

V.RADHAKRISHNA MURTHY

C.G.M. & Company Secretary

Place : Kurnool

Date : 11.05.2010

Sd/-

M.P.MURTI

Director

Sd/-

K.KARUNAKAR RAO

Executive Director

(Finance&Commercial)



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
SCHEDULE - A		
SHARE CAPITAL		
AUTHORISED:		
i) 6,80,00,000 Equity shares of Rs.10/- each (Previous Year 6,80,00,000 Equity shares of Rs.10/-each)	6800.00	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 (Previous Year 1,90,00,000 Preference share of Rs.10/-each)	1900.00	1900.00
ISSUED:		
(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.	1888.23	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each issued on sub-division and consolidation	1888.23	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	2861.10	2861.10
(D) 2,00,00,000 Equity Shares of Rs.10/-each. Share Warrants issued to Promoters group on Preferential allotment	2000.00	2000.00
	8637.56	8637.56
SUBSCRIBED, CALLED-UP & PAID UP:		
(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.	1888.23	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each allotted on sub-division and consolidation	1888.23	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	2861.10	2861.10
(D) 1,45,80,000 Equity Shares of Rs.10/-each allotted on Preferential allotment to Promoters group.	1458.00	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.	542.00	542.00
ADD:Amount received on Forfeited Shares of Original Issue in 1995-96(180086 Shares)	8637.56 4.28	8637.56 4.28
	8641.84	8641.84



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
SCHEDULE - B		
RESERVES AND SURPLUS		
Central Subsidy - per last Balance Sheet	111.67	111.67
Capital Reserve - Per last Balance sheet	2.00	2.00
Share Premium Account-Per last Balance Sheet	2288.51	2288.51
General Reserve-Per last Balance Sheet	1437.36	437.36
Add : Transfer from Profit and Loss Account	500.00	1000.00
Investment Allowance Reserve-Per last Balance Sheet	520.00	520.00
Debentures Redemption Reserve -Per last Balance Sheet	2500.00	2000.00
Add: Transfer from Profit and Loss Account	500.00	500.00
	7859.54	6859.54
Surplus in Profit & Loss Account	2861.26	2460.33
TOTAL	10720.80	9319.87
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)	637.50	743.75
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 Apr,2008)	232.92	271.74
- 2,05,177 - Series "B" 5% interest, Redeemable Optionaly Fully convertible debentures of Rs.100/each issued to I.F.C.I. Ltd (as per restructuring package redeemable in 96 Monthly Instalments from Apr,2008)	153.86	179.51
- 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 crystalised dues) as per restructuring package Redeemable in 96 Monthly Instalments from Apr,2008)	2273.98	2652.97



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
B) LOANS FROM INSTITUTIONS:		
i) - Term Loans IDBI & IFCI Loans Repayable in 96 Monthly Instalments from April,2008	11636.62	13934.25
- Deferred Loans (Repayable in 120 Monthly instalments from April,2006 as per Restructuring package)	2868.66	3346.78
ii) Short Term Loans from Banks (Repayable within one year)	1836.92	-
C) WORKING CAPITAL LOANS FROM		
United Bank Of India	663.11	673.95
Indian Bank	581.90	378.35
The South Indian Bank Ltd.	465.74	598.28
The Federal bank Ltd.	109.12	141.28
IDBI Bank Ltd.	373.59	377.40
Can Bank Factors Ltd,(Bills discounted)	393.52	405.03
	<u>2586.98</u>	<u>2574.29</u>
TOTAL	<u>22227.44</u>	<u>23703.29</u>

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 their 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.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- 3) The above series "B&C" debentures issued to IFCI are secured in favour of their 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 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, consumabler 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.4688.51 lakhs from M/s IFCI Ltd. secured by first exclusive charge on the building, plant and machinery acquired under project schemes of Fatty Acid,Pottassium 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 outstanding of Rs.638 Lakhs is further secured by pledge of 536000 Nos. of APGPCL Equity shares of Rs.10/- each.

- 5) The above Working Capital and Short Term 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 Can Bank 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 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
SCHEDULE - D		
UNSECURED LOANS		
Trade Deposits	230.00	155.00
Factoring Bills Payable	749.36	180.07
Sales Tax Deferment(Payable within 12 Months Rs.4.35 Lakhs)	1887.35	1796.52
TOTAL	2866.71	2131.59

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 01.04.09	Additions	Deductions	As at 31.03.10	Upto 31.03.09	For the year	Deductions	As at 31.03.10	As at 31.03.10	As at 31.03.09
1	a) Free hold Land and Development	489.47	47.09	-	536.56*	-	-	-	-	536.56	489.47
	b) Lease hold Land	53.74	-	29.59	24.15	-	-	-	-	24.15	53.74
2	Buildings	4609.36	1015.93*	-	5625.29	905.33	138.08	-	1043.41	4581.88	3704.03
3	Plant & Machinery	39999.95	2787.72	51.42	42736.25	17523.46	1931.46	37.67	19417.25	23319.00	22476.49
4	Power Plant & Machinery	12607.77	-	-	12607.77	5116.53	665.69	-	5782.22	6825.55	7491.24
5	Electricals & D.G.Sets	9738.45	251.51*	-	9989.96	4073.80	463.63	-	4537.43	5452.53	5664.65
6	Furniture & Fittings	76.71	6.92	-	83.63	54.89	4.19	-	59.08	24.55	21.82
7	Office and Telephone Equipment	232.03	21.89	-	253.92	117.69	17.38	-	135.07	118.85	114.34
8	Computers	257.03	15.86	-	272.89	204.13	23.29	-	227.42	45.47	52.90
9	Lab, Workshop & Other Equipment	227.87	9.35	-	237.22	113.87	16.40	-	130.27	106.95	114.00
10	Vehicles	316.54	20.61	43.18	293.97	267.28	12.16	40.00	239.44	54.53	49.26
11	Total	68608.92	4176.88	124.19	72661.61	28376.98	3272.28	77.67	31571.59	41090.02	40231.94
	Capital Works-in-Progress										
	a) Civil Works	167.65	964.25	1011.87	120.03	-	-	-	-	120.03	167.65
	b) Plant & Machinery	2395.98	2867.64	3039.24	2224.38	-	-	-	-	2224.38	2395.98
	Total	2563.63	3831.89	4051.11	2344.41	-	-	-	-	2344.41	2563.63
	GRAND TOTAL	71172.55	8008.77	4175.30	75006.02	28376.98	3272.28	77.67	31571.59	43434.43	42795.57
	PREVIOUS YEAR	66760.28	7650.41	3238.16	71172.55	25119.68	3257.28	-	28376.98	42795.57	41640.59

* Includes land value of Rs.85.26 Lakhs (previous year 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 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
SCHEDULE - F		
INVESTMENTS		
NON-TRADE INVESTMENTS - IN GOVERNMENT SECURITIES		
National Saving Certificates(unquoted at cost)	1.00	1.00
NON-TRADE INVESTMENTS		
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
TOTAL	198.31	198.31
Aggregate Book Value of Quoted Investments	53.26	53.26
Aggregate Market Value of Quoted Investments	79.51	44.84
Aggregate Book Value of Unquoted Investments	145.05	145.05
SCHEDULE - G		
CURRENT ASSETS, LOANS AND ADVANCES		
A. CURRENT ASSETS		
1. Inventories		
(As taken, valued and certified by the Management)		
Raw Materials	988.44	1200.46
Stores, Consumables & Spares	2028.12	2199.95
Goods in Bonded Warehouse(Includes Capital goods)	430.19	2512.35
Stock in Process	373.83	296.70
Finished Goods	1073.59	958.15
Scrap & Disposables	5.77	9.70
	4899.94	7177.31



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
2. Sundry debtors (unsecured)		
Outstanding for more than six months		
Considered good	135.26	27.97
Considered doubtful	-	-
Considered as bad and written off	-	5.56
Less :Provision for doubtful debts	<u>-</u>	<u>5.56</u>
Others-(Less than six months) - Considered good	5548.44	5393.22
	<u>5683.70</u>	<u>5421.19</u>
3. Cash & Bank Balances		
cash on hand	9.40	19.95
Balance with Scheduled Banks		
In Current Account	259.68	266.26
In Deposit Account (Includes Margin Money)	1235.55	1507.12
Interest Accrued on Bank Deposits	118.21	112.58
	<u>1622.84</u>	<u>1905.91</u>
TOTAL (1 + 2 + 3)	<u>12206.48</u>	<u>14504.41</u>
B. LOANS AND ADVANCES		
(Unsecured and considered good)		
Deposits for power supply	1012.85	733.17
Other Deposits	480.85	712.05
Advances recoverable in cash or in kind or for value to be received		
Advance for supply of materials	319.48	454.28
Advance for supply of Capital goods	777.71	323.64
Advance to Contractors	55.19	52.62
Advance to Employees	46.45	79.66
Advance to Transporters	82.02	107.82
Other Advances	733.21	616.51
Advance Income Tax/TDS	227.76	471.19
Claims Receivable	4026.30	703.33
Prepaid Expenses	69.60	39.39
TOTAL	<u>7831.42</u>	<u>4293.66</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
SCHEDULE - H		
CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for Capital Goods	840.29	1204.84
Sundry Creditors for Supplies		
- Micro and Small Enterprises	44.07	88.62
- Others	<u>9561.78</u>	<u>9133.28</u>
	9605.85	9221.90
Sundry Creditors for Expenses	404.40	425.10
Customers Credit Balances	533.02	493.52
Other liabilities	1304.23	982.35
Interest accrued but not due on loans	127.05	156.66
Balance due to Banks	20.20	59.13
TOTAL	<u>12835.04</u>	<u>12543.50</u>
B. PROVISIONS		
Provision for Taxation (MAT)	507.90	590.50
Provision for Fringe Benefit Tax	-	29.62
TOTAL	<u>507.90</u>	<u>620.12</u>
<hr/>		
	Year Ended 31.03.10 Rs. in Lakhs	Year Ended 31.03.09 Rs. in Lakhs
SCHEDULE - 1		
SALES (Gross)		
Caustic Soda Lye/Flakes	18184.70	24935.67
Liquid Chlorine/Gas	2814.13	2711.05
Hydrochloric Acid	1197.44	1257.56
Hydrogenated Castor Oil	2150.83	1759.03
12 Hydroxy Stearic Acid	4567.07	4029.13
Caustic Pottasium Hydroxide	6566.24	13208.49
Stearic Acid-Different Grades	3823.12	3226.35
Toilet Soaps	956.27	1118.86
Soap Noodles	6610.03	6987.94
D.G.Power under Power Purchase Agreement	12385.76	11016.05
Miscellaneous and Other Oils Sales	3752.70	4945.50
TOTAL	<u>63008.29</u>	<u>75195.63</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	Year ended 31.03.10 Rs. in Lakhs		Year ended 31.03.09 Rs. in Lakhs
SCHEDULE - 2			
OTHER INCOME			
F.E.Fluctuation gains	389.22		-
Hire Charges Receipts	3.44		3.38
Insurance Claims	2232.75		3.64
Other Miscellaneous Receipts	81.36		147.46
Interest Receipts-Gross (TDS Rs.19.88 Lakhs) (Previous year TDS Rs.57.51 Lakhs)	190.53		234.07
TOTAL	<u>2897.30</u>		<u>388.55</u>
SCHEDULE - 3			
INCREASE/(DECREASE) IN STOCKS			
CLOSING STOCKS			
Finished goods	1073.59		958.15
Scrap & Disposables	5.77		9.70
Stock-in-process	373.83		296.70
TOTAL (A)	<u>1453.19</u>		<u>1264.55</u>
OPENING STOCKS			
Finished Goods	958.15		738.75
Scrap & Disposables	9.70		4.11
Stock-in-process	296.70		297.02
TOTAL (B)	<u>1264.55</u>		<u>1039.88</u>
INCREASE / (DECREASE) IN STOCKS (A)-(B)	<u>188.64</u>		<u>224.67</u>
	Year ended 31.03.10	Year ended 31.03.10	Year ended 31.03.09
		Rs. in Lakhs	Rs. in Lakhs
UNIT	QUANTITY	COST	QUANTITY
			COST
SCHEDULE - 4			
CONSUMPTION OF RAWMATERIALS			
i) Salt	MT	165020	3161.27
ii) Castor Oil	MT	10131	5630.10
iii) Acid Oil & Other Oils	MT	30476	8258.15
iv) F.O./HSD/Lubricants for Power Generation	KL	32588	11015.08
v) Potasium Chloride & Carbonate	MT	12813	3894.13
vi) Other Raw Materials		109.21	78.40
TOTAL		<u>32067.94</u>	<u>33072.86</u>
SCHEDULE - 5			
EMPLOYEES REMUNERATION & BENEFITS			
Salaries, Wages,Bonus and Allowances		1680.68	1650.66
Welfare expenses		333.70	317.92
Contribution to ESI & Provident Fund		107.88	105.88
Contribution to Gratuity & Superannuation Scheme		46.98	44.64
TOTAL		<u>2169.24</u>	<u>2119.10</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	Year ended 31.03.10 Rs. in Lakhs	Year ended 31.03.09 Rs. in Lakhs
SCHEDULE - 6		
OTHER MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
Insurance	68.75	76.55
Repairs & Maintenance		
a) Buildings	135.71	285.90
b) Plant & Machinery	715.60	719.85
c) Others	224.36	241.54
Excise duty on captive consumption/Stocks	4.45	4.72
Processing Charges	0.30	-
Travelling and conveyance	229.91	256.30
Printing and stationery	36.09	32.69
Postage Telegrams and Telephones	57.10	61.61
Directors sitting fee	2.32	2.42
Remuneration to Managing Director	30.00	30.48
Directors Travelling	20.91	26.86
Remuneration to Auditors		
Audit - Fee	2.10	1.75
Tax Audit Fee	1.25	1.25
Audit - Expenses	0.28	0.25
Cost Audit Fee	0.30	0.20
Cost Audit expenses	0.08	0.06
Freight Inward & Material handling charges	508.28	533.98
Freight outward & Ocean freight	521.42	992.29
Selling expenses	744.28	1257.52
Advertisement	1.09	4.09
Rent including Lease Rents	383.23	358.59
Fee and Expenses	72.82	96.48
Bank Charges	515.47	503.11
Service Charges	252.01	293.97
Rates & Taxes	7.00	4.29
Legal Expenses	18.76	33.13
Research and Development /Lab Expenses	39.76	34.82
Water Charges	10.90	25.86
F.E.Fluctuation on Tern Loans & Export Receivables	-	401.42
Other Expenses	248.93	269.48
Donations	99.65	75.47
TOTAL	<u>4953.11</u>	<u>6626.93</u>
SCHEDULE - 7		
INTEREST/FINANCE CHARGES		
On Term loans	1804.86	2043.63
On cash credits	214.18	175.15
On Bill Discounting, Deposits & Others	1399.81	1195.81
TOTAL	<u>3418.85</u>	<u>3414.59</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

SCHEDULE - I : NOTES TO ACCOUNTS

1. 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 AS 11.

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.

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.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTES TO ACCOUNTS :

1. Contingent Liabilities not provided in respect of

Particulars	Current Year 2009-10 Rs. in Lakhs	Previous Year 2008-09 Rs. in Lakhs
a) Cheques / Bills Discounted with Banks.	217.94	249.24
b) Unexpired Bank guarantees / letters of Credit (net of margin money paid)	193.06	236.89
c) Estimated amount of Contracts remaining to be executed on Capital Account.(Net of advances).	3517.19	2363.65
d) Arrears of dividend on cumulative redeemable preference shares of Rs.1888.23 lacs at a coupon rate of 0.01 %, issued and allotted as per Debt Restructuring package and scheme of arrangement sanctioned by High Court of A.P. for the period from 01.04.2002 to 31.03.2010. (payable after 15 years) i.e from 01.04.2018.	1.51	1.32
e) Claims against the company not acknowledged as debts, being disputed and pending in appeals/ Assessments in respect of		
i) Central excise matters regarding Cenvat credit availed on input consumables and on service tax payments on input services like freight, telephone, and courier etc.,	302.06	253.30
ii) Customs matters regarding dispute on classification of goods pending before High Court	9.90	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)	53.91 (53.91)
iv) Levy of delay charges on late payment of Provident Fund by Regional Provident Fund Commissioner	15.34	-
v) 1) Wheeling Charges levied by APCPDCL pending in Supreme Court	24.21	24.21
2) Wheeling charges levied on APGAS power supplies covered by Bank guarantee Rs.69.30 lacs	NIL	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)

2. Customs Duty on goods in Bonded Ware house/at Port as at the year end has not been provided in accounts 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. Nil (Previous Year Rs.352.40 lacs) and this has no impact on profit for the year.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

3. INSURANCE CLAIM:

Claims receivable under Loans and Advances (Schedule 'G') includes an amount of Rs. 3239.26 lakhs towards Insurance claim for loss of / damage to Inventories, Vehicles, Plant and Machinery and Loss of Profits on account of unprecedented floods at factories located at Kurnool and Bellary during October, 2009. The Insurance Claim for Loss of Profits on account of production loss during October, 2009 was considered by the company at Rs. 1755.36 lakhs on prudential basis and the claims are subject to final settlement by the Insurer.

4. Legal cases filed by the company for recovery of dues/advances and pending in courts for disposal:

	As at 31.03.2010 (Rs.lakhs)	As at 31.03.2009 (Rs.lakhs)
a) Against Debtors	50.45	139.68
b) Against suppliers/transporters	18.03	18.03

5. a) Exchange differences on Foreign Currency Term Loans from financial institutions in respect of installments paid during the year amounting to Rs.14.54 lakhs (previous year loss Rs. 79.50 lacs) and exchange difference on outstanding loans as on 31.3.2010 valued at applicable Foreign Currency Exchange Rates on 31st March, 2010 and exchange difference amounting to Rs. 307.02 lakhs credited to profit and loss account as per AS-11 (previous year Loss Rs.538.53 lakhs debited to profit and loss account).

b) Foreign Currency receivables on exports made and outstanding as on 31.03.10 are valued at applicable exchange rate and the exchange difference of Rs. 4.53 lakhs was debited to profit and loss account (Previous year Rs. 13.32 lakhs credited to profit and loss account).

6. Particulars of Managerial Remuneration to Chairman and Managing Director:

	Current Year 2009-2010 (Rs.lakhs)	Previous Year 2008-2009 (Rs.lakhs)
a) Salary	24.00	24.00
b) Perquisites – rent, Electricity & Insurance	4.23	4.70
c) Contribution to Provident Fund and Superannuation	1.78	1.78
TOTAL	30.01	30.48

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.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

7. Under The Micro, Small and Medium Enterprises Development Act, 2006 and in accordance with the notification issued by the Ministry of Corporate Affairs, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises as defined in the said Act. The company is in the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence required disclosures made to the extent available. The following are outstanding balances as at 31.03.2010:

A] SMALL ENTERPRISES:

- 1) Arun & Company Rs. 5.17 lakhs; 2) B.D.K. Engineering Industrials Ltd., Rs. 0.49 lakhs; 3) Chemical Process Equipments Pvt. Ltd., Rs. 14.67 lakhs; 4) Colour Shade Quality Printers Rs. 2.77 lakhs; 5) Dolf Industries Rs. 0.62 lakhs; 6) Rapid Valves India Private Limited Rs. 0.03 lakhs; 7) Kamakshi Lamipack Pvt. Ltd., Rs. 9.65 lakhs; 8) Vikas Rubber Industries Rs. 0.19 lakhs; 9) Vijaya Krishna Enterprises Rs. 0.10 lakhs; 10) VBM Cable Corporation Rs. 8.60 lakh.

B] MICRO ENTERPRISES:

- 1) T.I.A. Technologies (I) Pvt. Ltd., Rs. 1.40 lakhs; 2) Southern Cogen Systems Pvt. Limited Rs. 0.38 lakhs

8. Lease Payments:

The total future minimum lease payments under non-cancelable operating leases are as under:

	2009-2010 (Rs.lakhs)	2008-2009 (Rs.lakhs)
(i) Not later than one year	18.60	18.60
(ii) Later than one year and not later than five years	37.50	56.09
(iii) Later than five years	Nil	Nil

9. DEFERRED TAX LIABILITY:

	As on 31.03.10 (Rs.in lakhs)	As on 31.03.09 (Rs.in lakhs)
Deferred tax liability as on 31.03.2010 in respect of timing difference arising on account of difference between straight line and written down Value methods and rates of depreciation.	7077.24	6947.69
Less: Deferred tax asset as on 31.03.10 in respect of unabsorbed depreciation/losses and allowable expenses U/s 43B.	1206.34	2115.96
Net Deferred tax liability as on 31.03.2010	5870.90	4831.73
Less: Opening Deferred tax liability as on 01.04.2009	4831.73	2983.42
Net Deferred tax liability for the year 2009-10	1039.17	1848.31



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

10. SEGMENT REPORTING :

Rs. in lakhs

Sl. No.	Particulars	For the year 2009-10	For the year 2008-09
01	Segment Revenue		
	A. Chemicals	28299	39924
	B. Oils & Fats	19206	18995
	C. Power Plant	12386	11016
	TOTAL	<u>59891</u>	<u>69935</u>
	Less: Inter Segment Revenue	877	1000
	Net Sales/Income from Operations	<u>58014</u>	<u>68935</u>
02	Segment Results Profit/(Loss) before Tax and interest from segments :		
	A. Chemicals	4823	7700
	B. Oils & Fats	1189	212
	C. Power Plant	178	462
	TOTAL	<u>6190</u>	<u>8374</u>
	Less: i) a) Interest Expense	3419	3415
	b) Interest Income	(190)	(234)
	(ii) Other un-allocable expenditure (Net of un-allocable income)	-	-
	Total Profit before Tax	<u>2961</u>	<u>5193</u>
03	Capital Employed (Segment Assets and Liabilities) (Based on Estimates in terms of available data)		
	A. Chemicals	37257	34301
	B. Oils & Fats	2365	3203
	C. Power Plant	8116	9289
	D. Others	1841	1656
	TOTAL	<u>49579</u>	<u>48449</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

11. Related Parties Disclosures:

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

A. Particulars of Associate Companies:

S.No.	Name of the transacting related party	Nature of Relationship
1.	Sree Rayalaseema Hi-Strength Hypo Ltd.	Associate
2.	TGV Projects and Investments Pvt. Ltd.	Associate
3.	Brilliant Bio Pharma Ltd.	Associate
4.	Sree Maruthi Marine Industries Ltd.	Associate
5.	Sree Maurthi Agro Tech Ltd.	Associate
6.	Gowri Gopal Hospitals Pvt. Ltd.	Associate
7.	Sree Rayalaseema Galaxy Projects Pvt. Ltd.	Associate
8.	SRHHL Industries Ltd.	Associate
9.	Roopa Industries Ltd .	Associate
10.	S.K.Salts Pvt Ltd.	Associate
11.	JSM International Ltd.	Associate
12.	Sree Rayalaseema Dutch Kassenbouw Pvt. Ltd.	Associate
13.	TGV Securities Pvt. Ltd.	Associate

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 31st March 2010. **(Rs. in Lakhs)**

Sl. No.	Nature of Transaction	For the year ended 31.03.10	For the year ended 31.03.09	Balance Outstanding as on 31.03.10	Balance Outstanding as on 31.03.09
A	Associate Companies				
1	Sales / Receivables	4420.13	4128.30	37.05 (Cr)	81.37(Cr)
2	Purchases / Payables	1250.23	1079.84	3.72 (Dr)	12.45(Dr)
3	Purchase of Capital Goods	4.27	-	-	-
4	Office / Lease Rentals Paid	212.98	218.60	-	-
5	Office / Lease Rents received	5.39	4.38	-	-
6	Rent / cylinder deposit paid	-	-	171.19(Dr)	171.19(Dr)
7	Services availed	71.77	65.33	1.26(Cr)	-
8	Services rendered	2.91	2.22	-	-
9	Guarantees provided by Associate Companies	Nil	Nil	4551.26	5551.26
10	Investment in Equity Shares	-	-	52.50	52.50
B	Key Management personnel				
1	Remuneration	30.01	30.48	-	-
2	Sitting fee to Directors	2.32	2.42	-	-
C	Relatives to Key Management Personnel	-	-	-	-

Note : Cr indicates Credit balance & Dr indicates Debit balance



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

12. 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.

13. Earnings Per Share:

Basic and diluted earnings per share calculated in compliance with the provisions of Accounting standard (AS20) for the year ending 31.03.10 comes to Rs.2.08 p.a (Previous year Rs.4.05 p.a.) and Rs2.03 p.a (previous year Rs.3.94 p.a.) respectively.

The denominator for Basic EPS is 6,74,93,286 (previous year 6,74,93,286) equity shares and the numerator is net profit after tax as per Profit and Loss account and after adjusting preference dividend for the year and tax thereon, amounting to Rs. 14,00,70,692 (previous year Rs. 27,30,35,358).

The denominator for diluted EPS is increased by potential equity deemed to be issued for OFCD i.e (6,74,93,286+16,56,175) = 6,91,49,461 (previous year 6,94,05,901) and the numerator for this calculation is the net profit after tax as per Profit and Loss account and after adjusting preference dividend and the interest at 5 % on OFCDs and the tax liability thereon, amounting to Rs.14,06,19,225 (previous year Rs. 27,36,69,744).

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

16. Additional Information pursuant to paragraphs 3, 4C and 4D of Schedules - VI of Companies Act, 1956.

A. Licensed and Installed Capacity :

Product	As on 31.03.2010		As on 31.03.2009	
	Licensed	Installed	Licensed	Installed
Caustic Soda Lye	181700	123950	181700	123950
Liquid Chorine	92729	92729	92729	92729
Hydrochloric Acid	109190	57187	109190	57187
Barium Sulphate	1980	1980	1980	1980
Bleach Liqour	1650	1650	1650	1650
Hydrogenated Castor Oil	33000	16500	33000	16500
12 Hydroxy / Rubber Grade Stearic Acid	23100	9900	23100	9900
Ricenolic Acid	660	660	660	660
Sodium sulphate	7920	1980	7920	1980
Distilled Fatty Acid / Stearic Acid	18150	18150	18150	18150
Glycerine	24750	24750	24750	24750
Potassium Hydroxide	47850	23100	47850	23100
Potassium Carbonate	3300	3300	3300	3300
Soap Noodles	33000	33000	33000	33000
Toilet Soaps and Bathing Soaps	16500	16500	16500	16500
Wind Power Generation	3MW	3MW	3MW	3MW
Power Generation(Commercial)	37.8MW	37.8MW	37.8MW	37.8MW
D.G.sets	31.0MW	24.8MW	31.0 MW	24.8 MW
Co-gen power plant	76.0MW	45.0MW	76.0 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
1. Caustic soda lye/Flakes	1339 (327)	211.37 (39.23)	92333 (102181)	93165 (101169)	18184.70 (24935.67)	507 (1339)	65.29 (211.37)
2. Liquid chlorine	324 (330)	3.33 (11.14)	69256 (79340)	69429 (79346)	2814.33 (2711.05)	151 (324)	3.85 (3.33)
3. Hydrochloric acid	299 (118)	2.48 (2.02)	65961 (68519)	66157 (68338)	1110.44 (1052.21)	103 (299)	2.05 (2.48)
4. Barium sulphate	49 (29)	14.54 (6.49)	1059 (808)	869 (788)	275.64 (260.32)	239 (49)	31.04 (14.54)
5. Hydrogen gas (M3)saleable	40 (40)	- -	2737412 (2978752)	2737412 (2978752)	694.54 (542.90)	40 (40)	- (-)
6. Bleach liquor	225 (66)	7.22 (1.71)	12974 (15272)	13158 (15113)	531.43 (577.11)	41 (225)	1.01 (7.22)
7. HCL Gas	- (-)	- (-)	1230 (3012)	1230 (3012)	87.01 (205.35)	- (-)	- (-)
8. Hydrogenated castor oil	134 (148)	79.52 (108.91)	3296 (2437)	3353 (2451)	2150.83 (1759.03)	77 (134)	55.80 (79.52)
9. 12 Hydroxy stearic acid	177 (99)	132.39 (79.55)	6212 (4856)	6107 (4778)	4562.38 (4029.13)	282 (177)	97.76 (132.39)
10. Ricinolic acid	1 (-)	0.92 (-)	174 (386)	152 (385)	104.91 (295.07)	23 (1)	17.90 (0.92)
11. Caustic potash flakes/lye	515 (255)	258.07 (69.20)	9802 (16271)	9770 (16011)	6484.05 (13047.10)	547 (515)	309.20 (258.07)
12. Stearic acid	48 (246)	17.23 (23.45)	8405 (7084)	8231 (7282)	3823.11 (3226.40)	222 (48)	90.59 (17.23)
13. Soap Noodles	86 (210)	30.47 (80.16)	16006 (16330)	15775 (16454)	6556.79 (6987.94)	317 (86)	129.46 (30.47)
14. Toilet soaps	178 (114)	120.40 (104.7)	1013 (1256)	1028 (1192)	929.43 (1109.13)	163 (178)	123.23 (120.40)
15. Refined glycerine	123 (124)	36.43 (70.70)	5533 (5731)	5405 (5732)	1679.37 (2851.67)	251 (123)	75.49 (36.43)
16. Wind power generation (KWH)	- (-)	- (-)	2181082 (2084631)	2181082 (2084631)	- (-)	- (-)	- (-)
17. Power generation at Bellary(KWH)	- (-)	- (-)	182796519 (181345800)	182796519 (181345800)	12385.76 (11016.05)	- (-)	- (-)

- a) Production shown is net of internal consumption.
b) Figures in brackets relate to previous year.
c) Opening and closing stocks includes sales returns, branch and consignment stock transfers.
d) Above production figures are exclusive of production made under processing agreements Refined Glycerine 2419 MTs (Previous Year 2058 MT).
e) Turnover Quantities includes Stocks Lost in Floods – namely
(1) Caustic Soda Flakes - 231 Mts. (2) Hydrogenated Castor Oil – 41 Mts.
(3) 12 Hydroxy Stearic Acid – 55 Mts. (4) Caustic Potash Flakes – 182 Mts.
(5) Stearic Acid – 98 Mts. (6) Ricinoleic Acid – 2 Mts.
f) Power generation at Bellary includes deemed generation value of Rs.358.45 lakhs (previous year Rs.592.17 lakhs).
g) 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 31.03.2010	Previous year 31.03.2009
i) Raw Materials	4632.88	8509.60
ii) Chemicals	129.40	210.64
iii) Components, Spares & Stores	232.78	547.52
iv) Capital Goods / Services	750.22	2492.25

D. Raw material consumed :

	Current Year 2009-10			Previous Year 2008-09		
	Qty MT/KL	Rs.lacs	%	Qty MT/KL	Rs.lacs	%
a) IMPORTED:						
i) Palm fatty acid distilled	1422	367.61	8.94	1004	403.17	7.93
ii) Palm kernal oil/Distilled fatty acid	479	188.20	38.47	1052	552.84	87.32
iii) Lauric acid	1345	559.33	100	700	344.44	58.82
iv) Potassium chloride	12813	3894.13	100	20977	5819.66	100
v) Crude Glycerine	3957	620.01	69.53	6983	1749.56	83.39
vi) Other Raw materials	-	-	-	-	-	-
TOTAL		<u>5629.28</u>			<u>8869.67</u>	
b) INDIGENOUS						
i) Salt	165020	3161.27	100	184041	3971.97	100.00
ii) Castor oil	10131	5630.10	100	8132	4903.62	100.00
iii) Palm kernal oil /Distilled fatty acid	740	301.04	61.53	157.62	80.27	12.68
iv) Furnace oil, Diesel & lubricant for power project	32588	11015.08	100	28287	9310.68	100.00
v) Palm fatty acid distilled	12909	3745.02	91.06	17311	4680.21	92.07
vi) Lauric acid	-	-	-	383	241.19	41.18
vii) RBD Palm Stearin	5175	1568.26	100	-	-	-
viii)Crude Gcerine	1989	271.76	30.47	2686	348.53	16.61
ix) Other Raw Materials	-	746.13	100	-	666.72	100
TOTAL		<u>26438.66</u>			<u>24203.19</u>	
Total of Imports and Indigenious		<u>32067.94</u>			<u>33072.86</u>	

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

	Current year 2009-10		Previous year 2008-09	
	Rs. in Lakhs	%	Rs. in Lakhs	%
a) Imported	242.58	9.90	417.99	10.61
b) Indigenious	2208.96	90.10	3524.31	89.39
TOTAL	<u>2451.54</u>	<u>100.00</u>	<u>3942.30</u>	<u>100.00</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

F. Earnings in Foreign Exchange :

Rs. in Lakhs

	Current year 2009-10	Previous year 2008-09
i) FOB value of exports	5344.34	11572.62
ii) Others	Nil	Nil

G. Expenditure in Foreign Exchange :

Rs. in Lakhs

	Current year 2009-10	Previous year 2008-09
i) Management Fees, Commitment Charges and legal charges	0.11	-
ii) Travelling	5.34	50.98
iii) Fees and charges	-	1.44
iv) Interest on Term Loans	-	29.32
v) Commission Paid	25.82	8.65
vi) Repayment of Term Loans	-	969.72
vii) Raw Materials and Chemicals	1237.39	2189.93
viii) Stores & Spares	370.99	483.89
ix) Capital Goods	964.81	1641.31
x) Supervision charges	-	7.19
xi) Others	12.17	-



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. State Code :
Balance Sheet Date
Date Month Year

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

Public Issue Rights Issue
Bonus Issue Private Placements

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

Total Liabilities Total Assets:

SOURCE OF FUNDS

Paid up Capital Reserves and Surplus
Secured Loans Unsecured Loans
Deferred Tax Liabilities

APPLICATION OF FUNDS

Net Fixed Assets Investments
Net current Assets Misc. Expenditure
Accumulated Losses

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

Total Income Total Expenditure
Profit Before Tax Profit after Tax
Earnings per share(Rs.) Dividend %

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

1. Item Code No. (ITC Code)
Product Description
2. Item Code No. (ITC Code)
Product Description
3. Item Code No. (ITC Code)
Product Description

Signature to Schedules "A" to "I" and "1" to "7"

As per our Report of even date attached.

For Brahmaya & Co.,
Chartered Accountants
Firm's Regn.No.000514S

Sd/-
B.DAIVADHEENAM REDDY
Partner
Membership No.026450
Place : Kurnool
Date : 11.05.2010

For and on behalf of the Board
Sd/-
T.G.VENKATESH
Chairman and Managing Director

Sd/-
V.RADHAKRISHNA MURTHY
C.G.M. & Company Secretary
Place : Kurnool
Date : 11.05.2010

Sd/-
M.P.MURTI
Director

Sd/-
K.KARUNAKAR RAO
Executive Director
(Finance&Commercial)



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

CASH FLOW STATEMENT FOR 31-03-2010 AS PER CLAUSE 32 OF LISTING AGREEMENT

	2009-10			2008-09		
	+	-	Rs. Lakhs	+	-	Rs. Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES						
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS			2961.38			5193.04
ADJUSTMENT FOR:						
DEPRECIATION	3272.28		3272.28	3257.28		3257.28
FOREIGN EXCHANGE						
PROFIT ON SALE OF FIXED ASSETS		1.78	(1.78)		-	-
INTEREST PAID / RECEIVED	3418.86	190.53	3228.33	3414.59	234.07	3180.52
TOTAL	6691.14	192.31	6498.83	6671.87	234.07	6437.80
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			9460.21			11630.84
ADJUSTMENTS FOR:						
TRADE AND OTHER RECEIVABLES		3800.29	(3800.29)		539.96	(539.96)
INVENTORIES	2277.37		2277.37		1528.53	(1528.53)
TRADE PAYABLES	927.13		927.13	1177.29		1177.29
	3204.50	3800.29	(595.79)	1177.29	2068.49	(891.20)
CASH GENERATED FROM OPERATIONS			8864.42			10739.64
INTEREST RECEIVED / PAID	190.53	3418.86	(3228.33)	234.07	3414.59	(3180.52)
DIRECT TAXES PAID	-	521.29	(521.29)	-	614.15	(614.15)
DEFERRED REV.EXP:WRITTEN OFF	-		-	-		-
CASH FLOW BEFORE EXTRAORDINARY ITEMS			5114.80			6944.97
EXTRAORDINARY ITEMS (DECREASE IN RESERVES)		-	-		-	-
NET CASH FLOW FROM OPERATING ACTIVITIES			5114.80			6944.97
B. CASH FLOW FROM INVESTING ACTIVITIES:						
SALE / PURCHASE OF FIXED ASSETS	18.72	3928.06	(3909.34)		4412.25	(4412.25)
DEFERRED REVENUE EXPENDITURE	-	-	-	-	-	-
PURCHASE OF INVESTMENTS	-	-	-	-	-	-
SALE OF INVESTMENTS / REDUCTION	-	-	-	-	-	-
INTEREST RECEIVED	-	-	-	-	-	-
DIVIDEND RECEIVED	-	-	-	-	-	-
NET CASHFLOW FROM INVESTING ACTIVITIES	18.72	3928.06	(3909.33)	-	4412.25	(4412.24)
C. CASH FLOW FROM FINANCING ACTIVITIES						
PROCEEDS FROM ISSUE OF SHARE CAP.	-		-	-		-
EXCHANGE FLUCTUATION ON F.C. LOANS		321.56	(321.56)	618.02		618.02
REPAYMENT OF FINANCE/LEASE LIABILITIES	1836.92	3003.90	(1166.98)		3901.52	(3901.52)
NET CASH FLOW FROM FINANCING ACTIVITIES	1836.92	3325.46	(1488.54)	618.02	3901.52	(3283.5)
NET INCREASE IN CASH AND CASH EQUIVALENTS			(283.07)			(750.77)
CASH AND CASH EQUIVALENTS AS AT 01.04.09 (OPENING BALANCE)			1905.91			2656.68
CASH AND CASH EQUIVALENTS AS AT 31.03.10 (CLOSING BALANCE)			1622.84			1905.91

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
Firm's Regn.No.000514S

Sd/-

B.DAIVADHEENAM REDDY

Partner

Membership No.026450

Place : Kurnool

Date : 11.05.2010

For and on behalf of the Board

Sd/-

T.G.VENKATESH

Chairman and Managing Director