



BOARD OF DIRECTORS

Sri G. Krishna Murthy
(Chairman)

Sri M. P. Murti

Sri P. Sitaram
(Nominee of IDBI)

Sri S.K. Ganguli
(Nominee of IFCl up to 07.05.2012)

Smt Venus Bhanot
(Nominee of IFCl from 07.05.2012)

Sri P.N. Vedanarayanan

Sri O.D. Reddy

Sri K. Karunakar Rao
Executive Director & CEO

Sri N. Jesvanth Reddy
Executive Director (Technical)

CHIEF GENERAL MANAGER & COMPANY SECRETARY

Sri V. Radhakrishna Murthy

BANKERS

Indian Bank
United Bank of India
The South Indian Bank Ltd.
IDBI Bank Ltd.
The Federal Bank Ltd.
Canbank Factors Ltd.

AUDITORS

Brahmayya & Co.
Chartered Accountants
21/142-6, S.K.D.Colony Extn.
Adoni – 518 301 (A.P)

REGISTERED OFFICE & FACTORY

Gondiparla,
Kurnool - 518 004 (A.P)

CORPORATE OFFICE

40-304, 2nd Floor
Krishna Jyothsna Complex
Bhagyanagar
Kurnool – 518 004 (A.P)

REGISTRAR & SHARE TRANSFER AGENT

Aarthi Consultants Pvt. Ltd.
Regd. Office: 1-2-285, Domalguda
Hyderabad - 500 029 (A.P)
Tel No. 040 - 27638111 / 4445
Fax No: 040 - 27632184

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NOTICE

NOTICE is hereby given that the **30th 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.) on Friday, 28th day of September, 2012 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, 2012 and the statement of Profit and Loss 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. Increase in Authorised Share Capital.

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

"RESOLVED that pursuant to Section 94 (1) (a) and other applicable provisions, if any, of the Companies

Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from the existing Rs. 87,00,00,000 (Rupees Eighty Seven Crores Only) divided into 6,80,00,000 (Six Crore Eighty Lacs) of Equity Shares of Rs.10/- (Rupees Ten Only) and 1,90,00,000 (One Crore Ninety Lacs) of Preference Shares of Rs.10/- (Rupees Ten Only) to Rs.100,00,00,000 (Rupees One Hundred Crores Only) divided into 8,10,00,000 (Eight Crore Ten Lacs) of Equity Shares of Rs.10/- (Rupees Ten Only) and 1,90,00,000 (One Crore Ninety Lacs) of Preference Shares of Rs.10/- (Rupees Ten only) each, ranking pari passu with the existing Equity Shares of the Company."

6. Alteration of Capital Clause of Memorandum of Association.

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

"RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 proviso i) to Sub-clause (a) of Clause V of the Memorandum of Association of the company be hereafter replaced by the following Sub-Clause (a) of Clause V.

- V. (a) The Authorised Share Capital of the Company is Rs.100,00,00,000 (Rupees One Hundred Crores Only) comprising of :
 - i) Equity Share Capital of the Company is Rs.81,00,00,000 (Rupees Eight y One Crores only) divided into 8,10,00,000 (Eight Crore Ten Lacs) Equity Shares of Rs.10/- (Rupees Ten Only) each.
 - ii) Preference Share Capital of Rs.19,00,00,000 (Rupees Nineteen Crores Only) divided into 1,90,00,000 (One Crore Ninety Lacs) Preference Shares of Rs.10/- (Rupees Ten Only) each, having a coupon rate of 0.01% redeemable after 15 years.

7. Alteration of Articles of Association.

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



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"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the existing Articles of Association of the Company, be altered by substituting the following proviso i) of Article 7, :

7. The Authorised Share Capital of the Company is Rs.100,00,00,000 (Rupees One Hundred Crores Only) comprising of :

- i) Equity Share Capital of the Company is Rs.81,00,00,000 (Rupees Eight y One Crores Only) divided into 8,10,00,000 (Eight crore ten lacs) Equity Shares of Rs.10/- (Rupees Ten Only) each.
- ii) Preference Share Capital of Rs.19,00,00,000 (Rupees Nineteen Crores Only) divided into 1,90,00,000 (One Crore Ninety Lacs) Preference Shares of Rs.10/- (Rupees Ten Only) each, having a coupon rate of 0.01% redeemable after 15 years.

8. To consider and if thought fit, to pass with or without modification, the following resolution which is proposed as an **Ordinary Resolution**.

"RESOLVED THAT the consent of the members accorded to the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and / charge by the Board of Directors of the Company of all the movable and immovable properties of the Company with respect to Chloromethanes Project wheresoever situate, present and future, and the whole of undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events, to or in favour of following for creation of first exclusive charge :

- (a) Indian Bank for its term loan of Rs. 36 Crores sanctioned vide their Sanction Letter Ref.No.655 dt.30.08.2011.
- (b) United Bank of India for its term loan of Rs. 31 Crores sanctioned vide their Sanction Letter Ref.No.HYD/ADV/SRAACL/1476/2011 dt.15.10.2011.

- (c) The South Indian Bank for its term loan of Rs. 5 Crores for Chloromethanes Project sanctioned vide their Sanction Letter Ref.No.Loans/030/10-11 dt.24.03.2011.

In addition to the above, second pari passu charge on the Chloromethanes Project assets has to be ceded by Term Loan Bankers for Chloromethanes Project in favour of Working Capital Consortium Banks (IB, UBI, SIB, FBL and CBF) and Financial Institutions namely IDBI and IFCI for their Working Capital Assistance and other Term Loans to the company.

Together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company to the above Banks and Financial Institutions under their Loan agreements in respect of the said term loans.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise with Indian Bank (Lead Bank) the documents for creating aforesaid mortgage and / or charge and to do all such acts and deeds as may be necessary for giving effect to the above resolution.

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

"RESOLVED THAT the consent of the members accorded to the Company 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 Company (except the assets of Bellary Power Project) with respect to the enhancement in working capital facilities sanctioned to the company and term loan sanctions to the Company for Chloromethanes project wheresoever situate, present and future, and the whole of undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events, to or in favour of following Banks for additional Working Capital facilities for creation of second pari passu charge:



- (a) IDBI – Additional Working Capital Facilities of Rs. 680 Lakh;
- (b) IB – Additional Working Capital Facilities of Rs. 2780 Lakh;
- (c) UBI – Additional Working Capital Facilities of Rs. 1799 lakh;
- (d) SIB – Additional Working Capital Facilities of Rs. 867 Lakh;
- (e) FBL – Additional Working Capital Facilities of Rs. 579 Lakh;
- (f) CBF – Additional Working Capital Facilities of Rs. 1125 lakh .
- (g) Indian Bank for its term loan of Rs. 36 Crores for the Chloromethanes project.
- (h) United Bank of India for its term loan of Rs. 31 Crores for the Chloromethanes project.
- (i) The South Indian Bank for its term loan of Rs. 5 Crores for the Chloromethanes project.

Together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company to the above Banks/Financial Institutions under their Loan agreements in respect of the Working Capital facilities and Term Loans.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise with IDBI (Lead Institution) the documents for creating aforesaid mortgage and / or charge and to do all such acts and deeds as may be necessary for giving effect to the above resolution.

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

“RESOLVED THAT in supersession to the resolution passed at the 14th Annual General Meeting of the Company held on 30.09.1996 and pursuant to Sec 293 (1) (d) of the Companies Act, 1956, the Board of Directors be and are hereby authorized to borrow

money from time to time for the purpose of the business of the Company on such terms and conditions as the Board of Directors consider fit, any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (i.e. reserves not set apart for any specific purpose) provided that the total amount which may be so borrowed by the Board of Directors and outstanding at any one time shall not exceed Rs. 750 Crores.”

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

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provision, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in accordance with enabling provisions of the Memorandum and Articles of Association of the Company, and the Listing Agreement entered into by the Company with the Stock exchange where the securities of the Company are listed (BSE) and in accordance with the provisions of Guidelines for Preferential Issues contained in Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (referred as ‘SEBI (ICDR) Regulations, 2009’) and other applicable provisions of SEBI including any amendment(s) to or re-enactment thereof and subject to the approvals, consents, permissions and / or sanctions, as may be required from any appropriate authority, institution or body (hereinafter collectively referred to as the “the appropriate authorities”) and subject to such terms, conditions, alterations, corrections, changes, variations and / or modifications, if any as may be prescribed by any one or more or all of them in granting such approvals, consents, permissions and / or sanctions (hereinafter referred to as “the requisite approvals”) and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any committee duly constituted by the Board) or any Committee which the Board may have constituted or hereafter constitute, to exercise one or more of its powers including the powers



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conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board/Committee to offer, issue and allot 1,12,27,560 convertible share warrants of face value of Rs.10/- each upon conversion of Promoters (Allottees) Un-secured loans into share warrants at an issue price of Rs.10/- per Share Warrant as computed in accordance with SEBI (ICDR) Regulations, 2009 to (i) M/s.Sree Rayalaseema Hi-Strength Hypo Limited - 82,91,518 (35,52,278 + 37,39,240 +10,00,000) Share warrants and (ii) M/s.TGV Projects & Investments Pvt. Ltd., - 29,36,042 Share warrants being part of promoters group of the Company on preferential basis and convertible in equal number of equity shares in three (3) Tranches within a period not exceeding 18 months from the date of allotment of warrants."

"RESOLVED FURTHER THAT each of the aforesaid share warrants be converted at the option of the holder at anytime within 18 months from the date of issue, into one fully paid-up Equity Share at an issue price of Rs.10/- per share, determined in accordance with the prevailing regulation for Preferential Issue contained in Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements), Regulation, 2009."

"RESOLVED FURTHER THAT the 'Relevant Date' for above mentioned preferential issue as per SEBI (ICDR) Regulations, 2009 for the determination of applicable price for Equity Shares is 29th August, 2012 being the date 30 days prior to the date of passing of this resolution."

"RESOLVED FURTHER THAT the Equity Shares to be issued on conversion of convertible share warrants and allotted in terms of this resolution shall rank pari passu in all respects with the existing equity shares of the Company and be listed on stock exchange where the equity shares of the Company are listed."

"RESOLVED FURTHER THAT the Company do apply for listing of the new Equity Shares to be issued upon conversion of share warrants with BSE."

"RESOLVED FURTHER THAT the Company do make an application to the Depositories (NSDL and CDSL) for admission of new Equity shares."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board (including its committee)

be and is hereby authorized on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the issue of Share warrants, conversion of warrants into Equity shares, allotment of aforesaid Equity shares and listing thereof with the Stock Exchanges as appropriate and to resolve and settle all questions and matters that may arise in the proposed issue, offer and allotment of the securities, utilization of the issue proceeds and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board / Committee, in its absolute discretion, may deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard for the purpose of giving effect to this resolution in the interest of the company at any stage without requiring the Board to seek any further consent or approval of the Members."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other Director(s) or the Company Secretary or executive(s) / officer(s) of the Company to do all such acts, deeds, matters and things and also to execute such documents, writings etc as may be necessary to give effect to the aforesaid resolution."

By Order of the Board

Sd/-

Place: Kurnool

(V. RADHAKRISHNA MURTHY)

Date : 29.08.2012

Chief General Manager and

Company Secretary

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.



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3. Members are requested to bring with them the attendance Slip sent with the Annual Report duly completed and signed and hand it over at the entrance.
4. Pursuant to Sec.154 of the Companies Act, 1956 and Clause-16 of the Listing Agreement, the Register of Members and Share Transfer Books of the Company will remain closed for 7 days i.e., from 22-09-2012 to 28-09-2012 (both days inclusive).
5. Non-resident Indian Shareholders are requested to inform us immediately :
 - a) the change in Residential Status on return to India for permanent settlement.
 - b) the particulars of Bank NRE Account, if not furnished earlier.

REQUEST TO THE MEMBERS :

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

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 & 7 : Alteration of Capital Clause of Memorandum of Association and Articles of Association.

To meet the Capital requirements with respect to implementation of Chloromethanes Project being implemented in pursuance to the approval of Banks, the Company has proposed to increase the Authorised Share Capital from the existing Rs. 87,00,00,000 (Rupees Eighty Seven Crores Only) to Rs.100,00,00,000 (Rupees One Hundred Crores Only) by increasing Equity Share Capital of the Company by Rs.13,00,00,000 divided into 1,30,00,000 Equity Shares with a face value of Rs.10/- each. This will facilitate the company to issue Equity Shares under preferential issue to the promoters after fulfillment of formalities and by conversion of unsecured loans into share warrants. This proposal requires alterations in the Memorandum of Association and Articles of Association as set out in Item No. 5, 6 & 7 of the agenda accompanying the notice.

The related provisions of the Companies Act, 1956 require the Company to seek approval of the members for increase in the Authorised Share Capital and for alteration of capital clause of Memorandum of Association and Articles of Association of the Company.

The Board of Directors accordingly commend the resolutions as set out at the item No. 5, 6 & 7 for your approval.

The Memorandum and Articles of Association of the company together with the proposed amendments are available for inspection by the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. prior to the date of the meeting.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

ITEM NO. 8

The proposal for implementation of the Chloromethanes Project has been approved by the Board in its meeting held on 28.07.07 and Term Loan Banks (IB, UBI, SIB) Lead by Indian Bank have sanctioned term loans to the Company



vide their sanction letters mentioned in the resolution. One of the term for sanction of the term loans by the Banks is that the company shall create first exclusive charge on the fixed assets of the Chloromethanes Project. To comply with these terms and conditions mentioned in loan agreements of Banks consortium and for creation of mortgage/first exclusive charge shareholders approval in terms of Sec. 293 (1) (a) is required. Further to this in terms of the Term Loans sanctioned by the Bankers (IB, UBI, SIB) the Company has to create second pari passu charge on Chloromethanes Project assets in favour of Financial Institutions for their Term Loan outstanding and consortium Banks with respect to their Working Capital assistance to the Company.

Your Directors recommend the above resolution as an Ordinary resolution.

None of the Directors is interested in the above resolution.

ITEM NO. 9

During the course of business Working Capital Banks will be revising their assistance to the company by sanction of additional working capital facilities to the Company from time to time. As per the terms and conditions of Working Capital Agreement the company has to create second pari passu charge in favour of Banks consortium (IB, UBI, SIB, FBL, IDBI, CBF) lead by M/s.IDBI Bank for enhancement in working capital limits the details of which were mentioned in the resolution. Further Indian Bank, United Bank of India and South Indian Bank have sanctioned term loans for Chloromethanes Project as detailed in the resolution for which the Company has to create second pari passu charge. For creation of mortgage by way of deposit of title deeds by way of extension with the lead Institution M/s.IDBI for creation of second pari passu charge in favour of Indian Bank, United Bank of India, South Indian Bank, Federal Bank Ltd., Canbank Factors Ltd., for sanction of enhanced working capital limits and term loans for Chloromethanes Project the company has to obtain shareholders approval pursuant to Sec. 293 (1) (a) of the Companies Act, 1956.

Your Directors recommend the above resolution as an Ordinary resolution.

None of the Directors is interested in the above resolution.

ITEM NO. 10

The members may be aware that the Board of Directors can borrow upto a limit of Rs.500 Crores as per the approval given by the shareholders in the 14th Annual General Meeting held on 30.09.1996. In view of the expanding activities and other proposed downstream/upstream expansion projects in the near future, it is felt that the need for loans from Financial Institutions and Banks will increase as the existing limit of borrowing powers are going to be exhausted. Hence, it is expedient to approach the shareholders to increase the limit of borrowing power of the Board from the present Rs. 500 Crores to Rs. 750 Crores.

Your Directors recommend the above resolution as Ordinary resolution for your approval.

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

ITEM NO. 11

As per the disclosure norms contained in Regulation 73(1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (referred as 'SEBI (ICDR) Regulations, 2009'), the following disclosures were made for the purpose of passing of the said Special resolution by the shareholders at the ensuing Annual General Meeting.

1. Objects of the preferential issue:

Your Company is in the process of implementing Chloromethanes Project being financed by Banks to the extent of Rs. 72 Crs. (Indian Bank, United Bank of India and South Indian Bank) by way of Term loans and Rs. 26.86 Crores contribution by promoters by way of unsecured loans to be converted into Equity. The amount brought by Promoters as part fulfillment of their commitment is being utilized for the present preferential issue of share warrants.

2. Proposal of the Promoters to subscribe:

The preferential issue of Share warrants would be made to (1) Sree Rayalaseema Hi-Strength Hypo Limited and (2) TGV Projects & Investments Private Limited being part of the promoters group of the Company through issue of Share Warrants convertible



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into Equity Shares at the price to be computed in accordance with Regulation 76(1) of SEBI (ICDR) Regulations, 2009 Rs. 10/- per Convertible Share Warrant, the share warrants are convertible into equal number of Equity Shares of Rs. 10/- each fully paid up at a price at which warrants are issued and conversion shall be made in tranches within overall period of 18 (Eighteen) months from the date of issue of warrants. The proposal is to issue 1,12,27,560 share warrants convertible into equity shares in three tranches within 18 months from the date of issue of warrants during three financial years i.e., 2012-13, 2013-14 and 2014-15 subject to a maximum of 5% of the post-issue capital per financial year as per stipulation in Reg.11(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The above promoters have given letter dt. 24-08-2012 undertaking to subscribe to the preferential issue of Convertible Share Warrants and to comply with other conditions stipulated in SEBI (ICDR) Regulations, 2009 including applicable lock-in of their pre-preferential holdings of equity shares and proposed preferential allotment of Equity shares upon conversion of share warrants.

3. The shareholding Pattern of the Company before and after the Preferential issue in three tranches is as under:

The shareholding pattern of the Company before the preferential issue of Convertible Share Warrants and post conversion of warrants into equity shares after each of the three tranches are given below :

Category	Pre-issue	
	No. of Shares	% of Holding
Promoters Group		
Individuals	862137	1.28
Bodies Corporate	27198521	40.30
Sub-Total (A)	28060658	41.58
Non-Promoters		
Mutual Funds / UTI	37787	0.06
NRIs	1150778	1.70
Bodies Corporate	3135342	4.64
Financial Institutions / Banks	20272147	30.04
Insurance Companies	615885	0.91
General Public / Others	14220689	21.07
Sub Total (B)	39432628	58.42
Total (A + B)	67493286	100.00

Note : The above table has been prepared on the basis of the Shareholding Pattern as on 20-08-2012.



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Post-issue Shareholdings						
Category	After 1 st Tranche of Conversion before 31 st March, 2013 (I year)		After 2 nd Tranche of Conversion of Warrants into Equity before 31 st March, 2014 (II Year)		After 3 rd Tranche of Conversion of Warrants into Equity before 10 th April, 2015 (III Year)	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
Promoters' Group						
Individuals	862137	1.21	862137	1.15	862137	1.09
Bodies Corporate :						
S R Hypo Ltd.	3656858	5.15	7396098	9.89	8396098	10.67
TGV Proj & Inv. Pvt. Ltd.	9658206	13.59	9658206	12.91	12594248	16.00
SRHHL Industries Ltd.	11248398	15.83	11248398	15.04	11248398	14.29
Others	6187337	8.71	6187337	8.27	6187337	7.86
Sub-Total (A)	31612936	44.49	35352176	47.27	39288218	49.91
Non-Promoters						
Mutual Funds / UTI	37787	0.05	37787	0.05	37787	0.05
NRIs	1150778	1.62	1150778	1.54	1150778	1.46
Bodies Corporate	3135342	4.41	3135342	4.19	3135342	3.98
Financial Institutions / Banks	20272147	28.54	20272147	27.11	20272147	25.75
Insurance Companies	615885	0.87	615885	0.82	615885	0.78
General Public / Others	14220689	20.02	14220689	19.02	14220689	18.07
Sub-Total (B)	39432628	55.51	39432628	52.73	39432628	50.09
Total (A + B)	71045564	100.00	74784804	100.00	78720846	100.00

On account of proposed preferential issue and allotment of 1,12,27,560 convertible Share warrants at Rs.10/- per share warrant of the company to the proposed allottees as set out in the resolution, and upon conversion of share warrants into equal number of shares, the shareholding of the proposed allottees i.e. (SRHypo and TGVPIPL) are as per following details.

Particulars	Pre-Preferential Issue Capital		Post-Preferential Issue Capital	
	Shares	%	Shares	%
Sree Rayalaseema Hi-Strength Hypo Ltd. (SRHypo)	104580	0.15	8396098	10.67
TGV Projects & Inv. Pvt. Ltd. (TGVPIPL)	9658206	14.31	12594248	16.00
Total	9762786		20990346	



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The total Promoters' group holding will increase from 2,80,60,658 to 3,92,88,218 resulting into an increase from 41.58% to 49.91% of the post-preferential issue capital.

4. Proposed time within which the preferential allotment shall be completed :

The allotment of share warrants shall be completed within a period of 15 days from the date of passing of resolution by the share holders as per SEBI (ICDR) Regulations, 2009. Where the allotment is pending on account of pendency of any approvals from any regulatory authority or the Central Government, the allotment shall be completed by the company within a period of 15 days from the date of such approvals. An amount, as may be decided by the Board of Directors, not being less than 25% of the issue price shall be payable on the date of allotment of the share warrants. The warrants would be allotted on the following terms.

- a. The holder of warrants will have an option to apply for and be allotted 1 (one) equity share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches.
- b. Upon receipt of the payment by conversion of unsecured loans of allottees as mentioned above, and upon exercising the option by the allottee within 18 months, the Board/Committee shall allot one equity share per Warrant by appropriating Rs.10/- towards equity share capital.
- c. If the entitlement against the warrants to apply for the equity shares is not exercised within the period specified, the entitlement of the warrant holder to apply equity shares of the company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.
- d. The warrant holder shall also be entitled to any future bonus/rights issue(s) of equity shares or other securities convertible into equity shares by the company, in the same proportion and manner as any other shareholders of the company for the time being.
- e. The warrants by itself do not give to the holders thereof any rights of the shareholders of the Company.

5. The identity of the proposed allottees and the percentage of post preferential issue capital change in control consequent to the issue:

Identity of the proposed allottees :

On account of proposed preferential issue and allotment of 1,12,27,560 convertible Share warrants at Rs.10/- per share of the company to the said Promoters as set out in the resolution and detailed hereunder the shareholding of the acquirers (SRHypo and TGVPIPL) would increase from 9762786 Equity Shares to 20990346 in 3 Financial Years and that of the total Promoters' Group holding will increase from 2,80,60,658 to 3,92,88,218 Equity shares and percentage from 41.58% to 49.91%.

Further identity of the proposed allottees are furnished hereunder:

Sl. No.	Name of the Company	Nature of Business
1)	Sree Rayalaseema Hi-Strength Hypo Limited, Regd.Office : Gondiparla, Kurnool – 518 004 (A.P) PAN No. AAKCS1605E	Manufacture of Inorganic Chemicals
2)	TGV Projects & Investments Private Limited, 40-304, K. J. Complex, Bhagya Nagar, Kurnool – 518 004 (A.P) PAN No. AAAct8340H	Investments and Hospitality

The proposed preferential allotment of resultant equity shares upon conversion of convertible share warrants to the proposed allottees would not result in change in control and management of the company. Voting right shall change according to the change in shareholding pattern as mentioned above.

6. Undertaking to Recompute the Issue Price:

The Board of Directors of the target company had recommended the Preferential Issue of equity shares under section 81(1A) of the Companies Act, 1956 and seek the approval of the shareholders by means of a Special Resolution at their ensuing Annual General Meeting for the proposed allotment of 1,12,27,560 convertible Share warrants of the target company at a price worked out as per the Securities and Exchange Board of India (Issue of Capital and



Disclosure Requirements) Regulations, 2009. In the event where it is required to do so in terms of the SEBI (ICDR) Regulations, 2009, the company has undertaken that the issue price would be recomputed for the proposed preferential issue.

7. Undertaking to pay the amount due on recomputation of price:

An Undertaking was executed by the Promoters (Proposed allottees) i.e. SRHypo Ltd. and TGVPIPL to the effect that if the amount payable on account of the re-computation of price of the preferential issue was not paid in time as stipulated in the SEBI (ICDR) Regulations, 2009, the Equity shares and convertible share warrants allotted to the said Promoters shall continue to be locked in till the time such amount was paid by the Promoter.

8. Certificate of Statutory Auditors:

The Certificate from M/s. Brahmayya & Co., Chartered Accountants, Statutory Auditors of the Company as to pricing of the issue and that this preferential issue of shares is being made in accordance with the requirements of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009. The Auditors' certificate will be available for inspection at the Registered office of the company by members during 11.00 AM to 1.00 PM on all working days upto the date of Annual General Meeting and will be placed before the Meeting.

9. Pricing of Equity Shares:

The issue price of Convertible Share Warrants shall be at a price not less than higher of the following :

- (a) The average of the weekly high and low of the closing prices of the Company's shares quoted on the Stock Exchanges (BSE) during six months preceding the "Relevant date."
- (b) The average of the weekly high and low of the closing prices of the Company's shares quoted on the Stock Exchange (BSE) during the two weeks preceding the "Relevant date."

10. Lock-in period of shares :

In accordance with the Regulation 78(1) of the SEBI (ICDR) Regulations, 2009, the new Equity Shares to

be allotted on preferential basis to the Promoters viz., (1) Sree Rayalaseema Hi-Strength Hypo Limited, and (2) TGV Projects and Investment Private Limited shall be subject to a lock in period of three years from the date of the allotment by the Board. In the event of price re-computation and additional price payable by the allottees and delay in payment of under additional price, the lock-in of Equity shares allotted under preferential issue shall continue till payment of under additional price.

11. Approvals :

Section 81 of the Companies Act, 1956 provides inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, etc., such further shares shall be offered to the existing shareholders of the company in the manner laid down in Section 81 unless the shareholders in general meeting decide otherwise by passing a special resolution.

Hence, consent of the shareholders by way of Special Resolution is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act 1956, and in terms of the provisions of the SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2009 and the listing agreements executed by the company with the Stock Exchange where the company's shares are listed.

The company is taking necessary steps to obtain the required approvals from the stock exchanges, or any other regulatory agency as may be applicable for the proposed preferential issue of convertible share warrants and allotment of equity shares upon conversion of the warrants.

The promoters of the company are allowed to increase their stake/holding by 5% of post issue capital every year to a certain limit. If allottee as part of Promoters increases its holding by more than 5% of post-issue capital in a year, then provisions of Regulation 11 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 will become applicable.

12. Other conditions:

- a) The entire shareholding of the proposed allottees in the company are held in dematerialized form.



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- b) The entire pre-preferential shareholdings of such allottees shall be under lock-in from the relevant date upto a period of six months from the date of preferential allotment.
- c) The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.
- d) The proposed allottees have complied with all conditions to be eligible for the preferential allotment.

14. Interest of Directors :

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

Your directors commend the resolution for approval of the members in pursuance to Sec. 81 (1A) of the Companies Act, 1956.

By Order of the Board

Sd/-

(V. RADHAKRISHNA MURTHY)

Chief General Manager and
Company Secretary

Place: Kurnool
Date : 29.08.2012

13. Documents :

The relevant documents will be available for inspection at the Registered office of the company by members during 11.00 AM to 1.00 PM on all working days upto the date of Annual General Meeting and during the Meeting.

Additional Information :

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

1.	Name of the Director	Sri M.P. Murti	Sri O.D. Reddy
2.	Date of Birth	01-12-1919	15-03-1940
3.	Date of Appointment	June 25, 1986	December 31, 1996
4.	Experience in Specific areas	More than 40 years Industrial experience at very senior level in Indian and Multi National Companies.	More than 35 years experience at Senior level in Management and Administration in Govt. undertaking.
5.	Qualifications	M.SC. M.S (Case Western-USA)	B.Sc (Agri)
6.	Shareholding in the Company	1,000 Equity Shares	2,850 Equity Shares
7.	Directorships in other Public Ltd. Companies	1. Novopan Industries Ltd. 2. Reliance Cellulose Products Ltd. 3. CIL Securities Ltd.	Roopa Industries Limited
8.	Membership in other Company Committees	Audit Committee in CIL Securities Ltd.,	Audit and Shareholders Grievance Committee in Roopa Industries Ltd.



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, 2012.

Operations :

The turnover for the year under review is Rs.85232 lakhs as compared to Rs.76212 lakhs in the previous year. The increase in turnover is attributed to better performance of Caustic, Castor Oil, Fatty Acid divisions.

Division / Segment Wise Operations :

The Caustic unit has produced 123534 MT of Caustic Soda as against 111516 M.T for the previous year. As against net sales of Rs.24924 lacs for previous year, the current year sales comes to Rs. 32849 lacs representing an increase of 32 %.

The Potassium plant has produced 9537 MT of Potassium Hydroxide as against 12111 MT for the previous year. As against net sales of Rs.6189 lacs for previous year, the current sales comes to Rs. 5456 lacs representing marginal decrease of 12 %.

The Castor oil plant yielded 14355 MT of oil processing as against 13190 MT for the previous year. As against net sales of Rs.12303 lacs for the previous year, the current year sales stood at Rs. 16036 lacs representing an increase of 30 %.

The Fatty acid plant has processed 26059 MT for the current year as against 25277 MT for the previous year. The net sales of this division has increased from Rs. 15973 lacs to Rs. 18282 lacs representing an increase of 14 %.

The Power plant at Bellary has billed 1578 lakhs KWH of electricity (including deemed generation) to Karnataka Power Transmission Corporation Limited (KPTCL) during the current year as against 1821 lacs KWH for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs. 10375 lacs for the previous year, the current year sales comes to Rs. 4577 lacs showing decrease of 66%. This is due to less power demanded by KPTCL the only customer depending on their requirement.

Outlook For The Current Year :

Segmentwise discussion is furnished in Management Discussion and Analysis annexed to this report in "ANNEXURE – E".

FINANCIAL RESULTS :

	YEAR ENDED	
	31.03.2012 (Rs.in lakhs)	31.03.2011 (Rs.in lakhs)
Profit before Finance Costs & depreciation	9943.71	9705.66
Less: Finance Cost	3517.97	3538.87
Profit before Depreciation	6425.74	6166.79
Less: Depreciation	3662.55	3448.56
Profit (Loss) before Exceptional items and Tax	2763.19	2718.23
Less: Exceptional items	-	-
Profit/Loss Before Tax	2763.19	2718.23
Tax Expense:		
Less: - Current Tax	576.81	597.08
- Deferred Tax	797.92	756.22
Profit for the period from continuing operations	1388.46	1364.93
Less: Profit from discounting operations	-	-
Profit for the period	1388.46	1364.93
Add: Balance Carried from Previous year	2726.19	2861.26
Profit available for Appropriation	4114.65	4226.19
Less: Transfer to General Reserve	500.00	500.00
Less: Transfer to Debenture Redemption reserve	500.00	1000.00
Less: Transfer to Capital Redemption reserve	500.00	-
Surplus carried to Balance Sheet	2614.65	2726.19



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Profit for the Current year at Rs. 1388.46 Lakhs shows a marginal increase of 2 % compared to previous year Profit of Rs. 1364.93 Lakhs. Stiff market and recessionary conditions are the main reasons for over all decrease in performance.

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 2011-12.

Capital Expenditure :

During the year the Company has incurred an amount of Rs. 6655 lacs on Capital Expenditure which is mainly towards Electrolyser, Boiler, Turbine, Chloromethanes Project and other normal expenditure. The funds required for the above is met from Promoters / Term loans and other internal accruals.

Preferential allotment of Convertible Share Warrants to Promoters :

Appropriate special resolution has been placed in notice of Annual General Meeting (AGM) seeking Shareholders approval for allotment of 1,12,27,560 (SR Hypo 82,91,518 and TGVIPL 29,36,042) No. of convertible Share Warrants at a price that is calculated pursuant to SEBI (ICDR) regulations, 2009. These share warrants will be converted into Equity Shares in the ratio 1:1 before the validity period of warrants subject to the condition that the warrants are fully paid-up and Promoters (Allottees) have exercised their option for conversion into Equity pursuant to SEBI (ICDR) Regulations, 2009. These Share Warrants will be allotted upon conversion of Un-secured loans bought by Promoters (Allottees) into the Company towards part fulfillment of their commitment to the Chloromethanes Project to fulfil Term loan Banks condition (Indian Bank, United Bank of India and The South Indian Bank Ltd., while sanctioning Term Loans). The price calculated as per SEBI (ICDR) Regulations, 2009 is at Rs. 10/- per Equity Share. After conversion of share warrants into Equity the same will be listed on Bombay Stock Exchange upon fulfillment of required formalities.

Safety And Environment Protection :

Right from incorporation your management is giving utmost importance to safety as well as green environment. Every effort is being made to ensure safety in all activities of the

company by entrusting the safety of company in the hands of two experienced General Managers of proven track record and the steps taken by the management to develop green environs around the factory has given desired results. A separate cell has been created and entrusted with the responsibility of ensuring safety with a team of officials working round the clock with the motto of continues "SAFETY FOR MEN, MACHINE AND MATERIAL". Apart from clean and green programmes undertaken both inside and outside the Factory, the Company is in the process of developing Green belt in the surrounding areas.

Listing Fees :

The Company has paid Listing Fee to Bombay Stock Exchange vide its letter dtd.19.04.2012.

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 31.3.2012.

Directors :

Sri M.P.Murti and Sri O.D.Reddy are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offers themselves to be reelected as Directors. M/s.IFCI Ltd., vide their letter Ref.No.IFCI/NDC-1/2012-120501026 dt.30.04.2012 has appointed Smt. Venus Bhanot as their nominee in place of Sri S.K.Ganguli. The Board in its meeting held on 07.05.12 has inducted the nominee Director on the Board of the Company. The Board place on record its appreciation for the valuable advises and suggestions provided by Sri S.K.Ganguli during his term on the Board and authorized the Chairman to convey the message.

Industrial Relations :

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

Particulars of Employees :

The information as required under Sec.217 (2A) of the Companies Act, 1956 and the rules framed there under



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was not annexed as none of the employees were in receipt of the remuneration above the limits prescribed there under.

Energy Conservation Technology Absorption And Foreign Exchange Earnings And Outgo :

Particulars required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are 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.

Corporate Governance – Clause 49 of Listing Agreement :

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

Management Discussion and Analysis 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 2012-13.

Cost Audit :

As per the Central Government Order No. 52/75/CAB/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 to be submitted to Central Govt. every year. The Company has complied with all the provisions of the said order regularly. For the year 2010-11 Cost Audit Report issued by M/s.Geeyes & Co., Chennai represented by Mr.S.Srinivasan (M 1951) was filed vide SRN No.B21335039 Dt.26.09.2011 with Central Govt. as against the due date of 30.09.2011.

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 was reconstituted on 07.05.2012 with the following members Smt.Venus Bhanot, Sri P.Sitaram, Sri P.N.Vedanarayanan and Sri O.D. Reddy as members with Sri M.P.Murti as Chairman of the Audit Committee to give effect to the change in IFCI 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

Place : Kurnool
Date : 29.08.2012

Sd/-
K. KARUNAKAR RAO
Executive Director & CEO



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. New 200 TPD Tripple Effect Caustic Evaporation plant is commissioned to reduce steam consumption.
2. 2 x 4416 KVAR capacitor banks are installed to improve the power factors.
3. For 200 TPD new Evaporation plant energy efficient motors are installed. Total installed H.P is 680.
4. Additional equipments are installed in existing Boilers to utilize husk as a fuel along with coal.

FORM – A

Disclosure of Particulars with respect to conservation of energy:	Current Year 31.03.2012	Previous Year 31.03.2011
A. Power and Fuel Consumption :		
1. Electricity:		
a) i) Electricity from APCPDCL		
Units (KWH)	259165160	178186700
Total Amount (Rs. In lakhs)	9516.84	5987.20
Rate/Unit (Rs.)	3.67	3.36
ii) Electricity from APGPCL		
Units (KWH)	19632447	26142867
Total Amount (Rs. In lakhs)	559.78	688.51
Rate/Unit (Rs.)	2.85	2.63
b) Own Generation :		
i) Through Wind Farm		
Units (KWH)	2834513	1955493
Cost/Unit (Rs.)	3.50	5.26
ii) Through Co-Gen plant		
Units (KWH)	82167700	139853600
Cost/Unit (Rs.)	5.07	3.16
2. Coal :		
Quantity (MT)	196254	248149
Total amount (Rs. In lakhs)	6305.26	6133.94
Average Rate (Rs./MT)	3213	2472
3. Husk :		
Quantity (MT)	30689	5462
Total amount (Rs. In lakhs)	702.59	101.85
Average Rate (Rs./MT)	2289	1865
4. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	512	429
Total Amount (Rs. In lakhs)	216.60	145.72
Average Rate (Rs./MT)	42267	33949
B. Consumption per MT of Caustic Soda Lye Production :		
No. of Units (KWH) (AC Power)	2434	2517



B. Technology Absorption:

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

FORM – B

Research and Development (R & D) :

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

- New process is developed to recover Castor oil from spent earth and to utilize the oil recovered to manufacture dehydrated castor oil.
- New process is developed to enrich reactivity of chlorine to manufacture Chlorophin (CPW) with different grades of raw-materials.
- DAF will be installed at Oils & Fats division effluent to remove oil with out addition of sulphuric acid which will further reduce TDS in effluent.

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

- By adopting recovery of Dehydrated Castor Oil, disposal of spent earth problem will be totally eliminated.
- By enriching reactivity of Cl₂ supply to CPW, good quality of product is made to suite to all end users.
- By installing DAF at Effluent treatment plant, Sulphuric acid addition will be eliminated and TDS in effluent also reduced.

3. Future Plans :

Auto filling of Cl₂ cylinders for all filling points and on line weighment for all filling points lifting cranes will be installed to ensure safety while filling and to avoid excess filling.

4. Technology Absorption, Adoption and Innovation :

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

C. Foreign Exchange Earnings and Outgo :

- a) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services, and export plans:
 - i) Exported Hydrogenated Castor Oil, 12 Hydroxy Stearic Acid, Caustic Potash and planning to enlarge exports by increasing export quantity and explore export possibility for other products.

b) Total Foreign Exchange used and earned		(Rs. in lakhs)
i) Foreign Exchange used	3180.63
ii) Foreign Exchange earned	12432.41



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

Place : Kurnool
Date : 29.08.2012

Sd/-
K. KARUNAKAR RAO
Executive Director & CEO

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 2011-12. The Corporate Governance compliance details are furnished hereunder:

(1) Company's Philosophy :

The company is firmly committed to fulfill the objective of efficient Corporate Governance. The company has complied with almost all the provisions of Corporate Governance before its enactment in the Listing Agreement by BSE on the order of SEBI. This shows the commitment of the management of the company for fair and efficient Corporate Governance. The company's humble philosophy is "SERVING SOCIETY THROUGH HARMONIOUS AND CORDIAL INDUSTRY ACTIVITIES AND RELATIONS" synchronizing socio, economic and human objectives which are backed by principles of concern, commitment, ethics, excellence and learning in all its activities and harmonious relationships with stakeholders, customers, associates and community at large which has always propelled the Company 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 Eight Directors and Majority of Directors are independent/nominee Directors. Except two Executive Directors the other Directors are non-Executive Directors. The day-to-day management of the Company is conducted by Executive Director & CEO and Executive Director (Technical) 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 :



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S.No	Name of the Director	Category	F.Y 2011-12 attendance at		As on 7 th May, 2012		
			BM	Last AGM	No. of Directorship	Committee Positions	
						Member	Chairman
1.	Sri G.Krishna Murthy	Chairman	4	Yes	-	-	-
2.	Sri K.Karunakar Rao	E.D & CEO	4	Yes	-	-	-
3.	Sri N.Jesvanth Reddy	E.D (Technical)	4	Yes	-	-	-
4.	Sri M.P.Murti	Director (Independent)	3	Yes	3	1	3
5.	Sri S.K.Ganguli	Director (IFCI Nominee)	4	Yes	5	1	4
6.	Sri P.Sitaram	Director (IDBI Nominee)	1	No	1	1	-
7.	Sri P.N.Vedanarayanan	Director (Independent)	4	Yes	-	-	-
8.	Sri O.D.Reddy	Director (Independent)	4	Yes	1	3	-

During the financial year ended 31st March, 2012, Four Board Meetings were held on (1) 02.05.2011 (2) 09.08.2011 (3) 17.10.2011 and (4) 31.01.2012 respectively.

(4) Audit Committee :

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

1. Oversight of the Company's financial reporting process to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board appointment, reappointment, fixation of fees etc., of Statutory auditors, Cost Auditors etc.,
3. Reviewing with management the annual Financial Statement before submitting to the Board with particular reference to Directors Responsibility statement, Changes in Accounting Policies, major accounting entries involving estimates, compliance with other Listing Agreement, disclosure of other related party transactions.
4. Qualifications in draft Audit Report.
5. Reviewing with management quarterly financial statements.
6. The adequacy of internal audit functions.
7. Discussion with statutory auditors before the audit commences.
8. Reviewing the findings of any investigations by the internal auditors etc.,
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 07.05.12 with the following directors as its members (1) Sri M.P.Murti, Chairman (2) Smt. Venus Bhanot, Member (3) Sri P.Sitaram, Member (4) Sri P.N.Vedanarayanan, Member and (5) Sri O.D. Reddy, Member.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

During the financial year ended 31st March, 2012, Four Board Audit Committee Meetings were held on (1) 02.05.2011 (2) 09.08.2011 (3) 17.10.2011 and (4) 31.01.2012 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 25.03.2012 to consider rationalization of allowances inline with rules and policy of the Company. The committee comprises of the following Directors as its members (1) Sri M.P.Murti, Chairman (2) Sri P.N.Vedanarayanan, Member and (3) Sri O.D.Reddy, Member.

The non-executive Directors will be paid sitting fee of Rs.5000/- per meeting of Board and Audit Committee and Rs.1500/- for other Sub-committees of the Board. The Executive Directors will not be paid any sitting fee for attending the Board/ Committee meetings. The details of total remuneration paid to Executive Directors for the year are furnished hereunder :

S.No	Name of the Director	Salary (in Rs.)	Perquisites (in Rs.)	Commission	Total (in Rs.)
1.	Sri K.Karunakar Rao	10,80,000	3,33,200	N.A	14,13,200
2.	Sri N.Jesvanth Reddy	10,80,000	4,82,620	N.A	15,62,620

(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:

S.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	4
3.	Sri O.D.Reddy	Member	4	4

During the financial year ended 31st March, 2012, Four Investors Grievance Committee Meetings were held on (1) 09.04.2011 (2) 11.07.2011 (3) 08.10.2011 and (4) 09.01.2012 respectively.



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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 2011-12	Pending at the end of the year	No. of pending Share Transfers
20	NIL	NIL

(7) General Body Meetings :

The last three Annual General Meetings were held as follows :

Financial Year	Day & Date	Time	Venue
2008-09	Saturday & 18.07.2009	4.00 P.M	Regd.Off: Gondiparla, Kurnool
2009-10	Saturday & 07.08.2010	4.00 P.M	Regd.Off: Gondiparla, Kurnool
2010-11	Tuesday & 09.08.2011	3.15 P.M	Regd.Office : Gondiparla, Kurnool

All resolutions moved at the last Annual General Meeting were passed unanimously by a show hands by the members attending the meeting. The last Annual General Meeting of the Company was held on 09.08.2011 and it was attended by Sri G.Krishna Murthy, Chairman and Sri M.P.Murti, Chairman of Audit Committee besides other Directors viz., Sri S.K.Ganguli, Sri P.N.Vedananarayanan, Sri O.D.Reddy, Sri K.Karunakar Rao, Sri N.Jesvanth Reddy.

The special business transacted and approved by the members at the previous 3 Annual General Meetings are as follows :

(a) 2008-2009

- NIL -

(b) 2009-2010

1. Ratification of Sri K.Karunakar Rao appointment as Executive Director (Finance & Commercial) and fixation of remuneration.
2. Ratification of Sri N.Jesvanth Reddy appointment as Executive Director (Technical) and fixation of remuneration.
3. Reappointment of Sri T.G.Venkaatesh as Chairman and Managing Director and revision of remuneration.

(c) 2010-2011

- NIL -

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

(9) Means of Communication :

The Company publishes its quarterly, half yearly and annual results in the (1) Business Standard (English) (2) Andhra Prabha (Telugu) newspapers generally.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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 is communicated to shareholders and all the concerned the report has been made part and of parcel of Annual Report. Further the Quarterly/Half yearly Results are generally posted in Company's Website www.tgvgroup.com.

(10) General Shareholder Information :

- a) **AGM Date, time and Venue** : 28th September, 2012 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, 2012 to 31st March, 2013
- Un-Audited Financial results for** : First Quarter - July / August, 2012
Second Quarter - October / November, 2012
Third quarter - January / February, 2013
Fourth quarter - April / May, 2013
- c) **Book Closure period** : 22-09-2012 to 28-09-2012 (Both days inclusive)
- d) **Dividend payment date** : - Not Applicable -
- e) **The Shares of the Company is listed on :**

Bombay Stock Exchange Limited, Dalal Street, Mumbai.

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

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

The listing fee to the Stock Exchange for the year 2012-13 is paid by the Company vide its letter dtd.19.04.2012.

f) Market Price Data: The Monthly High And Low of Stock Quotations during the Financial Year 2011-12.

MONTH & YEAR	EQUITY SHARES		C.R.P.S.	
	HIGH (Rs.)	LOW (Rs.)	HIGH (Rs.)	LOW (Rs.)
April, 2011	13.65	9.31	4.87	4.00
May, 2011	12.50	9.40	5.88	3.90
June, 2011	10.64	9.01	5.77	4.00
July, 2011	10.65	9.25	7.20	4.00
August, 2011	10.65	8.60	6.46	4.02
September, 2011	10.59	8.85	6.23	4.06
October, 2011	11.00	8.13	5.81	4.42
November, 2011	10.99	8.17	6.97	4.40
December, 2011	10.84	8.30	5.79	4.23
January, 2012	10.65	8.20	6.88	4.62
February, 2012	10.96	9.50	6.26	4.30
March, 2012	10.60	8.40	5.97	4.52



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

g) Distribution of Shareholding pattern for Equity Shares and CRPS as on 31st March, 2012.

S.No	CATEGORY	EQUITY SHARES		C R P S (*)	
		SHARES	%	SHARES	%
1.	Promoter	28060658	41.58	8448145	44.74
2.	Mutual Funds and UTI	37787	0.06	37787	0.20
3.	Banks & Financial Institution & Insurance Companies	20888032	30.95	2424694	12.83
4.	Corporate Bodies	3303176	4.89	1623216	8.60
5.	Indian Public	14122566	20.92	5811211	30.78
6.	NRIs / OCBs	1081067	1.60	537279	2.85
	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 dematerialise 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, 2012 out of 67493286 Equity Shares 65737211 No. of Shares were dematerialised (97.40 %). Out of 18882332 No. of 0.01% CRP Shares 16569320 (87.75 %) 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 31.03.2012.

On behalf of the Board of Directors

Place : Hyderabad

Date : 07.05.2012

Sd/-

K. KARUNAKAR RAO

Executive Director & CEO

l) Plant Location :

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

Bellary Power Plant : Tagginabudihalli, Bellary, Karnataka.



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 :

Aarathi 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

E-mail : info@aarathiconsultants.com

(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 – 23313843 Fax No.: 040 - 23313875

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

On behalf of the Board of Directors

Sd/-

K. KARUNAKAR RAO

Executive Director & CEO

Place : Kurnool

Date : 29.08.2012

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, 2012 as stipulated in Clause-49 of the Listing Agreement of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We state that generally no Investor Grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

For Brahmayya & Co.,
Chartered Accountants
Firm Regn. No. 000514S

Sd/-

B.DAIVADHEENAM REDDY

Partner

Membership No.026450

Place : Kurnool

Date : 29.08.2012



ANNEXURE 'E' TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS :

The Company is having mainly three Business Division namely:-

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

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

1. CHEMICALS DIVISION :

Under the Chemicals division mainly the products viz., Caustic Soda, Pottassium Hydroxide, Chlorine, Hydrochloric Acid etc. are manufactured. Chlorine is produced as a joint product along with Caustic Soda and Pottassium 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.

Basically Chlor Alkali Industry is cyclical in nature. 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 Chlor 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. Works relating to the Chloromethanes Project are in full swing. Unseasonal rains and cyclones have affected salt availability in the market and as a result the cost of main raw material has gone up. So also the case with power front.

2. OILS AND FATS DIVISION :

Wide fluctuations in raw materials is the basic nature of this division. In view of the agricultural based raw materials procurement process will stress the liquidity of the Industry in general. However export oriented finished goods will ease this problem. 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. Frequent fluctuations in Castor Oil prices is the main concern for this division. The forecast of normal monsoon in India the major producing country in world 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, 2012 the employee strength (on permanent rolls) of the Company was 983.

CAUTIONARY STATEMENT :

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

On behalf of the Board of Directors

Place : Kurnool
Date : 29.08.2012

Sd/-
K. KARUNAKAR RAO
Executive Director & CEO



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, 2012 and the Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 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, 2012;
 - b) In the case of the Statement of Profit and Loss, 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)

Place : Hyderabad (Camp)
Date : 07.05.2012

Partner
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) a. The Company has taken interest free unsecured loan from one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 920.00 lakhs and the year end balance of loan taken from such company was Rs. 920.00 lakhs. 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.
 - b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which loans have been taken from the company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 - c. In our opinion and according to the information and explanations given to us and as represented by the Company, the loan amount was taken from Promoters group contribution towards Equity and no stipulation for repayment of principal and no interest payment on the loan amount. Therefore, no irregularity in repayment of principal and interest payment.
- (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 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



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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, 2012 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. in lakhs	Period	Forum where dispute is pending
1.	The Central Excise Act, 1944	CENVAT Credit availed on input services	8.35	2005 to 2007	Central Excise and Service Tax Appellate Tribunal, Bangalore.
2.	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.
3.	The Central Excise Act, 1944	CENVAT Credit availed on service tax disallowed	77.27	2007-08 (April, 2007 to Feb, 2008)	Central Excise and Service Tax Appellate Tribunal, Bangalore.
4.	The Central Excise Act, 1944	CENVAT Credit availed on service tax disallowed	45.67	2008-09 (March, 2008 to Aug, 2008)	Additional Commissioner of Central Excise, Tirupati.
5.	The Central Excise Act, 1944	CENVAT Credit on input service tax	40.41	2008-09 (Sep, 2008 to March, 2009)	Additional Commissioner of Central Excise, Tirupati.
6.	The Central Excise Act, 1944	CENVAT Credit on input service tax	52.88	2009-10 (April, 2009 to March, 2010)	Commissioner of Customs and Excise, Tirupati.
7.	The Central Excise Act, 1944	CENVAT Credit on input service tax	38.88	2010-11 (April, 2010 to March, 2011)	Commissioner of Customs and 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.	KERALA VAT Act, 2005	Disputed VAT on estimated gross profit	20.51 (5.12)	2008-09	The Deputy Commissioner of Appeals, Ernakulam.
10.	KERALA VAT Act, 2005	Disallowance of tax on sales returns	4.41	2009-10	The Deputy Commissioner of Appeals, Palakkad.
11.	KERALA VAT Act, 2005	Late submission of Form-F	9.95	2009-10	The Deputy Commissioner of Appeals, Palakkad .
12.	KERALA VAT Act, 2005	Disallowance of tax on sales returns	2.68	2009-10	The Deputy Commissioner of Appeals, Palakkad.
13.	Indian Customs Act, 1962	Differential customs duty on raw material purchases (Paid)	1161.14 (125.00)	2000 to 2006	Commissioner of Customs, Chennai.
14.	Indian Customs Act, 1962	Finalisation of assessed bill of entries pertaining to KCL from Dharmthar Port	16.06	2006-07	Additional Commissioner of Customs, Mumbai.
15.	Indian Customs Act, 1962	Penalty on classification of goods disputed	9.90	2008-09	High Court of Andhra Pradesh, Hyderabad.
16.	Indian Customs Act, 1962	Anti dumping duty on Barium Carbonate	32.69	2010-11	Deputy Commissioner of Customs, Chennai.
17.	Employees Provident Fund and Miscellaneous Provisions Act, 1952	PF delay charges/ damages for belated payments	15.34	May, 2002 to Nov, 2006	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) In our opinion, the term loans received during the year have been 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 : Hyderabad (Camp)

Date : 07.05.2012



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

BALANCE SHEET AS AT 31st MARCH, 2012

Rs. In Lakhs

	NOTE NO.		As at 31.03.12	As at 31.03.11
I EQUITY AND LIABILITIES				
(1) Shareholders' funds				
(a) Share Capital	1	8641.84		8641.84
(b) Reserves and Surplus	2	13474.19		12085.73
(c) Money received against share warrants		-	22116.03	-
				20727.57
(2) Share application money pending allotment				
			-	-
(3) Non-current liabilities				
(a) Long-term borrowings	3	13207.79		16345.43
(b) Deferred tax liabilities (Net)	4	7425.04		6627.12
(c) Other Long term liabilities		-		-
(d) Long-term provisions		-	20632.83	-
				22972.55
(4) Current liabilities				
(a) Short-term borrowings	5	20737.66		13487.31
(b) Trade payables	6	7667.78		6964.04
(c) Other current liabilities	7	7655.51		6752.72
(d) Short-term provisions	8	575.58		626.42
			36636.53	27830.49
TOTAL			79385.39	71530.61
II ASSETS				
(1) Non-current Assets:				
(a) Fixed Assets	9			
(i) Tangible Assets		45983.26		37955.47
(ii) Intangible Assets		-		-
(iii) Capital work-in-progress		5261.48		10297.21
(iv) Intangible assets under development		-	51244.74	-
			198.82	48252.68
(b) Non-current investments	10			198.81
(c) Deferred tax assets (net)				-
(d) Long-term loans and advances	11		2546.66	2868.20
(e) Other non-current assets				-
(2) Current Assets:				
(a) Current investments				-
(b) Inventories	12	7701.61		6251.99
(c) Trade receivables	13	6623.27		7147.25
(d) Cash and Cash equivalents	14	5955.69		2331.20
(e) Short term loans and advances	15	3130.90		1711.41
(f) Other current assets	16	1983.70		2769.07
			25395.17	20210.92
TOTAL			79385.39	71530.61
Significant Accounting Policies and Notes to Accounts	24			

Notes "1" to "16" and Note No. 24 Annexed form integral part of Balance Sheet

As Per our Report of even date attached

For and on behalf of the Board

For Brahmayya & Co.,

Chartered Accountants
Firm's Regn.No.000514S

Sd/-

B. DAIVADHEENAM REDDY

Partner
Membership No.026450

Place : Hyderabad

Date : 07.05.2012

Sd/-

K. KARUNAKAR RAO
Executive Director & C.E.O

Sd/-

V. RADHAKRISHNA MURTHY
C.G.M. & Company Secretary

Place : Hyderabad

Date : 07.05.2012

Sd/-

M.P. MURTI
Director

Sd/-

M.V. KUMARA SWAMY
Vice President (Finance) &
Chief Financial Officer



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2012

Rs. In Lakhs

	NOTE NO.	Year Ended 31.03.12	Year Ended 31.03.11
I	Revenue from Operations	78807.71	70611.39
II	Other Income	458.84	472.68
III	Total Revenue (I+II)	<u>79266.55</u>	<u>71084.07</u>
IV	Expenses:		
a)	Cost of materials consumed	41626.12	39787.91
b)	Purchases of Stock-in-Trade	-	-
c)	Changes in inventories of finished goods work-in-progress and stock in Trade	142.93	(338.61)
d)	Employee benefits expenses	2757.58	2460.67
e)	Finance costs	3517.97	3538.87
f)	Depreciation and amortization expense	3662.55	3448.56
g)	Other expenses	24796.21	19468.44
	Total Expenses	<u>76503.36</u>	<u>68365.84</u>
V	Profit before exceptional and extraordinary items and tax (III-IV)	2763.19	2718.23
VI	Exceptional items	-	-
VII	Profit before extraordinary items and tax (V-VI)	2763.19	2718.23
VIII	Extraordinary Items	-	-
IX	Profit before tax (VII-VIII)	2763.19	2718.23
X	Tax expense:		
(1)	Current tax	576.81	597.08
(2)	Deferred tax	797.92	756.22
XI	Profit for the period from continuing operations (IX-X)	1388.46	1364.93
XII	Profit/(loss) from discontinuing operations	-	-
XIII	Tax expense of discontinuing operations	-	-
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)	-	-
XV	Profit for the period (XI+XIV)	1388.46	1364.93
XVI	Earnings per equity share: face value Rs.10/- each		
(1)	Basic	2.06	2.02
(2)	Diluted	2.03	1.99
	Significant Accounting Policies and Notes to Accounts	24	

Notes "17" to "24" Annexed form integral part of statement of Profit and Loss

As Per our Report of even date attached

For and on behalf of the Board

For Brahmayya & Co.,

Chartered Accountants
Firm's Regn.No.000514S

Sd/-

B. DAIVADHEENAM REDDY

Partner
Membership No.026450

Place : Hyderabad
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Sd/-

K. KARUNAKAR RAO
Executive Director & C.E.O

Sd/-

V. RADHAKRISHNA MURTHY
C.G.M. & Company Secretary

Place : Hyderabad
Date : 07.05.2012

Sd/-

M.P. MURTI
Director

Sd/-

M.V. KUMARA SWAMY
Vice President (Finance) &
Chief Financial Officer



	As at 31.03.12	As at 31.03.11
NOTES TO BALANCE SHEET		
NOTE No.1 - SHARE CAPITAL		
1.1 EQUITY SHARE CAPITAL		
a) AUTHORISED 6,80,00,000 Equity shares of Rs.10/- each	<u>6800.00</u>	<u>6800.00</u>
b) ISSUED 6,76,73,372 Equity shares of Rs.10/- each issued	<u>6767.34</u>	<u>6767.34</u>
c) SUBSCRIBED AND FULLY PAID 6,74,93,286 Equity shares of Rs.10/- each fully paid	<u>6749.33</u>	<u>6749.33</u>
d) SUBSCRIBED BUT NOT FULLY PAID 1,80,086 Equity shares of Rs.10/- each	-	-
e) CALLS UNPAID	-	-
f) FORFEITED SHARES Amount received on forfeiture of 1,80,086 equity shares originally issued in 1995-96	<u>4.28</u>	<u>4.28</u>
TOTAL	<u><u>6753.61</u></u>	<u><u>6753.61</u></u>
1.2 PREFERENCE SHARE CAPITAL		
a) AUTHORISED 1,90,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each having Coupon rate of 0.01%	<u>1900.00</u>	<u>1900.00</u>
b) ISSUED 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each	<u>1888.23</u>	<u>1888.23</u>
c) SUBSCRIBED AND FULLY PAID 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each	<u>1888.23</u>	<u>1888.23</u>
d) SUBSCRIBED BUT NOT FULLY PAID	-	-
TOTAL	<u><u>1888.23</u></u>	<u><u>1888.23</u></u>
TOTAL SHARE CAPITAL (1.1+1.2)	<u><u>8641.84</u></u>	<u><u>8641.84</u></u>
1.3 RECONCILIATION OF NUMBER OF SHARES OUTSTANDING		
a) EQUITY SHARES At the beginning of the year Add : Issued during the year Less : Bought back during the year At the end of the year	<u>67493286</u> - - <u>67493286</u>	<u>67493286</u> - - <u>67493286</u>
b) PREFERENCE SHARES At the beginning of the year Add : Issued during the year Less : Redeemed during the year At the end of the year	<u>18882332</u> - - <u>18882332</u>	<u>18882332</u> - - <u>18882332</u>



	As at 31.03.12		As at 31.03.11	
1.4 LIST OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES				
a) EQUITY SHARES	%	NO. OF SHARES	%	NO. OF SHARES
The Industrial Finance Corporation of India Ltd. (IFCI Ltd)	20.24	13662402	20.40	13770236
IDBI Bank Ltd.	9.79	6609295	9.90	6682400
SRHHL Industries Ltd.	16.67	11248398	16.67	11248398
TGV Projects & Investments Pvt. Ltd.	14.31	9658206	14.31	9658206
b) PREFERENCE SHARES				
IDBI Bank Ltd.	9.57	1807959	9.57	1807959
Sree Royalaseema Hi-Strength Hypo Ltd.	24.67	4658106	-	-
TGV Projects & Investments Pvt. Ltd.	-	-	24.67	4658106
Parag Gases and Chemicals Pvt. Ltd.	7.00	1320855	7.00	1320855
SRHHL Industries Ltd.	6.61	1248398	6.61	1248398

1.5 The Company has no Subsidiaries/ Associates and has no Holding Company.

1.6 Out of Equity shares issued, subscribed and fully paid up 2,86,10,955 No. of equity shares of Rs.10/- each allotted on preferential allotment to Financial Institutions IDBI/IFCI by conversion of 15% Rupee/F.C loans and Debentures on 08.03.2005. And 2,00,00,000 No. of equity shares of Rs.10/- each allotted on preferential allotment to promoters group by conversion of fully paid share warrants of 1,45,80,000 on 08.03.2005 and 54,20,000 on 25.04.2006.

1.7 Cumulative Redeemable Preference shares issued, subscribed and fully paid up 1,88,82,332 of Rs.10/- each having a coupon rate of 0.01% from April, 2002 were allotted on sub-division and consolidation of 50% holding of equity shares and are redeemable after 15 year in 4 quarterly instalments commencing from 01.04.2018.

1.8 Redeemable Optionally Fully Convertible Debentures of 5% Series "B" 2,05,177 of Rs.100/- each issued to IFCI Ltd as per restructuring package are redeemable in 96 monthly instalments from April,2008. In case of default in redemption of debentures, option can be exercised by IFCI Ltd to the extent of outstanding balance as on 31.3.12 of Rs.102.58 lakhs (as on 31.3.11 Rs.128.22 lakhs) and no fixed date of conversion.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12		As at 31.03.11	
NOTE NO. 2 - RESERVES AND SURPLUS				
(a) Capital Reserve - opening balance		2.00		2.00
(b) Capital Redemption Reserve - opening balance	-		-	
Add: Transfer from Surplus in Statement of Profit & Loss	500.00	500.00	-	-
(c) Securities Premium Reserve-opening balance		2288.51		2288.51
(d) Debentures Redemption Reserve - opening balance	4000.00		3000.00	
Add: Transfer from Surplus in Statement of Profit & Loss	500.00	4500.00	1000.00	4000.00
(e) Revaluation Reserve		-		-
(f) Share Options Outstanding Account		-		-
Other Reserves				
(g) Central Subsidy-opening balance		111.67		111.67
(h) Investment Allowance Reserve-opening balance (Created and utilised as per the provisions of Income Tax Act,1961and the specified period over and it is a free reserve)	520.00		520.00	
Less: Transfer to General Reserve	520.00	-	-	520.00
(i) General Reserve-opening balance	2437.36		1937.36	
Add: Transfer from Investment Allowance Reserve	520.00		-	
Add: Transfer from Surplus in Statement of Profit & Loss	500.00	3457.36	500.00	2437.36
		10859.54		9359.54
(j) Surplus-Balance in Statement of Profit & Loss - opening balance	2726.19		2861.26	
Add: Profit for the Year from Statement of Profit & Loss	1388.46		1364.93	
	4114.65		4226.19	
Less: Appropriations				
Transfer to General Reserve	500.00		500.00	
Transfer to Debenture Redemption Reserve	500.00		1000.00	
Transfer to Capital Redemption Reserve	500.00	2614.65	-	2726.19
TOTAL		13474.19		12085.73



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12	As at 31.03.11
NOTE NO.3 - LONG TERM BORROWINGS		
SECURED		
3.1 Debentures		
a) 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)	318.75	425.00
b) 2,05,177 - Series "B"5% interest, Redeemable Optionally Fully convertible debentures of Rs.100/- each issued to I.F.C.I.Ltd (as per restructuring package redeemable in 96 Monthly Instalments from April, 2008)	116.46	155.28
c) 3,10,761- Series "A" 5% interest, Redeemable Non-Convertible Debentures of Rs.100/- each issued to I.F.C.I.Ltd (as per restructuring package redeemable in 96 Monthly Instalments from April, 2008)	76.93	102.58
d) 33,26,200 - Series "C" 5% interest, Redeemable Non-convertible Debentures of Rs.100/- each issued to I.F.C.I Ltd (liability to the extent of crystallised dues) as per restructuring package Redeemable in 96 Monthly Instalments from April, 2008)	1136.99	1515.98
	1649.13	2198.84
3.2 Term Loans		
a) From Institutions		
i) IDBI & IFCI Term Loans (Repayable in 96 Monthly Instalments from April, 2008)	5981.48	7742.26
ii) IDBI & IFCI Deferred Loans (Repayable in 120 Monthly instalments from April, 2006 as per Restructuring package)	1434.33	1912.44
b) From Banks (Repayable in 72 monthly instalments from October, 2012 as per Loan Agreement)	2389.88	429.83
	9805.69	10084.53
3.3 Specific Letter of Credit (in Foreign Currency) issued by Bank for import of Capital goods for Expansion of project (Due for payment in May, 2012 and considered as Short term Borrowing in current year 2011-12)	-	1837.56
TOTAL	11454.82	14120.93
UNSECURED		
3.4 Deferred Payment liabilities (Sales Tax deferment/ loan sanctioned as per State Incentive Schemes (Repayable from the year 2018-19 to 2023-24)	832.97	1704.49
3.5 Loans and advances from related parties (contribution from promoters group as per approved project scheme and convertible into Equity)	920.00	520.00
	1752.97	2224.50
TOTAL	13207.79	16345.43



- 3.6 There were no Long Term Deposits, Deferred Payments liabilities and Finance Lease obligations.
- 3.7 There is no continuing default as on 31.3.2012 (31.03.2011) in repayment of loans and interest payments on Debentures, Term Loans and Letter of Credit and sales tax deferral as per instalments granted by the Department.
- 3.8 Redeemable Optionally Fully Convertible Debentures of 5% Series "B" 2,05,177 of Rs.100/- each issued to IFCI Ltd as per restructuring package are redeemable in 96 monthly instalments from April, 2008. In case of default in redemption of debentures, option can be exercised by IFCI Ltd to the extent of outstanding balance as on 31.3.12 of Rs.102.58 lakhs (as on 31.3.11 Rs.128.22 lakhs) and no fixed date of conversion.

3.9 SECURITY

A) DEBENTURES

- 1) The above Debentures issued to IDBI are secured by first charge of all the Company's immovable properties both present and future ranking pari passu 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 8,04,000 Nos. of APGPCL Equity shares of Rs.10/- each and guaranteed by the Ex-Managing Director, Sri T.G.Venkatesh.
- 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 foods, 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 Ex-Managing Director, Sri T.G.Venkatesh.
- 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, 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 Ex- Managing Director, Sri T.G.Venkatesh.

B) TERM LOANS

- 1) The above Term Loans and Deferred loans from Institutions [except the Term Loan amount of Rs.3234.21 lakhs from M/s IFCI Ltd. secured by first exclusive charge on the building, plant and machinery acquired under project schemes of Fatty Acid, Potassium Hydroxide / and power plant at Bellary are secured by first charge on all the immovable properties both present and future and further secured by first charge by way of hypothecation of all movables (save and except book debts and inventories including movable machineries, spares, tools, accessories both at present and future, subject to prior charges created/ to be created in favour of the company's bankers as specified movables for working capital requirements) and further Guaranteed by the Ex-Managing Director, Sri T.G.Venkatesh.

IFCI's Additional Margin money for working capital loan outstanding of Rs.531.25 Lakhs is further secured by pledge of 5,36,000 Nos. of APGPCL Equity shares of Rs.10/- each.

- 2) The above Term loans from Banks are secured by first pari passu charge on fixed assets of Chloromethanes Project, and 2nd pari - passu charge on other existing fixed assets, 2nd pari passu charge on the current assets and personal guarantee by Ex-Managing Director Sri T.G.Venkatesh.

C) Specific Letter of Credit

The above Letter of credit s secured by specific charge on import of capital goods out of this LC and Lien on fixed deposits of build-up margin every month.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12	As at 31.03.11
NOTE NO.4 - DEFERRED TAX LIABILITY (NET)		
a) Deferred tax liability as on 31.03.2012/31.03.2011 in respect of timing difference arising on account of difference between straight line and written down Value methods and rates of depreciation	7728.10	6698.65
b) Less: Deferred tax asset as on 31.03.2012/31.03.2011 in respect of unabsorbed depreciation/losses and expenses allowable U/s 43B of IT Act.	303.06	71.53
c) Net Deferred tax liability as on 31.03.2012	7425.04	6627.12
d) Less: Opening Deferred tax liability as on 01.04.2011/01.04.2010	6627.12	5870.90
Net Deferred tax liability for the year	797.92	756.22
NOTE NO. 5 - SHORT TERM BORROWINGS		
SECURED		
Other loans and advances		
5.1 From Banks		
a) Working capital Demand Loans	552.00	551.52
b) Cash Credits	1138.79	1285.44
c) Bill Discounting	384.77	371.76
d) Letters of Credit issued by Banks to Creditors (Payable to Banks on due dates of Letters of Credit)	16821.29	9392.12
	18896.85	11600.84
5.2 From Others		
a) Sale/Purchase Bills Discounted with Can Bank Factors Ltd (Payable on due dates of Bills/factors)	1653.66	1392.74
UNSECURED		
5.3 Purchase Bills discounted by SIDBI Ltd (payable on due dates of bills not exceeding 90 days)	187.15	493.73
TOTAL	20737.66	13487.31

5.4 There were no loans repayable on demand and short term Deposits/loans and advances from related parties.

5.5 There is no default as on 31.03.2012 (31.03.2011) in repayment of loans and interest payments on Working Capital Loans, Letters of Credit issued and Bills discounted by Banks and others.

5.6 SECURITY

a) Short Term Loans from Banks

The above Working Capital Demand Loans, Cash Credits and Bills discounted by Banks are secured by 1st pari passu charge by way of hypothecation of inventories and receivable of the company and further secured by 2nd pari passu charge on land, building and Plant and machinery and guaranteed by the Ex-Managing Director, Sri T.G.Venkatesh.

b) Letters of Credit from Banks

The above Letter of credit facility availed from Banks were secured by 1st pari passu by way of hypothecation of inventories and receivable of the company and further secured by 2nd pari passu charge on land, building and Plant and machinery and guaranteed by the Ex-Managing Director, Sri T.G.Venkatesh.

c) Bills discounted with Can Bank Factors Ltd

The above Sale Bill discounting facility from Can Bank Factors Ltd is secured by second charge on respective fixed assets of the company ranking pari passu with charges already created/ to be created by the Company and further guaranteed by the Ex-Managing Director, Sri T.G.Venkatesh and purchase bill discounting facility sanctioned by Can Bank Factors Ltd are secured by 2nd pari passu charge on fixed assets of the Company.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12	As at 31.03.11
NOTE NO. 6 - TRADE PAYABLES		
UNSECURED CREDITORS		
6.1 for Capital goods	559.44	724.71
6.2 for Supplies of raw materials/stores and spares etc	6290.34	5710.61
6.3 for Services	818.00	528.72
TOTAL	7667.78	6964.04
DUES TO MICRO, SMALL & MEDIUM ENTERPRISES AS REQUIRED UNDER THE MICRO, SMALL & MEDIUM ENTERPRISES AND DEVELOPMENT ACT, 2006 (Refer Notes to Accounts No. 24.6)		
NOTE NO. 7 - OTHER CURRENT LIABILITIES		
7.1 Current maturities of long term debt		
SECURED		
a) Debenture Loans from IDBI & IFCI payable within 12 months after the reporting date	549.71	549.71
b) Term Loans from IDBI & IFCI payable within 12 months after the reporting date	1993.82	1970.49
c) Deffered Term Loans from IDBI & IFCI payable within 12 months after the reporting date	478.11	478.11
d) Term Loans from Banks payable within 12 months after the reporting date	600.00	-
e) Interest accrued but not due on term loans	62.93	105.16
	3684.57	3103.47
UNSECURED		
7.2 Deferred Payment Sales Tax payable within 12 months after the reporting date	871.53	178.50
7.3 OTHERS		
a) Trade Deposits from Dealers/customers payable on demand	395.00	365.00
b) Statutory Dues towards Excise duty, Service tax, VAT, TDS etc	579.17	384.22
c) Employees Salaries, Bonus and PF/ ESI recoveries and contributions to Superannuation Fund	321.48	217.47
d) Advances from customers	782.71	686.47
e) Dues to Banks (Cheques issued in current accounts)	59.80	525.50
f) Power charges and other expenses payable	961.25	1292.09
	3099.41	3470.75
	7655.51	6752.72
7.4 There were no current maturities of Finance Lease Obligations, Interest accrued and due on borrowings, unpaid Dividends, unpaid matured Debentures or Deposits and interest accrued thereon, Income received in advance and Application money received for allotment of securities and due for refund.		
NOTE NO. 8 - SHORT TERM PROVISIONS		
8.1 Provision for employee benefits.		
a) Un-availed Leave encashment	10.58	8.60
b) Gratuity obligation/contribution	-	33.96
8.2 Others		
a) Provision for Income Tax	565.00	583.86
	575.58	626.42



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTE NO. 9 - FIXED ASSETS

Rs.in Lakhs

Sl. No.	Description	ORIGINAL COST		DEPRECIATION AND AMORTISATION			BOOK VALUE			
		As at 01/04/11	Additions	Deductions	As at 31/03/12	upto 31/03/11	For the year	Deductions	As at 31/03/12	As at 31/03/11
TANGIBLE ASSETS										
1	a) Free hold Land and Development	603.24	42.54	-	-	-	-	645.78 *	603.24	
	b) Lease hold Land	24.15	-	15.23	-	-	-	8.92	24.15	
2	Buildings	5625.61	1235.15	-	6860.76	1209.57	180.60	1390.17	5470.59	
3	Plant & Machinery	42911.06	10317.94	-	53229.00	21483.81	2270.08	23753.89	29475.11	
4	Power Plant & Machinery	12607.77	18.20	-	12625.97	6447.91	665.77	7113.68	5512.29	
5	Electricals & D.G.Sets	9989.96	39.60	-	10029.56	5012.02	475.67	5487.69	4541.87	
6	Furniture & Fittings	87.49	4.71	-	92.20	63.88	4.69	68.57	23.63	
7	Office and Telephone Equipment	280.22	29.26	-	309.48	153.75	19.10	172.85	136.63	
8	Computers	296.63	7.97	-	304.60	249.18	19.96	269.14	35.46	
9	Lab.Workshop & Other Equipment	253.70	0.10	-	253.80	146.55	14.91	161.46	92.34	
10	Vehicles	294.72	10.10	-	304.82	252.41	11.77	264.18	40.64	
	Total	72974.55	11705.57	15.23	84664.89	35019.08	3662.55	38681.63	45983.26	37955.47
Capital Works-in-Progress										
	a) Civil Works	1366.66	750.50	1235.15	882.01	-	-	-	882.01	1366.66
	b) Electricals & D.G.Sets	-	-	-	-	-	-	-	-	-
	c) Plant & Machinery	8930.55	5785.06	10336.14	4379.47	-	-	-	4379.47	8930.55
	Total	10297.21	6535.56	11571.29	5261.48	-	-	-	5261.48	10297.21
	GRAND TOTAL	83271.76	18241.13	11586.52	89926.37	35019.08	3662.55	38681.63	51244.74	48252.68
	PREVIOUS YEAR	75006.02	8402.64	136.89	83271.76	31571.59	3448.56	35019.08	48252.68	43434.43

* Includes land value of Rs.90.62 Lakhs (Previous year Rs.85.26 Lakhs) registered in the name of Ex-Chairman and Managing Director and Company's employee due to restriction on registration in Company's name.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12	As at 31.03.11
NOTE NO. 10 - NON CURRENT INVESTMENTS		
10.1 NON-TRADE INVESTMENTS		
a) In Government Securities: National Saving Certificates (unquoted and valued at cost)	1.51	1.50
b) In Equity Shares (Quoted and valued at cost)		
i) SRHHL Industries Ltd. (316666 Equity Shares of Rs.10/- each)	31.67	31.67
ii) Sree Royalaseema Hi-Strength Hypo Ltd (208333 Equity Shares of Rs.10/- each)	20.83	20.83
iii) Indian Bank (839 Equity Shares of Rs.10/-each at Rs.91/- each)	<u>0.76</u> <u>53.26</u>	<u>0.76</u> <u>53.26</u>
10.2 TRADE INVESTMENTS		
a) In Equity Shares (unquoted and valued at cost) Andhra Pradesh Gas Power Corporation Ltd., (536000 Equity Shares of Rs.10/- each and 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
TOTAL	<u>198.82</u>	<u>198.81</u>
10.3 Aggregate Amount of :		
a) Quoted Investments	53.26	53.26
b) Market Value of Quoted Investments	129.24	113.82
c) Unquoted Investments	145.56	145.55
d) Provision for diminution in value of investments	NIL	NIL
10.4 There were no investments in Subsidiaries, Associates, Joint Ventures and controlled special purpose Entities and in Preference Shares, Bonds, Debentures, Mutual Funds and in Partnership Firms.		



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12	As at 31.03.11
NOTE NO. 11 - LONG TERM LOANS AND ADVANCES		
11.1 Unsecured and considered good		
(a) Capital Advances	581.13	1120.85
(b) Security Deposits with Power Distribution Corporation Ltd	1296.83	1012.85
(c) Loans and advances to related parties (Rent Deposit)	79.81	149.00
(d) Other loans and advances	588.89	585.50
	<u>2546.66</u>	<u>2868.20</u>
NOTE NO. 12 - INVENTORIES		
12.1 Raw Materials	1892.02	1810.48
12.2 Work-in-progress	521.52	542.94
12.3 Finished Goods	1116.57	1241.26
12.4 Stores and spares, Chemicals, fuel and packing materials	2843.28	2649.71
12.5 Scrap and other disposals	10.78	7.60
12.6 Goods in transit	-	-
a) Raw Materials	1300.82	-
b) Stores and spares	16.62	-
TOTAL	<u>7701.61</u>	<u>6251.99</u>
METHOD OF VALUATION OF STOCKS		
Refer Accounting Policies under Note No. 24.1-B		
NOTE NO. 13 - TRADE RECEIVABLES		
13.1 Trade Receivables outstanding for a period exceeding six months from the date due for payment		
a) Unsecured and considered good	240.59	147.92
b) Considered Doubtful/Bad		10.30
Less : Provision for doubtful debts	10.30	10.30
Bad debts Written off from provision	<u>10.30</u>	-
	240.59	147.92
13.2 Other Trade Receivables		
a) Unsecured and considered good	6382.68	6999.33
TOTAL	<u>6623.27</u>	<u>7147.25</u>
NOTE NO. 14 - CASH AND CASH EQUIVALENTS		
14.1 Cash on hand	13.95	10.72
14.2 Balances with banks in current accounts	656.12	168.65
14.3 Balance with Banks in Margin Money/Fixed Deposits for LC/BG	4865.07	2051.83
14.4 Deposit accounts with more than 12 Months Maturity	<u>420.55</u>	<u>100.00</u>
	5955.69	2151.83
		<u>2331.20</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	As at 31.03.12	As at 31.03.11
NOTE NO. 15 - SHORT TERM LOANS AND ADVANCES UNSECURED AND CONSIDERED GOOD		
15.1 Loans and advances to related parties	134.51	107.40
15.2 Others		
a) Advance to Suppliers	1379.05	360.87
b) Advance to Employees	96.55	79.52
c) Advance to Contractors & Transporters	80.67	125.55
d) Prepaid Insurance and other Expenses	293.21	65.40
e) Tender/Security/Telephone Deposits	138.17	117.15
f) Advance Excise Duties/CENVAT/VAT/Service tax	521.62	381.40
g) Advance Income tax and TDS	387.82	352.99
h) Other Advances	99.30	121.13
	<u>2996.39</u>	<u>1604.01</u>
	<u>3130.90</u>	<u>1711.41</u>
NOTE NO. 16 - OTHER CURRENT ASSETS		
16.1 Sales tax, Power, Export Incentives and Insurance claims receivable	1983.70	2769.07
	<u>1983.70</u>	<u>2769.07</u>

Rs. In Lakhs

	Year Ended 31.03.12	Year Ended 31.03.11
NOTE NO. 17 - REVENUE FROM OPERATIONS		
17.1 Sale of Manufactured Products	85232.07	76211.86
Less: Excise duty and sales tax collections	8032.23	6519.72
Net Sales of Manufactured Products	77199.84	69692.14
(Refer Note No:24.14 for details of Productwise sales)		
17.2 Other Operating revenues		
a) Process charges	85.28	107.04
b) Export Incentives	632.49	530.36
c) Sales Tax and Power Incentives	890.10	281.85
(includes sanctioned amount of ealier years)		
TOTAL	<u>1607.87</u> <u>78807.71</u>	<u>919.25</u> <u>70611.39</u>
NOTE NO. 18 - OTHER INCOME		
18.1 Interest on Bank and other deposits and customers	330.10	195.34
18.2 Dividend Income	3.19	-
18.3 Net gain on Foreign exchange	-	159.69
18.4 Insurance Claim	-	9.64
18.5 Rent Receipts	11.68	11.64
18.6 Creditors written back and bad debts collections	108.53	72.52
18.7 Other Receipts	5.34	23.85
TOTAL	<u>458.84</u>	<u>472.68</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	Year Ended 31.03.12	Year Ended 31.03.11
NOTE NO. 19 - COST OF MATERIALS CONSUMED		
19.1 Consumption of raw materials (Refer Notes to Account No. 24.15)	39296.34	37962.94
19.2 Consumption of chemicals	1680.68	1173.76
19.3 Consumption of packing materials	649.10	651.21
TOTAL	41626.12	39787.91
NOTE NO. 20 - CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK IN TRADE		
20.1 CLOSING STOCKS		
a) Finished goods	1116.57	1241.26
b) Stock-in-process	521.52	542.94
c) Scrap & Disposables	10.78	7.60
TOTAL	1648.87	1791.80
20.2 OPENING STOCKS		
a) Finished Goods	1241.26	1073.59
b) Stock-in-process	542.94	373.83
c) Scrap & Disposables	7.60	5.77
TOTAL	1791.80	1453.19
NET INCREASE / (DECREASE) IN STOCKS (NET TOTAL)	(142.93)	338.61
NOTE NO. 21 - EMPLOYEE BENEFITS EXPENSES		
21.1 Salaries, Wages, Bonus and Allowances	2189.50	1976.55
21.2 Contribution to ESI & Provident Fund	120.62	119.20
21.3 Contribution to Gratuity & Superannuation Schemes	160.99	85.38
21.4 Staff Welfare expenses	286.47	279.54
TOTAL	2757.58	2460.67
NOTE NO. 22 - FINANCE COSTS		
22.1 Interest expenses		
a) On Term Loans and Debentures	1211.42	1563.99
b) On Working Capital Cash Credits	219.66	201.51
c) On Purchase/ Sale Bills Discounting	1451.89	1155.90
d) Interest on Trade Deposits	48.46	31.54
e) On Others	425.27	387.95
	3356.70	3340.89
22.2 Other borrowing costs		
a) Loan processing charges	64.09	81.87
22.3 Applicable net gain/loss on foreign currency Loans	97.18	116.11
	3517.97	3538.87



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Rs. In Lakhs

	Year Ended 31.03.12	Year Ended 31.03.11
NOTE NO. 23 - OTHER EXPENSES		
Consumption of stores and spares	843.93	826.73
Power and Fuel	17429.21	13313.51
Rent including Lease Rents	409.64	358.07
Insurance	139.09	108.29
Repairs & Maintenance		
a) Buildings	109.34	71.51
b) Plant & Machinery	823.99	786.27
c) Others	187.01	166.16
Rates & Taxes	11.90	8.59
Excise duty on captive consumption/Stocks	6.86	24.09
Processing Charges	-	0.14
Travelling and conveyance	274.04	262.65
Printing and stationery	30.45	31.55
Postage Telegrams and Telephones	49.36	42.70
Directors sitting fee	2.23	2.33
Remuneration to Managing Director	-	34.08
Directors Travelling	4.55	39.96
Remuneration to Auditors		
Audit - Fee	2.60	2.10
Tax Audit Fee	1.25	1.25
Audit - Expenses	0.08	0.18
Cost Audit Fee	0.45	0.30
Cost Audit expenses	0.06	0.05
Freight Inward & Material handling charges	499.87	354.27
Freight outward & Ocean freight	904.37	922.96
Discounts and Commission on sales	595.65	367.85
Other Selling expenses	274.52	320.02
Advertisement	3.14	1.81
Fee and Expenses	45.25	65.03
Bank Charges	637.74	621.27
Service Charges	199.72	194.83
Legal Expenses	21.94	14.07
Research and Development /Lab Expenses	38.15	36.79
Water Charges	14.00	25.71
Provision for Doubtful Debts	-	10.30
Net Loss on Exchange fluctuations	351.26	-
Other Expenses	301.88	295.44
Difference on settlement of Insurance Claim	500.26	-
Loss on Sale of Fixed Assets	-	1.51
Donations	69.94	115.94
Expenses/Income relating to Earlier Years (Net)	12.48	40.13
	<u>24796.21</u>	<u>19468.44</u>



NOTE NO. 24 - Significant Accounting Policies and Notes to Accounts:

24.1 Significant Accounting Policies

A. Basis of Preparation and Presentation of Financial Statements:

The financial statements are prepared under the historical cost convention as a going concern and in accordance with Accounting principles generally accepted in India and comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 and relevant provisions of The Companies Act, 1956. The Company follows the mercantile method of accounting.

B. 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 net realisable value. Cost of Inventories consist of purchase price including duties and taxes (other than CENVAT credit and input tax credit recoverable under A.P. VAT Act), cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Value of finished goods includes central excise duty as cost of production in accordance with Accounting Standard (AS-2).

C. 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.

D. Revenue Recognition:

- (i) Sales revenue is recognised on supply of goods. Gross Turnover includes VAT, 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 and are accounted in the year of payment / receipt.
- (ii) Export incentives such as Duty Draw Back and Duty Entitlement Pass Book (DEPB) licenses are taken into account on the basis of eligible export FOB value.
- (iii) Dividend on investments is 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 taken into account on due and payable basis.

E. 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.

F. 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 indirect cost & pre-operative expenses related or attributable to the capital works and trial run expenses incurred up to commencement of commercial production are added to the cost of fixed assets. Advanced paid towards the acquisition of Fixed Assets outstanding at the Balance Sheet Date are disclosed as " Capital Advances " under long term loans and advances as per revised Schedule VI to the Companies Act, 1956.

G. Foreign Currency Transactions:

Transactions in Foreign Currencies are recorded during the year at the exchange rates prevailing on the date of transactions and the realized exchange loss/gain are charged to Profit and Loss Account. At the year end, all the



assets and liabilities out standing in foreign currency are restated at the Balance Sheet date and the exchange gain or loss is suitably dealt with in Statement of Profit and Loss.

H. Retirement Benefits to Employees:

i) 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.

ii) Leave Encashment:

Liability on account of un availed leave encashment is provided on accrual basis as per the rules of the company.

I. Investments:

Long term investments are stated at cost of acquisition and if there is permanent diminution in the value of investments, the same is considered for valuation of investments. Current investments are valued at lower of cost or fair value.

J. 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 expensed in the year in which incurred.

K. 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.

L. 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.

M. Accounting for Taxes on Income:

Current and deferred tax liability, if any, for the year is recognised on the taxable income and for 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.

N. CENVAT / IN-PUT TAX CREDIT:

CENVAT Credit and Input Tax Credit recoverable under VAT Acts on Capital goods, Raw materials, Stores and fuels are accounted by reducing from its purchase cost.

O. IMPAIRMENT OF ASSETS:

The company determines any indication of impairment in carrying value of assets and the impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

P. PROVISIONS AND CONTINGENT LIABILITIES/ASSETS:

Contingent liabilities are not recognized in Accounts but are disclosed in the notes to accounts. Contingent assets are neither recognized nor disclosed in financial statements. Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation and it is probable that there will be out flow of resources.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTES TO ACCOUNTS:

24.2 Contingent Liabilities not provided in respect of

Particulars	Current Year 2011-2012 (Rs. in Lakhs)	Previous Year 2010-2011 (Rs. in Lakhs)
a) Cheques / Bills Discounted with Banks.	168.54	226.67
b) Unexpired Bank guarantees / letters of Credit (net of margin money paid)	665.03	523.34
c) Estimated amount of Contracts remaining to be executed on Capital Account (Net of advances).	4760.67	2705.05
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 31.03.2012. (payable after 15 years) i.e., from 01.04.2018.	1.89	1.70
e) Claims against the company not acknowledged as debts being disputed and pending in appeals and for which no provision is considered as the company is hopeful of success in the appeals.		
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.,	358.87	322.76
ii) 1. Customs matters regarding dispute on classification of goods pending before High Court.	9.90	9.90
2. Imposition of Anti dumping duty on imports during December 2010 pending before ADC, Customs	32.69	-
3. Differential duty levied on import of materials during the year 2006-07, pending before the Commissioner of Appeals	16.06	-
iii) Sales tax matters regarding Input tax credit availed on fuels used for steam generation disallowed by the Department and levied penalty and interest; and tax on disputed turn over of Palakkad Branch which is pending in appeal before DC (Appeals) (Paid under Protest)	91.47 (59.03)	74.42 (59.03)
iv) Levy of delay charges on late payment of Provident Fund by Regional Provident Fund Commissioner.	15.34	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 lakhs.	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)
g) Refund sought by M/s.Karnataka Power Transmission Corporation Ltd., (KPTCL) /DISCOMS of the differential tax on account of Income Tax rates / tax holiday as per terms of PPA is contested by the Company before the Karnataka Electricity Regulatory Commission	1609.00	1609.00



24.3 INSURANCE CLAIM:

Insurance claim for Loss of Profits on account of turnover Loss due to Floods during October, 2009 was considered by company at Rs. 1755.36 lakhs. The insurance underwriter has settled the claim during the year for Rs. 1255.10 lakhs and the short fall in the claim settlement of Rs 500.26 lakhs was charged to statement of Profit and Loss for the year ended 31.3.2012.

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

	2011-2012 (Rs. in lakhs)	2010-2011 (Rs. in lakhs)
a) Against Debtors	145.81	55.26
b) Against suppliers/transporters	18.03	18.03

24.5 a) Exchange differences on Foreign Currency Term Loans from financial institutions in respect of installments paid during the year amounting to Rs. 27.94 lacs (previous year loss Rs. 6.31 lakhs) and exchange difference on outstanding loans as on 31.3.2012 valued at applicable Foreign Currency Exchange Rates on 31st March, 2012 and exchange difference amounting to Rs. 205.10 lacs debited to profit and loss account as per AS-11 (previous year Rs.15.56 lacs).

b) Foreign Currency receivables on exports made and outstanding as on 31.03.12 are valued at applicable exchange rate and the exchange difference of Rs. 20.42 lacs was credited to profit and loss account (Previous year Rs. 1.70 lacs debited to profit and loss account).

24.6 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 31.03.2012:

A] SMALL ENTERPRISES Rs. 951.50 Lacs (Previous Year Rs.584.25 Lacs);

B] MICRO ENTERPRISES Rs. 85.82 Lacs (Previous Year Rs. 1.62 Lacs); and

C] MEDIUM ENTERPRISES Rs. 492.86 Lacs (Previous Year Rs.434.08 Lacs);

24.7 Lease Payments:

The Company has not taken any assets under non cancelable operating lease agreements and hence no future lease payments.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

24.8 SEGMENT REPORTING :

(Rs. in lakhs)

Sl. No.	Particulars	For the Year 2011-2012	For the Year 2010-2011
01	Segment Revenue		
	A. Chemicals	40281	32277
	B. Oils & Fats	35137	28912
	C. Power Plant	4577	10375
	TOTAL	79995	71564
	Less: Inter Segment Revenue	1059	1065
	Net Sales/Income from Operations	78936	70499
02	Segment Results Profit/(Loss) before Tax and interest		
	A. Chemicals	5033	3780
	B. Oils & Fats	995	1624
	C. Power Plant	(77)	460
	TOTAL	5951	5864
	Less: i) a) Interest Expense	3518	3539
	b) Interest Income	(330)	(195)
	ii) Other un-allocable expenditure(Net of un-allocable income)	-	(198)
	Total Profit before Tax	2763	2718
03	Capital Employed (Segment Assets - Liabilities) (Based on Estimates in terms of available data)		
	A. Chemicals	41687	35545
	B. Oils & Fats	1309	1543
	C. Power Plant	7617	7308
	D. Others	1236	3611
	TOTAL	51849	48007



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

24.9 Related Parties Disclosures :

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

A. Particulars of Associate Companies:

Sl. No.	Name of the transacting related party	Nature of Relationship
1.	Sree Rayalaseema Hi-Strength Hypo 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.	TGV Securities Pvt. Ltd.	Associate
13.	TGV Pharma Pvt. Ltd.	Associate
14.	M.V. Salt & Chemicals Pvt. Ltd.	Associate

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

B. Key Management Personnel: Executive Director (Finance & Commercial) and CEO Sri K. Karunakar Rao and Executive Director (Technical) Sri N. Jesvanth Reddy and other Directors of the Company.

2. Disclosures of transactions between the company and related parties and outstanding balances as on 31st March 2012. (Rs. in Lakhs)

Sl. No.	Nature of Transaction	For the year ended 31.03.12	For the year ended 31.03.11	Balance outstanding as on 31.03.12	Balance outstanding as on 31.03.11
A.	Associate Companies				
1.	Sales / Receivables	6220.99	5485.01	320.16 (Dr)	372.99 (Dr)
2.	Purchases / Payables	831.69	896.46	134.51 (Dr)	57.80 (Dr)
				33.29 (Cr)	7.27 (Cr)
3.	Purchase of Capital Goods	47.04	-	-	-
4.	Office / Lease Rentals Paid	254.53	204.01	-	-
5.	Office / Lease Rents received	7.71	7.63	-	27.41 (Dr)
6.	Rent /Cylinder deposit paid	-	-	79.80 (Dr)	171.19 (Dr)
7.	Services availed	73.48	71.02	-	-
8.	Services rendered	-	4.94	-	-
9.	Corporate Guarantees provided by Associate Company	NIL	NIL	425.00	531.25
10.	Unsecured loans	-	-	920.00 (Cr)	520.00 (Cr)
11.	Investment in Equity Shares	-	-	52.50	52.50
B.	Key Management personnel				
1.	Remuneration	29.76	59.79	-	-
2.	Sitting fee to Directors	2.33	2.33	-	-
C.	Relatives to Key Management Personnel	-	-	-	-

Note : Cr indicates Credit balance & Dr indicates Debit balance



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

24.10 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.

24.11 Earnings per Share:

Basic and diluted earnings per share calculated in compliance with the provisions of Accounting standard (AS20) for the year ending 31.03.12 comes to Rs. 2.06 p.a (Previous year Rs.2.02 p.a.) and Rs.2.03 p.a (previous year Rs.1.99 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 Statement of Profit and Loss and after adjusting preference dividend for the year and tax thereon, amounting to Rs. 13,88,23,770 (previous year Rs. 13,64,70,638)

The denominator for diluted EPS is increased by potential equity deemed to be issued for OFCD i.e (6,74,93,286+11,43,295) = 6,86,36,581 (previous year 6,88,93,021) and the numerator for this calculation is the net profit after tax as per Statement of Profit and Loss and after adjusting preference dividend and the interest at 5% on OFCDs and the tax liability thereon, amounting to Rs.13,92,09,946 (previous year Rs.13,69,38,027).

24.12 Figures have been rounded off to the nearest decimal of Lacs as required under Revised Schedule VI.

24.13 The Revised Schedule VI has become effective from 1st April, 2011 for preparation of financial statements for the year 2011-12. This has significantly impacted the disclosure and presentation in financial statements. Consequently previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure as required under Revised Schedule VI.

24.14 Revenue from operations or sale of goods

(Rs. in lakhs)

Sl. No.	Description of Products	For the Year ended 31.03.12	For the Year ended 31.03.11
A	Manufactured Goods		
1.	Caustic Soda Lye/Flakes	29399.85	18118.87
2.	Liquid Chlorine	3663.86	4776.45
3.	Hydrochloric Acid	2089.46	3489.27
4.	Hydrogen Gas	1124.15	940.50
5.	Bleach Liquor	867.73	584.70
6.	Caustic Potash Lye /Flakes	5640.90	6105.57
7.	Hydrogenated Castor Oil	3467.20	3639.07
8.	12 Hydroxy Stearic Acid	12028.49	8253.07
9.	Refined Glycerine	2003.36	1660.07
10.	Stearic Acid	5306.55	5575.88
11.	Soap Noodles	12260.60	9563.74
12.	Power Generation under PPA	4576.82	10375.37
13.	Toilet Soaps	675.55	886.25
14.	Others less than 1% of Total Turn over	2127.55	2243.05
	TOTAL	85232.07	76211.85
B	Traded Goods	NIL	NIL



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

24.15 COST OF RAW MATERIALS CONSUMED

(Rs. in lakhs)

Sl. No.	Description of Products	For the Year ended 31.03.12	For the Year ended 31.03.11
1.	Salt	4797.47	3669.29
2.	Castrol Oil	13169.12	10104.38
3.	Acid Oils and other Oils	14031.63	11786.06
4.	FO/HSD/Lubricants for Power Generation	3692.78	8892.17
5.	Potassium Chloride and Carbonate	3541.95	3443.08
6.	Raw Materials - Soaps	38.29	63.67
7.	Sodium Hypo Chloride	25.10	4.29
	TOTAL	<u>39296.34</u>	<u>37962.94</u>
8.	Purchase of Traded Goods	NIL	NIL

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

(Rs. in lakhs)

	Current Year 31.03.2012	Current Year 31.03.2011
i) Raw Materials	7723.48	5128.11
ii) Coal	1702.01	51.00
iii) Chemicals, Components, Spares & Stores	716.48	553.22
iv) Capital Goods / Services	1052.16	2225.29

24.17 Raw material consumed :

	Current Year 2011-12			Previous Year 2010-11		
	Qty. MT/KL	Rs. in lakhs	%	Qty. MT/KL	Rs. in lakhs	%
(i) Salt						
- Imported	-	-	-	-	-	-
- Indigenous	204631	4797.47	100	184276	3669.29	100
(ii) Potassium Chloride						
- Imported	12238	3209.65	90.62	16520	3443.08	100
- Indigenous	1503	332.30	9.38	-	-	-
(iii) Castor Oil						
- Imported	-	-	-	-	-	-
- Indigenous	14355	13169.12	100	13190	10104.37	100
(iv) Lauric Acid						
- Imported	741	684.28	100	609	342.76	100
- Indigenous	-	-	-	-	-	-
(v) Palm Fatty Acid Distilled						
- Imported	997	419.02	4.93	-	-	-
- Indigenous	18453	8087.23	95.07	16043	6396.51	100
(vi) Palm Kernal Oil / Distilled Fatty Acid						
- Imported	2146	1592.31	96.57	1781	1053.00	59.62
- Indigenous	86	56.49	3.43	1207	712.97	40.38
(vii) Crude Glycerine						
- Imported	2746	701.59	88.74	3823	648.14	83.67
- Indigenous	443	89.06	11.26	827	126.47	16.33
(viii) RBD Palm Stearine						
- Imported	-	-	-	-	-	-
- Indigenous	4145	1878.43	100	5123	2169.44	100
(ix) Furnace Oil, Diesel & Lubricant for Power Project						
- Imported	-	-	-	-	-	-
- Indigenous	89543	3692.78	100	285868	8892.18	100
(x) Other Raw Materials						
- Imported	1005	373.10	100	-	-	-
- Indigenous	-	213.51	100	-	404.73	100
Total						
- Imported	-	6979.95		-	5486.98	
- Indigenous	-	<u>32316.39</u>		-	<u>32475.96</u>	
		<u>39296.34</u>			<u>37962.94</u>	



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

	Current Year 2011-12		Previous Year 2010-11	
	Rs. in lakhs	%	Rs. in lakhs	%
a) Imported	162.77	5.13	287.11	10.83
b) Indigenous	3010.94	94.87	2364.59	89.17
TOTAL	<u>3173.71</u>	<u>100.00</u>	<u>2651.70</u>	<u>100.00</u>

24.19 Earnings in Foreign Exchange :

(Rs. in lakhs)

	Current Year 31.03.2012	Previous year 31.03.2011
FOB value of exports	12084.62	8380.83

24.20 Expenditure in Foreign Exchange :

(Rs. in lakhs)

	Current Year 31.03.2012	Previous year 31.03.2011
i) Travelling	12.94	37.18
ii) Fees and charges	1.83	1.42
iii) Commission Paid	33.70	20.24
iv) Raw Materials	2603.83	1749.99
v) Chemicals, Stores & Spares	128.79	393.16
vi) Capital Goods	399.54	2510.27
vii) Others	-	-

Signature to Notes "1" to "16" and Note No. "17 to 24"

As Per our Report of even date attached

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

Sd/-

B. DAIVADHEENAM REDDY
Partner
Membership No.026450

Place : Hyderabad
Date : 07.05.2012

For and on behalf of the Board

Sd/-

K. KARUNAKAR RAO
Executive Director & C.E.O

Sd/-

V. RADHAKRISHNA MURTHY
C.G.M. & Company Secretary

Place : Hyderabad
Date : 07.05.2012

Sd/-

M.P. MURTI
Director

Sd/-

M.V. KUMARA SWAMY
Vice President (Finance) &
Chief Financial Officer



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

CASH FLOW STATEMENT AS PER CLAUSE 32 OF LISTING AGREEMENT

	2011-12			2010-11		
	+	-	Rs. in lakhs	+	-	Rs. in lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES						
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS			2763.19			2718.23
ADJUSTMENT FOR :						
DEPRECIATION	3662.55		3662.55	3448.56		3448.56
FOREIGN EXCHANGE	-		-			-
LOSS / PROFIT ON SALE OF FIXED ASSETS	-		-	1.51		1.51
INTEREST PAID / RECEIVED	3517.97	330.10	3187.87	3538.87	195.34	3343.53
TOTAL	7180.52	330.10	6850.42	6988.94	195.34	6793.60
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			9613.61			9511.83
ADJUSTMENTS FOR:						
TRADE AND OTHER RECEIVABLES	211.40		211.40		980.80	(980.80)
INVENTORIES		1449.62	(1449.62)		1352.05	(1352.05)
TRADE PAYABLES	5873.63		5873.63	10097.62		10097.62
	6085.03	1449.62	4635.41	10097.62	2332.85	7764.77
CASH GENERATED FROM OPERATIONS			14249.02			17276.60
INTEREST RECEIVED / PAID	330.10	3517.97	(3187.87)	195.34	3538.87	(3343.53)
DIRECT TAXES PAID	-	576.81	(576.81)	-	597.08	(597.08)
CASH FLOW BEFORE EXTRAORDINARY ITEMS			10484.34			13335.99
EXTRAORDINARY ITEMS (DECREASE IN RESERVES)			-			-
NET CASH FLOW FROM OPERATING ACTIVITIES			10484.34			13335.99
B. CASH FLOW FROM INVESTING ACTIVITIES:						
SALE / PURCHASE OF FIXED ASSETS	-	6654.61	(6654.61)	18.24	8286.56	(8268.32)
PURCHASE OF INVESTMENTS	-	0.01	(0.01)	-	0.50	(0.50)
SALE OF INVESTMENTS / REDUCTION	-	-	-	-	-	-
INTEREST RECEIVED	-	-	-	-	-	-
DIVIDEND RECEIVED	-	-	-	-	-	-
NET CASHFLOW FROM INVESTING ACTIVITIES	-	6654.62	(6654.62)	18.24	8287.06	(8268.82)
C. CASH FLOW FROM FINANCING ACTIVITIES						
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-		-	-		-
EXCHANGE FLUCTUATION ON F.C. LOANS	233.03		233.03	21.87		21.87
REPAYMENT OF FINANCE/LEASE LIABILITIES	2560.05	2998.31	(438.26)	429.83	4810.51	(4380.68)
NET CASH FLOW FROM FINANCING ACTIVITIES	2793.08	2998.31	(205.23)	451.70	4810.51	(4358.81)
NET INCREASE IN CASH AND CASH EQUIVALENTS			3624.49			708.36
CASH AND CASH EQUIVALENTS AS AT 01.04.11			2331.20			1622.84
(OPENING BALANCE)						
CASH AND CASH EQUIVALENTS AS AT 31.03.12			5955.69			2331.20
(CLOSING BALANCE)						

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 Statement of Profit and Loss and Balance Sheet as at 31.3.2012.

For Brahmaya & Co.,

Chartered Accountants

Firm's Regn. No.000514S

Sd/-

B.DAIVADHEENAM REDDY

Partner

Membership No.026450

Place : Hyderabad

Date : 07.05.2012

For and on behalf of the Board

Sd/-

K. KARUNAKAR RAO

Executive Director & C.E.O

INTENTIONALLY KEPT BLANK



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

PROXY

30th ANNUAL GENERAL MEETING

Folio No./Client ID No.: _____ No. of Shares : _____

I / We of in the District of being Member(s) of the above named Company, hereby appoint..... of or failing him/her..... of or failing him/her..... of in the District of as my / our proxy to attend and vote for me / us on my /our behalf at the **30TH ANNUAL GENERAL MEETING** of the Company to be held at Regd. Office : Gondiparla, Kurnool, A.P. at 4.00 P.M. on Friday, the 28th day of September, 2012 or at any adjournment thereof.

Signed thisDay of September, 2012.

Affix a
Rs.1/-
Revenue
Stamp

Member's Signature

Note:
The Proxy form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the aforesaid meeting.

-----Tear Here-----



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

30th ANNUAL GENERAL MEETING

ATTENDANCE SLIP

Folio No./Client ID No.: _____ No. of Shares : _____

Full Name of the Member attending : _____
(in Block letters)

Full Name of the first joint-holder : _____
(To be filled in if first named joint-holder does not attend the meeting)

Full Name of Proxy : _____
(to be filled by the Proxy attending instead of the member)

I, hereby record my presence at the **30TH ANNUAL GENERAL MEETING** of the Company to be held at Regd. Office : Gondiparla, Kurnool, A.P. at 4.00 P.M. on Friday, the 28th day of September, 2012.

Member / Proxy's Signature

NOTE :
Members / Joint Members / Proxies are requested to bring the attendance slip with them, duly completed when they come to the meeting and handover at the gate, affixing signature(s) on it. Duplicate slips will not be issued at the entrance of the Meeting.