



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the 24th 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 27th May, 2006 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, 2006 and the Profit and Loss Account for the period ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M.P.Murti, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri O.D.Reddy, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification the following as a SPECIAL RESOLUTION.

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

BY ORDER OF THE BOARD

(V. RADHAKRISHNA MURTHY)

Place: Hyderabad
Date : 25.04.2006

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.
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 41 of the Listing Agreement, the Register of Members and Share Transfer Books of the Company will remain closed for 5 days i.e., from 23.05.2006 to 27.05.2006 (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 Number / Client ID No. in all Correspondence.



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EXPLANATORY STATEMENT

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

ITEM NO. 4

Since the combined shareholding of IDBI, IFCL, LIC and UTI 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.

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

Place: Hyderabad,

BY ORDER OF THE BOARD

Date : 25.04.06

(V. RADHAKRISHNA MURTHY)

General Manager and Company Secretary

Additional Information:

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

1. Name of the Director	Sri M.P.Murti
2. Date of Birth	01.12.1919
3. Date of Appointment	June 25, 1986
4. Experience in Specific Areas	Morethan 35 Years Industrial Experience at very senior level in Indian and Multi National Companies.
5. Qualifications	M.sc.M.S(Case Western - USA)
6. Shareholding in the Company	1,000 Shares
7. Directorship in other Companies	1. Vybra Automet Ltd., 2. Novopan Industries Ltd., 3. Reliance Cellulose Products Ltd., 4. CIL Securities Ltd., 5. Sree Rayalaseema Hi-Strength Hypo Ltd.,
8. Membership in other Company Committees	Audit, Share Holders Grievance Committee in SRAACL, Share Transfer Committee in SRHHL

1. Name of the Director	Sri O.D.Reddy
2. Date of Birth	15.03.1940
3. Date of Appointment	Decemder 31, 1996
4. Experience in Specific Areas	Morethan 30 Years at Senior level in management and administration in Govt.under taking.
5. Qualifications	B.sc (Agri)
6. Shareholding in the Company	2,850 Shares
7. Directorship in other Companies	Sree Rayalaseema Hi-Strength Hypo Ltd.,
8. Membership in other Company Committees	Audit, Share Holders Grievance Committee in SRAACL, Share Transfer Committee in SRHHL.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors' have pleasure in presenting the Annual Report and the Audited statements of Accounts of the Company for the year ended 31st March, 2006.

OPERATIONS:

Yours Directors' are pleased to inform that there is an increase in turnover i.e., from Rs.33671 lacs to Rs.35151 lacs (excluding internal transfer and other income) when compared to the previous year. The increase is due to better performance and improvement in chemical division operations.

DIVISION/SEGMENT WISE OPERATIONS:

The Caustic unit has produced 70264 MT. (capacity utilisation 101%) of Caustic Soda as against 59624 M.T. (capacity utilisation 86%) for the previous year. As against net sales of Rs.11159 lacs for previous year, the current year sales comes to Rs.14955 lacs representing an increase of 34%.

The Potassium plant has produced 10354 MT. (capacity utilisation 63%) of Potassium Hydroxide as against 20167 MT (capacity utilisation 122%) for the previous year. As against net sales of Rs.6530 lacs for previous year, the current sales recorded Rs.3908 lacs representing a decrease of 40%.

The Castor oil plant yielded 10223 MT (capacity utilisation 62%) of oil processing as against 8887 MT (capacity utilisation 54%) for the previous year. As against net sales of Rs.2723 lacs for the previous year, the current year sales stood at Rs.2985 lacs representing an increase of 10%.

The Fatty acid plant has processed 13814 MT (capacity utilisation 56%) for the current year as against 14327 MT (capacity utilisation 58%) for the previous year. The net sales of this division has decreased from Rs.5573 lacs to Rs. 4666 lacs representing a decrease of 16%.

The Power plant at Bellary has billed 1826 lakhs KWH (capacity utilisation 75%) of electricity (including deemed generation) to Karnakata Power Transmission Corporation Limited (KPTCL) during the current year as against 1807 lacs KWH (capacity utilisation 75%) for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs.3577 lacs for the previous year, the current year sales comes to Rs.2932 lacs showing a decrease of 18%.

OUTLOOK FOR THE CURRENT YEAR:

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

FINANCIAL RESULTS:

	YEAR ENDED	
	31.03.2006	31.03.2005
	Rs.In lakhs	Rs.In lakhs
Sales - Gross	35151.06	33671.45
Other Income	860.58	436.45
Profit on sale of Fixed Assets/		
Investments	1.20	52.93
Increase(Decrease)in Stocks	(70.53)	(98.75)
Total Income	35942.31	34062.08
Profit before Depreciation	7105.26	5833.34
Less: Interest	2511.73	2606.22
Profit before Depreciation	4593.53	3226.12
Less: Depreciation	2475.10	2464.19
Profit(Loss)before Extra -		
ordinary items and Taxation	2118.43	762.93
Less: Preliminary and Deferred		
Revenue Expenditure		
Written-off	1079.64	520.58
Expenses/Income relating to		
Earlier Years (Net)	102.64	(0.86)
Profit/Loss Before Taxation	936.15	243.21
Less: Provision for		
Taxation (MAT)		
- for Current Year	80.00	19.07
- for Earlier Year	0.36	0.32
- for Fringe benefit Tax	35.00	-
Profit/Loss After Taxation	820.79	223.82
Add: Balance Carried from		
Previous year	295.90	447.08
Profit available for Appropriation	1116.69	670.90
Add: Transfer from General		
Reserve	624.93	-
Less: Extra-ordinary Expenditure-		
relating to earlier years -		
charged Off	(624.93)	-
Less: Transfer to Debenture		
Redemption reserve	-	375.00
Surplus carried to Balance Sheet	1116.69	295.90

Profit for the Current year Rs.820.79 Lakhs is increased morethan three fold when compared to previous year Profit of Rs.223.83 Lakhs.



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Dividend :

In view of the need for consolidation of company's growth and financial affairs your directors have decided not to recommend any dividend for the year 2005-06.

Capital Expenditure:

During the year the Company has incurred an amount of Rs.3029 lacs on Capital Expenditure which is mainly towards installation of Boiler Turbine and Water Management etc.

Safety and Environment Protection:

Safety and Environment Protection has been given utmost priority. Every effort has been taken to preserve and protect the surrounding environment of the factory by developing greenery. A separate cell has been created and entrusted with the responsibility of ensuring safety with a team of Officials working round the clock with the motto of "ANY TIME SAFETY TIME". Apart from clean and green programmes undertaken both inside and outside the Factory, the Company is in the process of developing Green belt area to protect environment. The Company has fulfilled all the formalities for renewal of A.P.

Pollution Control Board Licence

Listing of Shares & Payment of Listing Fee:

In pursuance to the Scheme of Arrangement sanctioned by Hon'ble High Court of A.P. vide its orders dtd.11.11.04. The Board Allotment Committee in its meeting held on 8.3.05 issued 43190955 No.of Equity Shares to IDBI, IFCI and Promoters. After fulfillment of all formalities these shares were listed by BSE vide its letter Ref No.List/sdm/rk/sum/2006 dt.16.01.06. The Listing fee for the year 2005-06 has been paid by the company. Further 54,20,000 convertible warrants allotted to promoters by Board Allotment Committee in its meeting held on 8.3.05 were converted into 54,20,000 Equity shares by the Board in its meeting held on 25.4.06. Necessary

formalities are being fulfilled for listing of these shares.

Insurance:

Assets of the Company are adequately insured.

Fixed Deposits:

There are no Fixed deposits outstanding as on 31.3.06, since all deposits were repaid with interest.

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.

Industrial Relations:

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

Particulars of Employees:

As there were no employee's of the Company drawing monthly remuneration of Rs.2,00,000/- or more, particulars of employees as required under section 217(2A) of the Companies Act, 1956 are not given.

Energy Conservation Technology Absorption and Foreign Exchange Earnings and Outgo:

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

Directors' Responsibility Statement:

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

Explanation to Auditors Qualifications:

Auditors' Report – Reservation/Qualifications:

1. Statutory Auditors reservation/qualification mentioned in point No.4(vi)(1)



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of the Auditors Report regarding taxes on income, the explanation given in Schedule J – Notes to Accounts Point No.10 of Balance Sheet and Profit and Loss Account which is self explanatory.

2. Statutory Auditors reservation/ qualification mentioned in point No.4(vi)(2) regarding extraordinary expenditure of Rs.624.93 lacs relating to earlier years charged off by transferring an equal amount from General Reserve Account to Profit & Loss appropriation account, the explanation given in Schedule “J”, Notes to Accounts point No.11 of Balance Sheet and Profit & Loss Account which is self explanatory and the same is not having any impact on the Profit for the year.

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 Agreement with the Stock Exchanges, are complied with.

Corporate Governance - Clause 49 of Listing Agreement :

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

The Annexure C and D are attached to this report.

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

Auditors:

M/s.Brahmayya & Co., Chartered Accountants, Adoni, will retire at the conclusion of the ensuing 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 2006-07.

Cost Audit:

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

Audit Committee :

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

Acknowledgement:

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

The Directors place on record their appreciation of the sincerity, commitment and contribution made by the Employees at all levels and this was mainly responsible to carry on the business of the Company during the year smoothly, inspite of difficult economic environment in the country and more particularly in the Chlor-Alkalie Industry.

On behalf of the Board of Directors

Place: Hyderabad

Date : 25.04.06

T.G.VENKATESH

Chairman and Managing Director



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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. In order to improve the LT distribution and minimize the distribution losses 2500 KVA Transformer (11 KV / 433 V) and PCC was commissioned at Oils and Fats Division.
2. Commissioning of 1600 KVA Distribution Transformer (11 KV / 433 V) at chlorine compressor house, is in progress. This will minimise the distribution losses and plant expansion requirements will also be met.
3. In order to improve the control on Electrolyzers DC Load Current, NGEF Rectifier has been modified with Thyristor Converter. Now it is at commissioning stage.
4. HT Capacitor Panels installation is in progress to improve the 11 KV Gen.Bus power factor and to minimise the distribution losses and voltage transients.
5. An efficient screw type air compressor has been installed at O&F div., in place of conventional plunger type compressor.
6. Tripping devices installed in all the cooling towers to reduce the power consumption.
7. Steam distribution lines modified in Oils & Fats Division to reduce the line, losses of steam.

FORM – A

Disclosure of Particulars with respect to conservation of energy:

	Current Year 31.03.2006	Previous Year 31.03.2005
A. Power and Fuel Consumption :		
1. Electricity:		
a) i) Electricity from APCPDCL		
Units (KWH)	136538782	89317824
Total Amount (Rs.in Lakhs)	4523.15	2991.80
Rate/Unit (Rs.)	3.31	3.35
ii) Electricity from APGPCL		
Units (KWH)	28984519	32850030
Total Amount (Rs.in Lakhs)	607.61	772.80
Rate/Unit (Rs.)	2.10	2.35
b) Own Generation:		
i) Through Diesel Generators		
Units(KWH)	29144720	78497590
Unit per Lt of Fuel (KWH)	3.76	3.85
Cost/Unit (Rs.)	6.80	4.48
ii) Through Wind Farm		
Units(KWH)	2634584	3035952
Rate/Unit (Rs.)	4.71	4.76
iii) Through Co-Gen Plant		
Units(KWH)	37908240	20754221
Rate/Unit (Rs.)	3.49	3.56
2. Coal :		
Qty (MT) (Train Run)	58748	33128
Total amount (Rs.in lakhs)	1123.52	653.03
Average Rate (Rs./MT)	1912	1971
3. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	9100	20384
Total Amount (Rs.in lakhs)	1416.20	2652.95
Average Rate (Rs/KL)	15562	13015
B. Consumption per MT of Caustic Soda Lye Production		
No.of Units (KWH)		
(AC Power)	2615	2660



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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 :

- A process is developed to make saleable Sodium sulphate which is generated from 12-HSA sweet water evaporation.
- Process know-how is developed to utilise Glycerine pitch effectively.

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

- Disposal problem of Sodium sulphate is totally eliminated after making saleable Sodium Sulphate apart from additional revenue.

3. Future Plans :

- Installation of Sulphate recovery system by Nanofiltration in place of chemical precipitation using BaCO_3 or Barium Chloride. This will reduce the sludge generation and handling of brine sludge.

4. Technology Absorption, Adoption and Innovation :

- Reverse osmosis Plant is installed to Deionise the water from high TDS to low TDS
- Bio-filter is commissioned at Co-gen plant to utilise contaminated water available during summer.
- Flash recovery system is installed at Fusion plant to recover flash steam generated in the plant. This has reduced the steam consumption to the extent of 15 TPD and resulted in recovery of 15 m³ condensate per day. Similar arrangement is planned at Fatty Acid plant.
- Fly ash quality is improved by segregation of coal ash. The fly ash is regularly sold to nearby Cement Industries.

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	3420.72
ii)	Foreign Exchange earned	2303.17

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

Yours Directors Further confirm that:

- In the presentation of the Annual Accounts, applicable Accounting Standards except AS-22 relating to taxes on income have been followed alongwith proper explanation relating to material departure or non-compliance in notes to accounts and Directors' Report.
- 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.
- 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.
- The Directors had prepared the Annual Accounts on a going concern basis.

Place: Hyderabad

Date : 25.04.06

On behalf of the Board of Directors

T.G.VENKATESH

Chairman and managing Director



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

ANNEXURE 'C' TO THE DIRECTORS REPORT

Report on Corporate Governance:

The Management of SRAAC Ltd., hereby confirm and certify that the relevant provisions of Clause-49 of Listing Agreement dealing with "Corporate Governance" have been complied for the year 2005-2006. The Corporate Governance compliance details are furnished hereunder:

(1) Company's Philosophy:

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

(2) Board Procedure :

All the mandatory information as mentioned in Annexure -1A Clause 49 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 comprise of 7 Directors and Majority of Directors are independent/nominee Directors. Except Chairman and managing Director the other Directors are non-executive Directors. The day-to-day management of the Company is conducted by Chairman and Managing Director subject to the Superintendence and control of the Board of Directors. The details of Directors attending the Meetings and Date of the Meetings are further furnished hereunder:

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

During the financial year ended 31st March, 2006, six Board Meetings were held on (1) 28.05.05 (2) 10.06.05 (3) 29.07.05 (4) 19.10.05 (5) 20.01.06 and (6) 09.03.06. The last Annual General Meeting of the Company was held on 16.08.05 and it was attended by Sri T.G.Venkatesh, Chairman and Managing Director and Sri M.P.Murti, Chairman of Audit Committee.

(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



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5. Reviewing with management quarterly financial statements
6. The adequacy of internal audit functions
7. Discussions with statutory auditors before the audit commences
8. Reviewing the findings of any investigations by the internal auditors etc.

In addition to quarterly and yearly Un-audited/Audited financial results the Committee deliberate upon the relevant matters mentioned in Listing agreement, Companies Act and Cost Audit Report rules etc., The Committee is headed by Sri M.P.Murti, the Senior most independent Director. Majority of the committee members are independent Directors or Nominee Directors of Financial Institutions viz., IDBI and IFCI. The Audit Committee was reconstituted by the Board in its meeting held on 09.03.06 with (1) Sri M.P.Murti, Chairman (2) Sri R.K.Chavali, Member, (3) Sri D.S.Prasad, Member and (4) Sri P.N.Vednarayanan, Member.

Name of the Director	Designation	No.of Meetings	
		Held	Attended
(1) Sri M.P.Murti	Chairman	3	3
(2) Sri D.S.Prasad	Member	3	3
(3) Sri R.K.Chavali	Member	3	3
(4) Sri G.Krishna Murthy	Member	3	2
(5) Sri O.D.Reddy	Member	3	3
(6) Sri P.N.Vednarayanan	Member	3	2

During the financial year ended 31st March, 2006, three Board Audit Committee Meetings were held on (1) 10.06.05 (2) 19.10.05 and (3) 20.01.06 respectively.

(5) Remuneration Committee:

The Remuneration Committee has been reconstituted by the Board in its Meeting held on 09.01.2005 with the following Directors as its members. During the year the committee has not met since there was no business to be transacted for fixing/changing remuneration of Directors etc., (1) Sri M.P. Murti, Chairman (2) Sri P.N. Vednarayanan, Member and (3) Sri O.D.Reddy, Member.

The non-executive Directors will be paid sitting fee of Rs.750/- per meeting of Board/Sub-committees of the Board. The CMD will not be paid any sitting fee for attending the Board/ Committee meetings. The details of total remuneration paid to Sri T.G.Venkatesh, CMD for the year is furnished hereunder:

Salary	Perquisites	Commission
4,80,000	2,44,000	—

(6) Shareholders Committee (Investors Grievance Committee):

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

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, 2006, four Investors Grievance Committee Meetings were held on (1) 09.04.05 (2) 09.07.05 (3) 08.10.05 and (4) 09.01.06 respectively.



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(7) General Body meetings:

The last three Annual General Meetings of the Company were held on (1) 09.09.03 (4.00 P.M) (2) 14.08.04 (4.00 P.M) (3) 16.08.05 (4.30 P.M) at Regd.Office: Gondiparla, Kurnool-518 004 (A.P).

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

- (a) 2002-2003
 - 1. Delisting of Equity Shares from HSE, ASE and DSE
 - 2. Cancellation of existing Equity and issue of CRPS and new equity in the ratio of 2:1:1
 - 3. This special resolution was passed through postal ballot. Total votes polled in favour by 99%. Smt. Saileela, Advocate was appointed as scrutineer. However this resolution was not given effect as it was implemented with the approval of the members through Scheme of Arrangement U/S 391 to 394 in the subsequent year
 - 3. Alteration of Articles of and Memorandum of Association
- (b) 2003-2004
 - 1. Increase in authorised Share Capital
 - 2. Reclassification of Authorised Share Capital
 - 3. Sub-division and consolidation of Equity and Preference Shares
 - 4. Issue of further Equity Shares to promoters on preferential basis
 - 5. Issue of further equity shares to Financial Institutions on conversion of their part loan into equity
- (c) 2004-2005
 - 1. reappointment of Chairman and Managing Director

(8) Disclosures:

None of the transactions with any of the related parties were in conflict with the interests of the Company at large. The details of related party transactions are furnished under Schedule J - Notes to Accounts of Balance Sheet and Profit & Loss account in compliance with Accounting Standard 18. The company has not received any notices from Stock Exchange or SEBI regarding non compliance of statutory provisions. The company is complying with all mandatory requirements stipulated in Clause 49 and non-mandatory requirements are not yet adopted by the Company.

(9) Means of communication:

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

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

(10) General Shareholder information:

- a. AGM Date, time and Venue : 27th May, 2006,
at Regd .Office: Gondiparla,
Kurnool - 518 004 (A.P).
- b. Financial Calendar : 01.04.2005 to 31.03.2006
Un-Audited Financial result for : First Quarter - July'05
Second Quarter- October'05
Third quarter - January'06
Fourth quarter- April'06
- c. Book Closure period : 23.05.2006 to 27.05.2006 (both days inclusive)
- d. Dividend payment date : N.A



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

e. The shares of the Company is listed on:

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

ISIN NO: INE284B01028, SCRIP CODE : 507753 in EQUITY SHARES

ISIN NO: INE284B04014, SCRIP CODE : 700102 in C.R.P.S

The listing fee to the Stock Exchange for the year is being paid by the company. Pursuant to the provisions of the erstwhile sub section (5 of Section 205-A of the Companies Act, 1956, the dividends upto the financial year 1994-95, which remained unclaimed, have been transferred to the General Revenue Account of the Central Government/Investor Education and Protection Fund as the case may be. The concerned Shareholders are requested to claim the amount from the Registrar of Companies, Hyderabad. In case any assistance is required, please write to the Company at its Registered Office. In accordance with the amended provisions of Section 205-C, the unclaimed Dividend pertaining to the year 1996-97 has been transferred to Investor Education and Protection Fund.

f. i) Shareholding pattern for Equity Shares and CRPS as on 31st March, 2006:

S.NO	CATEGORY	EQUITY SHARES		CRPS(★)	
		SHARES	%	SHARES	%
1	Promoter	22 520988	36.28	8444105	44.72
2	Mutual Funds and UTI	37787	0.06	37787	0.20
3	Banks & Financial Institution & Insurance Companies	31035649	50.00	2424994	12.84
4	Corporate Bodies	1166284	1.88	726782	3.85
5	Indian Public	6731195	10.84	6649341	35.22
6	NRIs / OCBs	581383	0.94	599323	3.17
	TOTAL	62073286	100.00	18882332	100.00

★CRPS Cumulative Redeemable Preference Shares

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

STOCK MARKET DATA - (BSE based)

Month & Year	High	Low
Aug' 05	44.00	25.00
Sep' 05	40.80	20.10
Oct' 05	26.90	16.10
Nov' 05	22.00	17.00
Dec' 05	21.90	15.95
Jan' 06	21.00	15.10
Feb' 06	17.90	13.60
Mar' 06	15.45	11.50

Note: In pursuance to the scheme of arrangement equity shares held as on 25.2.05 were cancelled and in its place new equity and CRPS were issued in the ratio of 2:1:1. The new equity and CRPS were listed vide BSE order letter Ref.No. DCS/SMG/RCG/2005/507753 dt.08.08.05. In view of this trading in equity shares of the company suspended on 25.2.05, were restarted in the month of August'05 and hence the share quotations details were furnished from August'05 onwards.

(g) Dematerialisation of Shares:

As on 31st March, 2006 out of 62073286 Equity Shares 33979791 No.of Shares were dematerialised (54.74 %). Out of 18882332 No.of CRP Shares 15434749 were dematerialised (81.74%). Since the company's shares are



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

trading under compulsory De-mat mode shareholders are requested to take necessary steps to dematerialise their shares held in physical form.

(h) Code of conduct:

In pursuance to the Clause 49 of the listing agreement "Code of Conduct" applicable to (1) Directors (2) Senior Management has been approved by the Board and the same has been placed on the company's website. Copy of the code of conduct circulated to all the concerned and obtained their affirmation.

(i) Plant Location : Gondiparla, Kurnool - 518 004 (A.P)

(j) Address for Correspondance : 6-2-1012, II Floor, TGV Mansion above ICICI Bank, Khairatabad, Hyderabad.

On behalf of the Board of Directors

T.G.VENKATESH

Chairman and managing Director

DECLARATION

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 31.3.2007.

On behalf of the Board of Directors

Place: Hyderabad

Date : 25.04.06

T.G.VENKATESH

CHAIRMAN AND MANAGING DIRECTOR

ANNEXURE 'D' TO THE DIRECTORS' REPORT:

AUDITOR'S CERTIFICATE

To the Members of

**SREE RAYALASEEMA ALKALIES
AND ALLIED CHEMICALS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Sree Rayalaseema Alkalies and Allied Chemicals Ltd., Kurnool for the year ended March, 31, 2006 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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

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

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

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

For BRAHMAYYA & CO

Chartered Accountants

Place: Hyderabad (Camp)

Date : 25.04.06

B.DAIVADHEENAM REDDY

Partner

Membership No.026450



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

ANNEXURES 'E' TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS:

The Company is having mainly three Business Division namely:-

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

1. CHEMICALS DIVISION:

- (1) Industry Structure and Developments:
Under the Chemical division the Company is manufacturing caustic Soda, potassium Hydroxide, Chlorine and other chemicals. The Chlor-Alkali products of the division i.e, caustic soda, potassium hydroxide, Chlorine are widely used in paper, rayon detergents, aluminum, bulk drugs, Pharmaceuticals, water treatment, Pesticides etc.
- (2) Opportunity and Threats:
With the better out look for Chlor-Alkali products now prevailing in the market, the demand and end product's realisation is at respectable level.
The Chlor-Alkali Industry is power oriented and with the increasing trend in its cost the industry performance may be relatively affected.
- (3) Out look:
With the better demand now prevailing in the market and continued positive industrial out look it is expected that the chlor-Alkali operations of the Company expected to be better.
- (4) Risks and concerns:
The ever increasing trend in fuel cost is a concern which will have an impact on the profitability of the Company.

2. OILS AND FATS DIVISION:

- (1) Industry Structure and Developments:
Castor Oil and its derivatives, fatty acids, glycerine, Soaps and Soaps noodles are manufactured under this division. Castor Oil and its derivatives are having excellent export potential. Fatty acids are mainly used in soap, paints, rubber, plastics and Cosmetics etc.
- (2) Opportunity and Threats:
The Castor Oil operations are also in satisfactory level with India being major player in this segment. As stated above better industrial outlook, Fatty Acids operations are expected to grow favorably. The Low cost availability of vegetable oils in east asian countries may affect the local prices to some extent.
Any adverse natural conditions will affect the seed growth consequently the availability of Castor Oil may become a concern.
- (3) Out look:
The Low Tariff regime will help cheaper availability of industrial grade vegetable oils and same will help for better performance of Company's Fatty acid's operations.
- (4) Risks and concerns:
The Oil prices are volatile and supply depends upon the success of monsoon. The foreign exchange fluctuations are also a concern for this division.

3. POWER DIVISION:

- (1) Industry Structure and Developments:
The Company is generating Electricity with Independent Power Producer status at its Bellary Power Plant which uses Furnace oil as its feed stock. The Power generated is sold to Karnataka Power Transmission Corporation Limited (KPTCL).



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- (2) Opportunity and Threats:
With ever increasing demand for power, this segment is expected to do well. However regular increase in fuel prices making the power generation a costlier affair. The buyer KPTCL may restrict Company's power generation depending on the availability of cheap hydel power to them.
- (3) Out look:
The demand and supply of power in Karnataka State will not vary the units profitability as capacities and compensations are fixed.
- (4) Risks and concerns:
There are no major risks contemplated in this division in view of the agreement with KPTCL.

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

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorised use or disposal. The Internal Audit 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, 2006 the employee strength (on permanent rolls) of the Company was 780.

CAUTIONARY STATEMENT:

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

On behalf of the Board of Directors

Place: Hyderabad
Date : 25.04.06

T.G.VENKATESH
Chairman and Managing Director



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

AUDITOR'S REPORT

To the Members,

Sree Rayalaseema Alkalies and Allied Chemicals Ltd.,

1. We have audited the attached Balance Sheet of M/s. Sree Rayalaseema Alkalies and Allied Chemicals Ltd., Kurnool as at 31st March, 2006 and the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, **except accounting for taxes on income (AS 22) in respect of deferred tax liability (net) relating to earlier years as at 01/ 04/2005 and deferred tax asset for the year ended on 31.3.2006.**

- v) On the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 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,

“Subject to that (1) Deferred Tax liability (Net) as on 01.04.05 amounting to Rs.2149.22 lakhs arising on account of timing differences (Refer Note No.10) not charged to Reserves Account and deferred tax asset for the year under report of Rs.312.20 lakhs not considered during the year and by this effect the Reserves overstated to the extent of Rs.2149.22 lakhs and Net profit for the year understated to the extent of Rs.312.20 lakhs respectively and the same were not considered as deferred tax liability / asset in Balance Sheet (2) The extraordinary expenditure of Rs.624.93 lakhs relating to earlier years was charged off by transferring an equal amount from General Reserve Account to Profit and Loss Appropriation Account (Refer Note.11),“

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, 2006;
- b) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Brahmayya & Co.,
Chartered Accountants

(B.DAIVADHEENAM REDDY)

Partner

Place: Hyderabad(Camp)
Dt. 25.04.2006

Membership No.026450



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

ANNEXURE TO AUDITOR'S REPORT

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

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

- (i) In respect of fixed assets;
 - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As explained to us, all the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification. In our opinion, the Company has not disposed of 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) In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956;
 - a. The company has taken unsecured loans in earlier years from one company and the maximum amount involved during the year was Rs.11.00 lakhs and the year end balance was Rs. Nil. The company has not granted any loans to the parties covered under section 301 of the Companies Act, 1956.
 - b. In our opinion and according to the information and explanations given to us, no interest was paid and other terms and conditions on which loans have been taken are not, prima facie, prejudicial to the interest of the Company.
 - c. In respect of loans taken by the Company, no interest payments were made and the principal amount was adjusted against their dues.
 - d. There is no overdue amount in respect of loans taken by the Company, since these are repaid during the year and therefore the question of overdue amounts does not arise.
- (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 complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. 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 certain manufacturing activities of the Company. We have broadly reviewed the books of account and records relating to materials, labour and other items of cost maintained by the Company and we are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) In respect of statutory dues;
 - a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education, 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, 2006 for a period of more than six months from the date they became payable.
 - c. According to the information and explanation given to us, there are disputed statutory dues, which have not been deposited in respect of the following under Customs and Central Excise Act, 1944.
 - 1) Modvat credit availed on capital goods for the period June 94 to Aug 96 of Rs.61.69 lakhs and for the period April, 95, May, 96, June, 96 and Jan, 97 of Rs.7.05 lakhs disputed and pending before the Commissioner/Addl. Commissioner of Central Excise, Tirupati.
 - 2) Modvat credit availed on furnace oil for the period Oct'03 to Sep'04 of Rs.1.61 lakhs disputed and



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- pending before the Customs, Excise and Service tax Appellate Tribunal, Bangalore.
- 3) Excise duty on hire/rentals on tankers and testing charges for the period from July,00 to Oct,03 of Rs.4.73 lakhs and from Nov,03 to Oct,04 of Rs.2.57 lakhs and from Nov'04 to Sep'05 of Rs.0.47 lakhs pending before the Deputy / Asst.Commissioner of Central Excise, Kurnool.
- 4) Service tax levied under Finance Act, 1997 on freight charges during the period 16th Nov,97 to June, 98 of Rs. 23.48 lakhs and service tax on clearing and forwarding charges for the period 16th July,97 to 15th Oct,98 of Rs.2.37 lakhs and interest Rs.5.07 lakhs and penalty Rs.1.26 lakhs disputed and pending before the commissioner (Appeals), Guntur..
- 5) Redemption fine of Rs.9.00 lakhs and penalty of Rs.0.90 lakhs on import of raw material during May, 2003 disputed and pending before the CESTAT (Tribunal), Bangalore and Under A.PVAT Act, 2005
- 6) Input tax credit availed on Furnace oils and coal consumption during the period April'05 to Dec'05 of Rs.47.83 lakhs and penalty Rs.10.16 lakhs and interest of Rs.3.36 lakhs disputed and paid under protest Rs.47.77 lakhs and an appeal against the demand is being preferred before the Appellate Deputy Commissioner of Commercial Tax, Kurnool.
- (x) In our opinion, after considering the effect of the qualifications, the accumulated losses of the company are not more than fifty percent of its net worth and the company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and in the immediately preceeding financial year.
- (xi) In our opinion and according to the information and explanation given to us, we are of the opinion, that generally the Company has not defaulted in repayment of dues to Financial Institutions, Banks or Debenture holders, except the payment of interest and principle dues fallen due during the year to Financial Institutions/Banks/Debenture holders, which were paid subsequent to due dates and no interest amount was due at the year end and the principal amount of Rs.708.87 lakhs fallen due to foreign bank (SEB Ag,Germany) was outstanding as on 31.03.2006 and Rs.92.00 lakhs paid subsequently. Further, the principal and interest dues under OTS of Rs.419.32 lakhs payable to Indian Renewable Energy Development Agency Ltd., crystallised under one time settlement was outstanding as on 31.3.2006 and the matter is pending before Debt Recovery Tribunal.
- (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 other 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 terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not, prima-facie, prejudicial to the interest of the Company.
- (xvi) The Company has not raised any new term loans during the year. In our opinion, the term loans outstanding at the beginning of the year were applied for the purposes for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has created securities in respect of debentures issued.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Brahmayya & Co.,
Chartered Accountants

(B.DAIVADHEENAM REDDY)
Partner
Membership No.026450

Place: Hyderabad (Camp)
Date : 25th April, 2006



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs. in Lakhs
SOURCES OF FUNDS		
SHAREHOLDERS FUNDS:		
Share Capital	A 8641.84	8155.09
Reserves and Surplus	B 8438.16	8242.30
LOAN FUNDS:		
Secured Loans	C 29900.93	31695.92
Unsecured Loans	D 980.99	835.08
TOTAL	<u>47961.92</u>	<u>48928.39</u>
APPLICATION OF FUNDS		
Fixed Assets - Net of Depreciation	E 37731.50	37212.01
Investments	F 233.06	232.86
Current Assets	G-A 7268.83	6925.47
Loans and Advances	G-B 2913.07	2510.71
	<u>10181.90</u>	<u>9436.18</u>
Less: Current Liabilities & Provisions	H 6257.91	4275.76
Net Current Assets	3923.99	5160.42
Miscellaneous Expenditure (Deferred Revenue Expenditure to the extent not written off or adjusted)	6073.37	6323.10
TOTAL	<u>47961.92</u>	<u>48928.39</u>
Notes to Accounts	J	

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

For Brahmayya & Co.,
Chartered Accountants

For and on behalf of the Board

B.DAIVADHEENAM REDDY
Partner

T.G.VENKATESH
Chairman and Managing Director

M.P.MURTI
Director

Place: Hyderabad
Date: 25.04.2006

V.RADHAKRISHNA MURTHY
General Manager & Company Secretary

Place: Hyderabad
Date: 25.04.2006



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.06

	SCHEDULE	Year ended 31.03.06 Rs. in Lakhs	Year 31.03.05 Rs. in Lakhs
INCOME			
Sales — Gross	1	35151.06	33671.45
Less: Excise Duty		3715.68	3502.20
Sales Tax		1990.80	568.82
Sales—Net		29444.58	29600.43
Process Charges		327.63	260.03
Other Income	2	532.95	176.42
Profit on Sale of Investments/Fixed Assets		1.20	52.93
Increase / (Decrease) in Stocks	3	(70.53)	(98.75)
TOTAL INCOME		30235.83	29991.06
EXPENDITURE			
Consumption of Raw materials	4	8982.05	10818.28
Employees Remuneration & Benefits	5	1500.34	1384.32
Power and Fuel		8882.34	8182.95
Consumption of Chemicals Packing and stores		1249.33	1190.53
Other Manufacturing, Administrative & Selling Expenses	6	2516.51	2581.64
Interest/Finance Charges	7	2511.73	2606.22
TOTAL EXPENSES		25642.30	26763.94
PROFIT BEFORE DEPRECIATION		4593.53	3227.12
LESS: Depreciation	E	2475.10	2464.19
Deferred Revenue Expenditure Written Off		1079.64	520.58
Expenses/(Income) relating to Earlier Years (Net)		102.64	(0.86)
PROFIT BEFORE TAXATION		936.15	243.21
LESS Provision for Taxation(MAT)-for Current Year	80.00		19.07
for Earlier Years	0.36		0.32
for Fringe Benefit Tax	35.00		-
		115.36	19.39
PROFIT AFTER TAXATION		820.79	223.82
ADD : Surplus Carried from Previous Year		295.90	447.08
PROFIT AVAILABLE FOR APPROPRIATION		1116.69	670.90
Add: Transfer from General Reserve	624.93		
Less: Extra Ordinary Expenditure relating to earlier years charged off (Refer Note No:11)	624.93		
Transfer to Debentures Redemption Reserve			375.00
Surplus carried to Balance Sheet		1116.69	295.90

Notes to Accounts

J

Schedules "1" to "7" and "E" to "J"annexed form integral part of Balance Sheet As Per our Report of even date attached

For Brahmaya & Co.,
Chartered Accountants

For and on behalf of the Board

B.DAIVADHEENAM REDDY
Partner

T.G.VENKATESH
Chairman and Managing Director

M.P.MURTI
Director

Place:Hyderabad
Date:25.04.2006

V.RADHAKRISHNA MURTHY(GM & CS)

Place:Hyderabad
Date:25.04.2006



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs. in Lakhs
SCHEDULE A		
SHARE CAPITAL AUTHORISED:		
i) 6,80,00,000 Equity shares of Rs.10/- each	6800.00	6800.00
ii) 1,90,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each having Coupon rate of 0.01% redeemable after 15 years	1900.00	1900.00
ISSUED:		
(A) 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each allotted on sub-division and consolidation having a Coupon rate of 0.01% from April, 2002 redeemable after 15 Years in 4 Quarterly instalments commencing from 1.04.2018.	1888.23	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each issued on sub-division and consolidation	1888.23	1888.23
(C) 2,86,10,955 Equity Shares of Rs.10/- each issued on preferential allotment to IDBI & IFCI by Conversion of 15% of Rupee/Foreign Currency loans and Debentures	2861.10	2861.10
(D) 2,00,00,000 Equity Shares of Rs.10/-each. Share Warrants issued to Promoters group on Preferential allotment	2000.00	2000.00
	<u>8637.56</u>	<u>8637.56</u>
SUBSCRIBED, CALLED-UP AND PAID UP:		
(A) 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each allotted on sub-division and consolidation having a Coupon rate of 0.01% from April,2002 redeemable after 15 Years in 4 Quarterly instalments commencing from 1.04.2018.	1888.23	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each allotted on sub-division and consolidation	1888.23	1888.23
(C) 2,86,10,955 Equity Shares of Rs.10/- each allotted on preferential allotment to IDBI & IFCI by Conversion of 15% of Rupee/FC loans and Debentures	2861.10	2861.10
(D) 1,45,80,000 Equity Shares of Rs.10/-each allotted on Preferential allotment to Promoters group.	1458.00	1458.00
(E) 54,20,000 Share Warrants issued to Promoters group on preferential allotment to be convert into Equity on or before 08.09.2006	542.00	55.25
	<u>8637.56</u>	<u>8150.81</u>
ADD: Amount received on Forfeited Shares of Initial Issue in 1995-96(180086 Shares)	4.28	4.28
	<u>8641.84</u>	<u>8155.09</u>

**SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED**

	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs. in Lakhs
SCHEDULE B		
RESERVES AND SURPLUS		
Central Subsidy-per last Balance Sheet	111.67	71.67
Add:Received during the year	-	40.00
	111.67	111.67
Capital Reserve - Per last Balance sheet	2.00	2.00
Share Premium Account	2288.51	2288.51
General Reserve-Per last Balance Sheet	4024.22	4024.22
Less: Transferred to Appropriation Account to charge off Extra ordinary Expenditure relating to earlier years (Refer Note No: 11)	624.93	-
	3399.29	4024.22
Investment Allowance Reserve-Per last Balance Sheet	520.00	520.00
Debentures Redemption Reserve -Per last Balance Sheet	1000.00	625.00
Add: Transfer from Profit and Loss A/c	-	375.00
	1000.00	1000.00
Surplus in Profit & Loss Account	7321.47	7946.40
	1116.69	295.90
TOTAL	8438.16	8242.30



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs. in Lakhs
SCHEDULE- C		
SECURED LOANS		
A) DEBENTURES (PRIVATELY PLACED):		
i) 8,50,000-11% Redeemable Non-convertible Debentures of Rs. 100/- each issued to IDBI (As per Restructuring of Debts payable in 96 Months instalments starting from April,2008)	850.00	850.00
ii)- 3,10,761- Series "A" 0% interest Redeemable Non-Convertible Debentures of Rs.100/-each issued to I.F.C.I.Ltd (as per restructuring package redeemable in 120 Monthly Instalments from April,2006)	310.76	310.76
- 2,05,177 - Series "B" 0% interest Redeemable Optional Fully convertible debentures of Rs.100/-each issued to I.F.C.I.Ltd (as per restructuring package redeemable in 120 Monthly Instalments from April,2006)	205.18	205.18
- 33,26,200 - Series "C" 0% interest Redeemable Non-convertible Debentures of Rs.100/-each issue to I.F.C.I.Ltd (liability to the extent of crystallised dues) as per restructuring package Redeemable in 120 Monthly Instalments from April,2006)	3032.01	3032.01
B. LOANS FROM INSTITUTIONS:		
i) - Term Loans IDBI & IFCI Loans Repayable in 96 Months Instalments from April,2008	15799.97	15943.48
- Deferred Loans (Repayable in 120 Monthly instalments from April,2006 as per Restructuring package)	4824.29	4824.29
ii) Term Loans from Foreign Banks		
SEB AG (Foreign Currency Loan), Germany	3131.02	4399.52
(Total Repayable in 24 Months Instalments)		
C. Working Capital Loans From		
United Bank Of India	530.35	656.43
Indian Bank	166.17	157.07
South Indian Bank Ltd	480.80	496.94
State Bank of Travancore	183.64	409.85
Can Bank Factors Ltd, (Bills discounted)	238.86	214.57
Federal bank Ltd	147.88	195.82
	1747.70	2130.68
TOTAL SECURITY:	29900.93	31695.92

- 1) The above Debentures issued to IDBI are secured by first charge of all the Company's immovable properties both present and future ranking paripassu with the mortgages and charges created / to be created with other loans and further secured by first charge by way of mortgage of Company's properties (save and except book debts and assets exclusively charged/ to be charged in favour of IDBI) including movable machinery, machinery spares, tools and accessories present and future subject to prior charge created and /or to be created in favour of Company's Bankers on the Company's stock of raw materials as well as to Banks on semi-



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

finished and finished goods, consumable stores and such other movables as may be agreed to by the Trustees for securing the borrowings for working capital requirements in the ordinary course of business and further secured by pledge of 804000 Nos. of APGPCL Equity shares of Rs.10/- each and guaranteed by the Managing Director.

- 2) The above series "A" debentures issued to IFCI are secured in favour of Trustees by way of first charge on all immovable properties situated at Bellary both present and future and further secured by way of first charge on company's movable (save and except book-debts), including movable machinery, machinery spares, tools and accessories; present and future, subject to prior subject to prior charge created and/or to be created in favour of company's bankers on the stock of raw materials, semi finished goods, consumable stores and such other movable, as may be agreed to by the trustees, for securing the borrowings for working capital requirements in the ordinary course of business and further guaranteed by Managing Director.
- 3) The above series "B&C" debentures issued to IFCI are secured in favour of Trustees by way of first charge on all immovable both present and future and further secured by way of first charge on company's movable (save and except book-debts), including movable machinery, machinery spares, tools and accessories; present and future, subject to prior charges created and / or to be created in favour of company's bankers on the stock of raw materials, semi finished goods, consumable stores and such other movable, as may be agreed to by the trustees, for securing the borrowings for working capital requirements in the ordinary course of business and further guaranteed by Managing Director.
- 4) The above Term Loans from Institutions (except the Term Loan amount of Rs.5818.42 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 and the Term loan from The Indian Renewable Energy Development Agency Ltd of Rs.426.08 Lakhs are secured by first exclusive mortgage / charge on the assets of Wind Farm Project) are secured by first charge on all the immovable properties both present and future and further secured by first charge by way of hypothecation of all movables (save and except book-debts and inventories including movable machineries, spares, tools, accessories both at present and future, subject to prior charges created / to be created in favour of the company's bankers as specified movables for working capital requirements) and further Guaranteed by the Managing Director. IFCI's Additional Margin money for working capital loan of Rs.850 Lakhs (excluding 15% of loan amounting to Rs. 150 lakhs to be converted into equity as per restructuring package is further secured by pledge of 536000 Nos. of APGPCL Equity shares of Rs.10/- each.
- 5) The loan from SEB AG Germany of EURO 57.77 Lakhs (Equivalent to Rs.3131.03 Lakhs) from SEB AG Germany is secured by second and subservient charge on the fixed assets of power plant at Bellary.
- 6) The above Working Capital Loans from Banks are secured by hypothecation of Raw materials, stock in process, finished goods, stores and spares of the company wherever situated and Book debts to the extent of sanctioned limits, and further secured by second charge on all immovable properties and guaranteed by the Managing Director. And the Bill discounting facility from Can Bank Factors Ltd is secured by second charge on fixed assets of the company ranking pari passu with the charges already created/ to be created by the Company and further guaranteed by the Managing director.

	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs. in Lakhs
SCHEDULE - D UNSECURED LOANS		
Fixed Deposits	0.00	14.15
Trade Deposits	134.76	383.46
Bills Payable	75.00	325.00
Sales Tax Deferment(Payable in 12 Months Rs.7.10 Lakhs)	771.23	112.47
TOTAL	980.99	835.08



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

SCHEDULE "E" FIXED ASSETS

S.No.	Description	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK	
		As at 01/04/2005	Additions	Deductions	As at 31/03/2006	Upto 31/03/2005	For the Year	Deductions Upto 31/03/2006	As at 31/03/2006
1	a) Free hold Land and Development b) Lease hold Land	226.43	11.50	1.23	236.70	-	-	-	236.70
2	Buildings	53.74	-	-	53.74	-	-	-	53.74
3	Plant & Machinery	2752.33	300.40	7.50	3045.23	515.76	84.52	600.28	2444.96
4	Power Plant & Machinery	28310.77	1137.26	28.31	29419.72	11152.94	1326.47	12476.09	16943.63
5	Electricals & D.G. Sets	12592.61	-	-	12592.61	2455.46	664.89	3120.35	9472.25
6	Furniture & Fittings	7479.52	169.17	-	7648.69	2520.99	355.95	2876.94	4771.75
7	Office and Telephone Equipment	58.59	0.60	-	59.19	43.35	2.77	46.12	13.07
8	Computers	130.25	23.77	-	154.02	65.74	9.25	74.99	79.03
9	Lab. Workshop & Other Equipment	140.32	37.96	-	178.28	112.15	11.63	123.78	54.50
10	Vehicles	125.40	28.42	-	153.82	65.68	8.64	74.32	79.50
11	Capital Works-in-Progress	284.45	6.23	13.41	277.27	244.43	10.98	12.50	34.36
	a) Civil Works	52154.41	1715.31	50.45	53819.27	17176.50	2475.10	15.82	34183.49
	b) Electricals & D.G. Sets	744.76	160.93	251.28	654.41	-	-	-	654.41
	c) Plant & Machinery	76.29	403.69	169.17	310.82	-	-	-	310.82
	TOTAL	1413.05	2306.99	1137.26	2582.78	-	-	-	2582.78
	PREVIOUS YEAR	54388.51	4586.92	1608.16	57367.28	17176.50	2475.10	15.82	37731.50
		52170.70	4447.42	2229.61	54388.51	14760.82	2464.19	48.51	37409.88



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs. in Lakhs
SCHEDULE - F		
INVESTMENTS		
NON-TRADE INVESTMENTS-IN GOVERNMENT SECURITIES		
National Saving Certificates(unquoted at cost)	1.00	0.80
NON-TRADE INVESTMENTS		
i) In Shares (unquoted at cost)		
a) Andhra Pradesh Gas Power Corporation Ltd., (536000 Equity Shares of Rs.10/- each and 804000 Equity Shares of Rs.10/-each at Rs.12.50 & Bonus Shares 53600)	144.05	144.05
ii) Quoted:		
a) Industrial Development Bank of India (3600 Equity Shares of Rs.10/-each at Rs.130 and 2160 Bonus Shares of Rs.10/-each)	4.68	4.68
b) Sree Rayalaseema Hi-Strength Hypo Ltd. (833333 Equity Shares of Rs.10/-each allotted on amalgamation of the Company as approved by the Court)	83.33	83.33
	<u>233.06</u>	<u>232.86</u>
Aggregate Book Value of Quoted Investments	88.01	88.01
Aggregate Market Value of Quoted Investments	47.05	85.67
Aggregate Book Value of Unquoted Investments	145.05	144.85
SCHEDULE G		
CURRENT ASSETS, LOANS AND ADVANCES		
A. CURRENT ASSETS		
1. Inventories (As taken, valued and certified by the Management)		
- Raw Materials	420.46	412.21
- Stores, Consumables & Spares	1711.10	1057.58
- Stock in Process	278.99	271.16
- Finished Goods	462.97	545.63
- Scrap & Disposables	28.37	24.07
Total Inventories	<u>2901.89</u>	<u>2310.65</u>
2. Sundry debtors (unsecured) Outstanding for more than six months		
Considered Good	-	-
Considered Bad and Doubtful Debts	-	259.41
	<u>-</u>	<u>259.41</u>
Less: Bad debts written off Last year	-	259.41
Others	-	-
Considered good	<u>3609.10</u>	<u>3580.70</u>
Total Debtors	<u>3609.10</u>	<u>3580.70</u>
3. Cash and Bank Balances		
cash on hand	2.55	4.40
Balance with Scheduled Banks		
In Current Account	315.83	599.46
In Deposit Account (Includes Margin Money)	408.98	382.61
Interest Accrued on Bank Deposits	30.48	47.65
Total Cash / Bank Balance(3)	<u>757.84</u>	<u>1034.12</u>
TOTAL(1+2+3)	<u>7268.83</u>	<u>6925.47</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.06 Rs. in Lakhs	As at 31.03.05 Rs.inLakh
B. LOANS AND ADVANCES (Unsecured and considered good)		
Deposits for power supply	483.01	239.32
Other Deposits	678.31	347.20
Advances recoverable in cash or in kind or for value to be received		
Advance for supply of materials	419.23	214.13
Advance for supply of Capital goods	210.93	291.31
Advance to Contractors	59.75	22.38
Advance to Employees	34.98	36.22
Advance to Transporters	76.31	127.47
Other Advances	499.71	747.73
Advance Income Tax/TDS	39.12	23.99
Claims Receivable	389.40	433.10
Prepaid Expenses	22.32	27.86
TOTAL	<u>2913.07</u>	<u>2510.71</u>

SCHEDULE - H CURRENT LIABILITIES & PROVISIONS

A. CURRENT LIABILITIES

Sundry Creditors for Capital Goods	872.38		346.47
Sundry Creditors for Supplies			
- SSI Under Takings(Refer note no.6) in schedule J	376.58	250.39	
- Others	2248.68	2625.26	1405.38
Sundry Creditors for Expenses	237.93		437.04
Customers Credit Balances	445.20		389.43
Other liabilities	1270.68		891.40
Interest accrued but not due on loans	610.56		528.26
Balance due to Banks	80.22		0.02

B. PROVISIONS

Provision for Taxation(MAT)	6142.23		4248.39
Provision for Fringe Benefit Tax	80.68		27.37
	35.00		-

TOTAL	<u>6257.91</u>		<u>4275.76</u>
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SCHEDULE - I

Miscellaneous Expenditure

(Preliminary and Deferred Revenue Expenditure
to the extent not written off or adjusted)

Deferred Revenue Expenditure	6323.10		6354.03
Add : Additions during the year	829.91		489.65
	7153.01		6843.68
Less : amount written off during the year	1079.64		520.58
	<u>6073.37</u>		<u>6323.10</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	Year ended 31.03.06 Rs. in Lakhs	Year ended 31.03.05 Rs. in Lakhs			
SCHEDULE 1					
SALES (Gross)					
Caustic Soda Lye/Flakes	12637.10	8680.59			
Liquid Chlorine/Gas	4087.19	3409.62			
Hydrochloric Acid	1365.69	1565.14			
Barium Sulphate	118.06	102.78			
Hydrogen	159.72	90.32			
Bleach Liquor	555.28	454.03			
Hydrochloric Acid Gas	104.34	65.46			
Hydrogenated Castor Oil	1284.16	1136.45			
12 Hydroxy Stearic Acid	1924.19	1480.54			
Mono Corboxylic Acid(Mixed Fatty Acid)	9.63	-			
Risinolic Acid	56.95	73.75			
Sr:Hydrogenated RBFA	112.88	620.81			
Caustic Pottasium Hydroxide	3988.51	6290.60			
Stearic Acid-Different Grades	751.43	976.95			
Refined Glycerine	526.61	1082.03			
Toilet Soaps	604.32	504.02			
Soap Noodles	3589.14	3188.05			
D.G.Power under Power Purchase Agreement	2931.76	3577.56			
Miscellaneous and Other Oils Sales	344.10	372.75			
TOTAL	35151.06	33671.45			
SCHEDULE 2					
OTHER INCOME					
Export Incentives	265.74	143.36			
Input Tax Credit	28.51	-			
F.E.Fluctuation gains	188.45	-			
Hire Charges Receipts	2.55	3.40			
Insurance Claims	5.25	0.53			
Other Miscellaneous Receipts	42.45	29.13			
TOTAL	532.95	176.42			
SCHEDULE 3					
INCREASE/(DECREASE) IN STOCKS					
CLOSING STOCKS					
Finished goods	462.97	545.63			
Scrap & Disposables	28.37	24.07			
Stock-in-process	278.99	271.16			
TOTAL (A)	770.33	840.86			
OPENING STOCKS					
Finished Goods	545.63	692.24			
Scrap & Disposables	24.07	18.92			
Stock-in-process	271.16	228.45			
TOTAL (B)	840.86	939.61			
INCREASE/(DECREASE) IN STOCKS (A)-(B)	(70.53)	(98.75)			
SCHEDULE 4					
CONSUMPTION OF RAWMATERIALS					
	UNIT	QUANTITY	COST	QUANTITY	COST
i) Salt	MT	117956	1482.54	100330	1078.99
ii) Castor Oil	MT	6908	2159.34	5553	2120.84
iii) Acid Oil & Other Oils	MT	15147	3179.45	16357	3814.91
iv) F.O./HSD/Lubricants for Power Generation	KL	3895	933.83	9137	1536.15
v) Potasium Chloride & Carbonate	MT	13248	1111.14	27522	2149.13
vi) Other Raw Materials			115.75		118.26
TOTAL			8982.05		10818.28

**SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED**

	Year ended 31.03.06 Rs. in Lakhs	Year ended 31.03.05 Rs. in Lakhs
SCHEDULE - 5		
EMPLOYEES REMUNERATION & BENEFITS		
Salaries, Wages, Bonus and Allowances	1145.40	1076.02
Welfare expenses	226.80	183.65
Contribution to ESI & Provident Fund	88.14	85.68
Contribution to Gratuity & Superannuation Scheme	40.00	38.97
TOTAL	1500.34	1384.32
SCHEDULE 6		
MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
Insurance	54.72	50.93
Repairs & Maintenance		
a) Buildings	46.94	5.87
b) Plant & Machinery	241.45	214.48
c) Others	73.47	40.16
Excise duty on captive consumption/Stocks	12.70	10.26
Processing Charges	0.44	18.69
Travelling and conveyance	212.06	173.93
Printing and stationery	21.76	20.20
Postage Telegrams and Telephones	48.81	57.55
Directors sitting fee	0.47	0.59
Remuneration to Managing Director	8.20	8.06
Directors Travelling	19.34	11.72
Remuneration to Auditors		
Audit -Fee	1.40	1.40
Tax Audit Fee	0.60	0.60
Audit -Expenses	0.10	0.10
Cost Audit Fee	0.20	0.20
Cost Audit expenses	0.05	0.04
Freight Inward	194.72	114.24
Selling expenses	709.43	922.73
Advertisement	4.36	2.73
Rent including Lease Rents	151.55	116.29
Fee and Expenses	53.71	46.62
Bank Charges	200.64	189.93
Service Charges	117.65	73.61
Rates & Taxes	7.83	10.44
Legal Expenses	26.70	32.09
Research and Development Expenses	29.46	23.17
Water Charges	18.78	14.49
Bad Debt Written Off	-	259.41
F.E.Fluctuation on Export Receivables	-	5.72
Other Expenses	230.29	148.09
Donations	28.68	7.30
TOTAL	2516.51	2581.64
SCHEDULE 7		
INTEREST/FINANCE CHARGES		
On Term loans	2024.86	2095.61
On cash credits	153.25	158.68
On Bill Discounting, Deposits & Others	333.62	351.93
(Net of Interest Receipts Rs.64 Lakhs (Rs.33.05 Lakhs))		
TOTAL	2511.73	2606.22



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

SCHEDULE - J -- NOTES TO ACCOUNTS

I. Significant Accounting Policies :

1. Basis of Preparation and Presentation of Financial Statements:

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

2. Inventories:

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

3. Depreciation:

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

4. Revenue Recognition:

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

5. Research and Development Expenditure:

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

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

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

7. Foreign Currency Transactions:

Transactions in Foreign Currencies are recorded during the year at the exchange rates prevailing on the date of transaction. At the year-end, Current assets and Current Liabilities in Foreign currency are accounted as per the rates prevailing on the Balance Sheet date and the exchange differences are recognised as Income / expenditure in Profit and Loss Account. Foreign Currency Term Loans outstanding are stated at exchange rates prevailing on the Balance Sheet date. Any increase or decrease in foreign currency Term loans relating to acquisition of fixed assets, on account of exchange differences either paid or outstanding are treated as profit or loss in profit and loss account as per Revised AS11.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

8. Retirement Benefits:

a) Gratuity:

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

b) Leave Encashment:

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

9. Investments:

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

10. Borrowing Costs:

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

11. Segment Reporting:

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

12. Leases:

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

13. Accounting for Taxes on Income:

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

14. CENVAT / IN-PUT TAX CREDIT:

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

15. Deferred Revenue Expenditure :

- (i) Preliminary and Shares issue expenses are amortised over a period of ten years.
- (ii) Cost of replacement of Membranes/Gaskets/Anode Mesh consumed, the benefit of which will accrue over three years, is amortised over a period of three years.
- (iii) Initial advertisement and sales promotion expenses incurred for launching of consumer products (Toilet Soaps) are amortised over a period of five years.
- (iv) Software development expenses incurred are amortised over a period of five years.



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- (v) Expenditure incurred on major repairs/overhaul of DG Sets and cost of returnable containers, the benefit of which accrues for a period of five years, is amortised over that period.
- (vi) Expenditure incurred (other than cost of production) towards interest on loans during the commercial / technical stabilisation period in respect of new projects, the benefit of which has not taken place, amortised over a period of five years from the year 2002-03.
- (vii) Expenditure incurred towards Restructuring fees the benefit of which accrues for future periods is amortised over a period of five years.
- (viii) Funded interest on term loans of Financial Institutions is being amortised proportionately over the repayment schedule as per Debt Restructuring package from the year 2006-07.
- (ix) Expenditure incurred on major repairs & replacement made to an obsolete / worn-out equipment / parts including high value stores and spares for improvement in economic life of plant and machinery, due to technological developments and to meet new production / market needs, the benefit of which accrues over a period of five years, is amortised over that period.

16. Change in Accounting Policy :

- (i) Amortisation of interest on term loans during the commercial / technical stabilisation period in respect of new projects is amortised over a period of four years commencing from the year 2005-06 as against five years from 2002-03 as per the policy No15 (vi) mentioned above. The change in accounting policy will have impact on the profit or loss for the current year and future periods.
- (ii) The Input Tax Credit recoverable under APVAT Act 2005 is reduced from the purchase cost of raw materials, stores, spares and consumables on account of new VAT Act come into force from 01-04-2005, and correspondingly the inventory and consumption of respective items are valued at net of Input Tax credit availed. However, this change in Accounting Policy has no effect / impact on the profit / loss for the year or future years.
- (iii) Exchange difference on Foreign Currency Term Loans relating to acquisition of fixed assets either paid or outstanding is recognized as expense or income in profit and loss account as per AS-11 (Revised). The change in accounting policy is adopted, as per the mandatory Accounting Standard-11 (Revised by the ICAI) This change will have an impact on the profit or loss for the current year and later periods. On account of this the profit for the current year and fixed assets affected by an amount of Rs.184.67 lacs.

NOTES TO ACCOUNTS:

1. Contingent Liabilities not provided in respect of

	Current Year 2005-2006 (Rs. Lakh)	Previous Year 2004-2005 (Rs. Lakh)
a) Customers Cheques / Bills –Discounted with Banks.	772.50	404.40
b) Unexpired Bank guarantees / letters of Credit (net of margin money paid)	1673.64	723.02
c) Estimated amount of Contracts remaining to be executed on Capital Account.(Net of advances paid).	2421.24	1795.39
d) Claims against the company not acknowledged as debts, being disputed and pending in appeals/ Assessments in respect of		
i) 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 31.03.2006.(payable after 15 years) i.e from 01.04.2017.	0.76	0.57



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ii) Central excise matters regarding Modvat credit availed and duty on hire/rental and testing charges and service tax on freight payments.	110.30	121.18
iii) Customs matters regarding redemption fine and penalty in respect of dispute on classification of imports.	9.90	NIL
iv) Sales tax matters regarding Input tax credit availed on fuels used for steam generation disallowed by the Department and levied penalty and interest of Rs.13.52 lacs. (Paid under protest)	61.35 (47.77)	NIL (NIL)
v) Electricity matters regarding Category Charges/subsidy, and surcharge/ interest – Pending before Courts. (amount paid / adjustable)	711.13 (44.81)	1124.93 (662.48)
vi) a) Wheeling Charges levied by APCPDCL pending in Supreme Court	24.20	24.20
b) Wheeling charges levied on APGAS power supplies covered by Bank guarantee Rs.69.30 lacs	(NIL)	(NIL)
e) Customs duty on non fulfillment of export obligation under Advance Licenses (paid under advance).	37.29 (20.00)	NIL (NIL)

f) M/s National Aluminium Company (NALCO), one of our customers, has given a notice for payment of Rs.227.23 lakhs (Previous Year 227.23 lakhs) towards non-performance of supply contract and has sought arbitration. The company has not acknowledged the claim and the matter is pending before the Arbitrator.

2. The company has provided Corporate Guarantee for Rs.570.45 lakhs to M/s Sree Rayalaseema Hi- Strength Hypo Ltd., a company in which Managing Director is interested for obtaining financial assistance by that company from M/s Industrial Development Bank of India Ltd. and the amount outstanding (including interest) as on 31.03.06 is Rs.237.68 lakhs (previous year Rs.442.24 lakhs).

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

	2005-2006 (Rs.lakhs)	2004-2005 (Rs.lakhs)
a) Against Debtors	147.28	197.24
b) Against suppliers/transporters	29.97	23.11
TOTAL	177.25	220.35

4. a) Exchange differences (gain) on Foreign Currency Term Loans from financial institutions in respect of installments paid during the year amounting to Rs.45.70 lakhs was credited to profit and loss as per AS- 11 (Revised) and change in accounting policy (previous year Rs.42.55 lakhs added to the cost of fixed assets).

b) Foreign Currency Term Loans outstanding as on 31.03.2006 amounting to Rs.6432.72 lakhs (previous year Rs.7247.80 lakhs) have been valued at applicable Exchange Rates on 31st Mar,06 which amounts to Rs.6293.74 lakhs (Previous year Rs.7563.62 lakhs) and the exchange difference amounting to Rs.138.97 lakhs was credited to profit and loss account as per AS-11 (Revised) and change in accounting policy (previous year Rs.315.82 lacs was added to cost of fixed assets).

c) Foreign Currency receivables on exports made and outstanding as on 31.03.06 are valued at applicable exchange rate and the exchange difference of Rs.Nil lakhs. (Previous year Rs.1.20 lakhs was credited to profit and loss account).



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

	Current Year 2005-2006 (Rs. Lakh)	Previous Year 2004-05 (Rs. Lakh)
a) Salary	4.80	4.80
b) Perquisites – rent & insurance	2.44	2.44
c) Contribution to Provident Fund		
Superannuation & medical expenses	0.96	0.82
Total	<u>8.20</u>	<u>8.06</u>

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

6. a) Sundry Creditors for supplies under "Current Liabilities" in Schedule "H-A" to the accounts includes Rs.376.58 Lakhs ((Previous Year 250.39 Lakhs) due to Small Scale Industrial Undertakings.
- b) The above includes Rs.236.43 lacs due to Small Scale Industrial undertakings in whose account an amount of Rs.1.00 lakh or more for more than 30 days outstanding and the same is as under:
(01) Elson packaging Industries Pvt Ltd. (02) Suhan's chemical Pvt Ltd (03) S.V.Sacks Pvt Ltd (04) Shakti containers Pvt Ltd. (05) Durga oil Mill (06) Dulichand Musadilal oil Mill (07) Govind Industries (08) Shiv Shakti Industries (09) Sri Narsing oil & Rice Mill (10) Ananth PVC Pipes Industries (11) Bevcon wayors Pvt Ltd. (12) Deprocon Engineering Pvt Ltd (13) Essennar Transformers Pvt Ltd. (14) Leo Insulation. (15) Modern Engineering plastics Pvt Ltd (16) SV Engineers (17) Santom Industrial Liners Pvt Ltd.(18) Excel woven sacks Pvt Ltd (19) Paran Polymers Pvt Ltd. (20) Sri Sai Ram polymers.
7. "Interest on Others" is net of interest receipts on Bank Deposits etc. of Rs.64.00 Lakhs (Previous year Rs.33.04 Lakhs).
8. The Company has accepted for One Time Settlement of dues offered by IREDA for pre-closure of their loan subject to withdrawal of case pending before DRT and the installments under OTS of Rs.573.65 lacs outstanding as 31-03-2006.
9. Lease Payments: The total future minimum lease payments under non-cancelable operating leases are as under:

	2005-06 Rs.lakhs	2004-05 Rs.lakhs
(i) Not later than one year	Nil	4.05
(ii) Later than one year and not later than five years .	Nil	Nil
(iii) Later than five years	Nil	Nil

10. DEFERRED TAX LIABILITY:

Deferred tax liability as on 01.04.2005 in respect Of timing difference arising on account of difference between straight line and written down Value methods and rates of depreciation and claim of deferred revenue expenditure.

Less: Deferred tax asset as on 01.04.05 in respect of unabsorbed depreciation/losses and allowable expenses U/s 43B.

Opening deferred tax liability (net)

Add / (Less) Deferred tax asset / liability

Deferred tax liability (Net) as on 31.03.2006

As on 31.03.06 (Rs.inlakhs)	As on 31.03.05 (Rs.in lakhs)
9616.98	10189.19
7467.76	7948.11
2149.22	2241.07
(312.20)	59.22
<u>1837.02</u>	<u>2300.29</u>



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The above deferred tax liability has not been provided in the books of account, since there is no tax liability in near future on account of huge amount of carry forward losses / unabsorbed depreciation allowance.

11. Transfer of General Reserve to the appropriation account : During the initial period of commercial production the Company was classified by AP State Electricity Board under Category – I for purpose of billing under the agreement Dated 26-06-87. Subsequently, the Electricity Board sub-notified that the Company shall be classified under Category – III with retrospective. The Company has challenged the said classification before court of law. The High Court of Andhra Pradesh in their Judgement has stated that the Company shall be classified under Category– III only from the date of Notification by Electricity Board and for earlier period to be treated as Category – I and permitted to pay the differential Tariff in installments along with interest. Based on the Judgement, the successors to Electricity Board, namely Andhra Pradesh Central Power Distribution Company Ltd has raised demand for an amount of Rs.624.93 lacs as per directions of High Court and the Company has paid said amount in installments. The above extraordinary expenditure being crystallised and completed payments during the year has been charged off by transferring an equal amount of Rs.624.93 lacs from General Reserve account to profit and loss appropriation account which has no impact on the net profit for the year 2005-06.
12. (a) Expenditure incurred during the year in respect of (i) major repairs and overhauls on DG sets Rs.78.50 lacs (previous year Rs.Nil lakhs) (ii) major repairs & replacement made to an obsolete / worn-out equipments / parts including high value stores and spares, for improvement in economic life of plant and machinery Rs.348.76 lacs (previous year Rs.Nil lakhs) (iii) cost of returnable containers of Rs. Nil lakhs (Previous year Rs. 61.09 lakhs) has been treated as deferred revenue expenditure and written off over a period of five years and (iv) replacement of Membranes /Mesh/Gaskets of Rs.402.66 lakhs (previous year Rs.373.99 lakhs written off) over a period of three years.
- (b) Interest deferred on term loans from financial institutions upto 31-03-2003 amounting to Rs.2818.13 lakhs (previous year Rs. 2818.13 lakhs) has been treated as deferred revenue expenditure and the same will be written off over repayment schedule as per debt restructuring package sanctioned by the financial institutions.
- (c) Deferred revenue expenditure in respect of interest on project loans during the technical/commercial stabilisation period upto 31.03.01 relating to new projects amounting to Rs. 2026.52 lakhs (previous year Rs.2026.52 lakhs) has been written off over a period of four years from 2005-06 an amount of Rs. 506.63 lacs as per change in accounting policy.
- (d) Expenditure incurred on debt restructuring fee of Rs.Nil lakhs during the year (previous year Rs.55.02 lacs) has been treated as deferred revenue expenditure and has been written off over a period of five years from 2003-04, 04-05 & 2005-06 and the balance as on 31-03-06 is at Rs.91.64 lacs (previous year Rs.120.86 lacs).

13. Segment Reporting

S.No	Particulars	For the year 2005-06	For the year 2004-05
01	Segment Revenue		
	A. Chemicals	19843	18223
	B.Oils & Fats	7968	8585
	C.Power Plant	2933	3581
	Total	30744	30389
	Less: Inter Segment Revenue	439	353
	Net Sales/Income from Operations	30305	30036
02	Segment Results (Profit)(+)/Loss(-) before Tax and interest from segments.		
	A. Chemicals	2973	1667
	B.Oils & Fats	(550)	(53)
	C.Power Plant	1025	1235
	Total	3448	2849
	Less:(i) Interest	2512	2606
	(ii) Other un-allocable expenditure (Net of un-allocable income)	-	-
	Total Profit before Tax	936	243
03	Capital Employed(Segment Assets and Liabilities)		
	A. Chemicals	29543	28172
	B.Oils & Fats	4223	4400
	C.Power Plant	11479	12292
	D.Others	3378	3964
	Total	48623	48828



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14. Related Parties Disclosures:

1. The names of transacting related party and description of relationship are given below:
- A. Particulars of Associate Companies:

S.No	Name of transacting related party	Nature of Relationship
1.	Sree Rayalaseema Hi-Strength Hypo Ltd.	Associate.
2.	Sree Rayalaseema Dutch Kussenbow Ltd.	Associate.
3.	TGV Projects and Investments Pvt., Ltd.	Associate.
4.	Brilliant Industries Ltd.	Associate.
5.	Sree Maruthi Marine Industries Ltd.	Associate.
6.	Gowri Gopal Apollo Hospitals Pvt Ltd	Associate.
7.	Sree Rayalaseema Agro Pvt, Ltd.	Associate.
8.	Sree Rayalaseema Galaxy Projects Ltd.	Associate.

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

- B. Key Management Personnel: T.G.Venkatesh, Chairman and Managing Director.
- C. Relatives to Key Management Personnel: Sri T.G.Bharath, Sri T.G.Rajyalakshmi.
2. Disclosures of transactions between the company and related parties and outstanding balances as on 31st March 2006.

Sl. No.	Nature of Transaction	For the year ended 31.03.06	For the year ended 31.03.05	Balance outstanding as on 31.03.06	Balance outstanding as on 31.03.05
A.	Associate Companies				
1	Sales / Receivables	2948.90	1770.62	824.55 (Dr)	662.03(Dr)
2	Purchases / Payable	827.87	775.81	166.45 (Dr)	140.70(Dr)
3	Purchase of fixed assets/ Capital goods	156.20	-	-	-
4	Office / Lease Rentals	60.49	70.25	-	-
5	Office / Lease Rents received	4.26	3.30	-	-
6	Rent deposit paid	-	-	149.00(Dr)	149.00 (Dr)
7	Services availed	87.57	63.56	-	0.23(Cr)
8	Services rendered	3.35	3.44	-	-
9	Unsecured loans received	-	-	-	11.00(Cr)
10	Interest on Deposits	-	11.21	-	-
11	Corporate guarantee given by the Company for obtaining financial assistance by the associate company from IDBI	-	-	237.68	442.24
12	Share application money received	486.75	820.19	541.99(Cr)	55.24 (Cr)
13	Guarantees provided by Associate Companies	-	-	5551.26	5551.26
B.	Key Management personnel				
1	Remuneration	8.20	8.06	-	-
C.	Relatives to Key Management Personnel				
1		-	-	-	-

Note :Cr indicates Credit balance

Dr indicates Debit balance

15. 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 and in a few cases the confirmations received are under reconciliation.
16. Figures have been rounded off to the nearest to thousand and expressed in decimals of lakhs.



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17. Previous year figures have been regrouped/ rearranged wherever necessary to make them comparable with the current year figures

18 .Earnings Per Share:

Basic and diluted earnings per share calculated in compliance with the provisions of Accounting standard (AS20) for the year ending 31.03.06 comes to Rs.1.32 p.a (Previous year Rs.1.04) and Rs.1.28 p.a (previous year Rs.0.95) respectively.

The denominator for Basic EPS is 6,20,73,286 equity shares and the numerator is net profit after tax Rs.8,20,78,681 per Profit and Loss account and after adjusting preference dividend for the year Rs18,883/

The denominator for diluted EPS is increased by potential equity deemed to be issued for OFCD i.e. (62073286+2051770) = 6,41,25,056 and the numerator for this calculation is the net profit after tax Rs.8,20,78,681 as per Profit and Loss account and after adjusting preference dividend Rs.18,883 and the interest on 0% OFCDs (Rs..Nil) and the tax liability (Nil) thereon.

Therefore

Basic Earnings per share = Profit Rs. 82059799/62073286 = Rs. 1.32 p.a

(Previous year profit Rs.22381758/21603953 = 1.04 p.a)

Diluted Earnings per share = Profit Rs.82059799/64125056 = Rs.1.28 p.a.

(Previous year profit Rs.22381758/23655723 = 0.95 p.a)

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

A. Licensed and Installed Capacity:	As on 31.03.2006		As on 31.03.2005	
	Licensed TPA	Installed TPA	Licensed TPA	Installed TPA
Product				
Caustic Soda Lye	123950	69500	99200	69500
Liquid Chlorine	66329	49829	66329	49829
Hydrochloric Acid	41184	24740	38930	24740
Calcium Hypochlorite	3300	3300	3300	3300
Barium Sulphate	1980	1980	980	1980
Bleach Liquor	1650	1650	1650	1650
Hydrogenated Castor Oil	16500	16500	16500	16500
12 Hydroxy / Rubber Grade Stearic Acid	9900	9900	9900	9900
Ricenoic Acid	660	660	660	660
Distilled Fatty Acid / Stearic Acid	18150	18150	18150	18150
Glycerine	6600	6600	6600	6600
Potassium Hydroxide	23100	16500	23100	16500
Potassium Carbonate	3300	3300	3300	3300
Soap Noodles	33000	33000	33000	33000
Toilet Soaps and Bathing Soaps	16500	16500	16500	16500
Wind Power Generation	3MW	3MW	3MW	3MW
Power Generation(Commercial)	37.8MW	37.8MW	37.8MW	37.8MW



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

Product	Opening Stock Qty	Rs.	Production Qty	Turnover Qty	Rs.	Closing Stock Qty	Rs.
1. Caustic soda lye/Flakes	478 (849)	87.55 (92.40)	63996 (53995)	63987 (54366)	12971.94 (8680.59)	487 (478)	72.55 (87.55)
2. Liquid chlorine	236 (262)	15.25 (15.50)	44769 (40396)	44644 (40422)	4087.19 (3409.62)	361 (236)	19.69 (15.25)
3. Hydrochloric acid	119 (208)	2.71 (2.74)	61276 (66526)	60893 (66615)	1365.69 (1565.14)	502 (119)	10.14 (2.71)
4. Barium sulphate	285 (68)	62.00 (15.29)	505 (607)	479 (390)	118.06 (102.78)	311 (285)	73.22 (62.00)
5. Hydrogen gas (M3)saleable	26 (26)	- —	2424854 (1921618)	2424854 (1921618)	159.72 (90.32)	26 (26)	- (-)
6. Bleach liquor	94 (20)	2.36 (0.51)	18254 (18160)	18316 (18086)	555.28 (454.03)	32 (94)	0.82 (2.36)
7. HCL Gas	(-) (-)	(-) (-)	1312 (966)	1312 (966)	104.34 (65.46)	- (-)	- (-)
8. Hydrogenated castor oil	86 (73)	43.73 (36.34)	2375 (2369)	2399 (2356)	949.31 (1136.30)	62 (86)	26.13 (43.73)
9. 12 Hydroxy stearic acid	101 (61)	57.56 (34.66)	3859 (2692)	3844 (2652)	1924.19 (1480.54)	116 (101)	56.48 (57.56)
10. Ricinolic acid	- (-)	- (-)	121 (124)	121 (124)	56.95 (73.74)	- (-)	- (-)
11. Caustic potash flakes/lye	454 (640)	98.39 (144.21)	11015 (21462)	11410 (21648)	3988.51 (6290.59)	59 (454)	13.45 (98.39)
12. Stearic acid	87 (61)	27.01 (20.75)	2236 (2843)	2322 (2817)	751.42 (976.95)	1 (87)	0.16 (27.01)
13. Fatty acids (Monocarboxylic acid)	- (84)	- (34.55)	88 (-)	28 (-)	9.63 (-)	60 (-)	19.65 (-)
14. Soap Noodles	110 (130)	34.64 (47.98)	11502 (9682)	11297 (9702)	3584.39 (3188.05)	315 (110)	97.48 (34.64)
15. Toilet soaps	120 (215)	65.79 (93.41)	1051 (781)	1027 (876)	602.28 (504.02)	144 (120)	66.85 (65.79)
16. Refined glycerine	44 (330)	22.87 (140.60)	1133 (1805)	1170 (2086)	525.31 (1077.77)	7 (44)	2.69 (22.87)
17. Wind power generation (KWH)	- (-)	- (-)	2634584 (3035952)	2634584 (3035952)	- (-)	- (-)	- (-)
18. Power generation at Bellary (KWH)	- (-)	- (-)	182646000 (180362470)	182646000 (180362470)	2931.75 (3577.56)	- (-)	- (-)

a) Production shown is net of internal consumption.

b) Figures in brackets relate to previous year.

c) Opening and closing stocks includes sales returns, branch and consignment stock transfers.

d) Above production figures are exclusive of production made under processing agreements for Hydrogenated Castor Oil 956 MT (Previous Year 981 MTs), 12 Hydroxy Stearic Acid 1901 MT (Previous Year 1853 MTs), Ricinoleic Acid 242 MTs (Previous year 330 MTs), Refined Glycerine 2872 MTs (Previous Year 845 MT) and Refined Castor oil 106 MTs (previous year 10 MTs).

e) Power generation at Bellary includes deemed generation value of Rs.2057 lakhs (previous year Rs.2089.87 lakhs).

f) Wind power generation was totally used for captive consumption through grid.



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		Current Year 31.03.2006		Previous year 31.03.2005	
C. Value of Imports (Calculated on C.I.F basis):					
i)Raw Materials		555.28		720.72	
ii) Chemicals		6.52		-	
iii)Components, Spares & Stores		500.27		184.17	
iv)Capital Goods / Services		1127.24		10.63	
D. Raw material consumed	Qty MT/KL	Value Rs.lacs	%	Value Rs.lacs	%
a)Imported					
i)Crude glycerine	994 (1935)	227.45	81.64	441.94	93.22
ii) Palm fatty acid distilled	497	99.86	5.13	--	--
iii) Palm acid oil	--	--	--	133.75	100
iv) Palm kernal oil/Distilled fatty acid	(731) 1181 (851)	361.52	57.88	260.10	46.63
b) Indigeneous					
i) Salt	117956 (100330)	1482.54	100	1078.99	100
ii) Castor oil	6908 (5553)	2159.34	100	2120.84	100
iii) Rice Bran Fatty acid	-- (444)	--	--	92.93	100
iv) Rice Bran oil	-- (142)	--	--	33.92	100
v) Acid oils and coconut fatty acids	1291 (1068)	193.57	100	201.52	100
vi) Palm kernal oil /Distilled fatty acid	947 (866)	262.99	42.12	300.05	53.37
vii) Furnace oil, Diesel & lubricant for power project 3895		933.83	100	1536.15	100
Viii) Palm fatty acid distilled	(9137) 9442 (7502)	1846.33	94.87	1658.92	100
ix) Lauric acid	190 (45)	59.22	100	23.98	100
x) Crude palm stearin	- (928)	-	-	280.51	100
xi) Crude glycerine	214 (127)	51.15	18.36	32.11	6.78
xii) Crude palm oil	280 (1286)	59.82	100	308.85	100
xiii) Mixed fatty acid	111	17.55	100	-	-
xiv)RBD Stearine	- (193)	-	-	46.33	-
xv) Potassium chloride & Carbonate	13248 (27522)	1111.14	100	2149.13	100
xvi) Others		115.73		118.26	
Total		8982.04			10,818.28
E. Value of stores, spares and chemicals consumed					
a) Imported		68.81	5.35	27.08	2.27
b) Indigenous		1216.02	94.65	1163.45	97.73
Total		1275.23	100	1190.53	100
F. Stores and spares consumed issued for					
D.G.sets plant, Membranes, Mesh etc					
a) Imported		193.83	40.27	234.03	62.58
b) Indigenous		287.46	59.73	139.96	37.42
Total		481.29	100	373.99	100
G. Earnings in Foreign Exchange					
i) FOB value of exports		2158.66			3670.17
ii) Others		Nil			Nil
H. Expenditure in Foreign Exchange					
i) Management Fees, Commitment Charges and legal charges		0.08			0.08
ii) Travelling		11.31			2.71
iii) Fees and charges		1.83			1.76
iv) Interest on Term Loans		157.70			217.6
v) Commission Paid		22.50			26.10
vi) Repayment of Term Loans		1085.30			662.42
vii)Raw Materials and Chemicals		561.80			728.11
viii)Stores & Spares		452.69			184.16
ix) Capital Goods		1127.44			55.72
x) Others		0.07			-



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

I. Registration Details

Registration No. 3077 of 1981-82

State Code : 01

Balance Sheet Date 31 03 2006
Date Month Year

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

Public Issue NIL

Rights Issue NIL

Bonus Issue NIL

Private Placements NIL

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

Total Liabilities 47961.92

Total Assets: 47961.92

SOURCE OF FUNDS

Paid up Capital (Including Application money)

8641.84

Reserves and Surplus

8438.16

Secured Loans

29900.93

Unsecured Loans

980.99

APPLICATION OF FUNDS

Net Fixed Assets

37731.50

Investments

233.06

Net current Assets

3923.99

Misc. Expenditure

6073.37

Accumulated Losses

NIL

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

Total Income

30235.83

Total Expenditure

29299.6

Profit Before Tax

936.15

Profit after Tax

820.79

Earnings per share(Rs.)

+1.32

Dividend %

NIL

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

1. Item Code No. (ITC Code)

28151200

Product Description

CAUSTIC SODA LYE

2. Item Code No. (ITC Code)

28011000

Product Description

LIQUID CHLORINE

3. Item Code No. (ITC Code)

150400

Product Description

HYDROGENATED CASTOR OIL

SIGNATURE TO SCHEDULES "A" TO "J" AND "I" TO "7"

As per our Report of even date attached

for and on behalf of the Board

For Brahmaya & Co.,

Chartered Accountants

T.G. VENKATESH

Chairman And Managing Director

M.P.MURTI

Director

B. DAIVADHEENAM REDDY

Partner

V. RADHAKRISHNA MURTHY

General Manager & Company Secretary

Place : Hyderabad.

Date : 25.04.2006

Place : Hyderabad.

Date : 25.04.2006



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

CASH FLOW STATEMENT FOR 31.03.2006 AS PER CLAUSE 32 OF LISTING AGREEMENT

	2005-06	2004-05 Rs.in. Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	936.14	243.22
ADJUSTMENT FOR:		
DEPRECIATION	2475.10	2464.19
FOREIGN EXCHANGE		
PROFIT ON SALE OF FIXED ASSETS	(1.20)	(52.93)
INTEREST PAID / RECEIVED	2511.73	2606.22
TOTAL	4985.63	5017.48
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5921.77	5260.70
ADJUSTMENTS FOR:		
TRADE AND OTHER RECEIVABLES	(430.77)	125.45
INVENTORIES	(591.24)	(293.13)
TRADE PAYABLES	1745.07	(568.38)
	723.06	(736.06)
CASH GENERATED FROM OPERATIONS	6644.83	4524.64
INTEREST RECEIVED / PAID	(2511.73)	(2606.22)
DIRECT TAXES PAID	(115.36)	(19.39)
DEFERRED REV.EXP.WRITTEN OFF	1079.64	520.58
CASH FLOW BEFORE EXTRAORDINARY ITEMS	5097.38	2419.61
EXTRAORDINARY ITEMS (DECREASE IN RESERVES)	(624.93)	-
NET CASH FLOW FROM OPERATING ACTIVITIES	4472.45	2419.61
B. CASH FLOW FROM INVESTING ACTIVITIES:		
PURCHASE OF FIXED ASSETS	(2993.37)	(2228.55)
DEFERRED REVENUE EXPENDITURE	(829.92)	(489.65)
INC./DEC. IN RESERVES & SUBSIDY	-	40.00
PURCHASE OF INVESTMENTS	(0.20)	-
SALE OF INVESTMENTS	-	25.73
INTEREST RECEIVED	-	-
DIVIDEND RECEIVED	-	-
NET CASHFLOW FROM INVESTING ACTIVITIES	(3823.48)	(2652.46)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	486.75	1213.19
EXCHANGE FLUCTUATION ON F.C. LOANS	(184.68)	358.35
REPAYMENT OF FINANCE/LEASE LIABILITIES	(1227.33)	(662.41)
NET CASH FLOW FROM FINANCING ACTIVITIES	(925.25)	909.14
NET INCREASE IN CASH AND CASH EQUIVALENTS	(276.28)	676.29
CASH AND CASH EQUIVALENTS AS AT 01.04.05 (OPENING BALANCE)	1034.12	357.83
CASH AND CASH EQUIVALENTS AS AT 31.03.06 (CLOSING BALANCE)	757.84	1034.12

CERTIFICATE

The above cash flow statement has been prepared on the basis of Audited Accounts approved by the Board of Directors and is

in agreement with the Profit and Loss Account and Balance Sheet.

For Brahmayya & Co

Chartered Accountants

for and on behalf of the Board

B.DAIVADHEENAM REDDY

Partner

Place : Hyderabad

Date : 25th April, 2006

T.G.VENKATESH

Chairman and Managing Director

Place : Hyderabad

Date : 25th April, 2006



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

ATTENDANCE SLIP

24th Annual General Meeting, 27th May, 2006 at 4.00 p.m.

Regd. Folio No.		* DP ID	
No. of Shares held		* Client ID	
Name of the Shareholder			
Name of Proxy			
Signature of Member / Proxy			

I hereby record my presence at 24th Annual General Meeting of the SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED held at Regd. Office : Gondiparla, Kurnool - 518 004.

- Note :
1. To be signed and handed over at the Meeting Venue.
 2. Members are requested to register their names atleast 15 minutes prior to the commencement of the meeting.

* Applicable for investors holding shares in electronic form



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

PROXY FORM

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

I/We _____
of _____ being a member/members
of SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED hereby appoint
_____ of _____ any my/our proxy to attend and vote for me/us on
my/our behalf at the 24th Annual General Meeting of the Company to be held on Saturday, 27th May, 2006 at 4.00
p.m. and at any adjournment thereof.

Signed this _____ day of _____ Two Thousand Six

Affix
Rs. 0.15
Revenue
Stamp

- Note :
1. A member entitled to attend and vote at the meeting is entitled to attend and vote instead of himself.
 2. A proxy need not be a member of the Company.
 3. This Form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

BOARD OF DIRECTORS

Sri T.G.Venkatesh
Chairman and Managing Director

Sri M.P.Murti

Sri D.S.Prasad
(Nominee of IDBI)

Sri R.K.Chavali
(Nominee of IFCI)

Sri P.N.Vedanarayanan

Sri G.Krishna Murthy

Sri O.D.Reddy

GENERAL MANAGER & COMPANY SECRETARY

Sri V. Radhakrishna Murthy

LEGAL ADVISOR

Sri N.Nagendranath Reddy

AUDITORS

Brahmayya & Co.
Chartered Accountants
Adoni - 518 301 (A.P.)

REGISTERED OFFICE & FACTORY

Gondiparla
Kurnool - 518 004 (A.P)

CORPORATE OFFICE

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

DEMAT REGISTRARS & SHARE TRANSFER AGENTS

Venture Capital & Corporate Investments Ltd.
6-2-913/914, 3rd Floor
Progressive Towers
Khairatabad
Hyderabad - 500 004 (A.P.)

BANKERS

Indian Bank
United Bank of India
The South Indian Bank Ltd.
State Bank of Travancore
Canbank Factors Limited
The Federal Bank Ltd.

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Action taken against Company
NIL