



NOTICE

NOTICE is hereby given that the 25th 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.). Friday on 28th September, 2007 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 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 P.N.Vednarayanan, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri G.krishna Murthy, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification the following as a **Special Resolution**.

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

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification, the following resolution which is proposed as a **Special resolution**.

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to ratify the action taken by the company

for modification / creation of mortgage and / or charge by the Board of Directors of the Company of all the movable and the immoveable properties i.e., 79.75 acres of land acquired by the company which was earlier held as leasehold by the Company wheresoever situate, present and future, and the whole of undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events, to or in favour of (1) Industrial Development Bank of India Limited (IDBI) (2) Industrial Finance Corporation of India Limited (IFCI) (3) IDBI Trusteeship Services Limited (ITSL) (4) Consortium of Banks Viz, India Bank (IB), United Bank of India (UBI), The South Indian Bank Limited (SIB), State Bank of Travancore (SBT), The Federal Bank Limited (FBL) and Canbank Factors Limited (CBF) in respect of their existing outstanding loans, NCDs and working capital facilities together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company to IDBI, IFCI, ITSL and Banks consortium under their loan agreements in respect of the said term loans and working capital facilities".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise with IDBI, IFCI, ITSL and Banks consortium, the documents for creation of aforesaid mortgage and / or charge and to do all such acts and deeds as may be necessary for giving effect to the above resolution."

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

"RESOLVED THAT pursuant to sections 198, 269, 309 and schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendment or modification thereof and subject to Financial Institutions approval, if required, consent of the members be and is hereby accorded to revise the salary of Sri T.G.Venkatesh, Chairman and Managing Director from Rs.40,000 pm to Rs.2,00,000 pm with effect from 01.04.2007 till the expiry of shareholders earlier approval in respect of his re-appointment i.e., upto 20th September, 2010."



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"RESOLVED FURTHER THAT Sri T.G.Venkatesh, Chairman and Managing Director will be paid the perquisites, allowances and Commission, if any as per the terms and conditions approved by members in the 23rd Annual General Meeting held on 16.08.2005."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of Profits in any financial year the aforesaid remuneration shall be restricted to the limits mentioned in Schedule XIII and any amendment thereof from time to time".

BY ORDER OF THE BOARD

Place: Hyderabad
Date : 19.05.2007 &
28.07.2007

(V.RADHAKRISHNA MURTHY)
SR.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 25.09.2007 to 29.09.2007 (both days inclusive).
5. Non-resident Indian Shareholders are requested to inform us immediately :
 - a) the change in Residential Status on return to India for permanent settlement.
 - b) the particulars of Bank NRE Account, if not furnished earlier.

Request to the Members:

1. Queries, if any, on Annual Accounts may please be forwarded to the Registered Office of the Company

atleast 7 days before the date of the Annual General Meeting to enable us to prepare the answers well in advance.

2. Members are requested to quote Folio No. / Client ID No. in all correspondence.
3. Since the company's shares are permitted for trading under compulsory demat mode, shareholders holding shares in physical form are requested to dematerialize the same immediately to avoid any inconvenience in future. Company's Equity Shares ISIN No.INE284B01028 and CRPS ISIN NO.INE284B04014.
4. Members are requested to note the following "e-mail id" for any clarification on shares and other related matters "secretarial_sraacl@tgvmail.net"

EXPLANATORY STATEMENT

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

ITEM NO. 4

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

None of the Directors is interested in the above special resolution.

The Board of Directors recommends the special resolution for your approval.

ITEM NO. 5

Earlier the company has deposited the title deeds of 79.75 acres of leasehold land with IDBI being the lead institution for creation of mortgage by deposit of title deeds. Subsequently on various occasions the company has further created mortgages in favour of IDBI, IFCL, ITSL and Banks consortium (IB, UBI, SIB, SBT, FBL and CBF) for different term loans and working capital facilities availed by the company with the approval of members in respective Annual General Meetings.

On 11.11.05 the company has acquired the said 79.75 acres of land from SRPM Ltd., by executing exchange deed and hence the same has become freehold. In compliance of the terms and conditions of term loans from Financial Institutions, original documents in respect of the said freehold



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lands were deposited with IDBI on 20.03.07 there by has created mortgage by deposit of title deeds with IDBI on its behalf and on behalf of other institutions in respect of existing outstanding loans and Banks consortium for creation of second charge with respect to working capital facilities availed by the company.

The Board commends the resolution for members approval to ratify the action taken by the company for creation of mortgage and second charge in favour of Financial Institutions and Banks.

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

Your Directors recommend the special resolution for your approval.

ITEM NO. 6

Remuneration Committee in its meeting held on 15.03.07 and Board in its meeting held on 19.05.07 have considered the proposal for increase in salary payable to Sri T.G.Venkatesh, Chairman and Managing Director from the existing Rs.40,000 pm to Rs.2,00,000 pm and on consideration of the following factors have recommended the proposal to members approval subject to the approval of IDBI, if required.

There is no change in the salary paid to Sri T.G. Venkatesh as CMD for the past 12 Years. The prevailing standards for salary paid to CMD's in the Industry necessitates the need for upward revision. There is severe scarcity for successful entrepreneurial and managerial talent in India. All these factors lead to the consideration of upward revision of salary to CMD by the Board and remuneration committee as explained above.

It is further noted that there will not be any change in other terms and conditions as approved by the members in respect of reappointment of Sri T. G. Venkatesh in the AGM held on 16.08.05. The other terms and conditions approved by the members are reproduced hereunder for reference.

Perquisites like HRA/Rent free accommodation, Gas, Electricity, Water Furnishings, Medical Reimbursement and LTC., for self and family. Personal Accident Insurance, Club Fees etc., and any other benefit in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax rules, perquisite shall be evaluated at

actual cost. However the following shall not be included in the above perquisite limit.

- a) Company's contribution to Provident Fund, Pension and Superannuation Fund will not be included in computation of the ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
- b) Use of Company Car for official purpose and Telephone for official purpose at residence (including payment of local and long distance calls).
- c) Earned/privilege leave-on full pay and allowance as per rules of the company. Leave accumulated and not availed during the tenure may be encashed as per rules of the company.
- d) Such remuneration by way of commission calculated with reference to the net profit of the Company in a financial year as may be determined by the Board of Directors of the company at the end of the each financial year, subject to ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956.

Further the revised salary of Rs.2,00,000 pm will be applicable from 01.04.2007 to 20.09.2010 i.e., upto the validity of members previous approval.

None of the Directors except Sri T.G.Venkatesh, Chairman and Managing Director is deemed to be interested in the above item.

The above information containing the details of terms and conditions of appointment and variation in terms and conditions is deemed to be compliance of Sec 302 of the Companies Act, 1956.

Your Directors commend the special resolution for your approval.

BY ORDER OF THE BOARD

Place: Hyderabad
Date : 19.05.2007

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



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Additional Information:

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

1	Name of the Director	Sri P.N.Vedanarayanan	Sri G.Krishna Murthy
2	Date of Birth	04.06.1933	17.09.1941
3	Date of Appointment	01.04.1994	30-11-1995
4	Experience in Specific areas	More than 35 years experience at very senior level in public sector units. Ex- Chairman and managing of NTC Mills Ltd.,	More than 35 years experience in Industrial and Business fields as Promoter and entrepreneur. He is an eminent personality having interest in the field of social services and human relations.
5	Qualifications	IAS(Retd)	Graduate of MILT
6	Shareholding in the Company	NIL	Nil
7	Directorships in other Companies	RBF Nidhi Limited.	1. Mukunda Industrial Finance Limited. 2. Sree Rayalaseema Hi-Strength Hypo Limited. 3. SRHHL Industries Limited.
8	Membership in other Company committees	NIL	Member of Audit, Share Transfer Committee, Remuneration Committee in SRHHL Industries Ltd. and Remuneration Committee in Sree Rayalaseema Hi-Strength Hypo Ltd. Audit, Recovery Committee, Remuneration committee in Mukunda Industrial finance Ltd.

1	Name of the Director	S.K.Ganguli
2	Date of Birth	21.12.1938
3	Date of Appointment	19.05.2007
4	Experience in Specific areas	Having more than 37 years experience as practising chartered Accountant in the fields of statutory, internal auditing and investigations. Ex-Joint Managing Partner of M/s. Ray & Ray Chartered Accountant Firm. Participated in various seminars & conferences conducting by ICAI, FICCI, Assocham etc., In the past he was member of various committees formed by ICAI. At present he is practicing as Financial Advisor.
5	Qualifications	B.Com., F.C.A.
6	Shareholding in the Company	NIL
7	Directorships in other Companies	1. Malwa Power Pvt. Ltd. 2. Himkailash Hydro Power Pvt.Ltd. 3. Mangalam Energy Development Pvt. Ltd. 4. Simbhaoli Sugars Limited.
8	Membership in other Company committees	Member of shareholders Grievance Committee, Remuneration Committee in Simbhaoli Sugars 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, 2007.

OPERATIONS :

Yours Directors' are pleased to inform that there is an increase in turnover i.e., from Rs.35151 lacs to Rs.43276 lacs (excluding internal transfer and other income) when compared to the previous year and shows 23% increase. The increase is due to better performance and improvement in chemical division operations.

DIVISION/SEGMENTWISE OPERATIONS :

The Caustic unit has produced 75123 MT. (capacity utilisation 108%) of Caustic Soda as against 70264 M.T. (capacity utilisation 101%) for the previous year. As against net sales of Rs.14955 lacs for previous year, the current year sales comes to Rs.16201 lacs representing an increase of 8%.

The Potassium plant has produced 17726 MT. (capacity utilisation 107%) of Potassium Hydroxide as against 10354 MT (capacity utilisation 63%) for the previous year. As against net sales of Rs.3908 lacs for previous year, the current sales recorded Rs.6832 lacs representing a increase of 75%.

The Castor oil plant yielded 12797 MT (capacity utilisation 78%) of oil processing as against 10223 MT (capacity utilisation 62%) for the previous year. As against net sales of Rs.2985 lacs for the previous year, the current year sales stood at Rs.3486 lacs representing an increase of 17%.

The Fatty acid plant has processed 14269 MT (capacity utilisation 58%) for the current year as against 13814 MT (capacity utilisation 56%) for the previous year. The net sales of this division has increased from Rs.4666 lacs to Rs.5559 lacs representing an increase of 19%.

The Power plant at Bellary has billed 1881 lakhs KWH (capacity utilisation 77%) of electricity (including deemed generation) to Karnataka Power Transmission Corporation Limited (KPTCL) during the current year as against 1826 lacs KWH (capacity utilisation 75%) for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs.2932 lacs for the previous year, the current year sales comes to Rs.5239 lacs showing an increase of 79%.

OUTLOOK FOR THE CURRENT YEAR :

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

FINANCIAL RESULTS:

YEAR ENDED

	31.03.2007 Rs.in lakhs	31.03.2006 Rs.In lakhs
Sales - Gross	43276.29	35151.06
Other Income	485.64	860.58
Profit on sale of Fixed Assets/Investments	1.33	1.20
Increase(Decrease)in Stocks	157.02	(70.53)
Total Income	43920.28	35942.31
Profit before Interest & Depreciation	9051.50	7105.26
Less: Interest	3059.87	2511.73
Profit before Depreciation	5991.63	4593.53
Less: Depreciation	2715.74	2475.10
Profit(Loss)before Extraordinary items and Taxation	3275.89	2118.43
Less: Preliminary and Deferred Revenue Expenditure Written-off	1160.00	1079.64
Expenses/Income relating to Earlier Years (Net)	45.62	102.64
Profit/Loss Before Taxation	2070.27	936.15
Less: Provision for Taxation (MAT)		
- for Current Year	232.29	80.00
- for Earlier Year	0.36	0.36
- for Fringe benefit Tax	30.00	35.00
Profit/Loss After Taxation	1807.62	820.79
Add: Balance Carried from Previous year	1116.69	295.90
Profit available for Appropriation	2924.31	1116.69
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	500.00	-
Surplus carried to Balance Sheet	2421.31	1116.69



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Profit for the Current year at Rs.1807.62 Lakhs shows the increase of more than double when compared to previous year Profit of Rs.820.79 Lakhs overall increase in efficiency of all divisions of the company has resulted in excellent performance.

Dividend :

In view of the strengthening and expansion of activities and future funds requirement, your Directors have decided not to declare any dividend for the year 2006-07.

Capital Expenditure :

During the year the Company has incurred an amount of Rs.4492.40 lacs on Capital Expenditure which is mainly towards installation of Electrolyzer elements, Boiler etc.,

Safety and Environment Protection :

Top and utmost priority is given for Safety and Environment being the two essentials for the Company's growth. Every effort has been taken to preserve and protect the surrounding environment of the factory CONDUSIVE ECO FRIENDLY 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 "SAFETY FOR ALL AND ALL FOR SAFETY". 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 :

The Company has paid Listing Fee to Bombay Stock Exchange (BSE) for the year 2007-08 vide letter dt.27.04.2007. Further 54,20,000 Equity Shares of Rs.10/- each with Distinctive Nos.100018036 to 105438035 allotted by the Board on 25.04.06 on conversion of share warrants issued to Promoters after the same becoming fully paid-up in the ratio 1:1 pursuant to the scheme of arrangement sanctioned by the Hon'ble High Court of A.P. On fulfillment of all the formalities BSE vide its letter Ref.No.DCS/PREF/SM/TRD/993/06-07 dated 20.02.2007 has issued listing approval in respect of the said shares.

Insurance :

Assets of the Company are adequately insured.

Fixed Deposits :

The Company has not accepted any Fixed deposits during the year and there are no outstanding Fixed deposits as on 31.03.2007.

Directors :

Sri P.N.Vednarayanan and Sri G.Krishna Murthy are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offers themselves to be reelected as Directors. M/s.IFCI has appointed Sri Samir Kumar Ganguli as its Nominee on the Board in place of Sri R.K.Chavali vide its letter Ref.No.IFCI/NDC-2/2007-3913 dtd.03.05.2007. The Board in its meeting held on 19.05.07 has co-opted Sri Samir Kumar Ganguli. The Board further taken on record the valuable advises given by Sri R.K.Chavali during his tenure on the Board.

Industrial Relations :

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

Particulars of Employees :

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

Corporate Governance :

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



Corporate Governance – Clause 49 of Listing Agreement:

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

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

Auditors :

M/s. Brahmayya & Co., Chartered Accountants, Adoni, will retire at the conclusion of this Annual General Meeting and are eligible for reappointment. M/s.Brahmayya & Co., are being proposed for reappointment as Auditors to hold office for the current year 2007-08.

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 292A of the Companies Act, 1956 and also Clause 49 of Listing Agreement. The Audit Committee comprises of Sri S.K. Ganguli, Sri D.S.Prasad and Sri P.N.Vedanarayanan 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.

On behalf of the Board of Directors

Place : Hyderabad

Date : 19.05.2007

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. 3 Nos. variable frequency drive (25 HP) installed at Hypo plant to improve Header suction without operating 2nd blower.
2. 200 KVA lighting distribution Transformer is proposed to minimize distribution losses and to improve life of lighting fixtures.
3. Installation of HT Capacitor banks is in progress. This will improve the 11 KV Gen. Bus Power factor and minimize distribution losses and voltage transients.
4. New 300TPD Chlorine Liquefier is commissioned with auto loading and unloading facility to reduce power consumption at higher liquification efficiency.
5. Solar lighting fixtures are provided at all Vulnerable areas to avoid operating of these lights through emergency D.G. whenever main power failure.

FORM – A

Disclosure of Particulars with respect to conservation of energy:

A. Power and Fuel Consumption :

	Current Year 31.03.2007	Previous Year 31.03.2006
1. Electricity:		
a) i) Electricity from APCPDCL		
Units (KWH)	104715074	136538720
Total Amount (Rs.in Lakhs)	3106.48	4523.15
Rate/Unit (Rs.)	2.97	3.31
ii) Electricity from APGPCL		
Units (KWH)	20472439	28984519
Total Amount (Rs.in Lakhs)	357.80	607.61
Rate/Unit (Rs.)	1.75	2.10
b) Own Generation:		
i) Through Diesel Generators		
Units(KWH)	5981527	29144720
Unit per Lt of Fuel (KWH)	3.58	3.76
Cost/Unit (Rs.)	20.49	6.80
ii) Through Wind Farm		
Units(KWH)	2914892	2634584
Cost/Unit (Rs.)	3.49	4.71
iii) Through Co-Gen Plant		
Units(KWH)	120935808	37908240
Cost/Unit (Rs.)	2.29	3.49
2. Coal :		
Quantity (MT)	199810	115200
Total amount (Rs.in lakhs)	3682.03	2205.13
Average Rate (Rs./MT)	1843	1914
3. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	2468	9100
Total Amount (Rs.in lakhs)	476.60	1416.20
Average Rate (Rs/MT)	19314	15562



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B. Consumption per MT of Caustic Soda Lye Production

No. of Units (KWH) (AC Power)

2503

2615

C. Technology Absorption:

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

FORM - B

Research and Development (R & D) :

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

- Process optimization is carried out to reduce Caustic Soda and Sulphuric acid consumptions per MT of 12 HSA.

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

- After optimizing process of 12-HSA input cost per MT has been reduced.

3. Future Plans :

- Recovery of NaClO₃ from depleted brine Instead of chlorate destruction by conventional method.

4. Technology Absorption, Adoption and Innovation :

- There is no import of technology during the year.

C. Foreign Exchange Earnings and outgo :

- a) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services, and export plans:
 - i) Exported Hydrogenated Castor Oil, 12 Hydroxy Stearic Acid, Caustic Potash and planning to enlarge exports by increasing export quantity and explore export possibility for other products.
- b) Total Foreign Exchange used and earned (Rs.in lakhs)
 - i) Foreign Exchange used 2452.93
 - ii) Foreign Exchange earned 2058.41

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

Yours Directors Further confirm that :

- (i) In the presentation of the Annual Accounts, applicable Accounting Standards except A.S.No.22 relating to Taxes on income, have been followed along with proper explanation relating to material departure or non-compliance furnished in notes to accounts and Directors' Report.
- (ii) The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the company for that period.
- (iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors had prepared the Annual Accounts on a going concern basis.

On behalf of the Board of Directors

Place : Hyderabad
Date : 19.05.2007

T.G.VENKATESH
CHAIRMAN AND MANAGING DIRECTOR



ANNEXURE 'C' TO THE DIRECTORS' REPORT

Report on Corporate Governance :

The Management of SRAAC Ltd., hereby confirm and certify that the relevant provisions of Clause-49 of Listing Agreement dealing with "Corporate Governance" have been complied for the year 2006-07. The Corporate Governance compliance details are furnished hereunder:

(1) Company's Philosophy :

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

(2) Board Procedure :

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

(3) Board of Directors :

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

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

During the financial year ended 31st March, 2007, Four Board Meetings were held on (1) 25.04.06 (2) 21.07.06 (3) 31.10.06 and (4) 28.01.07 respectively. The last Annual General Meeting of the Company was held on 27.05.06 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.
5. Reviewing with management quarterly financial statements.
6. The adequacy of internal audit functions.
7. Discussion with statutory auditors before the audit commences.
8. Reviewing the findings of any investigations by the internal auditors etc.,

In addition to quarterly and yearly Un-audited/Audited financial results the Committee deliberate upon the relevant matters mentioned in Listing agreement, Companies Act and Cost Audit Report rules etc., The Committee is headed by Sri M.P.Murti, the Senior most independent Director. Majority of the committee members are independent Directors or Nominee Directors of Financial Institutions viz., IDBI and IFCI. The Audit Committee was reconstituted by the Board in its meeting held on 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.Vedanarayanan, Member.

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

During the financial year ended 31st March, 2007, Four Board Audit Committee Meetings were held on (1) 25.04.06 (2) 21.07.06 (3) 31.10.06 and (4) 28.01.07 respectively.

(5) Remuneration Committee :

The Remuneration Committee has been reconstituted by the Board in its Meeting held on 09.01.2005 with the following Directors as its members. During the year the committee meeting was held on 15.03.07 to discuss the matters relating to revision of CMD's remuneration and the proposal for payment of commission for 2007-08 which is subject to IDBI approval. The members are (1) Sri M.P.Murti, Chairman (2) Sri P.N.Vedanarayanan, Member and (3) Sri O.D.Reddy, Member.

The non-executive Directors will be paid sitting fee of Rs.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	Total
4,80,000	3,28,900	---	8,08,900



(6) Shareholders Committee (Investor's Grievance Committee) :

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

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

During the financial year ended 31st March, 2007 four Investors Grievance Committee Meetings were held on (1) 10.04.06 (2) 05.07.06 (3) 10.10.06 and (4) 08.01.07 respectively.

(7) General Body meetings :

The last three Annual General Meetings of the Company were held on (1) 14.08.04 (4.00 P.M) (2) 16.08.05 (4.30 P.M) (3) 27.05.06 (4.00 P.M) at Regd.Office: Gondiparla, Kurnool-518 004 (A.P). The special business transacted and approved by the members at the previous 3 Annual General Meetings are as follows:

(a) 2003-2004

1. Increase in authorized 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.

(b) 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 to comply with Accounting Standard 18. The company has not received any notices from Stock Exchange or SEBI regarding non compliance of statutory provisions. The Company is complying with all mandatory requirements stipulated in Clause 49 and non-mandatory requirements are adopted by the Company to the extent the same are relevant.

(9) Means of communication :

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

In addition to this the company is communicating its results to all the Stock Exchanges where the shares are listed. As the company is covered under the EDIFAR scheme notified by SEBI, necessary details are placed in the National Informatic Centre website. Further quarterly results, shareholding pattern and other related information is placed on the company's website. The company is also making presentations to the Financial Institutions and Banks with all the



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

details relating its quarterly results. Further to confirm that the management discussion and analysis report is communicated to shareholders and all the concerned, it has been made part and of parcel of Annual Report. Further the Quarterly/Half yearly Results are generally posted in Company's Website www.tgvgroup.com.

(10) General Shareholder information :

- a. AGM Date, time and Venue : 28th September, 2007
at Regd .Office: Gondiparla, Kurnool - 518 004 (A.P).
- b. Tentative Financial Calendar : The next financial year covers the period from
1st April, 2007 to 31st March, 2008

Un-Audited Financial result for : First Quarter - July'07
Second Quarter- October'07
Third quarter - January'08
Fourth quarter- April'08
- c. Book Closure period : 25.09.2007 to 29.09.2007 (both days inclusive)
- d. Dividend payment date : - N.A -
- e. The shares of the Company is listed on:
 1. Bombay Stock Exchange Limited, Dalal Street, Mumbai.
ISIN NO: INE 284B01028, SCRIP CODE : 507753 for EQUITY SHARES
ISIN NO: INE 284B04014, SCRIP CODE : 700102 for Cumulative Redeemable Preference Shares(CRPS)
The listing fee to the Stock Exchange for the year 2007-08 is paid by the company.
BSE vide its letter Ref.No.DCS/PREF/SM/TRD/993/06-07 dated 20.02.2007 has given their approval for listing of 54,20,000 Equity Shares with Distinctive Nos.100018036 to 105438035 issued by the Board on 25.04.06 on conversion of warrants into equity. The trading in these shares has been commenced from 26.04.07 on completion of the lock-in period.
- f) i) Shareholding pattern for Equity Shares and CRPS as on 31st March, 2007.

S.No	CATEGORY	EQUITY SHARES		C R P S (*)	
		SHARES	%	SHARES	%
1	Promoters	27940988	41.40	8444105	44.72
2	Mutual Funds and UTI	37787	0.06	37787	0.20
3	Banks & Financial Institution & Insurance Companies	30862036	45.73	2424994	12.84
4	Corporate Bodies	1020231	1.51	669542	3.55
5	Indian Public	6991186	10.35	6713666	35.55
6	NRIs / OCBs	641058	0.95	592238	3.14
	TOTAL	67493286	100.00	18882332	100.00

CRPS Cumulative Redeemable Preference Shares.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- ii) Market Price data: The monthly high and low of stock quotations during the financial year 2006-07.

STOCK MARKET DATA – (BSE based)

Month & Year	High (Rs.)	Low (Rs.)
April, 2006	18.90	13.35
May, 2006	19.85	12.25
June, 2006	13.67	8.75
July, 2006	12.35	8.80
August, 2006	12.80	9.97
September, 2006	13.25	10.01
October, 2006	12.50	9.25
November, 2006	12.99	10.25
December, 2006	13.00	10.26
January, 2007	14.50	11.20
February, 2007	14.50	11.00
March, 2007	11.95	9.20

(g) Dematerialisation of Shares :

As on 31st March, 2007 out of 67493286 Equity Shares 50810842 No.of Shares were dematerialised (75.28%). Out of 18882332 No.of CRP Shares 15521780 were dematerialised (82.20%). Since the company's shares are trading under compulsory De-mat mode shareholders are requested to take necessary steps to dematerialise their shares held in physical form.

(h) Code of conduct :

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

DECLARATION BY C.E.O

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 year ended 31.03.2007.

On behalf of the Board of Directors

Place : Hyderabad

Date : 19.05.2007

T.G.VENKATESH
CHAIRMAN AND MANAGING DIRECTOR

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

- (j) Address for Correspondance :** 6-2-1012, TGV Mansions, II Floor, Above ICICI Bank,
Khairatabad, Hyderabad – 500 004 (A.P)

On behalf of the Board of Directors

Place : Hyderabad
Date : 19.05.2007

T.G.VENKATESH
CHAIRMAN AND MANAGING DIRECTOR



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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, 2007 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 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 : 19.05.2007

B. DAIVADHEENAM REDDY

Partner

Membership No.026450



ANNEXURE 'E' TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS :

The Company is having mainly three Business Divisions namely:-

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

1. CHEMICALS DIVISION :

- (1) Industry Structure and Developments:

Under the Chemicals division the Company is manufacturing Caustic Soda, Pottasium Hydroxide, Chlorine and other chemicals. Caustic Soda and KOH are marketed in lye and flakes form. Chlorine is marketed in gaseous form. Special arrangements have to be made to transport these products.

- (2) Opportunity and Threats:

The Chlor-Alkalie Industry is power oriented and with the increasing trend in its cost the industry performance may be relatively affected. With the increase in general economy, the market for these products are in good demand. Availability of specially made cylinders for chlorine and tankers for transportation of Caustic lye poses some concern.

- (3) Out look:

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

- (4) Risks and concerns:

Availability of power and its cost is main concern.

2. OILS AND FATS DIVISION :

- (1) Industry Structure and Developments:

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

- (2) Opportunity and Threats:

The Castor Oil operations are also in satisfactory level with India being major player in this segment. As stated above with better industrial outlook, Fatty Acids operations are expected to grow favourably. The low cost availability of vegetable oils in east asian countries may affect the local prices to some extent. Being Agri based product, any adverse natural Climatic conditions will affect the availability of raw material and the cost.

- (3) Out look:

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

- (4) Risks and concerns:

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

3. POWER DIVISION:

- (1) Industry Structure and Developments:

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



(2) Opportunity and Threats:

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

(3) Out look:

The demand and supply of power in Karnataka State will not vary the unit's 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, 2007 the employee strength (on permanent rolls) of the Company was 818.

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 : 19.05.2007

T.G.VENKATESH
CHAIRMAN AND MANAGING DIRECTOR



AUDITOR'S REPORT

To
The Members

**Sree Rayalaseema Alkalies
And Allied Chemicals Limited**

1. We have audited the attached Balance Sheet of M/s.Sree Rayalaseema Alkalies and Allied Chemicals Ltd., Kurnool as at 31st March,2007 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 01/04/2006 and deferred tax liability for the year ended on 31.3.2007.

- v) On the basis of written representations received from the Directors as on 31st March,2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March,2007 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 Deferred Tax liability (Net) relating to earlier years as on 01.04.06 amounting to Rs.2134.64 lakhs arising on account of timing differences (Refer Note No.10) not charged to Reserves Account and deferred tax liability for the year under report of Rs.725.89 lakhs not considered in the profit and loss account for the year and by this effect the Reserves overstated to the extent of Rs.2134.64 lakhs and Net profit for the year overstated to the extent of Rs.725.89 lakhs and the total deferred tax liability of Rs.2860.53 lakhs not considered in the Balance Sheet as at 31.3.2007."

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, 2007;
- 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)

Place: Hyderabad (Camp)
Date : 19.05.2007

Partner
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.
 - c. 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) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of Clause 4(iii)(b)(c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) In respect of transactions covered under Section 301 of the Companies Act, 1956;
 - a. According to the information and explanations given to us, we are of the opinion that the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public specified under the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. No order has been passed by the Company Law Board.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of Caustic Soda manufacturing activities of the Company. We have broadly reviewed the books of account and records relating to materials, labour and other items of cost maintained by the Company and we are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) In respect of statutory dues;
 - 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, 2007 for a period of more than six months from the date that became payable.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- 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.

Sl. No	Name of the Statute	Nature of dues	Rs. lakhs	Period	Forum where dispute is pending
1	Central Excise Act, 1944	Excise duty on tanker rentals	4.93	2000-06	Commissioner of Central Excise (Appeals), Guntur.
2	Central Excise Act, 1944	Service tax on goods transport operator and clearing & forwarding agent services	32.18	1997-98	Commissioner of Central Excise (Appeals), Guntur.
3	Central Excise Act, 1944	Redemption fine and penalty on import of raw material	9.90	2003	CESTAT (Tribunal), Bangalore.
4	A.P.VAT Act, 2005	Input tax credit on furnace oil & coal (Paid)	61.35 (47.77)	2005	Appellate Deputy Commissioner of Commercial Tax, Kurnool
5	Indian Customs Act, 1962	Differential customs duty on raw material (Paid)	1161.14 (125.00)	2000-06	Commissioner of Customs, Chennai.

- (x) In our opinion, after considering the effect of the qualifications, the company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and 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 interest and principal dues fallen due during the year, which were paid subsequent to due dates and no interest amount was due at the year end and the principal amount of Rs.754.34 lakhs fallen due to foreign bank (SEB Ag, Germany) was outstanding as on 31.03.2007 and Rs.200.50 lakhs paid subsequently.
- (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 guarantee for loans taken by other company 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 allotted equity shares by conversion of share warrants already issued on preferential allotment to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956. In our opinion the price at which shares have been issued/converted is not prejudicial to the interest of the company.
- (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 : 19th May, 2007.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

BALANCE SHEET AS AT 31st MARCH, 2007

Rs. in Lakhs

	SCHEDULE	As at 31.03.07	As at 31.03.06
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	A	8641.84	8641.84
Reserves and Surplus	B	10245.78	8438.16
LOAN FUNDS:			
Secured Loans	C	28032.24	29900.93
Unsecured Loans	D	2047.09	980.99
TOTAL		48966.95	47961.92
APPLICATION OF FUNDS			
Fixed Assets - Net of Depreciation	E	39508.09	37731.50
Investments	F	198.31	233.06
Current Assets	G-A	11399.80	7268.83
Loans and Advances	G-B	2792.19	2913.07
		14191.99	10181.90
Less: Current Liabilities & Provisions	H	9033.20	6257.91
Net Current Assets		5158.79	3923.99
Miscellaneous Expenditure (Deferred Revenue Expenditure to the extent not written off or adjusted)	I	4101.76	6073.37
TOTAL		48966.95	47961.92
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:19.05.2007

V.RADHAKRISHNA MURTHY

Sr.General Manager & Company Secretary



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.07

Rs. in Lakhs

		Year Ended 31.03.07	Year Ended 31.03.06
INCOME			
Sales -- Gross	1	43276.29	35151.06
Less: Excise Duty & Sales Tax		5959.55	5706.48
Sales--Net		37316.74	29444.58
Process Charges		409.01	327.63
Other Income	2	76.63	532.95
Profit on Sale of Investments/Fixed Assets		1.33	1.20
Increase / (Decrease) in Stocks	3	157.02	(70.53)
TOTAL INCOME		37960.73	30235.83
EXPENDITURE			
Consumption of Raw materials	4	14539.01	8982.05
Employees Remuneration & Benefits	5	1593.62	1500.34
Power and Fuel		7714.96	8882.34
Consumption of Chemicals Packing and stores		1715.56	1249.33
Other Manufacturing, Administrative & Selling Expenses	6	3346.08	2516.51
Interest/Finance Charges	7	3059.87	2511.73
TOTAL EXPENSES		31969.10	25642.30
PROFIT BEFORE DEPRECIATION & TAX		5991.63	4593.53
LESS: Depreciation	E	2715.74	2475.10
Deferred Revenue Expenditure Written Off		1160.00	1079.64
Expenses/(Income) relating to Earlier Years (Net)		45.62	102.64
PROFIT BEFORE TAX		2070.27	936.15
LESS Provision for Taxation(MAT)-for Current Year		232.29	80.00
LESS Provision for Taxation -for Earlier Years		0.36	0.36
LESS Provision for Fringe Benefit Tax		30.00	35.00
PROFIT AFTER TAX		262.65	115.36
ADD : Surplus Carried from Previous Year		1807.62	820.79
PROFIT AVAILABLE FOR APPROPRIATION		1116.69	295.90
Add: Transfer from General Reserve		-	624.93
Less: In Previous Year Extra Ordinary Expenditure relating to earlier years charged off (Refer Note No:11)		-	624.93
Transfer to Debentures Redemption Reserve		500.00	-
Surplus carried to Balance Sheet		2424.31	1116.69
Notes to Accounts	J		

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

For Brahmayya & Co.,
Chartered Accountants

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: 19.05.2007

V.RADHAKRISHNA MURTHY
Sr.General Manager & Company Secretary



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

As at 31.03.07
Rs. in Lakhs

As at 31.03.06
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	<u>1900.00</u>

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 8637.56	<u>2000.00</u> <u>8637.56</u>

SUBSCRIBED, CALLED-UP & PAID UP:

(A) 1,88,82,332 Cumulative Redeemable Preference Shares of Rs.10/- each allotted on sub-division and consolidation having a Coupon rate of 0.01% from April,2002 redeemable after 15 Years in 4 Quarterly instalments commencing from 1.04.2018.	1888.23	1888.23
(B) 1,88,82,331 Equity shares of Rs.10/- each allotted on sub-division and consolidation	1888.23	1888.23
(C) 2,86,10,955 Equity Shares of Rs.10/- each allotted on preferential allotment to IDBI & IFCI by Conversion of 15% of Rupee/F.C.loans and Debentures	2861.10	2861.10
(D) 1,45,80,000 Equity Shares of Rs.10/-each allotted on Preferential allotment to Promoters group.	1458.00	1458.00
(E) 54,20,000 Equity Shares of Rs.10/-each allotted on 25.04.2006 to promoters group on conversion of fully paid share warrants (In Previous Year 54,20,000 Share Warrants issued to Promoters group on preferential allotment.)	542.00	-
ADD: Amount received on Forfeited Shares of Original Issue in 1995-96(180086 Shares)	8637.56 4.28	<u>542.00</u> <u>8637.56</u> <u>4.28</u>
	8641.84	<u>8641.84</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

As at 31.03.07
Rs. in Lakhs

As at 31.03.06
Rs. in Lakhs

SCHEDULE - B

RESERVES AND SURPLUS

Central Subsidy-per last Balance Sheet	111.67	111.67
Capital Reserve - Per last Balance sheet	2.00	2.00
Share Premium Account	2288.51	2288.51
General Reserve-Per last Balance Sheet	3399.29	4024.22
Less: In previous year Transferred to Appropriation account to charge off Extra ordinary Expenditure relating to earlier years (Refer Note No:11)	-	624.93
	3399.29	3399.29
Investment Allowance Reserve-Per last Balance Sheet	520.00	520.00
Debentures Redemption Reserve -Per last Balance Sheet	1000.00	1000.00
Add: Transfer from Profit and Loss A/c	500.00	-
	7821.47	7321.47
Surplus in Profit & Loss Account	2424.31	1116.69
TOTAL	10245.78	8438.16

SCHEDULE - C

SECURED LOANS

A) DEBENTURES (PRIVATELY PLACED):

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



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	As at 31.03.07 Rs. in Lakhs	As at 31.03.06 Rs. in Lakhs
B) LOANS FROM INSTITUTIONS:		
i) Term Loans IDBI & IFCI Loans Repayable in 96 Monthly Instalments from April,2008	15395.88	15799.97
- Deferred Loans (Repayable in 120 Monthly instalments from April,2006 as per Restructuring package)	4324.76	4824.29
ii) Term Loans from Foreign Banks SEB AG (Foreign Currency Loan),Germany (Total Repayable in 12 Monthly Instalments)	2105.41	3131.02
C) WORKING CAPITAL LOANS FROM		
United Bank Of India	632.77	530.35
Indian Bank	201.96	166.17
The South Indian Bank Ltd.	477.40	480.80
State Bank of Travancore	139.53	183.64
The Federal Bank Ltd.	183.09	147.88
Can Bank Factors Ltd,(Bills discounted)	173.49	238.86
	<u>1808.24</u>	<u>1747.70</u>
TOTAL	<u>28032.24</u>	<u>29900.93</u>

SECURITY:

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



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

- 3) The above series "B&C" debentures issued to IFCL 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, consumabler stores and such other movable, as may be agreed to by the trustees, for securing the borrowings for working capital requirements in the ordinary course of business and further guaranteed by Managing Director.
- 4) The above Term Loans from Institutions [except the Term Loan amount of Rs.5877.26 lakhs from M/s IFCL Ltd. secured by first exclusive charge on the building, plant and machinery acquired under project schemes of Fatty Acid,Pottassium Hydroxide / and power plant at Bellary and the Term loan from The Indian Renewable Energy Development Agency Ltd of Rs.Nil (during the year paid in full and filling of satisfaction of charge is under process) are secured by first execusive 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.

IFCL's Additional Margin money for working capital loan of Rs.850 Lakhs 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 36.21 Lakhs (Equivalent to Rs.2105.41 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 31.03.07 Rs. in Lakhs	As at 31.03.06 Rs. in Lakhs
SCHEDULE - D		
UNSECURED LOANS		
Trade Deposits	337.17	134.76
Bills Payable	273.21	75.00
Sales Tax Deferment(Payable within 12 Months Rs.8.51 Lakhs)	1436.71	771.23
TOTAL	2047.09	980.99



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

SCHEDULE "E" FIXED ASSETS

Rs. in lakhs

Sl. No.	Description	Gross Block (At Cost)			Depreciation		Net Block	
		Asat 01/04/06	Additions	Deductions	Asat 31/03/07	Up to 01/04/06	Asat 31/03/07	Asat 31/03/06
1	a) Free hold Land and Development	286.70	95.96	-	332.66*	-	332.66	286.70
	b) Lease hold Land	53.74	-	-	53.74	-	53.74	53.74
2	Buildings	3045.23	25.20	-	3070.43	600.28	2377.17	2444.96
3	Plant & Machinery	29419.72	742.56*	-	30162.28	12476.09	16151.96	16943.63
4	Power Plant & Machinery	12592.61	12.11	-	12604.72	3120.35	8819.48	9472.25
5	Electricals & D.G.Sets	7948.69	88.26*	-	7736.95	2876.94	4492.93	4771.75
6	Furniture & Fittings	59.19	1.39	-	60.58	46.12	12.07	13.07
7	Office and Telephone Equipment	154.02	15.10	0.10	169.02	74.99	82.89	79.03
8	Computers	178.28	34.73	-	213.01	123.78	67.17	54.50
9	Lab, Workshop & Other Equipment	153.82	20.08	-	173.90	74.32	88.29	79.50
10	Vehicles	277.27	5.92	-	283.19	242.91	30.63	34.36
		53919.27	1041.31	0.10	54860.48	19635.78	32508.99	34183.49
11	Capital Works-in-Progress							
	a) Civil Works	654.41	187.03	17.53	823.91	-	823.91	654.41
	b) Electricals & D.G.Sets	310.82	209.93	11.07	509.68	-	509.68	310.82
	c) Plant & Machinery	2582.78	3102.98	20.25	5665.51	-	5665.51	2582.78
	TOTAL	57367.28	4541.25	48.95	61859.58	19635.78	39508.09	37731.50
	PREVIOUS YEAR	54988.51	4586.92	1608.16	57367.28	17176.50	37731.50	37212.01

* Includes land value of Rs.39.93 Lakhs registered in the name of Chairman and Managing Director due to restriction on registration in Company's name.

+ Refer note No:12 in respect of Capital items transferred from Deferred Revenue expenditure.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

As at 31.03.07
Rs. in Lakhs

As at 31.03.06
Rs. in Lakhs

SCHEDULE - F INVESTMENTS

NON-TRADE INVESTMENTS-IN GOVERNMENT SECURITIES

National Saving Certificates(unquoted at cost)	1.00	1.00
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NON-TRADE INVESTMENTS (Long Term - Investments)

i) In Shares (unquoted at cost)		
a) Andhra Pradesh Gas Power Corporation Ltd., (536000 Equity Shares of Rs.10/- each and 804000 Equity Shares of Rs.10/-each at Rs.12.50 & Bonus Shares 53600,which are pledged with Financial Institutions)	144.05	144.05
ii) Quoted:		
a) Industrial Development Bank of India (3600 Equity Shares of Rs.10/-each at Rs.130 and 2160 Bonus Shares of Rs.10/-each) sold during the year	0.00	4.68
b) Sree Rayalaseema Hi-Strength Hypo Ltd. During the Year as per the scheme of arrangement sanctioned by A.P High Court vide its order dated 15.06.06 has reduced its share capital of 833333 shares and allotted 316666 shares of SRHHL Industries Ltd and 208333 shares of Sree Rayalaseema High-Strength Hypo Ltd (resulting Company) and the balance amount of Rs.30.83 Lakhs is written off under schedule-6	-	83.33
i) SRHHL Industries Ltd. (316666 Equity Shares of Rs.10/-each)	31.67	-
ii) Sree Rayalaseema Hi-Strength Hypo Ltd (resulting company) (208333 Equity Shares of Rs.10/-each)	20.83	-
c) Indian Bank Ltd (839 Equity Shares of Rs.10/-each at Rs.91/-each)	0.76	-
TOTAL	198.31	233.06
Aggregate Book Value of Quoted Investments	53.26	88.01
Aggregate Market Value of Quoted Investments (Quoted after 31.03.07)	-	47.05
Aggregate Book Value of Unquoted Investments	145.05	145.05



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

As at 31.03.07
Rs. in Lakhs

As at 31.03.06
Rs. in Lakhs

SCHEDULE - G

CURRENT ASSETS, LOANS AND ADVANCES

A. CURRENT ASSETS

1. Inventories

(As taken, valued and certified by the Management)

Raw Materials	957.79	420.46
Stores, Consumables & Spares	1547.25	1711.10
Goods in Bonded Warehouse (Raw Materials and Capital Goods)	1836.62	-
Stock in Process	277.81	278.99
Finished Goods	624.98	462.97
Scrap & Disposables	24.57	28.37
	<u>5269.02</u>	<u>2901.89</u>

2. Sundry debtors (unsecured)

Outstanding for more than six months

Considered Doubtful	3.68	-
Less: provision for Doubtful Debts	<u>3.68</u>	-
Considered good-others (Less than Six months)	4916.20	3609.10

4916.20 3609.10

3. Cash & Bank Balances

cash on hand 4.21 2.55

Balance with Scheduled Banks

In Current Account	138.98	315.83
In Deposit Account (Includes Margin Money)	1020.27	408.98
Interest Accrued on Bank Deposits	51.12	30.48

1214.58 757.84

TOTAL (1 + 2 + 3)

11399.80 7268.83

B. LOANS AND ADVANCES

(Unsecured and considered good)

Deposits for power supply	523.51	483.01
Other Deposits	634.69	678.31

Advances recoverable in cash or in kind
or for value to be received

Advance for supply of materials	382.29	419.23
Advance for supply of Capital goods	265.77	210.93
Advance to Contractors	37.48	59.75
Advance to Employees	34.13	34.98
Advance to Transporters	71.94	76.31
Other Advances	434.73	499.71
Advance Income Tax/TDS	43.23	39.12
Claims Receivable	340.97	389.40
Prepaid Expenses	23.45	22.32

TOTAL 2792.19 2913.07



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

As at 31.03.07
Rs. in Lakhs

As at 31.03.06
Rs. in Lakhs

SCHEDULE - H

CURRENT LIABILITIES & PROVISIONS

A. CURRENT LIABILITIES

Sundry Creditors for Capital Goods	1912.06	872.38
Sundry Creditors for Supplies		
- SSI under Takings	496.62	376.58
- Others	<u>4544.68</u>	<u>2248.68</u>
	5041.30	2625.26
Sundry Creditors for Expenses	201.29	237.93
Customers Credit Balances	560.65	445.20
Other liabilities	839.89	1270.68
Interest accrued but not due on loans	194.77	610.56
Balance due to Banks	<u>15.15</u>	<u>80.22</u>

B. PROVISIONS

Provision for Taxation(MAT)	8765.11	6142.23
Provision for Fringe Benefit Tax	234.19	80.68
	<u>33.90</u>	<u>35.00</u>
TOTAL	<u>9033.20</u>	<u>6257.91</u>

SCHEDULE - I

Miscellaneous Expenditure

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

Deferred Revenue Expenditure	6073.37	6323.10
Add: Additions during the year	<u>-</u>	<u>829.91</u>
	6073.37	7153.01
Less: amount transfer to Fixed Assets (Refer Note No: 12)	811.61	-
Less: amount written off during the year	<u>1160.00</u>	<u>1079.64</u>
TOTAL	<u>4101.76</u>	<u>6073.37</u>

Year ended 31.03.07
Rs. in Lakhs

Year ended 31.03.06
Rs. in Lakhs

SCHEDULE - 1

SALES (Gross)

Caustic Soda Lye/Flakes	14589.83	12971.94
Liquid Chlorine/Gas	3201.01	4087.19
Hydrochloric Acid	1291.23	1470.03
Hydrogenated Castor Oil	1274.68	949.32
12 Hydroxy Stearic Acid	2164.98	1924.19
Caustic Potassium Hydroxide	7193.07	3988.51
Stearic Acid-Different Grades	1768.16	751.43
Toilet Soaps	517.74	604.32
Soap Noodles	3485.22	3589.14
D.G.Power under Power Purchase Agreement	5239.06	2931.76
Miscellaneous and Other Oils Sales	2551.31	1883.23
TOTAL	<u>43276.29</u>	<u>35151.06</u>



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	Year ended 31.03.07 Rs. in Lakhs	Year ended 31.03.06 Rs. in Lakhs
SCHEDULE - 2		
OTHER INCOME		
Export Incentives	16.51	265.74
Input Tax Credit	-	28.51
F.E.Fluctuation gains	-	188.45
Hire Charges Receipts	2.38	2.55
Insurance Claims	1.31	5.25
Other Miscellaneous Receipts	56.43	42.45
TOTAL	76.63	532.95

SCHEDULE - 3 INCREASE/(DECREASE) IN STOCKS CLOSING STOCKS

Finished goods	624.98	462.97
Scrap & Disposables	24.56	28.37
Stock-in-process	277.81	278.99
TOTAL (A)	927.35	770.33

OPENING STOCKS

Finished Goods	462.97	545.63
Scrap & Disposables	28.37	24.07
Stock-in-process	278.99	271.16

TOTAL (B)	770.33	840.86
INCREASE/(DECREASE) IN STOCKS (A)-(B)	157.02	(70.53)

	Year ended 31.03.07	Year ended 31.03.07 Rs. in Lakhs	Year ended 31.03.06	Year ended 31.03.06 Rs. in Lakhs
UNIT	QUANTITY	COST	QUANTITY	COST

SCHEDULE - 4 CONSUMPTION OF RAWMATERIALS

i) Salt	MT	127887	1619.62	117956	1482.54
ii) Castor Oil	MT	7530	2585.43	6908	2159.34
iii) Acid Oil & Other Oils	MT	17199	3818.70	15147	3179.45
iv) F.O./HSD/Lubricants for Power Generation	KL	13181	3185.00	3895	933.83
v) Potassium Chloride & Carbonate	MT	24034	3220.37	13248	1111.14
vi) Other Raw Materials			109.89		115.75
TOTAL			14539.01		8982.05

SCHEDULE - 5 EMPLOYEES REMUNERATION & BENEFITS

Salaries, Wages,Bonus and Allowances	1223.50	1145.40
Welfare expenses	231.36	226.80
Contribution to ESI & Provident Fund	89.98	88.14
Contribution to Gratuity & Superannuation Scheme	48.78	40.00
TOTAL	1593.62	1500.34



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

	Year ended 31.03.07 Rs. in Lakhs	Year ended 31.03.06 Rs. in Lakhs
SCHEDULE - 6		
MANUFACTURING,ADMINISTRATIVE & SELLING EXPENSES		
Insurance	82.42	54.72
Repairs & Maintenance		
a) Buildings	47.55	46.94
b) Plant & Machinery	305.04	241.45
c) Others	98.94	73.47
Excise duty on captive consumption/Stocks	7.86	12.70
Processing Charges	0.64	0.44
Travelling and conveyance	228.60	212.06
Printing and stationery	23.43	21.76
Postage Telegrams and Telephones	43.16	48.81
Directors sitting fee	0.61	0.47
Remuneration to Managing Director	8.09	8.20
Directors Travelling	22.84	19.34
Remuneration to Auditors		
Audit -Fee	1.50	1.40
Tax Audit Fee	0.75	0.60
Audit -Expenses	0.15	0.10
Cost Audit Fee	0.20	0.20
Cost Audit expenses	0.04	0.05
Freight Inward	265.00	194.72
Selling expenses	844.76	709.43
Advertisement	1.42	4.36
Rent including Lease Rents	178.81	151.55
Fee and Expenses	55.37	53.71
Bank Charges	336.06	200.64
Service Charges	151.83	117.65
Rates & Taxes	3.42	7.83
Legal Expenses	18.67	26.70
Research and Development Expenses	35.70	29.46
Water Charges	23.13	18.78
Provision for Doubtful Debts	3.68	-
F.E.Fluctuation on Tern Loans & Export Receivables	258.31	-
Other Expenses	225.24	230.29
Loss on reduction of investments in shares	30.83	-
Donations	42.03	28.68
TOTAL	3346.08	2516.51

SCHEDULE - 7

INTEREST/FINANCE CHARGES

On Term loans	2455.76	2024.86
On cash credits	153.40	153.25
On Bill Discounting,Deposits & Others	450.71	333.62
(Net of Interest Receipts Rs.71.71 Lakhs (Rs.64 Lakhs)		
TOTAL	3059.87	2511.73



SCHEDULE - J : NOTES TO ACCOUNTS

I. Significant Accounting Policies :

1. Basis of Preparation and Presentation of Financial Statements:

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

2. Inventories:

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

3. Depreciation:

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

4. Revenue Recognition:

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

5. Research and Development Expenditure:

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

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

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

7. Foreign Currency Transactions:

Transactions in Foreign Currencies are recorded during the year at the exchange rates prevailing on the date of transaction. At the year-end, Current assets and Current Liabilities in Foreign currency are accounted as per the



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

8. Retirement Benefits:

a) Gratuity:

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

b) Leave Encashment:

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

9. Investments:

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

10. Borrowing Costs:

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

11. Segment Reporting:

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

12. Leases:

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

13. Accounting for Taxes on Income:

- Current tax liability, for the year is recognised for the estimated tax payable on the taxable income and the same is treated as tax expense in determination of net profit for the year.
- Deferred tax liability as at the beginning of the year and for the year is recognised for all timing differences arising on account of difference in methods/rates of depreciation, deferred revenue expenditure and deferred tax asset is considered in respect of expenditure allowable under Sec 43 B and carry forward losses / allowances on the principle of prudence and the same not considered in accounts.

14. CENVAT / IN-PUT TAX CREDIT:

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

15. Deferred Revenue Expenditure :

- Cost of replacement of Membranes/Gaskets/Anode Mesh consumed, the benefit of which will accrue over three years, is amortised over a period of three years.



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- (ii) Initial advertisement and sales promotion expenses incurred for launching of consumer products (Toilet Soaps), debt restructuring fee and expenditure incurred on major repairs/overhaul of DG Sets and cost of returnable containers, the benefit of which accrues for a period of five years, are amortised over that period.
- (iii) Expenditure incurred towards interest on loans during the commercial/technical stabilisation period in respect of new projects, amortised over a period of four years from 2005-06. Funded interest on term loans of Financial Institutions is amortised proportionately over the repayment schedule as per Debt Restructuring package from 2006-07.

16. Change in Accounting Policy :

During the previous year 2005-06 expenditure incurred in respect of replacements made to obsolete / worn out equipments, Membranes / gaskets etc including high value stores and spares and major repairs were accounted as deferred revenue expenditure. The said expenditure was incurred for improvement in economic life of Plant and Machinery due to technological developments and it is a tangible plant and machinery and hence during the year 2006-07 transferred from deferred revenue expenditure to fixed assets schedule. Accordingly, depreciation on the assets so transferred has been charged based on their useful life and the net values as on 01.04.06 of Rs.811.61 lacs have been included under gross block as additions to Plant and machinery / Electrical equipment. This change in accounting policy has no material impact on profit for the year and future years.

NOTES TO ACCOUNTS:

1. Contingent Liabilities not provided in respect of

	Current Year 2006-07 Rs. in Lakhs	Previous Year 2005-06 Rs. in Lakhs
a) Cheques / Bills Discounted with Banks.	742.35	772.50
b) Unexpired Bank guarantees / letters of Credit (net of margin money paid)	4198.66	1673.64
c) Estimated amount of Contracts remaining to be executed on Capital Account. (Net of advances).	1099.42	2421.24
d) Arrears of dividend on cumulative redeemable preference shares of Rs.1888.23 lacs at a coupon rate of 0.01 % for the period from 01.04.2002 to 31.03.2007.(payable after 15 years) i.e from 01.04.2018.	0.94	0.76
e) Claims against the company not acknowledged as debts, being disputed and pending in appeals/ Assessments in respect of		
i) Central excise matters regarding Modvat credit availed and duty on hire/rental and testing charges and service tax on freight payments. (Matters relating to Modvat credit and duty on testing charges of Rs.73.67 lacs decided in favour of the Company)	37.11	110.30
ii) Customs matters regarding redemption fine and penalty in respect of dispute on classification of imports.	9.90	9.90
iii) Sales tax matters regarding Input tax credit availed on fuels used for steam generation disallowed by the Department and levied penalty and interest of Rs.13.52 lacs.	61.35	(61.35)
Paid under protest	(47.77)	(47.77)
iv) Electricity matters regarding Category Charges/ subsidy, and surcharge/interest-Pending before Courts. (amount paid / adjustable)	711.13 (44.81)	(711.13) (44.81)



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v) 1) Wheeling Charges levied by APCPDCL pending in Supreme Court	24.20	24.20
2) Wheeling charges levied on APGAS power supplies covered by Bank guarantee Rs.69.30 lacs	NIL	NIL
f) Customs duty on non fulfillment of export obligation under Advance Licenses (paid under advance). During the year the liability was paid.	NIL	37.29
	NIL	(20.00)
g) Differential duty on procurement of raw material as per show cause notices issued by the Customs Authorities is contested and the claim by customs authorities is not sustainable based on the legal opinion obtained. (paid under Protest Rs.125.00 lakhs)	1161.14	NIL
h) Claims made by M/s.National Aluminium Company Ltd (NALCO), one of our customers, for non-performance of supply contract, which is pending before the Arbitrator.	227.23	227.23
i) Corporate Guarantee provided 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 was paid during the year.	NIL	237.68

2. Custom duty on goods in Bonded ware house as on 31.03.07 has not been provided in accounts for the year and not included in the valuation of inventory. The same will be accounted at the time of clearance of goods and the duty is estimated at Rs.545.04 lacs and it has no impact on profit for the year.

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

	As at 31.03.07 (Rs.lakhs)	As at 31.03.06 (Rs.lakhs)
a) Against customers, whose balances were written off in the books	131.89	147.28
b) Against suppliers/transporters	25.40	29.97
TOTAL	157.29	177.25

4. a) Exchange differences on Foreign Currency Term Loans from financial institutions in respect of installments paid during the year amounting to Rs.85.84 lakhs (previous year gain Rs.45.70 lakhs) and the exchange difference on outstanding loans as on 31.03.2007 valued at applicable Exchange rates on 31st Mar,07 and the exchange difference amounting to Rs.164.66 lakhs was debited to profit and loss account as per AS-11 (Revised) (previous year gain Rs.138.97 lacs credited to profit and loss account)

- b) Foreign Currency receivables on exports made and outstanding as on 31.03.07 are valued at applicable exchange rate and the exchange difference of Rs.0.60 lakhs. (Previous year Rs.Nil lakhs) was debited to profit and loss account.

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

	Current Year 2006-2007 (Rs. Lakh)	Previous Year 2005-06 (Rs. Lakh)
a) Salary	4.80	4.80
b) Perquisites – rent & insurance	2.44	2.44
c) Contribution to Provident Fund		
Superannuation & medical expenses	0.85	0.96
Total	8.09	8.20

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.



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6. a) Sundry Creditors for supplies under "Current Liabilities" in Schedule "H-A" to the accounts includes Rs.496.62 Lakhs ((Previous Year 376.58 Lakhs) due to Small Scale Industrial Undertakings.
- b) The above includes Rs.326.61 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) Suhan's chemical Pvt Ltd (02) S.V.Sacks Pvt Ltd (03) Shakti containers Pvt Ltd. (04) Govind Industries (05) Shiv Shakti Industries (06) Sri Narsing oil & Rice Mill (7)Gajanan Industries (8) Bevcon wayors Pvt Ltd. (9) Deprocon Engineering Pvt Ltd (10) Essennar Transformers Pvt Ltd. (11) Pawan Agro Industries (12) Sri Sai Baba Oil Mill (13).Jagadeeswari Chemicals (14) Excel woven sacks Pvt Ltd (15) Sri Sai Ram polymers (16) Canara Engg Pvt Ltd (17) Devi Hitech Engineers (18) Seema Valves and Controls (19) Amaravathi Chemicals (20) Dynatherm Alloys (21) Surya Pumps and Equipments .
- c) The Company has initiated the process of identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. The Company has, however, not received the required information from the Suppliers regarding their status under the said Act and hence the information under the Act could not be complied and disclosed.
7. "Interest on Others" is net of interest receipts on Bank Deposits etc. of Rs.71.71 Lakhs (Previous year Rs.64.00 Lakhs).
8. The Company has paid in full the One Time Settlement of dues offered by IREDA and the withdrawal of case in DRT is under process.
9. Lease Payments: The total future minimum lease payments under non-cancelable operating leases are as under:

	2006-07 Rs.lakhs	2005-06 Rs.lakhs
(i) Not later than one year	9.00	Nil
(ii) Later than one year and not later than five years	29.00	Nil
(iii) Later than five years	2.10	Nil

10. DEFERRED TAX LIABILITY:

	As on 31.03.07 (Rs.inlakhs)	As on 31.03.06 (Rs.in lakhs)
Deferred tax liability as on 01.04.2006 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.	9031.52	9616.98
Less: Deferred tax asset as on 01.04.06 in respect of unabsorbed depreciation/ losses and allowable expenses U/s 43B.	6896.88	7467.76
Opening deferred tax liability (net)	2134.64	2149.22
Add / Less: Deferred tax liability (asset) for the year	725.89	(312.20)
Deferred tax liability (Net) as on 31.03.2007	2860.53	1837.02

The above deferred tax liability has not been provided in the books of account, since there is no actual income tax liability in near future due to huge amount of carry forward losses / allowances.

11. **Transfer of General Reserve to the appropriation account (In previous year 2005-06)** 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 su-motto 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 crystalised 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 during the year 2005-06.



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12. Deferred Revenue Expenditure to the extent not written-off:

- (a) Interest deferred on term loans from financial institutions upto 31-03-2003 amounting to Rs.2818.13 lakhs has been written off over repayment schedule as per debt restructuring package sanctioned by the financial institutions and the balance as on 31.03.07 is at Rs.2649.82 lakhs (Previous year Rs.2818.13 lakhs).
- (b) Interest on project loans during the technical/commercial stabilisation period upto 31.03.01 relating to new projects amounting to Rs. 2026.52 lakhs has been written off over a period of four years from 2005-06 as per change in accounting policy. The balance outstanding as on 31.03.07 is at Rs.1013.26 lakhs (previous year Rs.1519.89 lakhs).
- (c) Other deferred revenue expenditure incurred in earlier years upto 2004-05 in respect of initial advertisement on launching of toilet soaps, debt restructuring fee and major repairs & spares, membranes, gaskets / mesh consumption etc., has been written-off over a period of three to five years and the balance outstanding as on 31.03.07 is Rs.438.68 lakhs (previous year 923.74 lakhs).
- (d) As per change in accounting policy under Note No.16, the expenditure incurred during the previous year 2005-06 in respect of replacements to plant & machinery to the extent not written-off as on 01.04.2006 has been considered as tangible plant and machinery and transferred to fixed assets schedule and accordingly depreciation has been charged based on their useful life and net values as on 01.04.06 of Rs.811.61 lacs have been included under gross block as additions to plant and machinery / electrical equipment.

13. Segment Reporting

Rs. in Lakhs

S.No	Particulars	For the year 2006-07	For the year 2005-06
01	Segment Revenue		
	A. Chemicals	23517	19843
	B. Oils & Fats	9500	7968
	C. Power Plant	5239	2933
	Total	38256	30744
	Less: Inter Segment Revenue	453	439
	Net Sales/Income from Operations	37803	30305
02	Segment Results (Profit)(+)/Loss(-) before Tax and interest from segments.		
	A. Chemicals	4473	2973
	B. Oils & Fats	2	(550)
	C. Power Plant	655	1025
	Total	5130	3448
	Less: (i) Interest	3060	2512
	(ii) Other un-allocable expenditure (Net of un-allocable income)	-	-
	Total Profit before Tax	2070	936
03	Capital Employed (Segment Assets and Liabilities)		
	A. Chemicals	29897	29543
	B. Oils & Fats	4319	4223
	C. Power Plant	10854	11479
	D. Others	3875	3378
	Total	48945	48623



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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:

Sl. No.	Name of the 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.	Sree Maurthi Agro Tech Ltd.	Associate
7.	Gowri Gopal Apollo Hospitals Pvt. Ltd.	Associate
8.	Sree Rayalaseema Agro Pvt. Ltd.	Associate
9.	Sree Rayalaseema Galaxy Projects Ltd.	Associate
10.	SRHHL Industries Ltd.	Associate

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

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

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

2. Disclosures of transactions between the company and related parties and outstanding balances as on 31st March 2007. (Rs.in lakhs)

Sl. No.	Nature of Transaction	For the year ended 31.03.07	For the year ended 31.03.06	Balance Outstanding as on 31.03.07	Balance Outstanding as on 31.03.06
A.	Associate Companies				
1	Sales / Receivables	3192.77	2948.90	958.45(Dr)	824.55(Dr)
2	Purchases / Payable	768.49	827.87	55.54 (Dr)	166.45 (Dr)
3	Purchase of fixed assets/ Capital goods	-	156.20	-	-
4	Office / Lease Rentals	65.95	60.49	-	-
5	Office / Lease Rents received	3.90	4.26	-	-
6	Rent /cylinder deposit paid	22.19	-	171.19 (Dr)	149.00(Dr)
7	Services availed	84.48	87.57	-	-
8	Services rendered	2.67	3.35	-	-
9	Corporate guarantee given by the Company for obtaining financial assistance by the associate company from IDBI	Nil	Nil	Nil	237.68
10	Share application money received	Nil	486.75	Nil	541.99(Cr)
11	Guarantees provided by Associate Companies	Nil	Nil	5551.26	5551.26
B.	Key Management personnel				
1	Remuneration	8.09	8.20	-	-
C.	Relatives to Key Management Personnel	-	-	-	-

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..



16. Earnings Per Share:

Basic and diluted earnings per share calculated in compliance with the provisions of Accounting standard (AS20) for the year ending 31.03.07 comes to Rs.2.69 p.a (Previous year Rs.1.32) and Rs.2.63 p.a (previous year Rs.1.28) respectively.

The denominator for Basic EPS is 6,71,22,053 equity shares and the numerator is net profit after tax Rs.18,07,62,201 per Profit and Loss account and after adjusting preference dividend for the year Rs 18,883/-.

The denominator for diluted EPS is increased by potential equity deemed to be issued for OFCD i.e. (67122053+2051770) = 6,91,73,823 and the numerator for this calculation is the net profit after tax Rs.18, 07,62,201 as per Profit and Loss account and after adjusting preference dividend Rs.18,883 and the interest at 5 % on OFCDs Rs. 10,25,885 and the tax liability Rs. 1,15,104 thereon.

Therefore,

Basic Earnings per share = Profit Rs. 180743318/67122053 = Rs. 2.69 p.a

(Previous year profit Rs.82059799/62073286 = 1.32 p.a)

Diluted Earnings per share = Profit Rs.181654099/69173823 = Rs.2.63 p.a.

(Previous year profit Rs.82059799/64125056 = 1.28 p.a)

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

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

A. Licensed and Installed Capacity:

Product	As on 31.03.2007		As on 31.03.2006	
	Licensed	Installed	Licensed	Installed
Caustic Soda Lye	123950	69500	123950	69500
Liquid Chorine	66329	49829	66329	49829
Hydrochloric Acid	61470	24740	61470	24740
Calcium Hypochlorite	3300	3300	3300	3300
Barium Sulphate	1980	1980	1980	1980
Bleach Liquor	1650	1650	1650	1650
Hydrogenated Castor Oil	16500	16500	16500	16500
12 Hydroxy / Rubber Grade Stearic Acid	9900	9900	9900	9900
Ricnolic 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
D.G.sets	31.0 MW	24.8 MW	31.0 MW	24.8 MW
Co-gen power plant	58.0 MW	45.0 MW	21.0 MW	21.0 MW



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

Product	Opening stock		Production	Turnover		Closing stock	
	Qty	Rs.	Qty	Qty	Rs.	Qty	Rs.
1. Caustic soda lye/Flakes	487 (478)	72.55 (87.55)	69335 (63996)	68039 (63987)	14589.83 (12971.94)	1783 (487)	215.79 (72.55)
2. Liquid chlorine	361 (236)	19.69 (15.25)	52415 (44769)	52031 (44644)	3201.08 (4087.19)	745 (361)	27.63 (19.69)
3. Hydrochloric acid	502 (119)	10.14 (2.71)	62985 (61276)	63096 (60893)	1116.43 (1365.69)	391 (502)	5.94 (10.14)
4. Barium sulphate	311 (285)	73.22 (62)	448 (505)	755 (479)	168.05 (118.06)	4 (311)	0.96 (73.22)
5. Hydrogen gas (M3)saleable	26 (26)	- -	2987166 (2424854)	2987152 (2424854)	385.97 (159.72)	40 (26)	- (-)
6. Bleach liquor	32 (94)	0.82 (2.36)	15714 (18254)	15729 (18316)	548.07 (555.28)	17 (32)	0.47 (0.82)
7. HCL Gas	- (-)	- (-)	2558 (1312)	2558 (1312)	174.79 (104.34)	- (-)	- (-)
8. Hydrogenated castor oil	62 (86)	26.13 (43.73)	3079 (2375)	3082 (2399)	1274.68 (949.31)	59 (62)	33.22 (26.13)
9. 12 Hydroxy stearic acid	116 (101)	56.48 (57.56)	4168 (3859)	4123 (3844)	2164.98 (1924.19)	161 (116)	100.30 (56.48)
10. Ricinolic acid	- (-)	- (-)	78 (121)	78 (121)	45.36 (56.95)	- (-)	- (-)
11. Caustic potash flakes/lye	59 (454)	13.45 (98.39)	19157 (11015)	18936 (11410)	7193.87 (3988.51)	280 (59)	74.22 (13.45)
12. Stearic acid	1 (87)	0.16 (27.01)	4852 (2236)	4817 (2322)	1768.15 (751.42)	36 (1)	13.77 (0.16)
13. Fatty acids (Monocarboxylic acid)	60 (-)	19.65 (-)	- (88)	30 (Int Cons 28)	- (9.63)	30 (60)	10.06 (19.65)
14. Soap Noodles	315 (110)	97.48 (34.64)	10245 (11502)	10423 (11297)	3458.39 (3584.39)	137 (315)	48.37 (97.48)
15. Toilet soaps	144 (120)	66.85 (65.79)	881 (1051)	890 (1027)	518.66 (602.28)	135 (144)	66.44 (66.85)
16. Refined glycerine	7 (44)	2.69 (22.87)	2283 (1133)	2257 (1170)	831.03 (525.31)	33 (7)	8.65 (2.69)
17. Wind power generation (KWH)	- (-)	- (-)	2914696 (2634584)	2914696 (2634584)	- (-)	- (-)	- (-)
18. Power generation at Bellary(KWH)	- (-)	- (-)	188100000 (182646000)	188100000 (182646000)	5239.06 (2931.75)	- (-)	- (-)

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 1205 MT (Previous Year 956 MTs), 12 Hydroxy Stearic Acid 3444 MT (Previous Year 1901 MTs), Ricinoleic Acid 216 MTs (Previous year 242 MTs), Refined Glycerine 3063 MTs (Previous Year 2872 MT) and Refined Castor oil Nil MTs (previous year 106 MTs).

e) Power generation at Bellary includes deemed generation value of Rs.2029 lakhs (previous year Rs.2057 lakhs).

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



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

	Current Year 31.03.2007	Previous year 31.03.2006
i) Raw Materials	866.05	555.28
ii) Chemicals	42.06	6.52
iii) Components, Spares & Stores	6.26	500.27
iv) Capital Goods / Services	1842.86	1127.24

D. Raw material consumed

	Qty MT/KL	Imported Rs.lacs	%	Qty MT/KL	Indigenous Rs.lacs	%
i) Palm fatty acid distilled	-	-	-	12523	2848.28	100
	(497)	(99.86)	(5.13)	(9442)	(1846.33)	(94.87)
ii) Palm kernal oil/Distilled fatty acid	814	248.55	90.08	99	27.36	9.92
	(1181)	(361.52)	(57.88)	(947)	(262.99)	(42.12)
iii) Lauric acid	240	87.87	36.27	372	154.39	63.73
	(-)	(-)	(-)	(190)	(59.22)	(100)
iv) Potassium chloride	3453	472.58	14.67	20580	2747.79	85.33
	(-)	(-)	(-)	(13248)	(1111.14)	(100)
v) Salt	-	-	-	127887	1619.62	100
	(-)	(-)	(-)	(117956)	(1482.54)	(100)
vi) Castor oil	-	-	-	7530	2585.43	100
	(-)	(-)	(-)	(6908)	(2159.34)	(100)
vii) Furnace oil, Diesel & lubricant for power project	-	-	-	13181	3185	100
	(-)	(-)	(-)	(3895)	(933.83)	(100)
viii) Others					562.13	
					(665.28)	
Total		809			13730.01	
		(461.38)			(8520.67)	

Note : Figures in brackets relates to previous year

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

	Current year 2006-07 Rs. in Lakhs	%	Previous year 2005-06 Rs. in Lakhs	%
a) Imported	119.16	3.23	63.20	5.40
b) Indigenous	1596.40	96.77	1186.13	94.60
Total	1715.56	100.00	1249.33	100.00

F. Earnings in Foreign Exchange

	Current year 2006-07	Previous year 2005-06
i) FOB value of exports	1936.38	2158.66
ii) Others	Nil	Nil

G. Expenditure in Foreign Exchange

	Current year 2006-07	Previous year 2005-06
i) Management Fees, Commitment Charges and legal charges	0.08	0.08
ii) Travelling	26.51	11.31
iii) Fees and charges	-	1.83
iv) Interest on Term Loans	144.92	157.70
v) Commission Paid	2.66	22.50
vi) Repayment of Term Loans	1254.13	1085.30
vii) Raw Materials and Chemicals	615.11	561.80
viii) Stores & Spares	24.01	452.69
ix) Capital Goods	385.51	1127.44
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. 3 0 7 7 0 F 1 9 8 1 - 8 2 State Code : 0 1
 Balance Sheet Date 3 1 0 3 2 0 0 7
 Date Month Year

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

Public Issue 0 0 N I L 0 0 Rights Issue 0 0 N I L 0 0
 Bonus Issue 0 0 N I L 0 0 Private Placements 0 0 N I L 0 0

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

Total Liabilities 4 8 9 6 6 . 9 5 Total Assets: 4 8 9 6 6 . 9 5

SOURCE OF FUNDS

Paid up Capital 8 6 4 1 . 8 4 Reserves and Surplus 1 0 2 4 5 . 7 8
 Secured Loans 2 8 0 3 2 . 2 4 Unsecured Loans 2 0 4 7 . 0 9

APPLICATION OF FUNDS

Net Fixed Assets 3 9 5 0 8 . 0 9 Investments 1 1 9 8 . 3 1
 Net current Assets 5 1 5 8 . 7 9 Misc. Expenditure 4 1 0 1 . 7 6
 Accumulated Losses 0 0 N I L 0 0

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

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

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

1. Item Code No.(ITC Code) 2 8 1 5 1 2 0 0
 Product Description C A U S T I C S O D A L Y E
 2. Item Code No.(ITC Code) 2 8 0 1 1 0 0 0
 Product Description L I Q U I D C H L O R I N E
 3. Item Code No.(ITC Code) 1 5 0 4 0 0
 Product Description H Y D R O G E N A T E D C A S T O R O I L

Signature to schedules 'A' to 'J' and '1' to '7'

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:19.05.2007

V.RADHAKRISHNA MURTHY
 Sr.General Manager & Company Secretary



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

CASH FLOW STATEMENT FOR 31-03-2007 AS PER CLAUSE 32 OF LISTING AGREEMENT

Rs. in Lakhs

	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	2070.28	936.14
ADJUSTMENT FOR:		
DEPRECIATION	2715.74	2475.10
FOREIGN EXCHANGE	-	-
PROFIT ON SALE OF FIXED ASSETS	(1.33)	(1.20)
INTEREST PAID/RECEIVED	3059.88	2511.73
TOTAL	5774.29	4985.63
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	7844.57	5921.77
ADJUSTMENTS FOR:		
TRADE AND OTHER RECEIVABLES	(1186.21)	(430.77)
INVENTORIES	(2367.13)	(591.24)
TRADE PAYABLES	3901.94	1745.07
	348.60	723.06
CASH GENERATED FROM OPERATIONS	8193.17	6644.83
INTEREST RECEIVED/PAID	(3059.88)	(2511.73)
DIRECT TAXES PAID	(262.65)	(115.36)
DEFERRED REV/EXP WRITTEN OFF	1160.00	1079.64
CASH FLOW BEFORE EXTRAORDINARY ITEMS	6030.64	5097.38
EXTRAORDINARY ITEMS (DECREASE IN RESERVES)	-	(624.93)
NET CASH FLOW FROM OPERATING ACTIVITIES	6030.64	4472.45
B. CASH FLOW FROM INVESTING ACTIVITIES:		
SALE / PURCHASE OF FIXED ASSETS	(3680.77)	(2993.37)
DEFERRED REVENUE EXPENDITURE	-	(829.92)
PURCHASE OF INVESTMENTS	(0.76)	(0.20)
SALE OF INVESTMENTS / REDUCTION	36.84	-
INTEREST RECEIVED	-	-
DIVIDEND RECEIVED	-	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(3644.68)	(3823.48)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAP.	-	486.75
EXCHANGE FLUCTUATION ON F.C. LOANS	250.49	(184.68)
REPAYMENT OF FINANCE/LEASE LIABILITIES	(2179.73)	(1227.33)
NET CASH FLOW FROM FINANCING ACTIVITIES	(1929.23)	(925.24)
NET INCREASE IN CASH AND CASH EQUIVALENTS	456.73	(276.28)
CASH AND CASH EQUIVALENTS AS AT 01.04.06 (OPENING BALANCE)	757.84	1034.12
CASH AND CASH EQUIVALENTS AS AT 31.03.07 (CLOSING BALANCE)	1214.57	757.84

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

Place : Hyderabad
Date : 19th May, 2007

B. DAIVADHEENAM REDDY
Partner

T.G.VENKATESH
Chairman and Managing Director