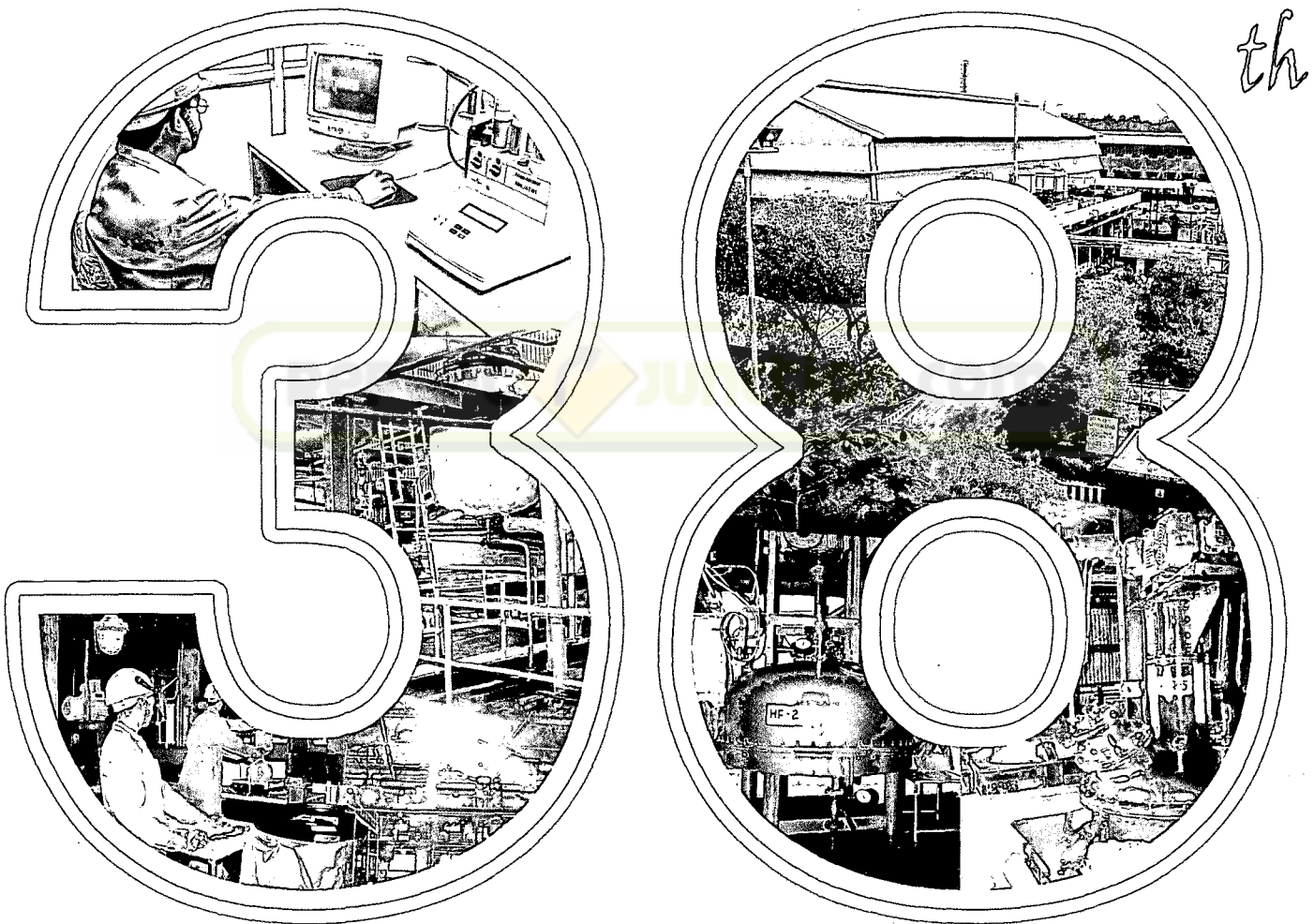


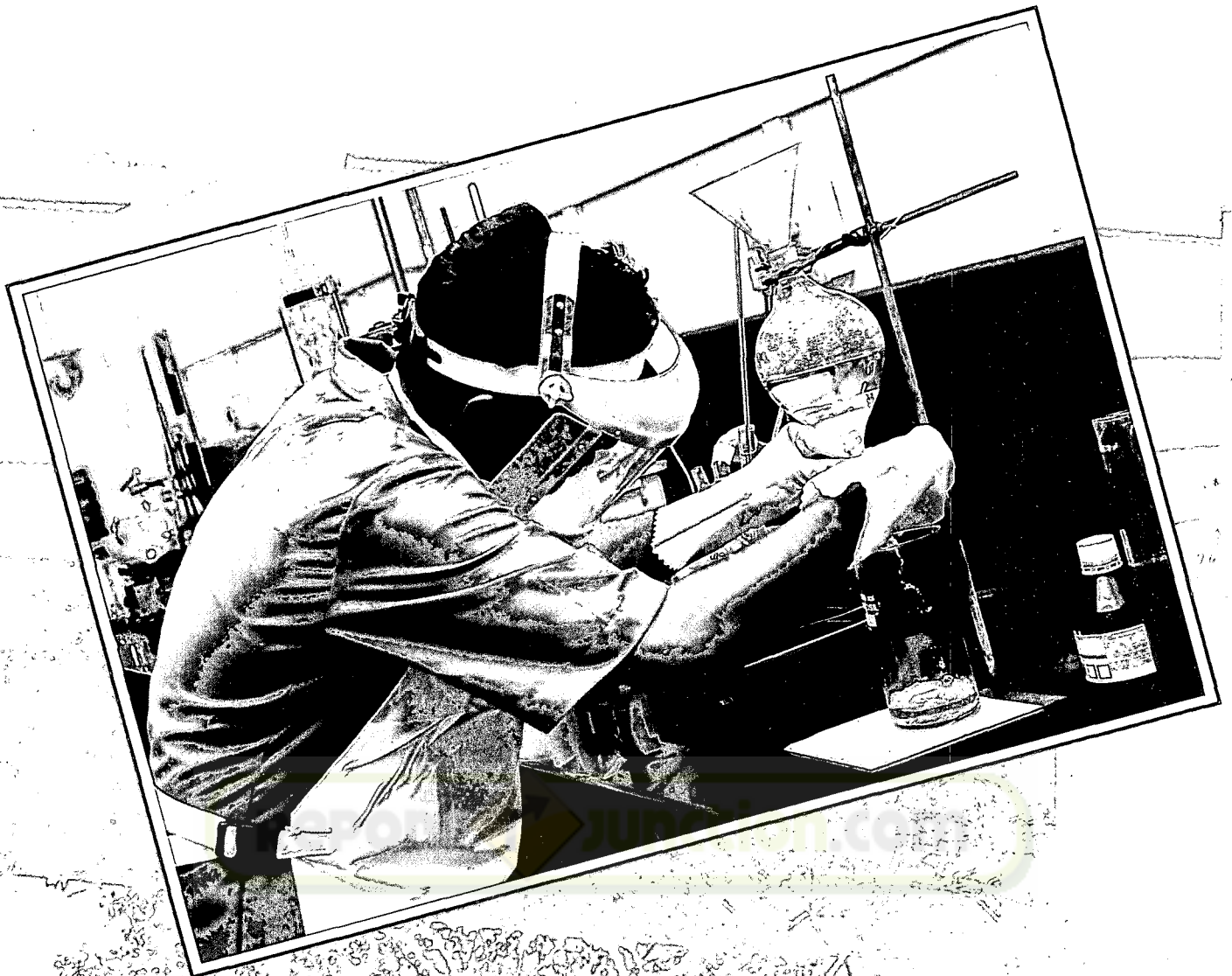
ALKALI METALS LTD.,

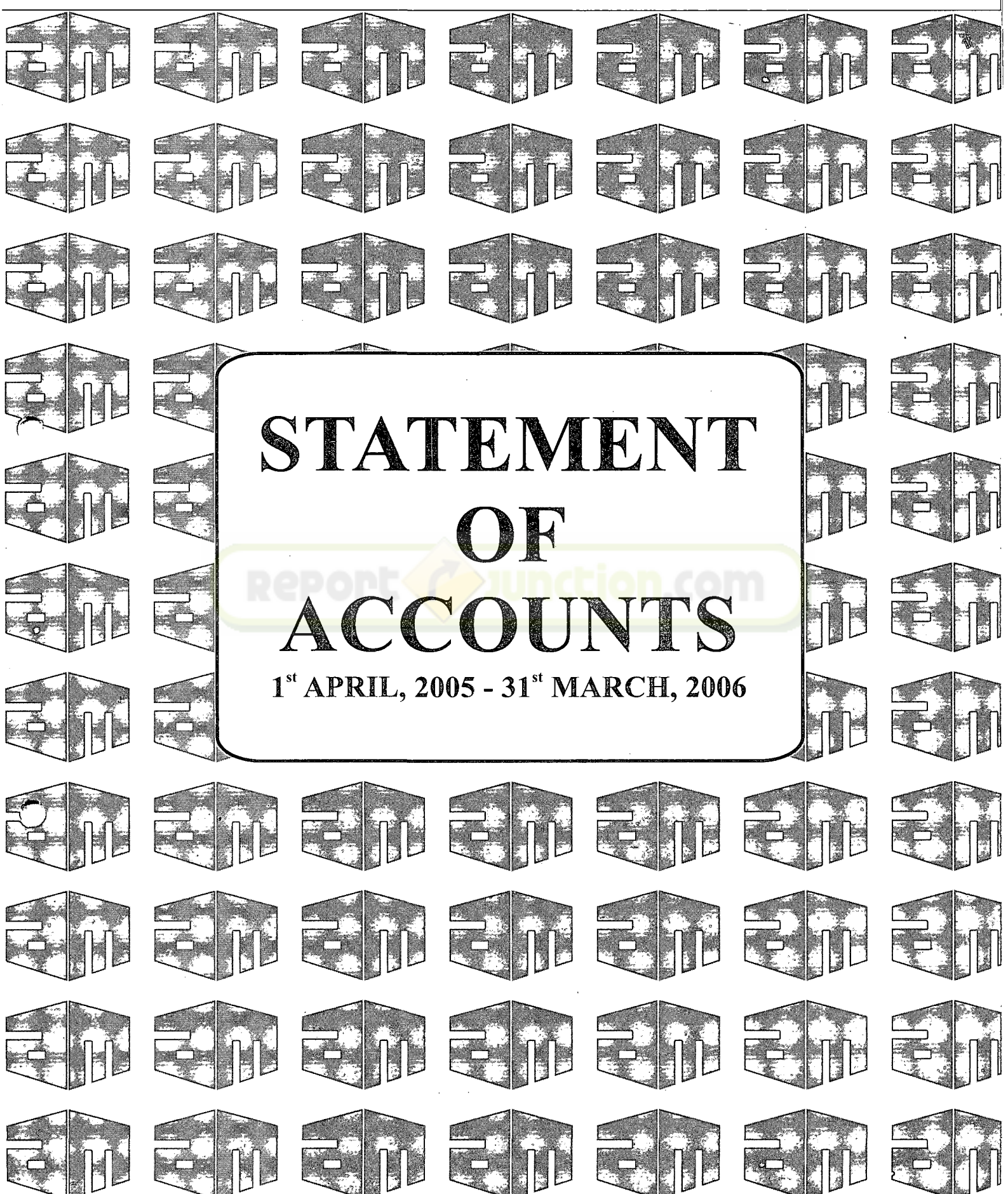
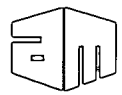
AN ISO 9001 & 14001 COMPANY AND EXPORT HOUSE



ANNUAL REPORT

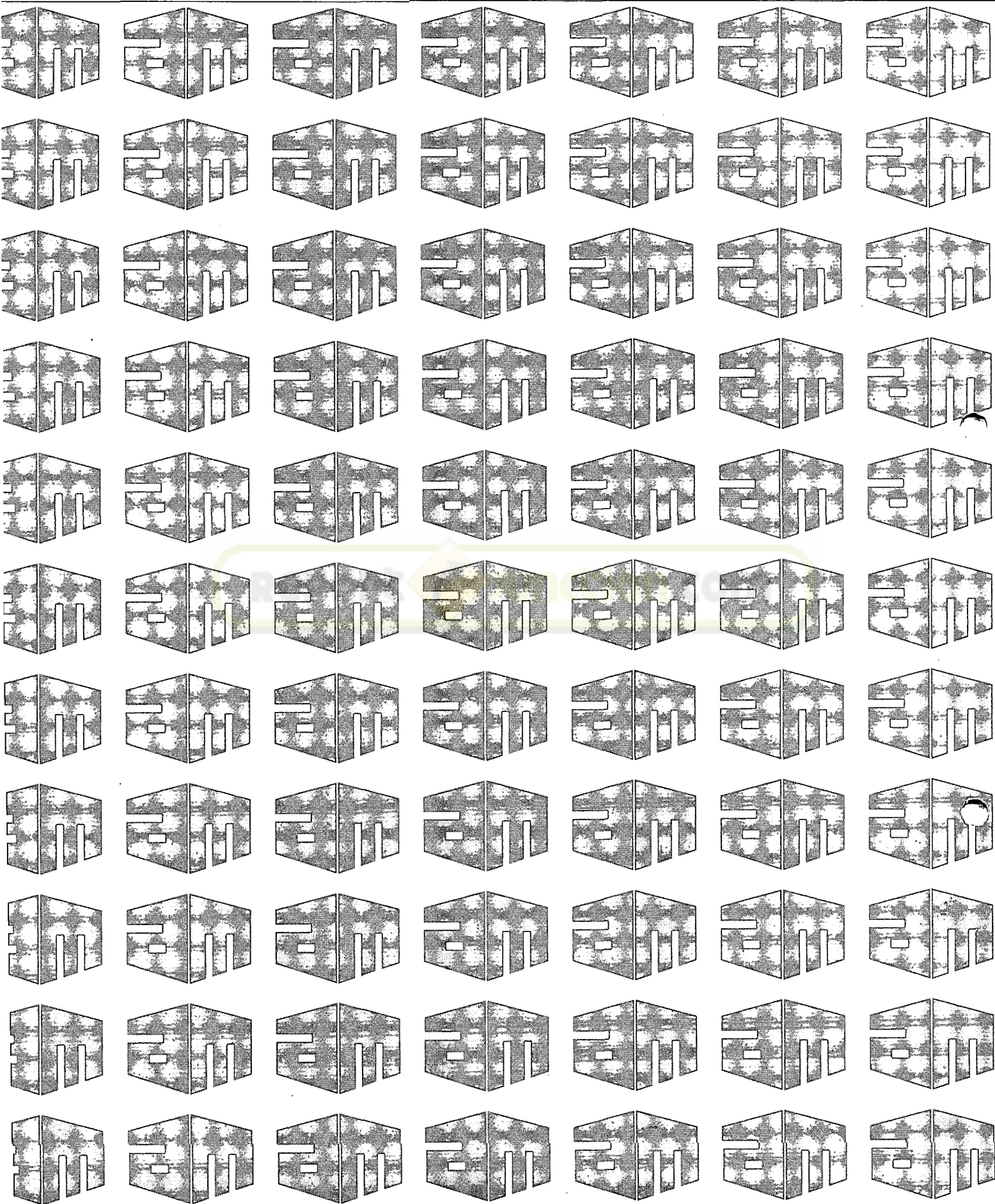
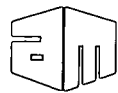
2005-2006

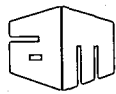




STATEMENT OF ACCOUNTS

1st APRIL, 2005 - 31st MARCH, 2006



**BOARD OF DIRECTORS**

SMT. Y.V.LALITHA DEVI

CHAIR PERSON

SRI. Y. S. R. VENKATA RAO

MANAGING DIRECTOR

SRI. CH. S. PRASAD

DIRECTOR

SMT. Y. LALITHYA POORNA

DIRECTOR

SMT Y. KRISHNA VENI

DIRECTOR

BANKERS

STATE BANK OF INDIA

AUDITORS

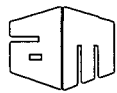
M/s. AVADHANI & CO.,
CHARTERED ACCOUNTANTS,
502, Fifth Floor, Lingapur House,
Amruta Estate, Himayatnagar,
Hyderabad - 500 029.

REGISTERED OFFICE & FACTORIES

Plot B5, Block III,
Industrial Dev. Area, Uppal,
HYDERABAD - 500 039.

Sy.No. 299 to 302,
Dommara Pochampally Village,
Qutubullapur Mandal, R.R.Dist.

ANNUAL REPORT 2005-2006

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 38th Annual General Meeting of the Company will be held at the Regd. Office of the company at 11.00 A.M. on Monday the 4th day of September, 2006 to transact the following business:-

- 1) To receive, consider and adopt the Audited Accounts of the company for the year ended 31-03-2006 together with the reports of the Directors and Auditors thereon.
- 2) To declare dividend for the year ended 31st March 2006.
- 3) To elect Director in place of Smt. Y.V.Lalitha Devi, who retire by rotation and being eligible offers herself for re-election.
- 4) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

"RESOLVED THAT M/s. Avadhani & Co., Chartered Accountants, Hyderabad be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of this meeting till the conclusion of the next annual General Meeting of the company on a remuneration to be decided by the Board of Directors at a subsequent date".

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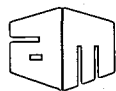
By order of the Board of Directors.

(Y.S.R. VENKATA RAO)
MANAGING DIRECTOR

Place: Hyderabad

Date : 10.08.2006

- Note:-
- 1) A member entitled to appoint and vote is entitled to appoint a proxy to attend Vote instead of himself/herself and a proxy need not be a member.
 - 2) Shareholders are requested to intimate to the company the change, if any, in their registered address.

**DIRECTORS' REPORT
FOR THE YEAR 2005-06**

To
The Shareholders,
Alkali Metals Ltd.,

Ladies and Gentlemen,

The Directors have pleasure in presenting their report together with Audited accounts for the year 2005-06.

Summary of Financial Results

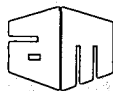
	2005-2006	2004-2005
	Rs.	Rs.
Profit before Interest & depreciation	174,888,656	77,216,141
Less Interest & others	18,086,567	15,387,045
Less Depreciation	12,807,329	11,275,866
Profit before Tax	143,994,760	50,553,230
Provisions		
Current Tax	9,500,000	2,500,000
Deferred Tax (AS 22)	1,500,000	1,000,000
Profit after tax available for appropriation	132,994,760	47,053,230

Dividend

An interim dividend of Rs 17.50 per share was paid for the financial year 2005-06. The directors now recommend the same as Final dividend for the financial year ended on 31st March 2006.

Planning & Strategy

- Identifying new business opportunities with high growth potential.
- Investing in businesses that can scale rapidly and generate optimum returns on capital of the company.
- The company will continue its business strategies of creating and improving value for all its shareholders through its efficient planning and execution.



Operations Review – 2005-06

During the year, The Company has scaled new heights and set several new benchmarks for itself especially in terms of Sales turnover, Profitability and other financial parameters. During the year under review, Domestic sales and Exports increased by 115% and 49% respectively as compared to previous year. Further, Profit After Tax increased by 170% over that of previous year.

As a result, the company improved its strong financial parameters and maintained its impressive performance over the benchmarked chemical industry norms.

Pharma Industry outlook

The Indian Pharma Industry continues to grow at a robust rate of 8% to 9%. The industry is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. The estimated size of the industry is \$ 4.5 billion which is mainly contributed by the organized sector.

About the Company

The Company had developed and commercialized wide range of sodium and pyridine derivatives. The Company is emerging as a versatile producer of intermediates on international scale.

Research & Development

The Company continues to invest in R&D activities towards development of new products/processes and applications, improvement in operating efficiencies and reduction in manufacturing costs. The main thrust of the R&D process is to:

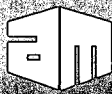
1. Identify and develop high value chemicals.
2. Process development
3. Process optimization.
4. Trial of new products
5. Piloting

The company deployed experienced chemists to handle complex chemical processes and for this purpose, the lab processes are scaled up to semi industrial scale. The R&D facility is equipped with latest testing instruments to derive maximum technical benefits.

The company is gearing up to meet the future challenges in R&D by continuously upgrading its technical infrastructure and knowledge data bank.

The major high lights of R&D efforts during the year are:

- Better management of man hours by Optimizing batch time cycle.
- Scaling up of Lab operations for the new products.
- Introduction of new products/processes.
- Reduction of manufacturing cost.
- Utilization of scarce materials/resources to the optimum levels.



Environment & Safety

The company gives top priority to the Eco friendly process and safety measures to be employed in material handling and production operations. The company regularly reviews the implementation of safety procedures and systems at various points and corrective actions are immediately taken to ensure utmost safety of its employees.

Regular awareness programs are organized to emphasize the need for continuous monitoring of safety implementation practices.

The company made dedicated efforts to maintain clean environment and spent Rs 2.3 millions for this purpose during this year for treatment of effluents.

Audit Committee

Audit committee consisting of Smt. Y.V.Lalitha Devi, Sri Ch.S.Prasad, and Sri Y.S.R. Venkata Rao, constituted as per the Company's Act, reported regularly to the Board of Directors.

Employee Relations

Relations with employees are cordial. The directors place on record the valuable service rendered by Senior Executives, Officers, Staff and Workmen for the good performance during the year.

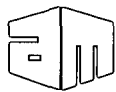
Directors

Smt. Y.V. Lalitha Devi Director of the company, will retire at the ensuing Annual General Meeting by rotation and is eligible for reappointment. We recommend her reappointment.

Directors Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors reports that :-

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- Accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent 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.
- Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Annual Accounts have been prepared on going concern basis.

***Auditors***

M/s. Avadhani & Co., Auditors are retiring at the conclusion of this Annual General Meeting. They have given their consent for re-appointment for the current year.

Particulars of Employees

There are no employees in the receipt of remuneration as stipulated under section 217 (2A) of the Companies Act, 1956.

Disclosure of Particulars

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is given at Annexure - A.

Acknowledgements

The Directors acknowledge the support given by the Bankers, Institutions and Business Associates.

For on behalf of Board of Directors,

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Y.V.LALITHA DEVI
CHAIR PERSON

Place : Hyderabad

Date : 10.08.2006