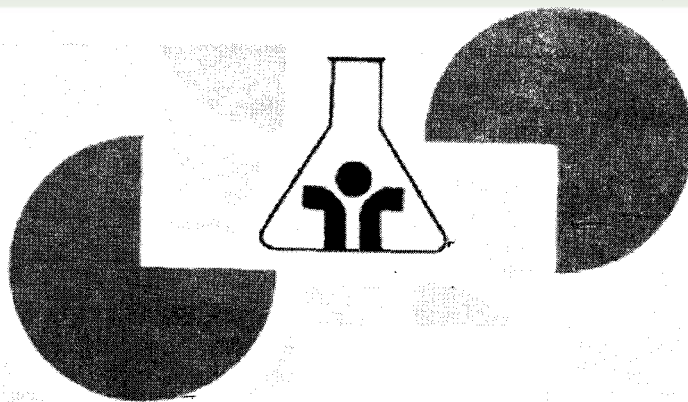


**13th ANNUAL REPORT
2005-2006**

**"WE ARE IN
QUALITY BUSINESS"**



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SS ORGANICS LIMITED

Board of Directors

| | |
|-------------------------------|-----------------------------|
| Mr. P. Ramachandra Gupta | Director |
| Mr. E. Prabhakara Reddy | Director |
| Mr. E. Ramasubba Reddy | Director |
| Mr. G. Chandramouliswar Reddy | Director |
| Mr. G. Raghunandan | Director (Nominee- APIDC) |
| Mr. Rakesh Popli | Director |
| Mr. Y.V. Ratna Kumar | Director |
| Mr. P. Santosh Kumar | Director - Finance |
| Mr. K. Srinivas Reddy | Director - Marketing |
| Mr. Y. Ramachandra Reddy | Joint Managing Director |
| Mr. V. N. Sunanda Reddy | Managing Director |

Statutory Auditors

M/s. K. Nagaraju & Associates
1-8-197
Chikkadapally
Hyderabad - 500 020.

Internal Auditors

Deva & Co.,
303, Siddhu Residency, Street No. 4,
Hill Fort, 5-9-42/2, Basheer Bagh,
Hyderabad - 500 063.

Regd. Office & Factory

Survey No. 252/1,
Aroor Village,
Sadasivapet Mandal,
Medak Dist.
Andhra Pradesh.

Corporate Office

Plot No.79/1, Sagar society, Street No.3,
Banjara Hills, Road No.2, Hyderabad - 500 034.
Andhra Pradesh, India.
Ph : 040-2354 8523/ 2355 5352
Fax- 040-2354 8563
e-mail: ssorganicslimited@msn.com

Demat Registrars

M/s. Venture Capital & Corporate Investments Limited
6-2-913/914, IIIrd Floor
Progressive Towers, Khairatabad, Hyderabad.
Ph : 23322264/62,
Fax : 23324803.

NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the Members of S S ORGANICS LIMITED will be held on Friday, the 20th day of October, 2006, at 4.00 P.M. at its Registered office at Survey No. 252/1, Aroor Village, Sadasivapet Mandal, Medak District, A.P., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Audited Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.P.Ramachandra Gupta, who retires by rotation and being eligible, offers him self for re-appointment.
3. To appoint a Director in place of Sri E. Prabhakara Reddy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. K. Nagaraju & Associates., Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. V.N.Sunanda Reddy be and is hereby appointed as Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs.75,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr. V.N.Sunanda Reddy be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Managing Director of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms and conditions of the appointment of Mr. V.N.Sunanda Reddy as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

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

Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. Y. Ramachandra Reddy be and is hereby appointed as Joint Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs.60,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr. Y.Ramachandra Reddy be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Joint Managing Director of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms and conditions of the appointment of Mr. Y.Ramachandra Reddy as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

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

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. K.Srinivas Reddy be and is hereby appointed as Director-Marketing of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs.50,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr.K.Srinivas Reddy be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Director-Marketing of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms

and conditions of the appointment of Mr.K,Srinivas Reddy as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

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

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. P.Santosh Kumar be and is hereby appointed as Director-Finance of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs. 40,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr.P.Santosh Kumar be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Director-Finance of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms and conditions of the appointment of Mr.P.Santosh Kumar as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

By order of the Board
for S S ORGANICS LIMITED

Place : Hyderabad
Date : 15th September, 2006

V. N. Sunanda Reddy
Managing Director

NOTES:

1. A MEMBER ELIGIBLE TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS IN ORDER TO BE EFFECTIVE MUST BE RECEIVED NOT LESS THAN 48 HOURS BEFORE THE MEETING AT THE REGISTERED OFFICE/ CORPORATE OFFICE OF THE COMPANY.
2. An Explanatory Statement pursuant to Sec 173 (2) of the Companies Act, 1956 with regard to special business is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will be closed from 18th October, 2006 to 20th

October, 2006 (both days inclusive).

4. Brief profile of Directors who are being re-appointed is given under corporate governance report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item no: 5

Mr.V.N Sunanda Reddy vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Managing Director of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr.V.N Sunanda Reddy as Managing Director of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. V.N.Sunanda Reddy as Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

Considering the contribution made by Mr. V N Sunanda Reddy for the successful revival of the Company, the Board recommends passing of the proposed resolution for approval of the Members. None of the Directors of the Company except Mr. V.N.Sunanda Reddy is in any way, concerned/interested in the resolution.

Item no: 6

Mr. Y.Ramachandra Reddy vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Joint Managing Director of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr. Y.Ramachandra Reddy as Joint Managing Director of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. Y.Ramachandra Reddy as Joint Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

Considering the contribution made by Mr. Y. Ramachandra Reddy for successful improvement in production capacity, the Board recommends passing of the proposed resolution for approval of the Members.

None of the Directors of the Company except Mr. Y.Ramachandra Reddy is in any way, concerned/interested in the resolution.

Item No. 7

Mr. K.Srinivas Reddy vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Director-Marketing of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr. K.Srinivas Reddy as Director-Marketing of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies

Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. K.Srinivas Reddy as Director-Marketing of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

Considering the contribution made by Mr. K Srinivas Reddy for enhancing the market viability & for increase in the volume of market share, the Board recommends passing of the proposed resolution for approval of the Members.

None of the Directors of the Company except Mr. K.Srinivas Reddy is in any way, concerned/interested in the resolution.

Item No. 8

Mr. P.Santosh Kumar vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Director-Finance of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr. P.Santosh Kumar as Director-Finance of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. P.Santosh Kumar as Director-Finance of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

The Board recommends passing of the proposed resolution for approval of the Members.

None of the Directors of the Company except Mr. P. Ramachandra Gupta being relative and Mr.P.Santosh Kumar is in any way, concerned/interested in the resolution.

By order of the Board
for S S ORGANICS LIMITED

Place : Hyderabad
Date : 15th September, 2006

V. N. Sunanda Reddy
Managing Director

DIRECTORS' REPORT

To
The Members
S S ORGANICS LIMITED

Your Directors hereby present their 13th Annual Report together with the Audited Financial Statements for the year ending 31st March, 2006.

FINANCIAL RESULTS

| | (Rs. in lacs) | |
|--|------------------------|--|
| For the year ending | Previous period | |
| 31-03-2006 | 31-03-2005 | |
| (12 Months) | (18 Months) | |
| Total Income | 2724.61 | |
| Profit / (Loss) before Financial Expenses and Depreciation | 248.51 | |
| Profit / (Loss) after Financial Expenses and Depreciation | 87.59 | |
| Extraordinary Items: | | |
| Add: Interest of Financial Institutions Written off: | | |
| As per OTS with IDBI | 12.20 | |
| | 99.79 | |
| Less: Prior Year Adjustments | 3.10 | |
| Profit / (Loss) for the year before taxation. | 96.69 | |
| Less: Deferred Tax Liability | 33.43 | |
| FBT | -- | |
| Profit / (Loss) after Tax | 63.26 | |

OPERATIONS

The year under review was mixed one. While in the first half year the company's performance improved substantially, the second half was not encouraging due to various factors.

The continuing disputes raised by erstwhile Director is affecting the company on various fronts viz. expansion, availability of working capital, own production and sales, tie-ups with large companies etc., Further, the AP Pollution Control Board has issued closure order of the factory of the company on 19th November 2005, which the company successfully got revoked on 10-02-2006. This closure on the factory for almost 3 months is a major set back for the reduced performance of the company in the second half of the Financial Year.

The company was successful in getting reasonable reliefs in respect of the disputes raised by the erstwhile Director. With these problems left behind, the company could have done better performance. But unfortunately, the AP Pollution Control Board once again issued a closure order on 15-04-2006, which the company has challenged at higher forums. The company is confident of resolving this issue and improve its performance, soon it is resolved.

DIRECTORS

Dr. G.Subramanyam resigned w.e.f 28-04-2006. The Board places on record its appreciation for the valuable services rendered by him during his tenure.

DIRECTORS RESPONSIBILITY STATEMENT

Directors responsibility statement pursuant to section 217 (2AA) is given here under.

Mr. P. Ramachandra Gupta and Mr. E. Prabhakara Reddy retires by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

- that in preparation of Annual Accounts applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 or loss of the company for that period; -
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s K. Nagaraju & Associates, Chartered Accountants, Statutory Auditors of the Company who retire at this Annual General Meeting, are eligible for re-appointment. They have signified their willingness for re-appointment and have confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

REPLIES TO AUDITORS' REPORT

With reference to observations made in the Auditors' Report regarding-

- Remuneration paid to The Managing Director and other Whole time Directors, Note no.2 of the Notes to Accounts in Schedule-O is self explanatory.
- Allotment of 25, 00,000 Equity Shares of Rs.10/- each on 28th March, 2005, Note no.5 of the Notes to Accounts in Schedule-O is self explanatory.
- Applicability of Section 58A, 58AA of the Companies Act, 1956 and Fixed Deposit Rules there under for the outstanding unsecured loans, Note no.20 of the Notes to Accounts in Schedule-O is self explanatory.

- vi) Non recoverability of certain debts included under sundry debtors to the extent not ascertained and not provided for, Note no.21 of the Notes to Accounts in Schedule-O is self explanatory.
- v) Verification of Fixed Assets, considering the size of the Company and other facts and circumstances, the Company is having programme of verification of the Fixed Assets. This program of the Company is considered adequate.
- vi) Non maintenance of Cost Records, as the Company is a sick industrial Company, there was no competent person to maintain the cost records as per the Act. Even though the Company has not maintained the cost records in the prescribed format, but the information is always available to the auditor's of the Company. The Company is making all our efforts to maintain the cost records as per the Act from the present financial year.
- vii) With reference to other observations made in the Auditors Report, the notes to the Accounts are self explanatory and, therefore, do not call for any further explanation under section 217(3) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public during the year so as to attract the provisions of Section 58A of the Companies Act, 1956. The interest free unsecured loans brought in by the Company pursuant to compliance with the BIFR scheme has been considered as exempted deposits.

PARTICULARS OF EMPLOYEES

None of the employees of the company was drawing remuneration exceeding the limits prescribed under Section 217 (2A) of the Companies Act, 1956

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUT GO

Details pursuant to Sec.217 (1) (e) read with companies (Disclosure of particulars in the report of Board of directors) rules 1988 is annexed forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis report of the Company is annexed forming part of this report.

LISTING DETAILS

The Shares of the Company are listed at Hyderabad and Mumbai stock exchanges. The formalities in regard to delisting of Shares on Madras Stock Exchange Limited, Chennai are in progress.

The listing formalities of 25,00,000 equity shares of Rs. 10/- each allotted to Mr. V N Sunanda Reddy and 1,50,000 equity shares of Rs. 10/- each allotted to IDBI are under progress.

DEMATERIALISATION OF SHARES

The Shares of the Company have been admitted with CDSL Depository system under ISIN NO: INE 102E01018. NSDL has not yet admitted the same on technical reasons.

CORPORATE GOVERNANCE

The detailed report on the Corporate Governance forms part of this report and is enclosed.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their sincere appreciation and gratitude to the Company Clients and Shareholders for their continued support and faith in the Company. Your Directors also wish to appreciate the hard work and commitment exhibited by the employees to the growth of the Company.

For and on behalf of the Board of Directors
for S S ORGANICS LIMITED

Y. Ramachandra Reddy
Jt. Managing Director

V.N. Sunanda Reddy
Managing Director

Place : Hyderabad.

Date : 15-09-2006

ANNEXURE TO THE DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

FORM 'A'

| | 2005-2006 (12 Months) | 2003-2005 (18 Months) |
|--|----------------------------------|----------------------------------|
|--|----------------------------------|----------------------------------|

POWER AND FUEL

| | | |
|---|--------------|-------|
| Number of Units Consumed (Nos. in Lakhs) | 23.26 | 37.54 |
|---|--------------|-------|

| | | |
|-----------------|-------------|------|
| Unit Rate (Rs.) | 3.81 | 3.81 |
|-----------------|-------------|------|

| | | |
|-----------------------------|--------------|--------|
| Total Amount (Rs. in Lakhs) | 88.76 | 143.07 |
|-----------------------------|--------------|--------|

**OWN GENERATION
(THROUGH D.G.SET)**

| | | |
|---|-------------|------|
| Number of Units Consumed (Nos. in Lakhs) | 1.46 | 1.51 |
|---|-------------|------|

| | | |
|-----------------|-------------|------|
| Unit Rate (Rs.) | 9.07 | 8.59 |
|-----------------|-------------|------|

| | | |
|-----------------------------|--------------|-------|
| Total Amount (Rs. in Lakhs) | 13.26 | 12.97 |
|-----------------------------|--------------|-------|

COAL

| | | |
|---------------|----------------|---------|
| Quantity (MT) | 2736.00 | 3427.85 |
|---------------|----------------|---------|

| | | |
|---------------------------|--------------|-------|
| Total Cost (Rs. in Lakhs) | 69.43 | 82.17 |
|---------------------------|--------------|-------|

| | | |
|---------------------------|----------------|---------|
| Average Rate (M.T in Rs.) | 2538.00 | 2397.00 |
|---------------------------|----------------|---------|

FORM 'B'**01. RESEARCH & DEVELOPMENT**

The Company is carrying out Research and Development in Process Development to achieve required yields and to make the price competitive in the market.

02. TECHNOLOGY ABSORPTION

The Company has not acquired any specific technology for its operations. The process technologies are acquired indigenously. The Plant & Machinery are installed keeping in view the present process requirements.

03. CONSERVATION OF ENERGY

The Company has already implemented energy conservation measures to conserve and optimise the use of energy through improved operation methods and other means will continue.

04. FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign exchange earnings during the year is Rs. 6,07,731/- & outflow is NIL.

MANAGEMENT DISCUSSION AND ANALYSIS:**1. OVER VIEW**

As informed in the earlier report, your management was saddled with unproductive litigation, however your company could register a turnover of Rs. 16.24 crores against 20.12 crores in the previous year of eighteen months, there by registering a growth of 17%. Coupled with closure of the unit for the 3 months during the year and the escalation in input cost and low yields resulted in lower contribution where by your company registered a loss of Rs. 1.78 crores for the year under review.

2. INDUSTRY REVIEW

The overall performance of Pharmaceutical Industry both in domestic and international market is very boyuant. Lot of oppurtunities for improving overall performance of Indian Pharmaceutical Industry are available presently. The management is optimistic to grab such opportunities in coming years, provided the operations are conducted smoothly without any hinderance and litigations.

3. RISKS AND THREATS

The Company is no exception to the competition from the market, new technologies and stringent patent laws. The Company has already identified such risks and trying to counter them over a period of time.

4. INTERNAL CONTROLS AND SYSTMES

The management has realized the importance of internal controls and systems, while improving the operations during the period under review. Accordingly strict systems have been laid down which are checked and audited periodically by the Internal Auditors and the same is being monitored by the members of

the Audited Committee from time to time. The systems are well laid out as per ISO-9000-2001 Certificate for Systems implementation.

5. DISPUTES

There are certain ongoing disputes, mentionned elsewhere in this report, between the company and an erstwhile Director. As a result of these disputes, the performance of the company is adversely affected. The company is confident of improved performance in the periods to come.

CORPORATE GOVERNANCE:**Company's philosophy**

The Company continues to believe that good Corporate Governance brings about sustained corporate growth and long time benefits to the Stakeholders.

The Company's philosophy on Corporate Governance is to adopt standard Corporate Governance practices through continual improvement of internal systems, transparency and disclosure.

In accordance with clause 49 of the listing agreement with the Stock Exchanges on Corporate Governance, a report is given below:

1. Board of Directors

As at 31st March, 2006, the Board comprised of twelve Directors out of whom four are Executive Directors, one Non- Executive Director and seven Independent Directors. The Company has a Non -Executive Chairman. The composition of the Board is in conformity with clause 49 of the listing agreement.

None of the Directors on the Board is a Member on more than ten Committees and Chairman of more than five Committees (as specified in Clause 49), across all the Companies in which he is a Director. The Directors have made the necessary disclosures regarding Committee positions.

During the financial year 2005-2006 the Board of Directors met Six times on the following dates 29.04.2005, 29.07.2005, 27.08.2005, 28.10.2005, 09.01.2006 and 30.01.2006.

The composition of the Board as on 31st March, 2006, number of outside directorships/ committee memberships/ committee chairmanship/ summary of the board meetings held vis-à-vis the meetings attended and the attendance at the last AGM of each of the Directors was as under:

| Name of the Director | Category of Directorship | Number of Other Directorships | Number of Other Committee memberships held | | Number of Board Meetings attended | Attendance at the last AGM held on 29 th Sept. 2005 |
|---------------------------|--------------------------------------|-------------------------------|--|--------|-----------------------------------|--|
| | | | Chairman | Member | | |
| Dr .G Subramanyam | Independent, Director | 1 | - | - | 5 | No |
| P. Ramachandra Gupta | Non-Executive, Director | - | - | - | 6 | Yes |
| E. Prabhakara Reddy | Independent, Director | - | - | - | 5 | Yes |
| E. Ramasubba Reddy | Independent, Director | - | - | - | 5 | Yes |
| G. Chandramouliswar Reddy | Independent, Director | - | - | - | 5 | Yes |
| G. Raghunandan | Independent, Director, APIDC Nominee | 2 | - | - | 2 | No |
| Rakesh Popli | Independent, Director | - | - | - | 3 | Yes |
| Y.V. Ratna Kumar | Independent, Director | - | - | - | 2 | Yes |
| P. Santosh Kumar | Director- Finance | - | - | - | 2 | Yes |
| K. Srinivas Reddy | Director-Marketing | - | - | - | 6 | Yes |
| Y. Ramachandra Reddy | Joint Managing Director | - | - | - | 6 | Yes |
| V. N. Sunanda Reddy | Promoter & Managing Director | - | - | - | 6 | Yes |

++ Directorships in private limited companies are excluded.

* Mr. B.Subba Reddy, Director, who was not re-appointed at the previous AGM has attended two Board Meetings held during his tenure and also attended the Annual General Meeting.

Changes in the Board Since the last Annual General Meeting:

1. Mr.B.Subba Reddy was not re-appointed as Director by the Members at the AGM held on 29.09.2005.
2. Mr. P.Santosh Kumar appointment as Director-Finance w.e.f. 27.08.2005 was approved at the AGM held on 29.09.2005. He relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Director-Finance.
3. Mr.Y.V.Ratna Kumar was appointed as Director by the Members at the AGM held on 29.09.2005
4. Mr.Rakesh Popli was appointed as Director by the Members at the AGM held on 29.09.2005
5. Dr.G.Subrahmanyam resigned as Director and approved at the Board Meeting held on 28.04.2006.
6. Mr.V.N.Sunanda Reddy Managing Director relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Managing Director.
7. Mr.Y.Ramachandra Reddy Joint Managing Director relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Joint Managing Director.

8. Mr.K.Srinivas Reddy Director-Marketing relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Director- Marketing.

2. Board Meetings and Procedures

The Board Meetings are generally held at least once in a quarter, amongst others for the consideration of the un-audited quarterly financial results. Besides this, additional Board meetings are convened as and when the need arises. The Board may also approve permitted urgent matters by passing resolutions by circulation.

The information regularly supplied to the Board includes:

- Annual operating plans and budgets.
- Quarterly results of the company.
- Minutes of the committee meetings.
- Share transfers effected.
- Contracts in which directors are interested.
- Information on recruitment of senior officers.
- Action taken report on pending matters.
- Quarterly report on compliance of various laws.
- Status report on materially important litigations.
- Strategic business plans.

3. COMMITTEES OF DIRECTORS

1) Audit Committee

Your Board reiterates the necessity of providing accurate and transparent financial reporting. The Audit Committee has been constituted as per clause 49 of the listing agreement.

The Audit Committee shall have the powers and perform the functions as mentioned in Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

During the period, the Audit Committee met four times on 29.07.2005,27.08.2005,28.10.2005 and 30.01.2006. The attendance of the members of the Audit Committee was as under.

| Name of the Director | Status | Number of Meetings held | Number of Meetings attended |
|--------------------------|----------|-------------------------|-----------------------------|
| Mr. E. Prabhakara Reddy | Chairman | 4 | 4 |
| Mr. P. Ramachandra Gupta | Member | 4 | 4 |
| Dr. G. Subramanyam | Member | 4 | 3 |

The Board defined the role of the Audit Committee as under:

- Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;
- Reviewing with the Management the annual financial statements before submission to the Board;
- Reviewing with the Management, external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- Discussing with internal auditors of any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussing with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern;
- Reviewing the Company's financial and risk management policies;
- To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (incase of non-payment of declared dividends) and creditors.