

18th Annual Report 1999-2000



**Sree Rayalaseema Alkalies
and Allied Chemicals Limited**

WE CONTRIBUTE FOR NATIONAL PROGRESS
WE LOVE OUR INDIA





SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

BOARD OF DIRECTORS

Sri T.G. Venkatesh
Chairman & Managing Director

Sri M.P. Murti

Sri R.S. Sharma
(Nominee of IFCl from 31.07.2K)

Sri K. Balarama Reddi
(Nominee of IREDA)

Smt. P.S. Prema
(Nominee of IDBI from 4.8.2K)

Sri S.D. Mathur
(Nominee of IFCl from 9.9.99 to 30.7.2K)

Sri P.N. Vedanarayanan

Sri S. Suryanarayanan

Sri G. Krishna Murthy

Sri O.D. Reddy

BANKERS

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

LEGAL ADVISOR

Sri N. Nagendranath Reddy
AUDITORS

Brahmayya & Co.

Chartered Accountants
Adoni - 518 301.

REGISTERED OFFICE & FACTORY

SR. VICE PRESIDENT (P&A) AND COMPANY SECRETARY

Gondiparla
Kurnool - 518 004. (A.P.)

Sri N. Ramaswamy

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SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED**NOTICE**

NOTICE is hereby given that the 18th 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 on Monday the 18th September, 2000 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the period ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri.M.P.Murti, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri. P.N. Vedanarayanan, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification the following as an ORDINARY RESOLUTION.

"RESOLVED THAT the retiring Auditors, M/s. Brahmaya & Co., Chartered Accountants, Adoni be and hereby are 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 as Audit fee exclusive of reimbursement of out of pocket expenses".

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolutions which is proposed as an Ordinary Resolutions.

"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, consent be and is hereby accorded to reappoint Sri.T.G.Venkatesh as Chairman and Managing Director, for a period of five years with effect from 20th September, 2000".

"RESOLVED FURTHER THAT Sri.T.G.Venkatesh will be paid the following Salary, perquisites,

allowances and commission, if any, w.e.f 20.09.2000.

REMUNERATION:

Consolidated salary of Rs.40,000/- per month. In addition to the above Sri.T.G.Venkatesh, Chairman and Managing Director shall be entitled to perquisites as below:

Perquisites like HRA/Rent free accommodation, Gas, Electricity, Water, Furnishings, Medical Reimbursement and LTC., for self and family. Personal Accident Insurance, Club Fees etc., in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax rules wherever applicable and in absence of any such rule, 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, as per Rules of the Company, Pension and Superannuation Fund together shall not exceed 25% of the salary.
- 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.

"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".

"RESOLVED FURTHER THAT the above appointment is subject to approval by Financial Institutions".

6. To consider and if thought fit to pass with or without modification the following Resolution as Special Resolution.



"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and hereby altered in the following manner:

- A. Article 1 of the Articles of Association shall be altered to include the following definitions at appropriate places.

"Member" means the duly registered shareholder from time to time of the shares of the Company and includes subscribers to the Memorandum of Association of the Company and shall include a person whose name is entered as a beneficial owner in the records of the Depository.

"Register" means the Register of Members of the Company required to be kept under Section 150 of the Act and shall include the Register of Beneficial Owners maintained by the Depository.

- B. Article 20 of the Articles of Association shall be altered to include a new sub-clause (c) after sub-clause(b) as under:

Sub-clause (c): No Share Certificate(s) shall be issued in respect of shares held in the depository.

- C. New Article 58A shall be inserted in the Articles of Association after the existing Article 58, as under:

Article 58A: In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

- D. A new Article 58B shall be inserted in the Articles of Association after the proposed new Article 58A as under:

Article 58B - Dematerialisation of Shares.

(1) Definitions

For the purpose of this Article: "Beneficial Owner" means the beneficial owner as defined in clause (a) of Sub-section(1) of Section 2 of the Depositories Act, 1996.

"Depositories Act" means the Depositories Act, 1996 and shall include any statutory modifications or re-enactment thereof for the time being in force.

"Depository" means the Depository as defined under clause (e) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

"Security" means such security as may be specified by the Securities & Exchange Board of India from time to time.

(2) Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and/or to issue its fresh shares, debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

(3) Securities in Depositories to be in fungible form

All securities held by a depository shall be dematerialised and be in fungible form. The provision relating to progressive numbering shall not apply to the shares of the Company, which have been dematerialised.

(4) Rights of Depositories and Beneficial Owners

(a) Notwithstanding anything contrary contained in the Act or these Articles, depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

(5) Transfer of Securities

Nothing contained in the Act or these Articles shall apply to transfer of securities effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the records of a Depository.

In the case of transfer of securities where the Company has not issued any certificates and where such securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply.

(6) Register and Index of Beneficial Owners

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders, as the case may be, for the purpose of the Act or these Articles".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient to give effect to the above resolution".

BY ORDER OF THE BOARD

Place : Hyderabad
Date : 31.07.2000

N. RAMASWAMY
Sr. Vice President (P&A)
& 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 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 listing Agreement, the Register of Members and Share Transfer books of the Company will remain closed for 7 days i.e., from 12.09.2000 to 18.09.2000 (both days inclusive).

5. Pursuant to the provisions of the erstwhile sub section (5) of Section 205-A of the Companies Act, 1956, the dividends upto the financial year 1994-95, which remained unclaimed, have been transferred to the General Revenue Account of the Central Government. The concerned Shareholders are requested to claim the amount from the Registrar of Companies, Hyderabad. In case any assistance is required, please write to the Company at its Registered Office. In accordance with the amended provisions of Section 205-A(5), (amended by the Companies (Amend) Ordinance, 1999), the unclaimed Dividends pertaining to the years 1995-96 and 1996-97, would remain with the Company for a period of 7 years, upon expiry of which they will be transferred to a Fund established by the Central Government called The Investor Education and Protection Fund.

6. Non-resident Indian Shareholders are requested to inform us immediately:

- a) the change in the Residential Status on return to India for permanent settlement;
- b) the particulars of NRE Account, if not furnished earlier.

Request to the Members:

1. Queries, if any, on Annual Accounts may please be forwarded to the Registered Office of the Company atleast 7 days before the date of the Annual General Meeting to enable us to prepare the answers well in advance.
2. Members are requested to quote Folio number in all correspondence.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**Item No: 5**

Sri. T.G. Venkatesh is associated with the Company since its incorporation and his directions and guidance have resulted in the phenomenal growth of the Company. During his tenure the Company has successfully completed expansion, modernisation and diversification programmes. In the recent times the Company is able to withstand most unfavourable market conditions only because of timely actions and efforts under his stewardship. The Bellary Power Project, which was visualised to give versatility and stability to the Company's over all strength is completed in all respects and is now ready for operation pending clearance from Karnataka State Electricity Board.

In view of his role in the growth, success and stability of the Company and the necessity for his association at the helm of affairs in future the Board has recommended for his reappointment in its meeting held on 30.06.2000 at a salary of Rs.40,000 Per month plus perquisites mentioned in the resolution subject to the provisions of Schedule XIII and other relevant provisions of the Companies Act, 1956.

Sri. T.G. Venkatesh is interested Director in the resolution. No other Director is concerned or interested in the resolution.

Board of Directors commends the above as ordinary resolution for your approval.

Item No. 6

Your Company's shares have been included in the list of shares for compulsory demat trading by Institutional Investors with effect from 26.06.2000 and for all Investors from 28.08.2000. Consequent upon the passing of the Depositories Act, 1996 and the introduction of the Depository system, some of the provisions of the Articles of Association relating to the issue, transfer/transmission, dealing in shares, etc, are proposed to be amended to conform to the requirements of the Depositories Act, 1996.

A copy of the Articles of Association of the Company is available for inspection by the members during the business hours on any working day, at the registered office of the Company, up to the date of the meeting.

The Board recommends the above as special resolution for your approval.

None of the Directors of the Company is interested in the said resolution.

SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED**DIRECTORS REPORT**

Dear Members,

We have pleasure in presenting the Annual Report and the Audited statements of Accounts of the Company for the year ended 31st March, 2000.

OPERATIONS:

Your Directors are pleased to inform that the Company, inspite of adverse market conditions for the past three years, has achieved reasonably good results quantitatively by producing 59207 MT against 61522 MT of Caustic Soda in the previous year. In addition to the last year's unfavourable conditions, the increase in cost of Power has resulted in lower realisations and profits. There is a marginal increase in turnover from Rs.12384 lakhs to Rs.13083 lakhs when compared to last year registering an increase of 5.6% in value, which is mainly due to the increase in turnover of other products viz., Caustic Potash, Soaps and Stearic Acid.

OUTLOOK FOR THE CURRENT YEAR:

The recessionary trends in the market for Chlor-Alkali Industry in India are still continuing. Escalation in the cost of power from APSEB and increase in prices of Furnace Oil in case of D.G.Sets is another threat to the profitability. Your Directors are confident that with the commencement of commercial operations of Bellary Power Project shortly the impact of above adverse factors on performance of the Company will be minimised. Once the Caustic Market revives the Company will be in a position to show improved results.

FINANCIAL RESULTS:

The Net Profit after taxation during the year under review is Rs.107 lakhs as against Rs.357 lakhs during the previous year. In view of general recession in Industry, surplus domestic production and competition from cheaper imports, the operating Profit Margin has come down.

	YEAR ENDED	
	31.03.2000	31.03.1999
	Rs.In lakhs	Rs.In lakhs
Surplus available for appropriation (Profit for the year)	106.65	356.55
Add: Surplus (Profits) brought from previous year	1026.98	1170.43
	<u>1133.63</u>	<u>1526.98</u>
Less: Appropriation transfer to General Reserve	—	500.00
Transfer to Debenture Redemption Reserve	525.00	—
	<u>608.63</u>	<u>1026.98</u>

DIVIDEND:

The asset base of your Company requires strengthening and your Directors feel that payment of dividend for the year 1999-2000 is not advisable and hence do not recommend the same.

CAPITAL EXPENDITURE:

During the year the Company has incurred an amount of Rs.10722 lakhs on Capital Expenditure towards Potassium Hydroxide Plant, Staff Quarters and Bellary Power Project.

Your Directors are happy to inform that all works relating to Bellary Power Project are completed and trial runs are taken up. It is expected that the the Power from the Project is most likely to be synchronised in August, 2000.

SAFETY AND ENVIRONMENT PROTECTION:

The Company is paying maximum attention for the Safety and Environment Protection. A separate department has been entrusted with the responsibility of ensuring safety with a team of officials working round the clock. The Company has taken up various clean and green programmes both inside and outside the factory to protect the environment.

LISTING OF THE COMPANY'S EQUITY SHARES

The equity shares of the Company are listed on the following Stock Exchanges.

1. The Hyderabad Stock Exchange Ltd., Hyderabad.
2. The Stock Exchange, Mumbai.
3. The Delhi Stock Exchange Association Ltd., New Delhi.
4. The Stock Exchange, Ahmedabad.

The listing fees are paid regularly to the above Stock Exchanges.

DEMATERIALISATION OF SHARES :

Arrangements are being made with MCS Ltd., II Floor, 225, Thambu Chetty Street, Chennai - 600 001 for establishing connectivity with NSDL and CSDL to facilitate dematerialisation of Company's Shares.

**AWARD**

Your Directors are happy to inform that the Company has been selected in the Chlor-Alkali Sector for the National Conservation Energy Award, 1999 by Ministry of Power, Government of India.

INSURANCE:

Assets of the Company are adequately insured.

FIXED DEPOSITS:

There are no unclaimed or overdue Fixed Deposits during the year.

DIRECTORS:

Sri M.P.Murti and Sri P.N.Vedananarayanan are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offer themselves to be re-elected as Directors.

Sri.S.D.Mathur joined the Board with effect from 09.09.99 as IFCI nominee director. IFCI vide its letter ref no:IFCI/NDC-1/2000 - 4964 dated 23.06.2000 has withdrawn Sri.S.D.Mathur, Dy.General Manager, IFCI and appointed Sri.R.S.Sharma, General Manager, IFCI, Hyderabad as its nominee director. The Board of Directors has taken on record and appreciated the valuable suggestions and advises given by Sri.S.D.Mathur during his tenure.

INDUSTRIAL RELATIONS:

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

DISCLOSURE OF PARTICULARS:

The Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of this Report is annexed hereto.

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 and they will hold office upto the Annual General Meeting of the current year 2000-2001.

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 is to be done on a regular basis by a qualified Cost Accountant from 1992-93 onwards every year.

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 Form-A and Form-B.

ACKNOWLEDGEMENT:

Your Directors wish to express their grateful 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 the 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 work of the Company during the year, inspite of difficult economic conditions in the country.

On behalf of the Board of Directors

Place : Hyderabad.
Date : 31.07.2000.

T.G.VENKATESH
Chairman and
Managing Director

SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED**FORM - A**

Disclosure of Particulars with respect to conservation of energy

	Current Year 31.03.2000	Previous Year 31.03.1999
A. Power and Fuel Consumption		
1. a) Electricity from APSEB		
Units (KWH)	1322318	1258050
Total Amount (Rs.in Lakhs)	101.41	76.64
Rate/Unit (Rs.)	7.67	6.09
b) Electricity from APGPCL		
Units (KWH)	55742333	38310385
Total Amount (Rs.in Lakhs)	990.42	789.32
Rate/Unit (Rs.)	1.78	2.06
c) Own Generation through Diesel Generators		
Units (KWH)	114616050	134615728
Unit per Lt of Fuel (KWH)	3.63	3.714
Cost/Unit (Rs.)	2.94	2.21
d) Through Wind Form		
Net Generation (KWH)	3170134	2356163
Rate /Unit (Rs.)	5.58	6.85
2. Coal	NIL	NIL
3. Fuel Oil Qty (KL) (consists of HSD & FO)	31555	36240
Total Amount (Rs.in lakhs)	2406.72	2111.43
Average Rate (Rs/KL)	7627	5826
B. Consumption per MT of Caustic Soda Lye Production		
Number of Units (KWH)	2550	2541

ENERGY CONSERVATION MEASURES TAKEN

Equipment has been installed and put into operation to utilise waste heat from salt furnace for pre-heating boiler feed water.

Husk fired boiler is put into operation to generate steam at low input cost.

About 15 MT of chlorine gas/day with control system is being supplied to nearby industries through a pipe line. Equivalent quantity was supplied by cylinders / through tunnel after liquifying, so much energy used for liquification is saved by sending chlorine through the pipe line.

To reduce system losses, by maintaining higher power factor, necessary steps are being followed to load the captive power plant.

Efforts are being made to generate gas from rice husk to generate steam in IAEC boiler instead of furnace oil.

Waste recovery from flue gas of Thermopac unit is installed and is ready for commissioning. This would facilitate production of 300 kgs/hr of steam for captive consumption in thermopac unit itself.