

19th Annual Report 2000 - 01



**Sree Rayalaseema Alkalies
and Allied Chemicals Limited**



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

BOARD OF DIRECTORS

Sri T.G.Venkatesh
Chairman and Managing Director

Sri M.P.Murti

Sri R.Loanekar
(Nominee of IFCI from 11.6.2001)

Sri K. Balarama Reddi
(Nominee of IREDA)

Smt P.S.Prema
(Nominee of IDBI)

Sri R.S.Sharma
(Nominee of IFCI upto 10.6.2001)

Sri P. N. Vedanarayanan

Sri S.Suryanarayanan

Sri G.Krishna Murthy

Sri O.D.Reddy

Sr.VICE-PRESIDENT (P&A) AND COMPANY SECRETARY

Sri. N.Ramaswamy

BANKERS

Indian Bank

United Bank of India

The South Indian Bank Ltd.

State Bank of Travancore

The Federal Bank Ltd.

Canbank Factors Limited

Canara Bank

LEGAL ADVISOR

Sri. N.Nagendranath Reddy

AUDITORS

Brahmayya & Co.

Chartered Accountants

Adoni - 518 301.

REGISTERED OFFICE & FACTORY

Gondiparla

Kurnool - 518 004 (A.P).

Report



Contents	Page Nos.
Notice	2
Directors' Report	5
Auditors' Report	10
Balance Sheet	12
Profit & Loss Account	13
Schedules "A" to "I"	14 - 20
Schedules "1" to "7"	21 - 23
Notes to Accounts Schedule "J"	24-31
Cash Flow Statement.	32

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

NOTICE is hereby given that the 19th 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 Saturday the 22nd September, 2001 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, 2001 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.G.Krishnamurthy, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri.S.Suryanarayanan, 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 an ORDINARY RESOLUTION.

"RESOLVED THAT the retiring Auditors, M/s.Brahmayya & Co., Chartered Accountants, Adoni be and hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration as decided by the Board of Directors 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 resolution which is proposed as an Ordinary 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 mortgage and / or charge by the Board of Directors of the Company of all the movable and immovable properties of 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

- (A) IFCI to secure its Rupee Term Loan of Rs.10 crores.
- (B) IFCI to secure the proposed issue of NCDs by the company to the tune of Rs.310.80 lacs.
- (C) IFCI to secure the proposed issue of NCDs by the company to the tune of Rs.3326.20 lacs.
- (D) IFCI to secure the proposed issue of OFCDs by the company to the tune of Rs.205 lacs.
- (E) IDBI to secure the funding of Interest and further interest in respect of earlier loans amounting to Rs.2230 lacs.

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 IFCI and IDBI under their Loan agreements in respect of the said term loans.

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

BY ORDER OF THE BOARD

Place: Hyderabad.

N. RAMASWAMY

Date : 28.07.2001

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 8 days i.e., from 15.09.2001 to 22.09.2001 (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.

SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF
THE COMPANIES ACT, 1956**

Item No: 5

The Company has availed Rs.10 crores of Rupee Term Loan from IFCI for Long Term Working Capital purpose for which security has to be created in favour of the Institutions. Further M/s IFCI vide its letter Ref.No:HRO/C.77/2001-1658 dated 20.03.2001 has sanctioned Financial Restructuring package to the Company to convert interest fallen due / falling due and the value of reduction in interest rates into NCDs & OFCDs (Optionally Fully Convertible Debentures). Similarly M/s IDBI vide its letter Ref.No:15884 / PFD(738) dated 29.03.2001 has sanctioned funding of interest and further interest to the tune of Rs.2230 lacs for which the Company has to create security. In this respect in terms of their sanction letters the Company has to create security on assets of the Company in favour of Financial Institutions and hence the resolution.

None of the Director except Sri.R.Loonkar and Smt.P.S.Prema being the Nominee Directors of IFCI and IDBI respectively is in any way interested or concerned in the proposed resolution.

Your Directors recommend the resolution for your approval.





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, 2001.

OPERATIONS:

Your Directors are pleased to inform that there is an increase of 29% in turnover i.e. from Rs.13083 lacs to Rs.16917 lacs (excluding Internal Transfer) when compared to previous year. The increased turnover is mainly due to the starting of Commercial Operation at Bellary Power Project during October, 2000 and increase in turnover of Caustic Potash. However the production of main product namely Caustic Soda has been decreased from 59207 MT to 52099 MT as compared to last year. In view of the unfavourable market conditions for the fourth successive year for Caustic Soda, the production was curtailed, consistent with lower market demand.

OUTLOOK FOR THE CURRENT YEAR:

With the imposition of Anti dumping duty by The Revenue Department of Finance Ministry the threat from cheap imports has been reduced. The Domestic demand is more or less stable. Your Directors are confident that with significant contribution also from Bellary Power Project, the performance of the Company will be much better in the coming year.

FINANCIAL RESULTS:

The Net Profit during the year under review is Rs.80.15 lacs as against 106.65 lacs during the previous year. In view of general recession in Industry, surplus domestic production and option of cheaper imports, the operating Profit Margin has considerably come down.

	YEAR ENDED	
	31.03.2001	31.03.2000
	Rs. In lakhs	Rs. In lakhs
Surplus available for appropriation		
(Profit for the year)	80.15	106.65
Add: Surplus (Profits) brought from previous year	608.63	1026.98
	688.78	1133.63
Transfer to Debenture Redemption Reserve	--	525.00
	688.78	608.63

Dividend:

The Asset base of your Company requires strengthening and your Directors feel it prudent not to recommend any Dividend for the year 2000 - 01.

Capital Expenditure:

During the year the Company has incurred an amount of Rs.2761 lakhs on Capital Expenditure which is mainly towards Bellary Power Project and the balance is normal Capital Expenditure.

Safety and Environment Protection:

The Company is paying maximum attention for the Safety and Environmental Protection. A separate department has been created and entrusted with the responsibility of ensuring safety with a team of Officials working round the clock. To ensure maximum possible safety in all fields the Company has appointed M/s LRQA Centre for getting OHSAS-18001 practical implementation training to the connected employees. 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.

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., Himayat Nagar, Hyderabad.
2. The Stock Exchange - Mumbai, Dalal Street, Mumbai.
3. The Delhi Stock Exchange Association Ltd., New Delhi.
4. The Stock Exchange - Ahmedabad, Panjara Pole, Ahmedabad.

The Company has paid listing fee to all the Stock Exchanges.

Dematerialisation of Shares:

SEBI vide its notification Ref.No:SMDRP/POLICY/CIR-/2000 dated 29.05.2000 has made it compulsory for Companies equity shares trading in Dematerialised form from 28.08.2000.

SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

M/s MCS, II Floor, 225, Thambu Chetty Street, Chennai - 600 001 has been appointed as Registrar for the Company for establishing connectivity with NSDL and CDSL to facilitate Dematerialisation of shares held by the members. 70,92,576 No.of shares (19.79%) have been Dematerialised as on 30.06.2001 in the Company's shares. Members are requested to take steps to dematerialise their shares held in Physical form, to have easy liquidity.

Insurance:

Assets of the Company are adequately insured.

Fixed Deposits:

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

Directors:

Sri G.Krishna Murthy and Sri S.Suryanarayanan are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offer themselves to be reelected as Directors.

Smt.P.S.Prema, GM, IDBI, Chennai joined the Board with effect from 14.08.2000 as IDBI Nominee Director vide its letter Ref. No: CSD.53/328/Nom.8 dated 21.07.2000.

Sri.R.Loonkar joined the Board with effect from 11.06.2001 as IFCI Nominee Director. IFCI vide its letter Ref No:IFCI/NDC-1/2001-42509 dated 04.06.2001 has appointed Sri.R.Loonkar, Chief General Manager, in-Charge, IFCI, Hyderabad in place of Sri.R.S.Sharma as its Nominee Director. The Board of Directors has taken on record and appreciated the valuable suggestions and guidance given by Sri.R.S.Sharma during his tenure.

Industrial Relations:

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

Corporate Governance

Clause 49 of the Listing Agreement becomes

mandatory to your Company from the Financial Year 2001-02. Your Company has put in place the following as recommended in the code of Corporate Governance.

The Board consists of Nine Directors. Besides the Chairman and Managing Director and three Nominee Directors representing IDBI, IFCI and IREDA, there are three Independent Directors. This is in tune with the terms of Corporate Governance.

Pursuant to the provisions of section 292A of the Companies Act, 1956, your Company has constituted an Audit Committee as a sub-committee to the Board. This committee has reviewed the Annual Accounts for the year ended 31st March, 2001. At present the Audit Committee is functioning with the following Directors as its members.

- | | |
|--------------------------|------------|
| 1. Sri M.P. Murti | (Chairman) |
| 2. Sri K. Balarama Reddi | (Member) |
| 3. Smt. P.S. Prema | (Member) |
| 4. Sri R.S. Loonkar | (Member) |
| 5. Sri O.D. Reddy | (Member) |

The Company has a Share Transfer Committee to deal with the matters of Share Transfer expeditiously. The Company has also constituted Investors Grievance Committee and Board remuneration Committee to deal with the matters mentioned in code of Corporate Governance.

Directors' Responsibility Statement

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the year 2000-01 are in full conformity with the requirements of the Companies Act, 1956. They believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and present the Company's financial position and result of operations. These Statements are audited by the Statutory Auditors M/s Brahmayya & Co.


Yours Directors Further confirm that:

- (i) In the presentation of the Annual Accounts, applicable Accounting Standards have been followed.
- (ii) The accounting policies are consistently applied and reasonable, prudent judgement 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.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors had prepared the Annual Accounts on a going concern basis. The Company's internal Auditors have conducted periodic Audit to provide reasonable assurance that the Company's established policies and procedures have been followed.

Particulars of Employees: [Sec 217(2A)]

As there were no employee of the Company drawing monthly remuneration of Rs.1,00,000/- or more, particulars of employees as required under section 217(2A) of the Companies Act, 1956 have not been given.

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 2001-2002.

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 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 forms part of this Report.

Acknowledgement:

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

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

On behalf of the Board of Directors

Place: Hyderabad.
Date : 28.07.2001.

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 31.03.2001	Previous Year 31.03.2000
A. Power and Fuel Consumption		
1. a) Electricity from APTRANSCO		
Units (KWH)	1045550	1322318
Total Amount (Rs.in Lakhs)	77.19	101.41
Rate / Unit (Rs.)	7.38	7.67
b) Electricity from APGPCL		
Units (KWH)	65622319	55742333
Total Amount (Rs.in Lakhs)	1421.75	990.42
Rate / Unit (Rs.)	2.17	1.78
c) Own Generation through		
Diesel Generators Units(KWH)	87646400	114616050
Unit per Lt of Fuel (KWH)	3.75	3.63
Cost / Unit (Rs.)	3.73	2.94
d) Through Wind Form		
Net Generation (KWH)	2862086	3170134
Cost / Unit (Rs.)	6.19	5.78
2. Coal	NIL	NIL
3. Fuel Oil Qty (KL)		
(consist of HSD & FO)	23380	31555
Total Amount (Rs.in lakhs)	2248.15	2406.72
Average Rate (Rs/KL)	9616	7627
B. Consumption per MT of Caustic Soda Lye Production		
Number of Units (KWH)	2767	2550

ENERGY CONSERVATION MEASURES TAKEN

- A. To improve the Grid Power factor still further, we are planning to install Capacitor Banks for 11 KV system to reduce HT-Distribution losses and to minimise Harmonic content in the system. Capacitor banks are already ordered and the same will be installed at the earliest.
- B. Arrangements are made to operate Thermopac unit with H₂ gas as a prime fuel in place of furnace oil there by reducing furnace oil consumption and utilising the excess hydrogen gas available.
- C. Arrangements are made to install one more 11KV / 440 Volts Transformer near Flaker units to reduce L.T.Power losses.
- D. Waste Sludge of furnace oil of Captive Power Plant and Bellary Power Plant is utilised in sludge fired boiler to produce steam.



FORM - B

01. Specific areas in which Research and Development carried out by the Company.

- a) A process is developed to neutralise organic matter in KCl brine and also to reduce the consumption of H₂O₂ / Na₂SO₃ to neutralise free Chlorine in brine.
- b) Electronic panel system is developed for IInd Fusion plant.
- c) Electronic control system is developed to utilise hydrogen gas in Thermopac unit instead of Furnace oil.
- d) A process is developed to utilise low grade KCl with more impurities.

02. Benefits derived as a result of Research and Development.

- a) In-house process developed to neutralise organic matter in KCl to reduce the input chemicals like Na₂SO₃ and H₂O₂.
- b) In-house developed electronic system for Fusion plant to reduce cost of materials.
- c) Utilisation of Hydrogen gas in Thermopac unit reduced the Furnace Oil consumption in Thermopac Unit.
- d) Utilisation of low grade KCl reduced the cost of production.

03. FUTURE PLANS:

- a) To upgrade the Laboratory facilities to monitor the plant parameters closely.
- b) To reduce Auxiliary power consumption for liquid chlorine production.
- c) To utilise KCl sludge.

04. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION.

- a) In-house developed technology for removal of organic matter in KCl brine, electronic system for IInd Flaker, Utilisation of low grade KCl adopted in the plant. Efforts are as to utilise Hydrogen gas in Thermopac unit at the earliest.

Particulars of Foreign Exchange Earnings and outgo (Please refer Rule 2(c))

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans.	Exported Hydrogenated Castor Oil, 12 Hydroxy Stearic Acid, soaps and chlorine and planning to enlarge exports by increasing export quantity and explore export possibility for other products.
2. Foreign Exchange earnings and outgo	Rs.in lakhs
a) Foreign Exchange used	396.64
b) Foreign Exchange earned	1660.68

On behalf of the Board of Directors

Place : Hyderabad.

Date : 28.07.2001.

T.G.VENKATESH
Chairman and Managing Director