

22nd Annual Report 2003 - 04



**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 S. Ramadoss
(Nominee of IDBI)

Sri T. Ramesh Babu
(Nominee of IFCI upto 5.12.03)

Sri R.K. Chavali
(Nominee of IFCI from 30.6.04)

Sri P.N. Vedanarayanan

Sri G. Krishna Murthy

Sri O.D. Reddy

**GENERAL MANAGER &
COMPANY SECRETARY**
Sri V. Radhakrishna Murthy

BANKERS

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

LEGAL ADVISOR

Sri N. Nagendranath Reddy

AUDITORS

Brahmayya & Co.
Chartered Accountants
Adoni - 518 301.

REGISTERED OFFICE & FACTORY

Gondiparla
Kurnool - 518 004 (A.P.)

CORPORATE OFFICE

40-30, II Floor,
Krishna Jyothsna Complex
Bhagyanagar
Kurnool - 518 004 (A.P.)

DEMAT REGISTRARS & SHARE TRANSFER AGENTS

Venture Capital & Corporate Investments Ltd.
6-2-913/914, 3rd Floor,
Progressive Towers,
Khairatabad
Hyderabad - 500 004.

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SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the 22nd 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 14th August, 2004 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, 2004 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.O.D.Reddy, 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 is 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. INCREASE IN AUTHORISED SHARE CAPITAL:

- a) To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

"RESOLVED that pursuant to Section 94 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be and is hereby increased from the existing Rs.74,00,00,000 (Rupees Seventy Four Crores only) comprising of Equity Share Capital of Rs.55,00,00,000 (Rupees Fifty Five crores only) divided into 5,50,00,000 (Five Crores Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten only) each and Preference Share Capital of Rs.19,00,00,000 (Rupees Nineteen Crores only) divided into 1,90,00,000 (One Crore Ninety Lacs) of Preference Shares of Rs.10 (Rupees Ten only) each, having a coupon rate of 0.01% redeemable after 15 years to Rs.87,00,00,000 (Rupees Eighty Seven

Crores only) comprising of Equity Share Capital of Rs.68,00,00,000 (Sixty Eight Crores only) divided into 6,80,00,000 (Six Crores Eighty lacs) Equity Shares of Rs.10 (Rupees Ten only) each and Preference Share Capital of Rs.19,00,00,000 (Rupees Nineteen Crores only) divided into 1,90,00,000 (One Crore Ninety Lacs) Preference Shares of Rs.10 (Rupees Ten only) each, having a coupon rate of 0.01% redeemable after 15 years"

- b) To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

"RESOLVED that pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the existing Clause V(a) of the Memorandum of Association of the Company, be altered by substituting the following new Clause V(a), namely:

- V(a) The Authorised Share Capital of the Company is Rs.87,00,00,000 (Rupees Eight Seven Crores Only) comprising of:

- (i) Equity Share Capital of Rs.68,00,00,000 (Rupees Sixty Eight Crores Only) divided into 6,80,00,000 (Six Crores Eighty Lacs) Equity Shares of Rs.10 (Rupees Ten only) each.
- (ii) Preference Share Capital of Rs.19,00,00,000 (Rupees Nineteen Crores Only) divided into 1,90,00,000 (One Crore Ninety Lacs) Preference Shares of Rs.10 (Rupees Ten only) each, having a coupon rate of 0.01% redeemable after 15 years.

with the power of the Company to increase or reduce the said Capital in accordance with the applicable provisions of the Companies Act, 1956 and to issue any part of its Capital, original or issued, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare, every issue of shares whether expressed to be preference or otherwise, shall be subject to the power, herein before contained by the regulations of the Company."

- c) To consider and if thought fit, to pass, with or without modification (s), the following resolution as SPECIAL RESOLUTION.

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the



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Companies Act, 1956 and the Articles of Association of the Company, the existing Article of Association of the Company, be altered by substituting the following new Article 7, namely:

7. The Authorised Share Capital of the Company is Rs.87,00,00,000 (Rupees Eight Seven Crores only) comprising of:

- i) Equity Share Capital of the Company is Rs.68,00,00,000 (Rupees Sixty Eight Crores only) divided into 6,80,00,000 (Six Crores Eighty Lacs) Equity shares of Rs.10/- (Rupees Ten only) each.
- ii) Preference Share Capital of Rs.19,00,00,000 (Rupees Nineteen Crores only) divided into 1,90,00,000 (One Crore Ninety Lacs) Preference Shares of Rs.10/- (Rupees Ten only) each, having a coupon rate of 0.01% redeemable after 15 years.

with the power of the Company to increase or reduce the said Capital in accordance with the applicable provisions of the Companies Act, 1956 and to issue any part of its Capital, original or issued with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare, every issue of shares whether expressed to be preference or otherwise, shall be subject to the power, herein before contained by the regulations of the Company".

6. SUB-DIVISION AND CONSOLIDATION OF EQUITY AND PREFERENCE SHARES:

To consider and if thought fit, pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"RESOLVED that pursuant to the provisions of Section 94 and all other applicable provisions of the Companies Act, 1956 and subject to the Scheme of Arrangement as may be sanctioned by Hon'ble High Court of Andhra Pradesh, enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the company with the Stock Exchanges on which the Securities of the company are listed and all such approvals, permissions and sanctions as may be necessary and subject to such modifications as may be prescribed or imposed by any concerned authorities which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to

include any duly authorised committee of the Board thereof), the consent of the company be and is hereby accorded for the sub-division and consolidation of the equity shares and the Cumulative Redeemable Preference Shares, pursuant to the Scheme of Arrangement as may be sanctioned by the Hon'ble High Court of Andhra Pradesh, in the following manner:

1. Upon the effective date pursuant to the Scheme of Arrangement as may be sanctioned by the Hon'ble Court of Andhra Pradesh under Section 391 of the Companies Act, 1956, 50% of the face value of Rs.10 each of 37764663 fully paid equity shares shall stand converted into 37764663 0.01% Cumulative Redeemable Preference Shares ("Preference Shares") of the face value of Rs.5/- each fully paid-up. Upon such conversion 37764663 Equity Shares of the residual face value of Rs.5/- each and 37764663 Preference Shares of the face value of Rs.5/- each shall be consolidated into appropriate number of equity Shares and Preference Shares respectively of the face value of Rs.10/- each fully paid-up in the Share capital of the Company.
2. Any fractional entitlements arising out of the aforesaid consolidation of the equity shares and Preference Shares shall be consolidated into appropriate number of equity shares and Preference Shares of Rs.10/- each respectively and shall be disposed off at the prevailing market prices and the net proceeds after reasonable expenses incurred in connection with such disposal be distributed proportionately by the Board.

"RESOLVED FURTHER THAT the Board be and is hereby authorised, in their absolute discretion, to carry out the aforesaid sub-division and consolidation of equity shares and Preference Shares in the manner aforesaid and to take such consequential action thereon as may be required or they may think fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, deem necessary or desirable and to settle any questions, difficulty or doubt that may arise with regard to aforesaid sub-division and consolidation of the equity share capital and preference share capital, as it may, in its absolute discretion, deem fit and proper".

7. ISSUE OF FURTHER EQUITY SHARES TO PROMOTERS ON PREFERENTIAL BASIS:



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To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"RESOLVED that in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof, and subject to all applicable rules, regulations and guidelines issued by the Securities and Exchange Board of India and the Listing Agreement entered into by the company with the Stock Exchanges, on which the securities of the Company are listed and subject to all such approvals, permissions and sanctions as may be prescribed or imposed by any concerned authorities, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any duly authorised Committee of the Board thereof) the consent of the company be and is hereby accorded to the Board to create, offer, issue and allot, 2,00,00,000 (Two Crores) Warrants (hereinafter referred to as 'Warrants') to Sri T.G.Venkatesh and his family, the Core Promoters of the Company, and/or such nominees, as Sri T.G.Venkatesh and Associates may determine (hereinafter referred to as the "Core Promoter Group") on a preferential allotment basis from time to time, in one or more tranches and on such terms and conditions and in such manner as the Board may think fit, each warrant entitling the holder thereof to apply for and be allotted one Equity share of Rs.10/- each for cash at par per warrant aggregating Rs.20 crores (Rupees Twenty Crores only) within a period not exceeding 18 (Eighteen) months from the date of allotment of the Warrants in accordance with the SEBI (Disclosure & Investor Protection) Guidelines, 2000 and other applicable guidelines, pursuant and subject to the Scheme of Arrangement to be sanctioned by the Hon'ble High Court of Andhra Pradesh."

"RESOLVED further that

- (i) the Warrants offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company.
- (ii) the Equity Shares issued on conversion of the Warrants shall rank pari passu with the existing Equity shares of the Company in all respects, except that with respect to dividend declared for the financial year of the company, in which the said Equity Shares are allotted they shall qualify for dividend only on a pro-rata basis from the date of allotment."
- (iii) the "Relevant Date" as per the SEBI (Disclosure & Investor Protection) Guidelines,

2000 as amended for the determination of applicable price for the issue of warrants is 15th July, 2004.

- (iv) for the purpose of giving effect to this resolution, the Board is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of warrants, in accordance with the terms of the offer and subject to the provisions of the Memorandum and Articles of Association of the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorised, to settle all questions and matters arising out of, and incidental to the proposed offer and issue of equity shares and to take all steps which the Board, in its absolute discretion, considers, necessary, proper or expedient for implementing this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as the A.P.High Court, Government of India and Financial Institutions may stipulate in that behalf and to amend, modify, vary or alter all or any of the terms of the preferential issue on such terms as the Board may in its absolute discretion decide".

8. ISSUE OF FURTHER EQUITY SHARES TO IDBI AND IFCI LIMITED ON CONVERSION OF 15% OF RTLs, FCLs AND NCDs:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"RESOLVED that in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof, and subject to the Scheme of Arrangement as may be sanctioned by the Hon'ble High Court of Andhra Pradesh and all applicable rules, regulations and guidelines issued by the Securities and Exchange Board of India and the Listing Agreement entered into by the with the Stock Exchanges, on which the securities of the Company are listed and subject to all such approvals, permissions and sanctions as may be prescribed or imposed by any concerned authorities, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any duly authorised Committee of the Board thereof) the consent of the company be and is hereby accorded for the conversion of 15% of the rupee term loans, foreign currency loans of IDBI and IFCI Limited and non-convertible Debentures of IDBI into Equity shares of the Company, pursuant to the Scheme of Arrangement as may be



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sanctioned by the Hon'ble High Court of Andhra Pradesh in the following manner:

1. Upon the coming into effect of the Scheme of Arrangement to be sanctioned by the Hon'ble High Court of Andhra Pradesh and with effect from Appointed Date, 15% of the rupee term loans and foreign currency loans of IDBI and IFCI Limited and non-convertible Debentures outstanding to IDBI only as on April 01, 2002 shall be converted into 2,86,10,955 Equity shares of Rs.10/- each for cash at par fully paid up, out of which 1,03,87,175 Equity shares shall be issued and allotted to IDBI and 1,82,23,780 Equity shares shall be issued and allotted to IFCI Limited, in accordance with the SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended.
2. The "Relevant Date" as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended for the determination of applicable price for the issue of Equity shares to IDBI and IFCI Limited upon conversion is 15th July, 2004.
3. The Equity shares allotted as aforesaid upon conversion to IDBI and IFCI Limited shall be subject to the provisions of the Memorandum and Articles of Association of the Company.
4. The Equity Shares allotted as aforesaid upon conversion to IDBI and IFCI Limited shall rank pari passu with the existing Equity shares of the Company in all respects, except that with respect to dividend declared for the financial year of the company, in which the said Equity Shares are allotted they shall qualify for dividend only on a pro-rata basis from the date of allotment."

"RESOLVED FURTHER THAT the Board be and is hereby authorised, in their absolute discretion, to carry out the aforesaid conversion of the rupee term loans, foreign currency loans and non-convertible Debentures into equity shares in the manner aforesaid and to take such consequential action thereon as may be required or they may think fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, deem necessary or desirable and to settle any questions, difficulty or doubt that may arise with regard to aforesaid conversion into equity share capital, as it may, in its absolute discretion, deem fit and proper".

"RESOLVED FURTHER THAT the Board be and is

hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as the Honble High Court of A.P., Government of India and Financial Institutions may stipulate in that behalf and to amend, modify, vary or alter all or any of the terms of the aforesaid conversion into Equity shares on such terms as the Board may in its absolute discretion decide".

On behalf of the Board of Directors

V. Radha Krishna Murthy

Place: Gondiparla, Kurnool
Date: 17.07.2004

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 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 8 days i.e., from 7.8.2004 to 14.8.2004 (both days inclusive).
5. Non-resident Indians Shareholders are requested to inform us immediately :
 - a) the change in Residential Status on return to India for permanent settlement.
 - b) the particulars of NRE Account, if not furnished earlier.
6. As per the amended provisions of Sec. 205C of the Act the unclaimed dividend pertaining to 1996-97 would remain with the company for 7 years, upon expiry of which it will be transferred to Investor Education and Protection Fund.

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.



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EXPLANATORY STATEMENT

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

ITEM NO.5 (a),(b) & (c)

The present Authorised Share Capital of the company is Rs.74,00,00,000 comprising the Equity Share Capital of Rs.55,00,00,000 divided into 5,50,00,000 Equity Shares of Rs.10 each and Preference share capital of Rs.19,00,00,000 divided into 1,90,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each, having a coupon rate of 0.01% redeemable after 15 years. The present issued, Share Capital of the Company is 39,33,41,600 divided into 3,93,34,060 Equity shares of Rs.10/- each. In accordance with the Debt Restructuring Package approved by the Corporate Debt Restructuring Cell and pursuant to the Scheme of Arrangement as may be sanctioned by the Hon'ble High Court of Andhra Pradesh, the issued share capital of the company will stand increased to about Rs.86.42 Crores. Accordingly, the Company proposes to increase its Authorised Share Capital to Rs.87,00,00,000 comprising Equity Share Capital of Rs.68,00,00,000 divided into 6,80,00,000 Equity Shares of Rs.10 each and Preference Share Capital of Rs.19,00,00,000 divided into 1,90,00,000 Preference Shares of Rs.10/- each, having a coupon rate of 0.01% redeemable after 15 years.

As a consequence of the above, it is necessary to alter the Capital Clause of the Memorandum and Articles of Association of the Company. As per the provisions of Section 94, 16 and 31 of the Companies Act, 1956, the increase in the Authorised Share Capital and the consequent alteration of Memorandum and Articles of Association of the Company require the consent of the shareholders at the General Meeting.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

The Board commends the passing of the resolutions as set out at item No.5(a), (b) and (c).

The Memorandum and Articles of Association of the Company together with the proposed amendments are available for inspection by the members at the Registered Office of the Company on any working day between 11.00 A.M. and 1.00 P.M. prior to the date of the Meeting.

ITEM NO.6

In accordance with the Debt Restructuring Package approved by the Corporate Debt Restructuring Cell of IDBI and pursuant to the Scheme of Arrangement as may be sanctioned by the Hon'ble High Court of Andhra Pradesh, the Company is required to convert 50% of the face value of Rs.10 each of Equity shares in the share capital of the Company as on April 1, 2002 into Cumulative Redeemable Preference Shares of Rs.5 each, having a coupon rate of 0.01% p.a. Accordingly, the Company proposes to sub-divide the

Equity Shares of Rs.10 each into Equity Shares of Rs.5 each and Preference Shares of Rs.5 each and then consolidate such shares of Rs.5 each into Equity Shares of Rs.10 each and Preference Shares of Rs.10 each respectively.

As per the provisions of Section 94 of the Companies Act, 1956 the sub-division and consolidation of shares require the consent of the shareholders at the General Meeting.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

The Board commends the passing of the resolution as set out at item No.6.

ITEM NO.7

In accordance with the Debt Restructuring Package approved by the Corporate Debt Restructuring Cell and pursuant to the Scheme of Arrangement as may be sanctioned by the Hon'ble High Court of Andhra Pradesh, the Promoters of the Company are required to bring in Rs.20 Crores as their contribution to equity.

Accordingly, the Company, subject to the approval of the Members and such other approvals as may be necessary, has proposed to issue 2,00,00,000 Warrants of Rs.10/- each to Sri T.G.Venkatesh and his family, the Core Promoters of the Company and/or such nominees, as Sri T.G.Venkatesh and Associates may determine (hereinafter referred to as the "Core Promoter Group"), by converting Rs.400 lacs of Unsecured loans already bought in by the Promoters and against additional funds of Rs.1600 lacs to be bought in by the Promoters.

The Promoters shall have a right to apply for and be allotted in lieu of each warrant held by them, one Equity share of Rs.10/- each for cash at par, within 18 months from the date of allotment of the warrants. A sum of Rs.1 per warrant is payable at the time of allotment thereof which shall be adjusted against the amount payable upon allotment of equity shares in lieu of warrants and the balance Rs.9 per share shall be payable in one or more installments in the manner and schedule as may be agreed to by IDBI and IFCI Limited. The issue price of Rs.10 per Warrant has been determined as per the guidelines for Preferential issues framed by SEBI in this regard and M/s.Brahmayya & Co., Statutory Auditors of the Company have certified vide their Report dated 17.07.2004, a copy of which shall be laid before the Annual General Meeting and shall be available for inspection by the Shareholders there at, that the said Preferential issue to the Core Promoters Group as per the Resolution set out under item No.7 of the Notice is in accordance with the requirements contained in the guidelines for preferential issue under SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended.

The pre-preferential allotment shareholding of the Promoters' Group who are allotted warrants under the



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Preferential issue as well as the Equity shares allotted pursuant to the resolution set out under Item No.7 of this Notice, in lieu of warrants shall be subject to lock-in-period as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended.

None of the Directors other than Sri T.G.Venkatesh may be deemed to be concerned or interested in the above resolution. The Board commends the passing of the resolution as set out at item no.7.

Item No.8

In accordance with the Debt Restructuring Package approved by the Corporate Debt Restructuring Cell and pursuant to the Scheme of Arrangement as may be sanctioned by the Hon'ble High Court of Andhra Pradesh, the Promoters of the Company are required to convert 15% of the rupee term loan and foreign currency loan of IDBI and IFCI Limited and non-convertible debentures of IDBI only, outstanding as on April 01, 2002 into 2,86,10,955 equity shares of Rs.10/- each for cash at par fully paid up, out of which 1,03,87,475 Equity shares shall be issued and allotted to IDBI and 1,82,23,780 Equity shares shall be issued and allotted to IFCI Limited, in accordance with SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended.

The issue price of Rs.10 per Equity share has been determined as per the guidelines for Preferential issues framed by SEBI in this regard and M/s.Brahmayya & Co., Statutory Auditors of the Company have certified vide their Report dated 17.07.2004, a copy of which shall be laid before the Annual General Meeting and shall be available for inspection by the Shareholders there at, that the said issue of Equity shares upon conversion to IDBI and IFCI Limited as per the Resolution set out under Item No.8 of the Notice is in accordance with the requirements contained in the guidelines for preferential issue under SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended.

Since the conversion involves issue and allotment of further equity shares of the Company. the approval of the members is being sought as set out under Item No.8 of the Notice.

None of the Directors of the company is, in any way, concerned or interested in the said resolutions.

The Board commends the passing of the resolution as set out at Item No.8

The proposed offer of warrants as well as equity shares under Item No.7 and 8 of the Notice would not result in any change in constitution of the Board of Directors nor any change in control over the Company since the Core Promoters Group is already in control of the Company.

The disclosures as required pursuant to Clause 13.1A of the Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000 in relation to Item Nos. 7 and 8 of the Notice are as under:

a) Object of the issue:

The Core Promoters Group propose to subscribe to the preferential offer and IDBI and IFCI Limited have agreed for conversion of 15% of the Rupee Term Loans, Foreign Currency Loans and non-convertible debentures as part of fulfilling their commitment to the debt restructuring package approved by Corporate Debt Restructuring Cell, the operating agency and pursuant to the Scheme of Arrangement to be sanctioned by the Hon'ble High Court of Andhra Pradesh. The proposed issue will strengthen the equity base of the Company to afford comfort to the Institutions and provide resources to the Company to stabilise the operations of the Company.

b) Intention of the Promoters/Directors/Key Management persons to subscribe to the offer:

The Promoters intend to subscribe to the aforesaid issue of Warrants on preferential basis. The Key Management persons, who are not Promoters do not intend to subscribe to the offer.

c) Shareholding pattern of the company before i.e.as on 4th June, 2004 and after the proposed issue of Warrants and conversion into equity shares in favour of Core Promoters and IDBI and IFCI Limited respectively pursuant to the resolution at item no.7 and 8 is as under:

Category	Pre-Issue				Post-Issue	
	Equity		Equity		Preference	
	No.of shares	%	No.of shares	%	No.of shares	%
Promoters	17289816	45.78	28644908	42.44	8644908	45.78
IDBI	3615918	9.58	12195134	18.07	1807959	9.58
IFCI Ltd	24041	0.06	18235801	27.02	12020	0.06
Other Fis/Banks	1377076	3.65	688538	1.02	688538	3.65
Public & Others	15457812	40.93	7728906	11.45	7728906	40.93
Total	37764663	100.00	67493287	100.00	18882331	100.00



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d) Proposed time within which allotment will be completed:

The Company proposes to complete the allotment within three months from the date of receipt of all required approval(s) from any regulatory authority including but not limited to the sanction of the Scheme of Arrangement by the Hon'ble High Court of Andhra Pradesh, as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended.

e) Identity of the proposed allottees and the percentage of post preferential issued capital:

i. Under Item No.7

Name of the Alottee	Pre-Issue		Proposed Allotment of Equity Shares	Post-Issue			
	Equity			Equity		Preference	
	No.of shares	%		No.of shares	%	No.of shares	%
A. CORE PROMOTER GROUP							
TGV PROJECTS & INVESTMENTS PVT. LTD. SREE RAYALASEEMA	9313832	24.66	5000000	9656916	14.31	4656916	24.66
HI-STRENGTH HYPO LTD. SREE RAYALASEEMA	2496796	6.61	10000000	11248398	16.67	1248398	6.61
DUTCH KASSENBOUW LTD.	1678619	4.44	1000000	1839310	2.73	839309	4.44
BRILLIANT INDUSTRIES LTD.	1296345	3.43	3000000	3648173	5.41	648172	3.43
GOWRI GOPAL HOSPITALS PVT. LTD.	10750	0.03	1000000	1005375	1.49	5375	0.03
			20000000				

ii. Under Item No.8

B. FINANCIAL INSTITUTIONS

IDBI	3615918	9.57	10387175	12195134	18.07	1807959	9.57
IFCI	24041	0.06	18223780	18235801	27.02	12020	0.06
			28610955				

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	M P Murti	O.D. Reddy
2. Date of Birth	01.12.1919	20.01.1948
3. Date of Appointment	June 1986	December, 1996
4. Experience in specific Financial areas	More than 35 years Industrial Experience at very senior level in Indian & Multinational Companies (Ex. M.D of Union Carbide, International Division)	More than 30 years at senior level in Management & Administration in Government under taking
5. Qualification	M.Sc., M.S (Case Western - USA)	B.Sc (Agr)
6. Directorships in other Public Ltd Companies	Vibra Automet Ltd., Novapan Industries Ltd., Reliance Cellulose Products Ltd., CIL Securities Ltd.	

BY ORDER OF THE BOARD

Place: Gondiparla, Kurnool

Date: 17.07.2004

(V RADHA KRISHNA MURTHY)
General Manager and Company Secretary



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS 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, 2004.

OPERATIONS:

Yours Directors' are pleased to inform that there is an increase of 7% in turnover i.e., from Rs.28769 lacs to Rs.30836 (excluding internal transfer and other income) when compared to the previous year. The increase is due to better performance of Caustic Soda and Caustic Potash.

DIVISION/SEGMENT WISE OPERATIONS:

The Caustic unit has produced 54903 M.T.(capacity utilisation 79%) of Caustic Soda as against 53219 M.T. (capacity utilisation 77%) for the previous year. As against net sales of Rs.8639 lacs for previous year, the current year sales comes to Rs.9193 lacs representing an increase of 6.4%.

The Potassium plant has produced 22223 M.T.(capacity utilisation 135%) of Potassium Hydroxide as against 12930 MT (capacity utilisation 98%) for the previous year. As against net sales of Rs.4089 lacs for previous year, the current sales recorded Rs.6787 lacs representing an increase of 66%.

The Castor oil plant yielded 5266 MT (capacity utilisation 32%) of oil processing as against 5840 MT (capacity utilisation 35%) for the previous year. As against net sales of Rs.2481 lacs for the previous year, the current year sales stood at Rs.1820 lacs representing a decrease of 27%.

The Fatty acid plant has processed 11619 MT (capacity utilisation 47%) for the current year as against 15581 MT (capacity utilisation 63%) for the previous. The sales of this division has decreased from Rs.6069 lacs to Rs.5577 lacs representing a decrease of 8%.

The Power plant at Bellary has billed 1832 lakhs KWH (capacity utilisation 75%) of electricity (including deemed generation) to Karnakata Power Transmission Corporation Limited (KPTCL) during the current year as against 1612 lacs KWH (capacity utilisation 66%) for the previous year. As against sales to KPTCL (including deemed generation billing) of Rs.4237 lacs for the previous year, the current year sales comes to Rs.3731 lacs showing a decrease of 12%.

OUTLOOK FOR THE CURRENT YEAR:

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

FINANCIAL RESULTS:

The net profit during the year under review is Rs. 43.15 lakhs as against Net Loss of Rs. 286.30 for the previous year. The increase in profits is mainly due to the better performance of caustic soda and caustic potash.

	YEAR ENDED	
	31.03.2004 Rs.In lakhs	31.03.2003 Rs.In lakhs
Sales - Gross	30835.94	28769.05
Other Income	343.48	121.03
Profit on sale of Fixed Assets	5.24	0.06
Increase (Decrease) in Stocks	232.78	74.79
Total Income	31417.44	28964.93
Profit before Interest & Depreciation	5247.88	4689.69
Less: Interest	2314.12	2613.55
Profit before Depreciation	2933.76	2076.14
Less: Depreciation	2411.57	2268.78
Profit (Loss) before Extraordinary items and Taxation	522.19	(192.64)
Less: Preliminary and Deferred Revenue Expenditure		
Written-off	359.01	176.64
Expenses/Income relating to Earlier Years (Net)	55.27	(82.98)
Profit/Loss Before Taxation	107.91	(286.30)
Less: Provision for Taxation(MAT)		
- for Current Year	8.30	--
- for Earlier Year	56.46	--
Profit/Loss After Taxation	43.15	(286.30)
ADD: Balance Carried from Previous year	403.93	690.23
Profit available for Appropriation	447.08	403.93
Add: Transfer from General Reserve	559.11	--
Less: Extra-ordinary Expenditure relating to earlier years - charged off	559.11	--
Surplus carried to Balance Sheet	447.08	403.93