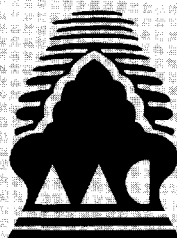


23rd Annual Report 2004 - 05



**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 upto 28.04.05)

Sri. D.S.Prasad
(Nominee of IDBI from 29.04.05)

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

Sri.P.N.Vedananarayanan

Sri.G.Krishna Murthy

Sri.O.D.Reddy

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

LEGAL ADVISOR

Sri N Nagendranath Reddy

AUDITORS

Brahmayya & Co.
Chartered Accountants
Adoni - 518 004

REGISTERED OFFICE & FACTORY

Gondiparla
Kurnool - 518 004 (A.P)

CORPORATE OFFICE

40-304, II Floor
Krishna Jyothsna Complex
Bhagyanagar
Kurnool - 518 004 (A.P)

**DEMAT REGISTRARS & SHARE
TRANSFER AGENTS**

Venutre Capital & Corporate Investment Ltd.
6-2-913/914, 3RD FLOOR
Progressive Towers
Khairatabad
Hyderabad - 500 004.

BANKERS

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

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NOTICE

NOTICE is hereby given that the 23rd 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 16th August, 2005 at 4.30 p.m to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 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 P.N.Vednarayanan, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri.G.Krishna Murthy, 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 SPECIAL RESOLUTION.

"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, and subject to financial institutions approval, 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 , 2005."

"RESOLVED FURTHER THAT Sri. T.G.Venkatesh will be paid the following Salary, Perquisites, allowances and commission, if any, w.e.f. 20.09.2005.

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., and any other benefit in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax rules, 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, Pension and Superannuation Fund will not be included in computation of the ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
- 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."

BY ORDER OF THE BOARD

Place: Hyderabad
Date : 10.06.05

(V Radha Krishna Murthy)
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(2) 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 5 days i.e., 12.8.05 to 16.8.05 (both days inclusive).
5. Non-resident Indian 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.

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 (2)
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. He is instrumental in the achievements of the company to achieve the targeted objectives and steered the Company to the present enviable position for which he has endeavored day and night.

In view of his role in the growth, success and stability of the Company and for his association in future the Remuneration Committee and Board have recommended for his reappointment in its meetings held on 09.01.05 and 28.01.05 respectively 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.

The terms as set out in the resolution may be treated as an abstract of terms under section 302 of the Companies Act, 1956.

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

Board of Directors recommends the above as Special Resolution for your approval.

**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	P N Vedanarayanan	G Krishna Murthy
2.	Date of Birth	04.06.1933	17.09.1941
3.	Date of Appointment	01.04.1994	30.11.1995
4.	Experience in Specific areas.	More than 35 years experience at very senior level in public Sector Units. (Ex. Chairman of TIDCO and Ex. CMD of Swadeshi Polytex Ltd.)	More than 35 years experience in Industrial and Business fields as Promoter. He is an eminent personality having interest in the field of Social Services.
5.	Qualifications	IAS (Retd)	Graduate of MILT
6.	Directorships in other Companies.	Indo Wind Farm Energy Ltd.	Town Essentials Pvt. Ltd. Sree Rayalaseema Hi-Strength Hypo Limited

1.	Name of the Director	T.G. Venkatesh
2.	Date of Birth	16.05.1950
3.	Date of Appointment	20.09.1985
4.	Experience in Specific areas.	Hailing from a renowned family of Industrialists and an entrepreneur himself has over 32 years of experience in steering diverse business enterprises. He is presently Chairman and Managing Director of the Company.
5.	Qualifications	B.Com.,
6.	Directorships in other Companies.	Maruthi Agro Tech Ltd., Andhra Pradesh Gas Power Corpn. Ltd., Kurnool Power Projects Ltd.,

BY ORDER OF THE BOARD

Place: Hyderabad
Date : 10.06.05

(V Radha Krishna Murthy)
General Manager and
Company Secretary

**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, 2005.

OPERATIONS:

Yours' Directors' are pleased to inform that there is an increase in turnover i.e., from Rs.30836 lacs to Rs.33671 lacs (excluding internal transfer and other income) when compared to the previous year. The increase is due to better performance and improved market for Caustic Soda and Caustic Potash.

DIVISION/SEGMENT WISE OPERATIONS:

The Caustic unit has produced 59624 M.T.(capacity utilisation 86%) of Caustic Soda as against 54903 M.T. (capacity utilisation 79%) for the previous year. As against net sales of Rs.9193 lacs for previous year, the current year sales comes to Rs.11159 lacs representing an increase of 21%.

The Potassium plant has produced 20167 M.T.(capacity utilisation 122%) of Potassium Hydroxide as against 22223 MT (capacity utilisation 135%) for the previous year. As against net sales of Rs.6787 lacs for previous year, the current sales recorded Rs. 6530 lacs representing a decrease of 4%.

The Castor oil plant yielded 8887 MT (capacity utilisation 54%) of oil processing as against 5266 MT (capacity utilisation 32%) for the previous year. As against net sales of Rs.1820 lacs for the previous year, the current year sales stood at Rs.2723 lacs representing an increase of 50%.

The Fatty acid plant has processed 14327 MT (capacity utilisation 58%) for the current year as against 11619 MT (capacity utilisation 47%) for the previous year. The net sales of this division has decreased marginally from Rs. 5577 lacs to Rs. 5573 lacs.

The Power plant at Bellary has billed 1807 lakhs KWH (capacity utilisation 75%) of electricity (including deemed generation) to Karnataka Power Transmission Corporation Limited (KPTCL) during the current year as against 1832 lacs KWH (capacity utilisation 75%) for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs.3731 lacs for the previous year, the current year sales comes to Rs.3577 lacs showing a decrease of 4%.

OUTLOOK FOR THE CURRENT YEAR:

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

FINANCIAL RESULTS :

	YEAR ENDED	
	31.03.2005	31.03.2004
	Rs.In lakhs	Rs.In lakhs
Sales-Gross	33671.45	30835.94
Other Income	436.45	338.84
Profit on sale of Fixed Assets/ Investments	52.93	5.24
Increase(Decrease)inStocks	(98.75)	232.78
Total Income	34062.08	31412.80
Profit before Interest & Depreciation	5833.34	5247.88
Less: Interest	2606.22	2314.12
Profit before Depreciation	3226.12	2933.76
Less : Depreciation	2464.19	2411.57
Profit(Loss)before Extraordinary items and Taxation	762.93	522.19
Less : Preliminary and Deferred Revenue Expenditure Written-off	520.58	359.01
Expenses(Income) relating to Earlier Years (Net)	(0.86)	55.27
Profit/Loss Before Taxation	243.21	107.91
Less : Provision for Taxation (MAT) - for Current Year	19.07	8.30
- for Earlier Year	0.32	56.46
Profit/Loss After Taxation	223.82	43.15
ADD : Balance Carried from Previous year	447.08	403.93
Profit available for Appropriation	670.90	447.08
Add: Transfer from General Reserve	-	559.11
Less: Extra-ordinary Expenditure relating to earlier years - Charged off	-	(559.11)
Less : Transfer to Debenture redemption reserve	375.00	-
Surplus carried to Balance Sheet	295.90	447.08

**Dividend:**

In view of the need for consolidation of company's growth and financial affairs your directors have decided not to recommend any dividend for the year 2004-05.

Capital Expenditure:

During the year the Company has incurred an amount of Rs.2288 lacs on Capital Expenditure which is mainly towards installation of Boiler Turbine and Water Management etc.,

Safety and Environment Protection:

Safety and Environment Protection has been given top priority and every effort has been taken to preserve and protect the same. A separate cell has been created and entrusted with the responsibility of ensuring safety with a team of Officials working round the clock with the motto of "ANY TIME SAFETY TIME". 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.

Scheme of Arrangement - Capital Issues:

On 14.08.04 in the Court conveyed Extraordinary General Meeting (EGM) members have approved the Scheme of Arrangement for implementation of Financial Institutions approved restructuring package. Hon'ble High Court of Andhra Pradesh vide its order dated 11.11.04 and execution order dated 18.01.2005 has approved the Scheme of Arrangement for implementation. With the approval of the board in its meeting held on 28.01.05 record date has been fixed as 25.02.05 to determine the eligibility of shareholders to receive new equity and 0.01% Cumulative Redeemable Preference Shares (CRPS) in cancellation of their old equity shares as envisaged in the Scheme.

The Board allotment Committee in its meeting held on 08.03.05 has allotted new equity and CRPS. Share Certificates in physical form were already despatched to the shareholders. As regards issue of shares in Demat Form the Company has obtained the Listing Approval from Stock Exchange, Mumbai vide its letter dated 22.04.05 and the Company has applied to National Depository Securities Limited and Central Depository Services (India) Limited for allotment of New ISI Number to enable the Company to give credit of equity and CRPS in electronic form to the credit of the beneficiary accounts of shareholders. After this

Stock Exchange, Mumbai will give permission for trading of New equity and CRPS issued in lieu of old equity.

Further, as a part of implementation of the Scheme of Arrangement the Board Allotment Committee in its meeting held on 08.03.05 has allotted 10387175 Equity Shares of Rs.10 each to Industrial Development Bank of India and 18223780 Equity shares of Rs.10 each to Industrial Finance Corporation of India Limited on part conversion of their loans to the Company. Further, the Committee allotted 14580000 equity shares of Rs.10 each to promoters/proposed allottees on preferential basis on cash and conversion of their unsecured loans. The Committee also allotted 5420000 No. of partly paid warrants to promoters/proposed allottees, which will be converted into equity within a period of 18 months, after the warrants are fully paid-up. The Company has submitted Listing application and other required information to Stock Exchange, Mumbai for listing and dematerialisation of equity shares issued on preferential allotment to financial institutions and Promoters/Proposed allottees.

Insurance:

Assets of the Company are adequately insured.

Fixed Deposits:

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

Directors:

Sri.P. N. Veda Narayanan and Sri.G.Krishna Murthy are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offers themselves to be re-elected as Directors.

M/s IDBI vide thier Letter Ref.No.CSD.53/168/Nom.8 Dt.15.04.2005 has withdrawn its Nominee Director Sri.S.Ramadoss from the Board and appointed Sri.D.S.Prasad, Deputy General Manager, IDBI Hyderabad as its Nominee in his place with effect from 29.04.05. The Board in its meeting held on 28.05.2005 ratified the appointment of Sri D S Prasad as IDBI Nominee Director.

Industrial Relations:

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

**Particulars of Employees:**

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

Directors' Responsibility Statement:

As required by the provisions of Section 217(2AA) of the Companies Act, 1956, Directors' Responsibility Statement is attached as Annexure - B.

Explanation to Auditors Qualifications:

Auditors' Report - Reservation/Qualifications:

1. Statutory Auditors reservation/qualification mentioned in point No.4(iv) of the Auditors Report regarding taxes on income, the explanation given in Schedule J - Notes to Accounts Point No.10 of Balance Sheet and Profit and Loss Account which is self explanatory.
2. Statutory Auditors reservation/qualification mentioned in Point No.4 (vi) (1) and (2) of the Auditors Report regarding treatment of the interest of loans/debentures from Financial Institutions as Deferred Revenue Expenditure and postponement of Deferred Revenue Expenditure (proportionate interest on Project loans during the technical stabilisation period) charging to Profit and Loss A/c by one year i.e., from 2005-06 the explanation given in Schedule J - Notes to Accounts Point No.11(c) of Balance Sheet and Profit & Loss Account which is self explanatory.

Corporate Governance:

Pursuant to clause 49 to the Listing Agreement, the mandatory requirements relating to Corporate Governance were to be complied with by your Company. Accordingly your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of Clause 49 to the Listing Agreements with the Stock Exchanges, are complied with.

A separate report on Corporate Governance (Annexure-C) is being incorporated as a part of the Annual Report along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance which is annexed as "Annexure-D" to the Directors' Report. Further to comply with Clause 49 of listing agreement

"Management Discussion and Analysis" has been given as "Annexure-E" to the Directors' Report.

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 conclusion of Annual General Meeting of the current year 2005-2006.

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. The Company has complied with all the provisions of the said order.

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 - A to 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

T.G.VENKATESH

Chairman and

Managing Director

Place: Hyderabad

Date : 10.06.05

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy:

1. HV-Capacitor Banks of 2500 KVAR proposed to install on Gen-Bus 11KV to improve power factor, to minimize distribution losses and to reduce voltage transients.
2. 11KV Distribution Panels 28 Nos. are proposed to install for Generation Bus and Load distribution to meet the growing production demand.
3. 1600KVA Transformer (11KV / 433V) is under commissioning to minimize distribution losses and to meet with Cl2 Compressor Plant expansion.
4. In order to improve better control on Electrolyzers DC Load current, NGEF Rectifier Transformer is being modified with Thyristor Control Unit.

FORM - A

Disclosure of Particulars with respect to conservation of energy:

	Current Year 31.03.2005	Previous Year 31.03.2004
A. Power and Fuel Consumption		
1. Electricity:		
a) i) Electricity from APCPDCL		
Units (KWH)	89317824	71865068
Total Amount (Rs.in Lakhs)	2991.80	2597.61
Rate/Unit (Rs.)	3.35	3.61
ii) Electricity from APGPCL		
Units (KWH)	32850030	28379380
Total Amount (Rs.in Lakhs)	772.80	554.15
Rate/Unit (Rs.)	2.35	1.95
b) Own Generation:		
i) Through Diesel Generators		
Units (KWH)	78497590	107492020
Unit per Lt of Fuel (KWH)	3.85	3.95
Cost/Unit (Rs.)	4.48	4.12
ii) Through Wind Farm		
Units(KWH)	3035952	3149897
Cost/Unit (Rs.)	4.76	4.68
iii) Through Co Gen Plant		
Units(KWH)	20754221	-
Cost/Unit (Rs.)	3.56	-
2. Coal		
Qty (MT)	33128	7355
Total amount (Rs.in lakhs)	653.03	157.51
Average Rate (Rs./MT)	1971	2141
3. Fuel Oil		
Qty (KL)		
(consist of HSD & FO)	20384	27204
Total Amount (Rs.in lakhs)	2652.95	3390.35
Average Rate (Rs/KL)	13015	12463
B. Consumption per MT of Caustic Soda Lye Production		
No.of Units (KWH)		
(AC Power)	2660	2618

B. Technology Absorption:

Efforts made in technology absorption are provided in Form B as follows:



FORM - B

Research and Development (R & D):

1. Specific areas in which R&D carried out by the Company.

- Sweet water concentration unit at Castor oil plant is Successfully commissioned.
- Refining and drying of crude sodium sulphate generated from sweet water evaporation to suit to market requirement.
- Commissioned spray Dryer for manufacturing powdered HCO and 12-HSA to meet specific export requirement.
- Bio filters are commissioned to treat high BOD/high colloidal particle/ water during summer.

2. Benefits derived as a result of R&D

- Commissioning of sweet water concentration unit drastically reduced load on ETP
- Refining and drying of Sodium Sulphate helps to get good Market for the product. Additional revenue is envisaged after successfully converting to good product.
- Commissioning of Spray Dryer helped in developing additional export Market for HCO & 12 HSA.
- After commissioning bio filters for treating high BOD in take Water performance of D.M.Plant/R.O improved.

3. FUTURE PLANS:

- Improving the brine filtration to suit to high current Density operation of electrolyzers by ultrafiltration / Anthracite filters.
- Alternative sulphate removal system in brine to reduce solid waste generation.
- production of 37% HCL without generating fumes while transporting.

4. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION.

- Vertical screw compressors with auto loading/ unloading facilities are planned for Chlorine liquifaction unit to reduce power consumption per unit production and also reduce maintenance cost.
- Usage of FEP lined plug valves in caustic evaporation plant instead of high cost solid nickel valves.

C. Foreign Exchange Earnings and outgo:

a) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services, and export plans:

- i) Exported Hydrogenated Castor Oil, 12 Hydroxy Stearic Acid, Caustic Potash and planning to enlarge exports by increasing export quantity and explore export possibility for other products.

b) Total Foreign Exchange used and earned

(Rs.in lakhs)

- i) Foreign Exchange used
- ii) Foreign Exchange earned

1879

3961

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

Yours Directors Further confirm that:

- (i) In the presentation of the Annual Accounts, applicable Accounting Standards have been followed alongwith proper explanation relating to material departure or non-compliance in notes to accounts and Directors' Report.
- (ii) The accounting policies except the postponement of Deferred Revenue Expenditure Writing by one more year are consistently applied and reasonable, prudent judgment 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, 1956 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.

On behalf of the Board of Directors

Place: Hyderabad

Date : 10.06.05

T.G.VENKATESH
Chairman And Managing Director