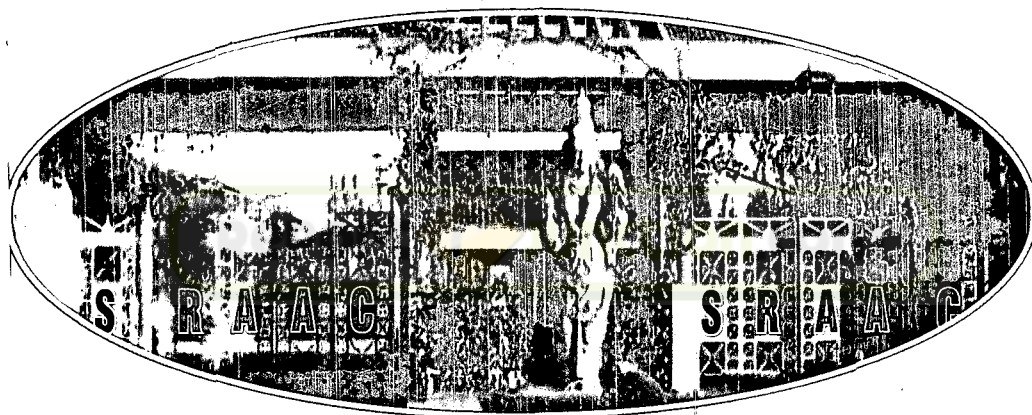


26th Annual Report 2007-08



**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 D.S.Prasad
(Nominee of IDBI)

Sri R.K.Chavali
(Nominee of IFCI upto 18.05.07)

Sri S.K.Ganguli
(Nominee of IFCI from 19.05.07)

Sri P.N.Vedananarayanan

Sri G.Krishna Murthy

Sri O.D.Reddy

AUDITORS

Brahmayya & Co.
Chartered Accountants
S.K.D. Colony, Alur Road
Adoni - 518 301 (A.P.)

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

Venture Capital & Corporate Investments Ltd.
12-10-167, Bhàrat Nagar
Hyderabad - 500 018 (A.P)

SR. 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.

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SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the **26th 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 (A.P), Thursday on 10th July, 2008 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, 2008 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 a **SPECIAL RESOLUTION**.

"RESOLVED THAT subject to the provisions of 224 A of Companies Act, 1956 the retiring Auditors, M/s. Brahmayya & Co., Chartered Accountants, Adoni, Kurnool District 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 on recommendation of the Audit Committee as "Audit Fee" exclusive of reimbursement of actual travelling and other expenses."

BY ORDER OF THE BOARD

Sd/-

Place: Hyderabad
Date : 30.04.2008

(V.RADHAKRISHNA MURTHY)
SR.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 16 of the Listing Agreement, the Register of Members and Share Transfer Books of the Company will remain closed for 7 days i.e., from 04-07-2008 to 10-07-2008 (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 Bank 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 No. / Client ID No. in all correspondence.
3. Since the company's shares are permitted for trading under compulsory demat mode, shareholders holding shares in physical form are requested to dematerialize the same immediately to avoid any inconvenience in future. Company's Equity Shares ISIN No.INE284B01028 and CRPS ISIN NO.INE284B04014.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

4. Members are requested to note the following "e-mail" for any clarification on shares and other related matters "radhakrishnav55@rediffmail.com".

EXPLANATORY STATEMENT

None of the Directors is interested or concerned in the resolution.

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

(Pursuant to Section 173 (2) of the Companies Act, 1956)
ITEM NO. 4

BY ORDER OF THE BOARD

Since the combined shareholding of public financial institutions in the Company together exceeds 25% of the subscribed share Capital, the reappointment of Auditors of the Company is required to be made by a Special Resolution, as required under Section 224 A of the Companies Act, 1956.

Place: Hyderabad
Date : 30.04.2008

Sd/-
(V. RADHAKRISHNA MURTHY)
SR. GENERAL MANAGER AND
COMPANY SECRETARY

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	Sri M.P.Murti	Sri O.D.Reddy
2.	Date of Birth	01-12-1919	15-03-1940
3.	Date of Appointment	June 25, 1986	December 31, 1996
4.	Experience in Specific areas	More than 37 years Industrial Experience at very senior level in Indian and Multi National Companies.	More than 32 years at Senior level in Management and Administration in Govt. undertaking.
5.	Qualifications	M.Sc.M.S(Case Western - USA)	B.Sc (Agni)
6.	Shareholding in the Company	1,000 Shares	2,850 Shares
7.	Directorships in other Companies	1. Vybra Automet Ltd., 2. Novopan Industries Ltd., 3. Reliance Cellulose Products Ltd., 4. CIL Securities Ltd., 5. Sree Rayalaseema Hi-Strength Hypo Ltd., 6. SRHHL Industries Ltd.,	1. Sree Rayalaseema Hi-Strength Hypo Ltd., 2. SRHHL Industries Ltd., 3. Roopa Industries Ltd.,
8.	Membership in other Company committees	Audit, Remuneration Committee in SRHHL Industries Ltd., and Sree Rayalaseema Hi-Strength Hypo Ltd.,	Audit, Remuneration, Investors Grievance Committee in SRHHL Industries Ltd., and Sree Rayalaseema Hi-Strength Hypo Ltd., Audit, Remuneration Committee in Roopa Industries Ltd.,



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, 2008.

OPERATIONS :

Yours Directors' are pleased to inform that there is an increase in turnover i.e., from Rs.43276 lacs to Rs. 51412 lacs (excluding internal transfer and other income) when compared to the previous year and shows 19% increase. The increase is due to better performance and improvement in chemicals, Castor Oil, Fatty Acids and Power division operations.

DIVISION/SEGMENT WISE OPERATIONS :

The Caustic unit has produced 97672 MT (capacity utilisation 106%) of Caustic Soda as against 75213 MT (capacity utilisation 108%) for the previous year. As against net sales of Rs. 16201 lacs for previous year, the current year sales comes to Rs. 20411 lacs representing an increase of 26%.

The Potassium plant has produced 11909 MT (capacity utilisation 62%) of Potassium Hydroxide as against 17726 MT (capacity utilisation 107%) for the previous year. As against net sales of Rs. 6832 lacs for previous year, the current sales recorded Rs. 4626 lacs representing a decrease of 32%.

The Castor oil plant yielded 9403 MT (capacity utilisation 57%) of oil processing as against 12797 MT (capacity utilisation 78%) for the previous year. As against net sales of Rs. 3486 lacs for the previous year, the current year sales stood at Rs. 3872 lacs representing an increase of 11%.

The Fatty acid plant has processed 17091 MT (capacity utilisation 69%) for the current year as against 14269 MT (capacity utilisation 58%) for the previous year. The net sales of this division has increased from Rs. 5559 lacs to Rs. 9032 lacs representing an increase of 62%.

The Power plant at Bellary has billed 1843 lakhs KWH (capacity utilisation 77%) of electricity (including deemed generation) to Karnakata Power Transmission Corporation Limited (KPTCL) during the current year as against 1881 lacs KWH (capacity utilisation 77%) for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs. 5239 lacs for the previous year, the current year sales comes to Rs. 6602 lacs showing an increase of 26%.

OUTLOOK FOR THE CURRENT YEAR :

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

FINANCIAL RESULTS :

	YEAR ENDED	
	31.03.2008 (Rs.in lakhs)	31.03.2007 (Rs.in lakhs)
Sales- Gross	51412.05	43276.29
Other Income	740.70	485.64
Profit on sale of Fixed Assets/Investments	33.33	1.33
Increase (Decrease) in Stocks	112.53	157.02
Total Income	52298.61	45920.28
Profit before Interest & Depreciation	9690.59	9051.50
Less: Interest	2924.98	3059.87
Profit before Depreciation	6765.61	5991.63
Less: Depreciation	2932.86	2715.74
Profit(Loss) before Extraordinary items and Taxation	3832.75	3275.89
Less: Preliminary and Deferred Revenue Expenditure Written-off	1000.36	1160.00
Expenses/Income relating to Earlier Years (Net)	60.62	45.62
Profit/Loss Before Taxation	2771.77	2070.27
Less: Provision for Taxation (MAT)		
- for Current Year	314.04	232.29
- for Earlier Year	0.39	0.36
- for Fringe benefit Tax	29.00	30.00
- for Deferred Tax Liability	122.89	-
Profit/Loss After Taxation	2305.45	1807.62
Add: Balance Carried from Previous year	2424.31	1116.69
Profit available for Appropriation	4729.76	2924.31
Less: Transfer to General Reserve	3000.00	-
Less: Transfer to Debenture Redemption reserve	500.00	500.00
	1229.76	2421.31
Transfer from General Reserve	5961.93	-
Less : Accumulated Deferred Tax Liability upto previous year	2860.53	-
Less : Unadjusted Deferred Revenue expenditure charged off	3101.40	-
Surplus carried to Balance Sheet	1229.76	2424.31



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Profit for the Current year at Rs. 2305.45 Lakhs shows the increase of more than 27.5% compared to previous year Profit of Rs. 1807.62 Lakhs. Overall increase in efficiency of all divisions except fatty acid has resulted in excellent performance of the company.

Dividend :

In view of the strengthening and expansion of activities and future funds requirement, your Directors have decided not to declare any dividend for the year 2007-08.

Capital Expenditure :

During the year the Company has incurred an amount of Rs. 5613 lacs on Capital Expenditure which is mainly towards installation of Electrolyzer elements, Boiler, Turbine, Electrical equipments, Effluent system etc.,

Safety and Environment Protection :

The management has recognized that Safety and Environment are the two vital aspects which will stimulate the growth of the company. Every effort is being made to ensure safety in all activities of the company and the steps taken by the management to develop green environs around the factory has given desired results. 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 "ALL TIME SAFETY FOR ALL". 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 Fees :

The Company has paid Listing Fee to Bombay Stock Exchange vide its letter dtd.25.04.2008.

Insurance :

Assets of the Company are adequately insured.

Fixed Deposits :

The company has not accepted any fixed deposits during the year and there are no fixed deposits outstanding as on 31-3-08.

Directors :

Sri M.P.Murti and Sri O.D.Reddy are retiring by rotation at the ensuing Annual General Meeting and they being eligible for reappointment offers themselves to be reelected as Directors. M/s.IFCI has appointed Sri S.K.Ganguli as its Nominee on the Board in place of Sri R.K.Chavali vide its

letter Ref.No.IFCI/NDC-2/2007-3913 dtd.03.05.2007. The Board in its meeting held on 19.05.07 has co-opted Sri S.K.Ganguli. The Board further taken on record the valuable advises given by Sri R.K.Chavali during his tenure on the Board.

Industrial Relations :

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

Particulars of Employees :

Except Sri T.G.Venkatesh, CMD, 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 is given as "Annexure - AE".

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.

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".

Corporate Governance :

Pursuant to clause 49 to the Listing Agreement, the mandatory requirements relating to Corporate Governance are 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.

Corporate Governance - Clause 49 of Listing Agreement :

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 (Annexure - D) regarding compliance of the conditions of Corporate Governance: The "Annexure C and D" are attached to this report.

Further to comply with Clause 49 of listing agreement "Management Discussion and Analysis" has been given as "Annexure - E" to the Directors' Report.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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 to hold office for the current year 2008-09.

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 has to be done on a regular basis by a qualified Cost Accountant from 1992-93 onwards and the same is submitted to Central Govt. every year. The Company has complied with all the provisions of the said order.

Audit Committee :

An Audit Committee continues to function to comply with provisions of Sec 292(A) of the Companies Act, 1956 and also Clause 49 of Listing Agreement. The Audit Committee comprises of Sri S.K.Ganguli, Sri D.S.Prasad and Sri P.N.Vedananarayanan as members with Sri M.P.Murti as Chairman of the Audit Committee.

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.

On behalf of the Board of Directors

Place : Hyderabad
Date : 30.04.2008

Sd/-
T.G.VENKATESH
CHAIRMAN AND
MANAGING DIRECTOR

"ANNEXURE - AE" TO THE DIRECTORS' REPORT

Information as per the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 are forming part of the Director's Report for the period ended 31st March, 2008.

Name of the Employee	Age	Qualifications	Designation/ Nature of Duties	Date of commencement of Employment	Remuneration Received Rs. (Gross)	Experience (years)	Last Employment held
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a) Employed throughout the Financial Year :

1. Sri T.G. Venkatesh	58	B.Com.	Chairman & Managing Director	20.09.1985	28,99,713	36	General Manager (Commercial), Sree Rayalaseema Paper Mills Ltd.
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Notes :

1. Remuneration includes Salary and other perquisites.
2. The Appointment of the Managing Director is Contractual and on the terms and conditions approved by the Members in the Annual General Meetings held on 16.08.2005 and 28.09.2007.

On behalf of the Board of Directors

Place : Hyderabad
Date : 30/04/2008

Chairman and Managing Director



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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. Installation of HT capacitors banks completed. The power factor improved from 0.93 to 0.95 and also distribution losses minimized.
2. Installed 31.5 MVA transformer to meet progressive production increase and to minimize transformer losses when compared to existing low capacity transformers.

FORM - A

Disclosure of Particulars with respect to conservation of energy:	Current Year 31.03.2008	Previous Year 31.03.2007
A. Power and Fuel Consumption :		
1. Electricity:		
a) i) Electricity from APCPDCL		
Units (KWH)	127769438	104715074
Total Amount (Rs.in Lakhs)	3319.09	3106.48
Rate/Unit (Rs.)	2.60	2.97
ii) Electricity from APGPCL		
Units (KWH)	26697189	20472439
Total Amount (Rs.in Lakhs)	464.66	357.80
Rate/Unit (Rs.)	1.74	1.75
b) Own Generation:		
i) Through Diesel Generators		
Units(KWH)	4016415	5981527
Unit per Lt of Fuel (KWH)	3.36	3.58
Cost/Unit (Rs.)	27.51	20.49
ii) Through Wind Farm		
Units(KWH)	2232116	2914892
Cost/Unit (Rs.)	4.81	3.49
iii) Through Co-Gen Plant		
Units(KWH)	139185500	120935808
Cost/Unit (Rs.)	2.26	2.29
2. Coal :		
Quantity (MT)	240780	199810
Total amount (Rs.in lakhs)	4163.41	3682.03
Average Rate (Rs./MT)	1729	1843
3. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	1958	2468
Total Amount (Rs.in lakhs)	380.82	476.60
Average Rate (Rs/MT)	19445	19314
B. Consumption per MT of Caustic Soda Lye Production		
No. of Units (KWH) (AC Power)	2476	2503



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

C. 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 :

- Trials are in progress to utilize hydrazine free oxygen scavenger in high pressure boiler feed water to improve boiler's internal life.
- Experiments are in progress to reduce nickel content in hydrogenated castor oil to the extent of < 3 ppm.

2. Benefits derived as a result of R & D :

- Utilisation of hydrazine free oxygen scavenger will improve life of boiler internals and also reduce ammonia generation in steam which will improve turbine condenser life.
- Strengthening of laboratory facilities will improve electrolyser performance and reduction of nickel content in hydrogenated castor oil will facilitate our efforts to meet special customers requirement.

3. Future Plans :

- Contemplated to strengthen laboratory facilities by procuring TOC analyzer and ICP to monitor TOC and heavy metals in brine to improve electrolyser efficiency and membrane life.

4. Technology Absorption, Adoption and Innovation :

- There is no technology innovation, absorption and adoption during the year.

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	3605.87
ii) Foreign Exchange earned	2448.82

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 and there is no material departure from the same.
- (ii) The accounting policies 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 and of the profit of the company for that period.
- (iii) 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.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

(iv) The Directors have prepared the Annual Accounts on a going concern basis.

On behalf of the Board of Directors

Place : Hyderabad
Date : 30.04.2008

Sd/-
T.G.VENKATESH
CHAIRMAN AND MANAGING DIRECTOR

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Report on Corporate Governance :

The Management of SRAAC Ltd., hereby confirm and certify that the relevant provisions of Clause-49 of Listing Agreement dealing with "Corporate Governance" have been complied for the year 2007-08. The Corporate Governance compliance details are furnished hereunder:

(1) Company's Philosophy :

The company is firmly committed to fulfill the objective of good Corporate Governance. The company has complied with almost all the provisions of Corporate Governance before its enactment in the Listing Agreement by respective Stock Exchanges on the order of SEBI. The company's humble philosophy is "SERVING SOCIETY THROUGH HARMONIOUS INDUSTRY ACTIVITIES" synchronizing socio, economic and human objectives which is backed by principles of concern, commitment, ethics, excellence and learning in all its acts and relationships with stakeholders, customers, associates and community at large which has always propelled the Group towards higher horizons.

(2) Board Procedure :

All the mandatory information as mentioned in Annexure - 1A for Clause 49 of Listing Agreement is being placed before the Board during its meetings.

(3) Board of Directors :

The Composition of the Board is in compliance with the guidelines given in Clause-49 of the Listing Agreement. The Board comprises of seven Directors and Majority of Directors are independent/nominee Directors. Except Chairman and Managing Director the other Directors are non-executive Directors. The day-to-day management of the Company is conducted by Chairman and Managing Director subject to the Superintendence and control of the Board of Directors. The details of Directors attending the Meetings and Date of the Meetings are further furnished hereunder:

S.No	Name of the Director	Designation	No. of Board Meetings		Other Membership	
			Held	Attended	Board	Committee
1.	Sri T.G. Venkatesh	Chairman and Managing Director (Promoter)	5	5	2	-
2.	Sri M.P. Murti	Director (Independent)	5	4	6	4
3.	Sri D.S. Prasad	Director (IDBI Nominee)	5	1	1	-
4.	Sri S.K. Ganguli	Director (IFCI Nominee)	5	5	5	2
5.	Sri P.N. Vedanarayanan	Director (Independent)	5	4	1	-
6.	Sri G. Krishna Murthy	Director	5	5	3	3
7.	Sri O.D. Reddy	Director (Independent)	5	5	3	7