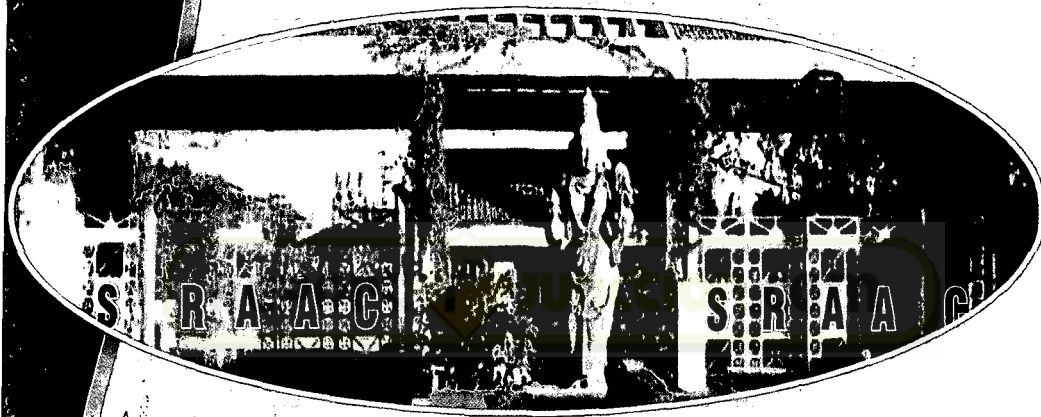


27th Annual Report 2008-09



**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 P.Sitaram
(Nominee of IDBI from 09.04.09)

Sri D.S.Prasad
(Nominee of IDBI upto 09.04.09)

Sri S.K.Ganguli
(Nominee of IFCI)

Sri P.N.Vedananarayanan

Sri G.Krishna Murthy

Sri O.D.Reddy

CHIEF GENERAL MANAGER & COMPANY SECRETARY

Sri V. Radhakrishna Murthy

BANKERS

Indian Bank
United Bank of India
The South Indian Bank Ltd.
IDBI Bank Ltd.
Canbank Factors Ltd.
The Federal Bank Ltd.

AUDITORS

Brahmayya & Co.
Chartered Accountants
21-142-6, S.K.D. Colony, Extn.
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

Aarthi Consultants Private Limited
Regd.Office : 1-2-285, Domalguda
Hyderabad - 500 029. (A.P)
Tel.No. : 040 - 27638111/4445, 27642217, 66611921
Fax No. : 040 - 27632184

CONTENTS

	Page Nos.
Notice	1
Directors' Report	3
Auditors' Report	17
Balance Sheet	21
Profit & Loss Account	22
Schedules "A" to "H"	23
Schedules "1" to "7"	30
Notes to Accounts Schedule "I"	33
Cash Flow Statement	44



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the 27th 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, Kumool - 518 004 (A.P.) Saturday on 18th July, 2009 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, 2009 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 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, Kumool 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 upon 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 : 02.05.2009

(V. RADHAKRISHNA MURTHY)
CHIEF 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 5 days i.e., from 14-07-2009 to 18-07-2009 (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.
4. Members are requested to note the following "e-mail Id" for any clarification on shares and other related matters "sralkalies@tgvmil.net".

EXPLANATORY STATEMENT

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

ITEM NO. 4

Since the combined shareholding of public financial institutions in the Company together exceeds 25% of the



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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.

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

BY ORDER OF THE BOARD

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

Place: Hyderabad

Date : 02.05.2009

Sd/-

(V. RADHAKRISHNA MURTHY)
CHIEF 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) and IDBI Nominee Director are given below :

	Name of the Director	Sri P.N.Vedananarayanan	Sri G.Krishna Murthy	Sri P.Sitaram (IDBI Nominee Director)
2.	Date of Birth	04-06-1933	17-09-1941	17-03-1963
3.	Date of Appointment	April 1, 1994	November 30, 1996	April 9, 2009
4.	Experience in Specific areas	More than 40 years experience at very senior level in public sector units. Ex-Chairman and Managing of NTC Mills Ltd..	More than 40 years experience in Industrial and Business fields as Promoter and entrepreneur. He is an eminent personality, having interest in the field of social services and human relations.	More than 23 years at senior level in IDBI in the fields of Finance Accounts, Projects evaluation and financing. At present he is continuing his service in IDBI as Chief General Manager (F & A).
5.	Qualifications	I.A.S. (Retd.)	Graduate of MILT	B.Com., A.C.A.
6.	Shareholding in the Company	NIL	NIL	NIL
7.	Directorships in other Public Ltd. Companies	RBF Nidhi Limited	1. Mukaṇḍa Industrial Finance Ltd. 2. Sree Rayalaseema Hi-Strength Hypo Ltd. 3. SRHHL Industries Ltd.	-N.A.-
8.	Membership in other Company Committees	NIL	Member of Audit, Share Transfer Committee, Remuneration Committee in SRHHL Industries Ltd. and Remuneration Committee in Sree Rayalaseema Hi-Strength Hypo Ltd. Audit, Recovery Committee, Remuneration Committee in Mukunda Industrial Finance Ltd.	-N.A.-



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, 2009.

Operations :

Yours Directors' are pleased to inform that there is an increase in turnover i.e., from Rs.51412 lacs to Rs. 75196 lacs (excluding internal transfer and other income) when compared to the previous year and shows 46 % increase. The increase is due to better performance and improvement in chemicals, Castor Oil, Fatty Acids and Power divisions operations.

Division/Segment Wise Operations :

The Caustic unit has produced 110223 MT of Caustic Soda as against 97672 M.T. for the previous year. As against net sales of Rs. 20411 lacs for previous year, the current year sales comes to Rs. 25848 lacs representing an increase of 26 %.

The Potassium plant has produced 15023 MT of Potassium Hydroxide as against 11909 MT for the previous year. As against net sales of Rs. 4626 lacs for previous year, the current sales recorded Rs.12607 lacs representing an increase of 172 %.

The Castor oil plant yielded 8036 MT of oil processing as against 9403 MT for the previous year. As against net sales of Rs. 3872 lacs for the previous year, the current year sales stood at Rs. 6090 lacs representing an increase of 57 %.

The Fatty acid plant has processed 21935 MT for the current year as against 17091 MT for the previous year. The net sales of this division has increased from Rs.9032 lacs to Rs.12451 lacs representing an increase of 38 %.

The Power plant at Bellary has billed 1813 lakhs KWH of electricity (including deemed generation) to Karnakata Power Transmission Corporation Limited (KPTCL) during the current year as against 1843 lacs KWH for the previous year.

As against sales to KPTCL (including deemed generation billing) of Rs. 6602 lacs for the previous year, the current year sales comes to Rs.11016 lacs showing an increase of 67 %.

OUTLOOK FOR THE CURRENT YEAR:

Segmentwise discussion is furnished in **Management Discussion and Analysis** annexed to this report in page No. 15 as "Annexure - E".

FINANCIAL RESULTS :

	YEAR ENDED	
	31.03.2009 (Rs.in lakhs)	31.03.2008 (Rs.in lakhs)
Sales-Gross	75195.63	51412.05
Other Income	1170.22	903.13
Profit on sale of Fixed Assets/Investments	-	33.33
Increase (Decrease) in Stocks	224.67	112.53
Total Income	76590.52	52461.04
Profit before Interest & Depreciation	11908.61	9853.02
Less: Interest	3414.59	3087.41
Profit before Depreciation	8494.02	6765.61
Less: Depreciation	3257.28	2932.86
Profit(Loss)before Extraordinary items and Taxation	5236.74	3832.75
Less: Preliminary and Deferred Revenue Expenditure Written-off	-	1000.36
Expenses/Income relating to Earlier Years (Net)	43.70	60.62
Profit/Loss Before Taxation	5193.04	2771.77
Less: Provision for Taxation (MAT)		
- for Current Year	589.00	314.04
- for Earlier Year	0.15	0.39
- for Fringe benefit Tax	25.00	29.00
- for Deferred Tax Liability	1848.32	122.89
Profit/Loss After Taxation	2730.57	2305.45
Add: Balance Carried from Previous year	1229.76	2424.31
Profit available for Appropriation	3960.33	4729.76
Less: Transfer to General Reserve	1000.00	3000.00
Less: Transfer to Debenture Redemption reserve	500.00	500.00
Surplus carried to Balance Sheet	2460.33	1229.76



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

Profit for the Current year at Rs.2730.57 Lakhs shows the increase of more than 18.44 % compared to previous year Profit of Rs.2305.45 Lakhs. Overall increase in efficiency of all divisions except Castor Oil division has resulted in note worthy performance of the company.

Dividend :

In view of the strengthening and stabilisation of activities and future funds requirement, your Directors have decided not to declare any dividend for the year 2008-09.

Capital Expenditure :

During the year the Company has incurred an amount of Rs. 4412.26 lacs on Capital Expenditure which is mainly towards on going installation of Caustic Fussion plant, Boiler, 25 MW Turbine and other balancing equipment. The funds required for the expenditure has been met from internal accruals.

Safety And Environment Protection :

Your management firmly believes that Safety and Environment are the two vital aspects which will stimulate the growth of the company in the long run. 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. 23.04.2009.

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 31.3.09.

Directors :

Sri P.N.Vedanarayanan 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 reelected as Directors. M/s.IDBI Bank has appointed Sri

P.Sitaram as its Nominee on the Board in place of Sri D.S.Prasad vide its letter Ref.No.SS-ICG.53/678/Nom.8 dated 26.03.2009 to be effective from 09.04.09. The Board in its meeting held on 02.05.09 has taken note of the same. The Board further placed on record with appreciation the valuable advises given by Sri D.S.Prasad 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 are 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" to this report.

Corporate Governance :

Pursuant to clause 49 to the Listing Agreement, the mandatory requirements relating to Corporate Governance have 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 as "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 2009-10.

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 has to be 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 P.Sitaram and Sri P.N.Vednarayanan as members with Sri M.P.Murti as

Chairman of the Audit Committee. Audit Committee was reconstituted on 02.05.09 to give effect to the change in IDBI Nominee Director.

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 successfully during the year.

On behalf of the Board of Directors

Place : Hyderabad
Date : 02.05.2009

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, 2009.

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	59	B.Com.	Chairman & Managing Director	20.09.1985	30,47,830	37	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 : 02.05.2009

Sd/-
T.G.VENKATESH
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) 1 x 550 TR high efficiency vapour absorption machine has been installed to save thermal energy.
- 2) One of the existing double effect evaporation plant is upgraded to triple effect evaporation resulting in saving of steam.
- 3) To improve power factor beyond 0.95 installation of HT capacitors banks is in progress.

FORM - A

Disclosure of Particulars with respect to conservation of energy:	Current Year 31.03.2009	Previous Year 31.03.2008
A. Power and Fuel Consumption :		
1. Electricity:		
a) i) Electricity from APCPDCL		
Units (KWH)	198938591	127769438
Total Amount (Rs.in Lakhs)	5686.89	3319.09
Rate/Unit (Rs.)	2.86	2.60
ii) Electricity from APGPCL		
Units (KWH)	20727266	26697189
Total Amount (Rs.in Lakhs)	477.85	464.66
Rate/Unit (Rs.)	2.31	1.74
b) Own Generation:		
i) Through Diesel Generators		
Units(KWH)	2768540	4016415
Unit per Lt of Fuel (KWH)	2.94	3.36
Cost/Unit (Rs.)	39.25	27.51
ii) Through Wind Farm		
Units(KWH)	2084631	2232116
Cost/Unit (Rs.)	5.14	4.81
iii) Through Co-Gen Plant		
Units(KWH)	113145105	139185500
Cost/Unit (Rs.)	3.09	2.26
2. Coal :		
Quantity (MT)	249611	240780
Total amount (Rs.in lakhs)	4951.84	4163.41
Average Rate (Rs./MT)	1984	1729
3. Fuel Oil :		
Qty (KL) (consist of HSD & FO)	1576	1958
Total Amount (Rs.in lakhs)	413.72	380.82
Average Rate (Rs/MT)	24486	19445
B. Consumption per MT of Caustic Soda Lye Production		
No.of Units (KWH) (AC Power)	2461	2476



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 :

- Suitable R & D studies have been under taken to reduce Biological Oxygen demand (BOD) in effluent treatment plants of Oils and Fats divisions.

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

- By replacing with suitable Bacteria in O&F division effluent, the treatment is stable and BOD reduction has been achieved.
- By reducing Iodine level in feed brine, efficiency of Ioan Exchange Membrane (IEM) will increase.

3. Future Plans :

- To monitor Heavy metals in feed brine, ICP is procured and the same will be installed in a short time. This will facilitate our efforts to control heavy metals in feed brine.

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	5382.43
ii) Foreign Exchange earned	12028.97

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 along with proper explanation relating to material departure or non-compliance in notes to accounts and Directors' Report.
- (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.



SREE RAYALASEEMA ALKALIES AND ALLIED CHEMICALS LIMITED

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

On behalf of the Board of Directors

Sd/-

Place : Hyderabad

Date : 02.05.2009

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 2008-09. 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: