

ALKALI METALS LTD.

Hyderabad, India

**39th Annual Report
2006-07**

BOARD OF DIRECTORS

SMT Y.V.LALITHA DEVI
DR Y.V.S. MURTY
SRI Y. S. R. VENKATA RAO
SRI CH. S. PRASAD
SMT Y. KRISHNA VENI
SRI P.C. PATNAIK
SRI G. JAYARAMAN

CHAIR PERSON
DIRECTOR
MANAGING DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR

COMPANY SECRETARY

SRI P.S.R. SWAMI

CFO & COMPANY SECRETARY

BANKERS

STATE BANK OF INDIA
Commercial Branch,
Bank Street, Koti,
Hyderabad – 500 095

AUDITORS

M/s. AVADHANI & CO.,
CHARTERED ACCOUNTANTS,
502, Fifth Floor, Lingapur House,
Amruta Estate, Himayatnagar,
Hyderabad - 500 029.

REGISTERED OFFICE & FACTORIES

Plot B5, Block III,
Industrial Dev. Area, Uppal,
HYDERABAD - 500 039.

Sy.No. 299 to 302,
Dommara Pochampally Village,
Qutubullapur Mandal, R.R.Dist.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of the Company will be held at the Regd. Office of the company at 4.00 P.M. on Saturday the 21st day of July, 2007 to transact the following business:-

- 1) To receive, consider and adopt the Audited Accounts of the company for the year ended 31-03-2007 together with the reports of the Directors and Auditors thereon.
- 2) To declare dividend for the year ended 31st March 2007.
- 3) To elect Director in place of Sri Ch. S. Prasad, who retires by rotation and being eligible offers himself for re-election.
- 4) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

"RESOLVED THAT M/s. Avadhani & Co., Chartered Accountants, Hyderabad be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of this meeting till the conclusion of the next annual General Meeting of the company on a remuneration to be decided by the Board of Directors at a subsequent date".

SPECIAL BUSINESS:

- 5) To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED that Sri P.C. Patnaik, who was appointed as an Additional Director as per the provisions of the Companies Act, 1956 by the Board of Directors, who holds office upto the ensuing annual general meeting and in respect of whom the company received a request for proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the company whose period of office shall be liable to determination by retirement of Directors by rotation."

- 6) To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Dr. Y.V.S. Murty, in respect of whom the company received a request for proposing his candidature for the office of the Director as per the provisions of the Companies Act 1956, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

- 7) To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Sri G. Jayaraman, in respect of whom the company received a request for proposing his candidature for the office of the Director as per the provisions of the Companies Act 1956, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

- 8) To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT in accordance with the provisions of section 94 and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the company be and is hereby increased from Rs. 10,00,00,000 (Rupees Ten Crores only) divided into 1,00,00,000 equity shares of Rs. 10/- each to Rs. 15,00,00,000 (Rupees Fifteen Crore only) divided into 1,50,00,000 equity shares of Rs. 10/- each.

RESOLVED FURTHER THAT the existing clause 5 of the Memorandum of Association be and is hereby deleted and in its place the following clause be submitted:

5. The Authorised Share Capital of the Company is Rs.15,00,00,000 (Rupees Fifteen crores) divided into 1,50,00,000 Equity shares of the face value of Rs.10/- each with power to increase further shares, with the sanction of shareholders in a General Meeting to any amount and with power also to consolidate, decrease, or divide the shares in the capital or for the time being into several classes and to attach thereto respectively preferential, deferred, qualified or special rights, privileges or conditions in accordance with relevant provisions of the Company Act, 1956, for the time being in force.”

- 9) To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956 if any read with the Articles of Association of the Company the consent of the company be and is hereby accorded to the Board of Directors of the company to issue Bonus Shares by way of capitalization of its profits and/or reserves in the ratio of 15 equity shares of Rs. 10/- each for every 100 equity shares held by the shareholders as fully paid-up out of the un-subscribed equity shares of the company.”

- 10) To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to section 81(1A) and other application provisions of the Companies Act, 1956, and in accordance with the provisions of the Articles of Association of the Company and subject to necessary approvals/permissions if any, the consent of the Company be and is hereby accorded to the Board of Directors of Company to issue, offer and allot equity shares not exceed 40,00,000 equity shares of Rs 10/- each as fully paid-up at a premium to be fixed by the Board of Directors and subject to such terms and conditions as the Board may deem fit to any Banks/Bodies Corporate/Institutions /FIIs/ NRIs/ general public at large.

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 and things as it may deem necessary or desirable.”

- 11) To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special resolution:

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956, Clause 3.1.0 of the Memorandum of Association of the Company relating to the Main Objects of the Company be and are hereby altered by inserting the following sub-clause after the sub-clauses 3.1.4:

- 3.1.5 Trading and contract manufacturing in the products set out above and in other chemical products, either locally or internationally.
- 3.1.6 To establish and maintain laboratories and carrying on Research & Development activities for own purposes or on behalf of third parties in the fields set out above or in the field of chemical technology and pharmaceutical intermediates and products."

FURTHER RESOLVED THAT Clause 3.3.0 relating to the Other Objects of the Company be and are hereby inserted with the following sub-clauses:

- 3.3.1. To lay out, develop, construct, build, erect, demolish re-erect, alter re-model or do any other work in connection with any building scheme, roads, highways, docks, ships sewers, bridges, canals, wells, springs, multistoried buildings, resorts, worship places, power plants, wharves, ports, reservoirs' embankments, tramways, irrigation improvements, sanitary, water, gas electric light, telephonic and power supply works or any other structural or architectural work of any kind whatsoever and for such purpose to prepare estimates designs, plants specifications, or models and do such other or any act that may be requisite thereof & to purchase, acquire, take on lease, or in exchange or in any other lawful manner any other land, building multi-storied structures and to turn to the same into real estate, account develop the same and dispose of or maintain the same or to maintain the same and to build townships, markets, or other building or convenience thereon and to equip the same or any part thereof with all any amenities or conveniences, drainage facility, electric telegraphic, telephonic, televisions and to deal with same in any manner whatsoever.
- 3.3.2. To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultants, collaborator, or otherwise to deal in electric power in such place or places as may be permitted by appropriate authorities by establishments of thermal power plants, hydraulic power plants, and other power plants based on any source of energy as may be developed or invented in future.
- 3.3.3. To setup steel furnace and continuous casting and rolling mills plant & to manufacture sponge Iron, Hot Briquetted Iron, Steel and alloy Steel ingots, Steel and alloy Steel billets and all kind and sizes of re rolled sections/bars i.e., flats, angles, rounds, squares, hexagons, octagons, rails, joints, channels, steel strips, sheets, plates, deformed bars, plain and cold twisted bar, bright bars, TMT bars, shafting, steel structural and to acquire, purchase, lease and otherwise install, operate, manage, run, any mining, quarrying, manufacturing, benefiting, washing, marketing, buying, selling in coal and other minerals.

- 3.3.4. To set up state of art software development centers and develop customized software technology for web hosting, speech to text, text to speech and other related software fields and to set up facilities for video conferencing and internet telephoning and other related fields.
- 3.3.5. To develop, design, structure, establish, maintain and to set up the business of handling customer support services by establishing call centers, Data centers, Medical Transcription Centers, Business process outsourcing centers, whether pertaining to own customers or client's customers from within India or outside, for requests received by telephone, fax, email, web, kiosk, post or any other mode through which any customer can communicate by accessing information in possession of the company or provided by the client.
- 3.3.6. To act as a Producers, Distributors, Exhibitors, and Exploiters, Traders, Exporters, and importers of Television Films, Serials, Video Films and Serials, Motion Pictures, Feature Films, Documentaries, Cultural and Historical Films, Films of places of Tourist Interest, Films on Science and Technology, in Talkie Version or otherwise, Indian /Foreign Version or otherwise in 70mm, 35mm, 16mm, 8mm, on digital /video format or other prevalent systems, or Recording of Programmes on any disc, tape perforated, in colour or otherwise in Black and White.
- 3.3.7. To carry on the business of hotel, restaurant, flight kitchen, café, tavern, beer house refreshment room and lodging house, proprietors, dramatic and musical, publishers and printers, theatrical agents, box office keepers, concert room proprietors, licensed victualers, wine, beers and spirit merchant, brewers, masters, distillers, importers and manufacturers of aerated mineral and artificial water and other drinks purveying caterers for public amusements generally and proprietors, job masters, farmers, dariymen, poultry, ice merchants, importers and brokers of live and dead stock and colonial and hair dressers, dressers, perfumers, chemists, proprietors of clubs, baths, dressing rooms, libraries, grounds and instruction of all kinds, tobacco and cigar merchants, agents for railway and shipping companies carriers, theatrical and opera box office proprietors, enterprises and general agents.
- 3.3.8. To carry on the business of building and maintaining amusement parks, to promote, organize and manage all kinds of entertainments, sports, recreation and amusements, whether indoor or outdoor including funfairs, exhibitions, rideshows and games, competitions, tournaments, concerts, cinematograph and television performances, stage and variety shows, aquatic and equestrian events, pyrotechnic, aerial and spectacular displays, skating , circuses and other forms and types of similar enterprises.
- 3.3.9. To carry on the business of manufacturing , purchasing , selling, exporting and Importing and dealing in Textiles of all varieties, cotton, silken and synthetic, yarns of all varieties, woolen, cotton, silken, and synthetic, jute , carpets, leather, rubber and water proof goods and garments and in general all goods and material in connection therewith.

12) To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions if any, of the Companies Act, 1956 the new Articles of Association of the Company, as per the draft annexed to the notice, be and is hereby approved and adopted as the Articles of Association of the Company in place of the existing Articles of Association of the Company.

By order of the Board of Directors.

(Y.S.R. Venkata Rao)
Managing Director

Place: Hyderabad

Date : 23-06-2007

- Note:-
- 1) A member entitled to appoint and vote is entitled to appoint a proxy to attend Vote instead of himself/herself and a proxy need not be a member.
 - 2) Shareholders are requested to intimate to the company the change, if any, in their registered address.
 - 3) An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed herewith.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE ACT:

Item No. 5

Sri P.C. Patnaik is co-opted as an Additional Director on 01st June 2007 pursuant to section 260 of the Companies Act, 1956 and he holds office of Director upto the date of Annual General Meeting. The company received a notice along with the deposit proposing his candidature to the position of Director as per the provisions of section 257 of the Act. Your Directors recommend the above resolution set out in the notice as an ordinary resolution for your approval.

None of the Directors except Sri P.C. Patnaik for his own appointment is interested in the above resolution.

Item No. 6

Dr. Y.V.S. Murty, in respect whom, the company received a notice along with the deposit proposing his candidature to the position of Director as per the provisions of section 257 of the Act. Your Directors recommend the above resolution set out in the notice as an ordinary resolution for your approval.

All the Directors except Sri Ch.S. Prasad, Sri P.C. Patnaik and Sri G. Jayaraman are interested in the above resolution.

Item No. 7

Sri G. Jayaraman, in respect whom, the company received a notice along with the deposit proposing his candidature to the position of Director as per the provisions of section 257 of the Act. Your Directors recommend the above resolution set out in the notice as an ordinary resolution for your approval.

None of the Directors except Sri G. Jayaraman for his own appointment is interested in the above resolution.

Item No. 8

The present authorised share capital of the company is Rs 10 Crores and the paid-up capital of the company is Rs. 6.03 Crores. As the company is proposing to set-up API project at Visakhapatnam and for financing the project company is proposed to go for a public issue. As the present authorized capital of the company is not sufficient to accommodate the public issue, it is proposed to increase the authorized share capital of the company. In accordance with the provisions of the Companies Act, 1956 approval of the members is required to enhance the authorised share capital and also for making the corresponding alterations to the capital clauses appearing in the Memorandum of Association. Your Directors recommend the above resolution set out in the notice as an ordinary resolution for your approval.

None of the Directors is interested in the above resolutions except as shareholders.

Item No. 9

The company proposed to issue the bonus shares to the existing shareholders in the ratio of 15 equity shares of Rs. 10/- each for every 100 equity shares held by way of capitalization of the profits/reserves. As per the provisions of the Articles of Association of the company, shareholders approval is required for capitalization of profits. Your Directors recommend the above resolution set out in the notice as a Special Resolution.

None of the Directors is interested in the above resolution except as shareholders and to that of the bonus they receive.

Item No. 10

The company proposes to set-up API project at Visakhapatnam and for financing the project company proposes to go for a public issue with a premium. In accordance with the provisions of the Companies Act, 1956 approval of the members is required for issue of shares to the persons other than the existing shareholders to the general public at large. Your Directors recommend the above resolution set out in the notice as a Special Resolution.

None of the Directors is interested in the above resolution except as shareholders.

Item No. 11

The main activity of the company is manufacturing of organic and inorganic chemicals, sodium derivatives and fine chemicals. It is proposed to go for manufacture of pharmaceutical preparations. Company is also actively doing Research and Development activities. It is now proposed to include the trading, contract manufacturing as well as Research and Development activity in the main objects of the company.

As the Memorandum of Association of the company does not contain any other objects, it is proposed to insert the other objects for diversified activities and the company will take up the other objects when ever any opportunities arise. In accordance with the provisions of the Companies Act, 1956 approval of the members is required for alteration of main objects and insertion of other objects of the company.

Your Directors recommend the above resolution set out in the notice as a Special Resolution and none of the Directors is interested in the above resolution except as shareholders.

Item No. 12

As the company is going public it is proposed to insert the articles which are required for the listed companies viz., nomination facility, dematerialization, buy back of shares etc., and it is difficult to alter some of the articles, it is proposed to insert the new set of articles in the place of existing Articles of Association of the Company and the same is annexed to the notice. In accordance with the provisions of the Companies Act, 1956 approval of the members is required for alteration of the Articles of Association of the Company.

Your Directors recommend the above resolution set out in the notice as a special resolution and none of the Directors is interested in the above resolution except as shareholders.

By order of the Board of Directors.

(Y.S.R. Venkata Rao)
Managing Director

Place: Hyderabad
Date : 23-06-2007

**DIRECTORS' REPORT
FOR THE YEAR 2006-07**

To
The Shareholders,
Alkali Metals Ltd.,

Ladies and Gentlemen,

The Directors have pleasure in presenting their report together with Audited accounts for the year 2006-07.

Summary of Financial Results

	2006-2007	2005-2006
	Rs.	Rs.
Profit before Interest & depreciation	121,701,896	174,888,656
Less Interest & others	20,285,268	18,086,567
Less Depreciation	16,874,593	12,807,329
Profit before Tax	84,542,035	143,994,760
Provisions		
Current Tax	6,000,000	9,500,000
Deferred Tax (AS 22)	2,500,000	1,500,000
Profit after tax available for appropriation	76,042,035	132,994,760

Dividend

An interim dividend of Rs 4.50 per share was paid for the financial year 2006-07. The directors now recommend the same as Final dividend for the financial year ended on 31st March 2007.

Operations Review – 2006-07

During the year, the Company has maintained the performance levels achieved in the previous financial year. The Exports continue to form major part of the total sales turnover which is 46% for the current financial year. The total sales increased in terms of quantity which is 1901.432 MT as against 1881.453 MT recorded in the previous year. However, there is a slight decrease in sales value because of drop in realization rates of some of the products.

Industry Scenario

The Custom chemicals, the business of producing chemicals to special order, has become an evolutionary step in the development of companies in the fine chemicals industry. The company has graduated from dependence on commodity chemicals and simpler compounds to become fine chemicals company with sophisticated technology.

This company has acquired the abilities needed to forge close, long-term relationships with consumers of fine chemicals - drugs, pesticides, food additives, cosmetics, ingredients, and photographic chemicals. As producers of performance chemicals refocus on research and marketing, the fine chemicals industry has stepped in to produce compounds to their special order. And as the trend toward outsourcing spreads, the company is responding by mastering new technologies and creating opportunities to prosper under the new order.

These efforts at repositioning include mergers, acquisitions, joint ventures, strategic alliances, provisioning of technology portfolios, and new profit centres. One move is a grassroots start-up of custom production by the company: The company has founded a business to be called Contract Manufacturing Services. In doing so, the company embarks explicitly on a type of business that it has offered informally for the past 10 years.

Research & Development

During the current year also, the company carried on some crucial R&D activities with the following objectives:

1. Route Discovery

- Design of best Chemical Route
- Selecting the best route for scale up.
- Choice of Raw Materials, reagents etc.

2. Costing of Chemical Processes.

3. Investigative approach to chemical development

- Optimising Chemical Reactions
- Making Processes robust
- Minimising Scale-up difficulties

4. Effective usage of solvents to make a modest process a great process.

5. Proper utilization of Statistical Methods of Optimisation for:

- Design of Experiments
- Factorial Design

6. Implementation of effective Analytical methods for:

- In process control
- Quality control & specification control
- Validation of product specifications
- Use of analysis to aid process optimisation

Environment & Safety

The company, from time to time, updates the effluent treatment methods to comply with the statutory requirements and during the year, invested about Rs 2.10 millions towards treatment of effluents. Also, the company regularly organizes safety implementation programs to the employees updating about the measures to be employed in material handling and production operations. The company regularly reviews the implementation of safety procedures and systems at various points and corrective actions are immediately taken to ensure utmost safety of its employees.

Audit Committee

Audit committee consisting of Smt Y.V. Lalitha Devi, Sri Ch.S.Prasad, and Sri Y.S.R. Venkata Rao, constituted as per the Company's Act, reported regularly to the Board of Directors.

Employee Relations

Relations with employees are cordial. The directors place on record the valuable service rendered by Senior Executives, Officers, Staff and Workmen for the good performance during the year.

Directors

Sri Ch.S. Prasad, Director of the company, will retire at the ensuing Annual General Meeting by rotation and is eligible for reappointment. We recommend his reappointment.

It is proposed to elect Sri P.C. Patnaik, Additional Director, Dr Y.V.S. Murty and Sri G. Jayaraman as Directors at the ensuing Annual General Meeting.

Director's Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors reports that :-

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- Accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent 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.
- Proper and sufficient care have been taken 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.
- The Annual Accounts have been prepared on going concern basis.

Auditors

M/s. Avadhani & Co., Auditors are retiring at the conclusion of this Annual General Meeting. They have given their consent for re-appointment for the current year.

Particulars of Employees

There are no employees in the receipt of remuneration as stipulated under section 217 (2A) of the Companies Act, 1956.

Disclosure of Particulars

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is given at Annexure - A.

Acknowledgements

The Directors acknowledge the support given by the Bankers, Institutions and Business Associates.

For and on behalf of Board of Directors,

(Y.V.Lalitha Devi)
Chair Person

Place: Hyderabad
Date :23-06-2007

ANNEXURE - A

Disclosure of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under companies (Disclosure of particulars in the Board of Director's Report) Rules, 1988:

A. Conservation of energy :

(a) Energy conservation Measures taken :

The measures taken by the company for conserving the energy particularly installation of Hydrogen recovery plant and usage of cost effective fuels made substantial contribution towards cost reduction and higher profitability.

(b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy :

The company continues its efforts to explore the possible solutions for reduction in consumption of energy by reducing batch processing time and other similar alternatives.

(c) Impact of measures of (a) and (b) above for reduction in energy consumption and consequent impact on the cost of production of goods :

The above measures proved to be effective in conservation of power this year also and as a result, the cost of production is comparable to that of previous year.

(d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the rules in respect of industries specified in the schedule thereto :

FORM - A

A. Power and Fuel Consumption :	2006-07	2005-06
Electricity :		
(i) Purchased :		
Total units (KWH)	4,994,136	5,605,666
Total amount (Rs.)	18,676,217	22,258,234
Rate per unit in (Rs.)	3.73	3.97
(ii) Own generation : (Diesel generator)		
Units generated :	192,029	142,527
Units per litre of Fuel oil/gas	2.22	1.92
H.S.D :		
Quantity (ltr)	86,383	74,199
Total Amount	3,039,128	1,431,351
L.D.O. & H.C.O. :		
Quantity (KL)	1613	1374
Total amount (Rs)	37,533,959	22,219,209
B. Consumption per unit of production :		
Units produced (MT) :	1916.492	1879.511
Electricity consumption per MT (KWH)	2,706.07	2,982.513
L.D.O. & H.C.O. consumed per MT (KL)	0.590	0.731

FORM – B
DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A. RESEARCH & DEVELOPMENT

1. Specific areas of Research & Development:

The company continued Research in new products and processes. During the year, some of the ongoing projects successfully completed while the remaining projects are in advanced stage. The main thrust of the R&D is to explore new processes/products, cost reduction methods, energy conservation, reduction of batch time cycle etc.

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

- Better management of man hours by Optimizing batch time cycle.
- Scaling up of Lab operations for the new products.
- Introduction of new products/processes.
- Reduction of manufacturing cost.
- Utilization of scarce materials/resources to the optimum levels.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation and benefits derived:

1. Use of cheaper oils as fuel in place of costlier oils and reducing cost of production.
2. Installing plant for recovery of Hydrogen and using the gas so recovered for manufacturing of products thereby saving substantial cost.
3. Capacity enhancement, New products/processes development, reduction of batch processing time cycle.

2. Details of technology imported during the past 5 years

- | | | |
|---|---|--|
| a) Technology imported | } | No technology has been imported during the past 5 years. |
| b) Year of import | | |
| c) Has technology been fully absorbed? | | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | | |

C. Foreign Exchange Earnings and outgo : (In Rupees)

	2006 -07	2005-06
Earnings	248,160,486	326,438,574
Outgo	133,016,503	150,081,557
Raw Material	127,776,538	138,440,305
Equipment	-	2,530,769
Foreign currency exp.	5,239,965	9,110,483
Net Foreign exchange earnings	115,143,983	176,357,017

For and on behalf of Board of Directors,

Place : Hyderabad

Dt. : 23.06.2007

Y.V.LALITHA DEVI
CHAIRPERSON

AUDITORS' REPORT

To the Members,

We have audited the attached Balance sheet of M/s Alkali Metals Limited ("the Company") as at March 31, 2007 and the relative Profit and loss account of the company for the year ended on that date attached thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies Auditors' Report Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ("the Act") we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
- iii) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
- iv) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon and significant accounting policies, comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act, give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:-
 - (a) in the case of the Balance Sheet, of the Company's state of affairs as at March 31, 2007; and
 - (b) in the case of the Profit and Loss account, of the Profit for the year ended on that date.
- v) On the basis of written declarations received from the directors and taken on record by the board of directors, we report that none of the directors was disqualified as at March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Avadhani & Co.,
Chartered Accountants

Place:Hyderabad
Date:23-06-2007

K.R.K. AVADHANI
Partner

ANNEXURE TO THE AUDITORS' REPORT AS REQUIRED BY THE COMPANIES' AUDITORS REPORT ORDER, 2003

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As per the information and explanations submitted to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets have been disposed off during the year.
- (ii) (a) As per the information furnished, physical verification of inventory has been conducted at the year end by the management. In our opinion, the frequency of the physical verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) The company neither granted nor taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
- (v) As per the information and explanations given to us, the company has duly made entries of transactions that need to be entered in the register in pursuance of section 301 of the Act.
- (vi) The company has not accepted deposits from the public during the year.
- (vii) In our opinion, the company's internal control procedures involve reasonable internal checking of its financial records which is considered adequate under the circumstances.
- (viii) No cost records have been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act for the company's activities.
- (ix) a) In our opinion, the company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. As per the information furnished to us, there are no arrears of outstanding statutory dues as at 31.3.2007 for a period of more than six months from the date they became payable.

- b) As per the records of the company, the dues of income tax which have not been deposited on account of disputes are as below:

Name of the Statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where appeal is preferred.
Income tax Act	Income tax & Interest	39,05,446	A.Y. 2003-04	ITAT, Hyd.
Income tax Act	Income tax & Interest	1,35,80,578	A.Y 2004-05	Commissioner (Appeals)–II, Hyd

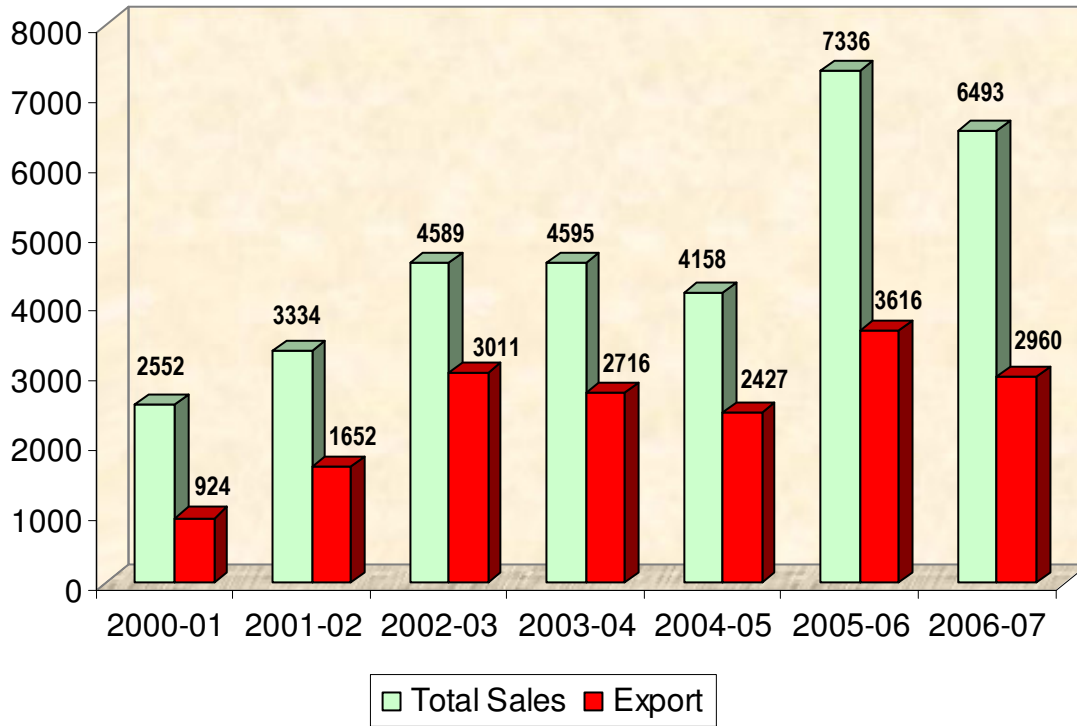
- (x) There are no accumulated losses of the company as on 31.03.2007. The company has not incurred cash losses during the year under audit and in the immediately preceding financial year.
- (xi) In our opinion and as per the information and explanations given to us, the company has not defaulted in repayment of dues to the financial institution or bank.
- (xii) As per the information and explanations submitted to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- (xiii) The company does not carry on the business of chitfund /nidhi /mutual benefit fund/society and hence the provisions of this paragraph are not applicable.
- (xiv) In our opinion and as per the information and explanations submitted to us, proper records have been maintained of the transactions of investments in Shares and timely entries have been made therein. Also, all the investments have been held by the company in its own name.
- (xv) As per the information and explanations submitted to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) As per the information and explanations submitted to us, the company has not obtained any term loans during the year.
- (xvii) In our opinion and as per the information and explanations submitted to us, the funds raised on short-term basis have not been used by the company for long term investment and vice versa.
- (xviii) As per the information and explanations submitted to us, the company has not made any preferential allotment of shares during the year.
- (xix) As per the information and explanations submitted to us, the company has not issued any debentures during the year.
- (xx) As per the information and explanations submitted to us, the company has not raised money by public issues during the year.
- (xxi) As per the information and explanations submitted to us, no fraud on or by the company has been noticed or reported during the year.

For Avadhani & Co.,
Chartered Accountants

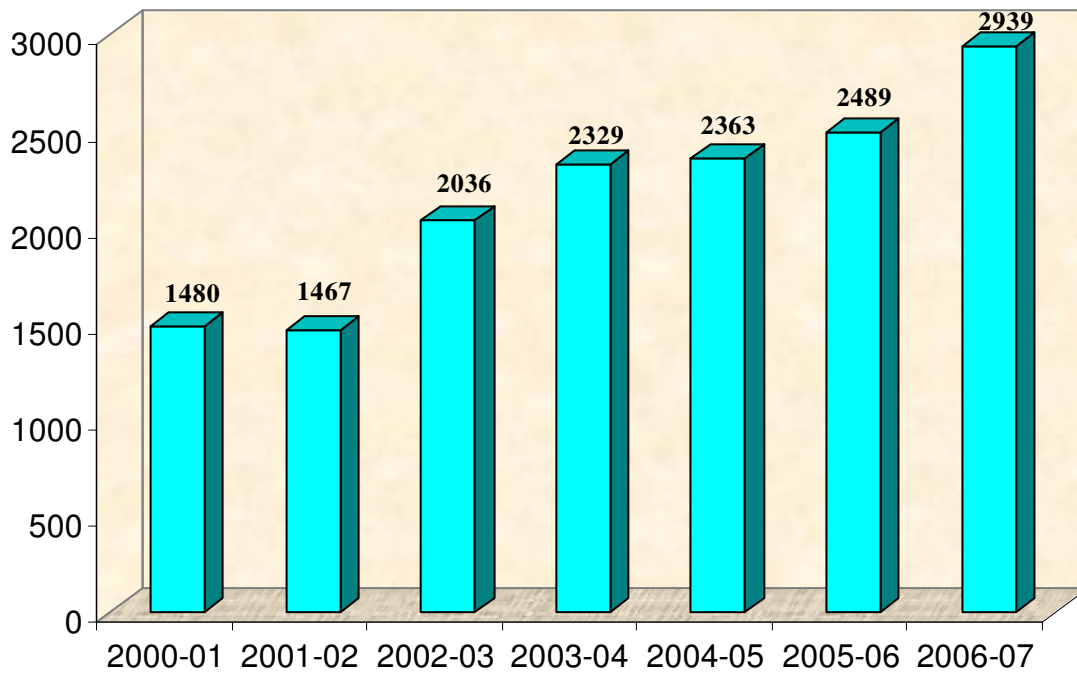
Place:Hyderabad
Date:23-06-2007

K.R.K. AVADHANI
Partner

CORPORATE PERFORMANCE

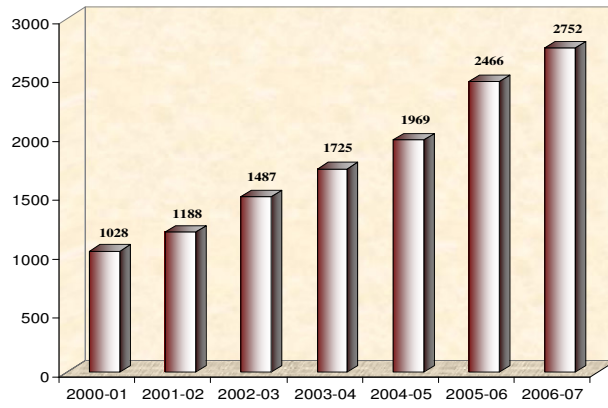


TOTAL SALES (Rupees in Lacs)

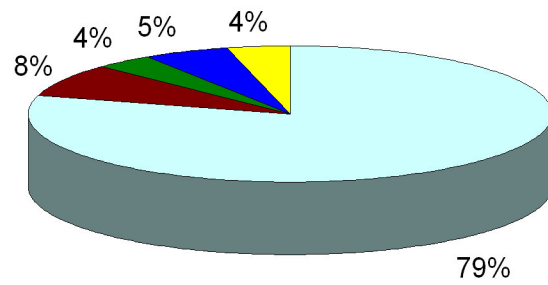


NET WORTH (Rupees in Lacs)

CORPORATE PERFORMANCE

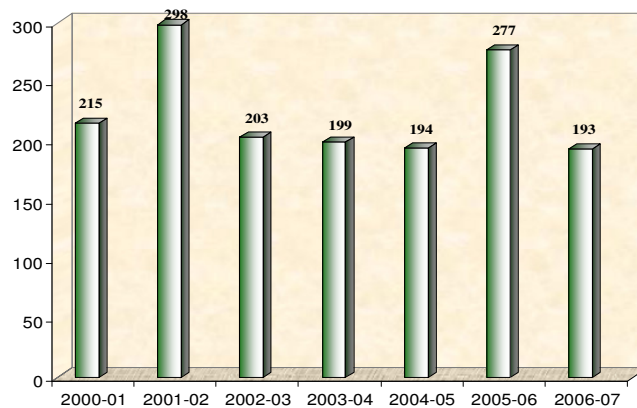


**FIXED ASSETS
(Rupees in Lacs)**



- Mfg. Expenses
- Payments & Benefits to Employees
- R&D Expenditure
- Marketing Expenses - on export
- Finance Charges

SPENDING PATTERN



**R&D EXPENDITURE
(Rupees in Lacs)**

BALANCE SHEET AS AT 31ST MARCH 2007

	Sch. No.	31-03-2007 Rs.	31-03-2006 Rs.
I SOURCES OF FUNDS			
SHARE CAPITAL	1	60,336,000	60,336,000
RESERVES & SURPLUS	2	233,628,402	188,545,522
SECURED LOANS	3	203,163,957	185,762,109
DEFERRED LIABILITIES (I F S T LOAN)	--	14,634,203	12,641,159
CURRENT LIABILITIES & PROVISIONS	4	49,572,448	65,870,907
		561,335,010	513,155,697
II APPLICATION OF FUNDS			
FIXED ASSETS	5	275,152,300	246,576,494
ADVANCE FOR LAND	-	24,441,082	13,645,086
INVESTMENTS	6	-	1,000
CURRENT ASSETS LOANS & ADVANCES	7	261,741,628	252,933,117
		561,335,010	513,155,697

Note: Schedules 1 to 14 annexed, form an integral part of this Balance Sheet

As per our Report attached

for AVADHANI & COMPANY
Chartered Accountants

K.R.K.AVADHANI
PARTNER

Y.V. LALITHA DEVI
CHAIR PERSON

Y.S.R.VENKATA RAO
MANAGING DIRECTOR

Place : Hyderabad
Dated: 23- 06-2007

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	Sch No	2006-2007 Rs.	2005-2006 Rs.
SALES AND OTHER INCOME			
SALES – EXPORT		296,067,722	361,558,498
SALES –DOMESTIC		353,277,425	372,104,273
TOTAL SALES		<u>649,345,147</u>	<u>733,662,771</u>
LESS: TAXES			
CENTRAL EXCISE	34,933,949		50,590,623
SALES TAX	14,316,018	49,249,967	26,774,381
NET SALES		600,095,180	656,297,767
OTHER RECEIPTS		946,094	1,959,843
INTEREST EARNED		267,972	345,335
GROSS INCOME		<u>601,309,246</u>	<u>658,602,945</u>
DEDUCT			
MFG. EXPENSES	8	427,373,590	375,376,780
VARIATION IN STOCKS	9	(38,694,744)	9,241,141
PERSONNEL EXPENSES	10	42,554,289	37,759,003
R & D EXPENDITURE		19,278,632	27,713,633
POLLUTION CONTROL AND WASTE RECOVERY EXP.		2,095,364	2,370,808
LESS : SALE VALUE OF RECOVERED MATERIAL		1,494,120	601,244
MARKETING EXPENSES			
ON EXPORT SALES	11	27,504,623	32,299,321
ON DOMESTIC SALES	12	989,716	825,641
SUB TOTAL		<u>479,607,350</u>	<u>483,714,289</u>
PROFIT BEFORE INT.& DEP.		<u>121,701,896</u>	<u>174,888,656</u>
DEDUCT :			
FINANCE CHARGES	13	20,285,268	17,797,817
DEPRECIATION	5	16,874,593	12,807,329
PROFIT BEFORE TAX		<u>84,542,035</u>	<u>144,283,510</u>
LESS: LOSS ON SALE OF INVESTMENTS		-	288,750
LESS: PROVISIONS			
INCOME TAX		6,000,000	9,500,000
DEFERRED INCOME TAX (AS22)		2,500,000	1,500,000
PROFIT AFTER TAX		<u>76,042,035</u>	<u>132,994,760</u>
ADD: BALANCE B/FD.		125,475,915	126,877,872
LESS:			
DIVIDEND-INTERIM/PROPOSED		27,151,200	105,588,000
TAX ON DIVIDEND		3,807,956	14,808,718
TRANSFER TO GEN. RESERVE		8,000,000	14,000,000
BALANCE TRANSFERRED TO BALANCE SHEET		<u>162,558,794</u>	<u>125,475,914</u>

Note: Schedules 1 to 14 annexed, form an integral part of this Balance sheet
As per our Report attached
for AVADHANI & COMPANY
Chartered Accountants

K.R.K. AVADHANI
PATNER
Place: Hyderabad
Dated: 23-06-2007

Y.V. LALITHA DEVI
CHAIR PERSON

Y.S.R.VENKATA RAO
MANAGING DIRECTOR

SCHEDULES TO ACCOUNTS31ST MARCH 2007**SCHEDULE 1 : SHARE CAPITAL**

	31-03-2007	31-03-2006
	Rs.	Rs.
SHARE CAPITAL		
AUTHORISED		
10,000,000 Equity shares of Rs.10/- each	100,000,000	100,000,000
	-----	-----
	100,000,000	100,000,000
	-----	-----
ISSUED, SUBSCRIBED AND PAID UP		
6,033,600 Equity shares of Rs.10/- each full paid	60,336,000	60,336,000
	-----	-----
	60,336,000	60,336,000
	-----	-----

SCHEDULE 2 : RESERVES & SURPLUS

	31-03-2007	31-03-2006
	Rs.	Rs.
General Reserve	71,069,608	63,069,608
As per the last Balance sheet	63,069,608	49,069,608
Add : Additions for the year	8,000,000	14,000,000
Profit and Loss Account	162,558,794	1,25,475,914
	-----	-----
TOTAL	233,628,402	188,545,522
	-----	-----

SCHEDULES TO ACCOUNTS31st March 2007**SCHEDULE 3 : SECURED LOANS**

		31-03-2007	31-03-2006
		Rs.	Rs.
A.P.I.D.C Term Loan		4,100	4,100
Car loan from ICICI Bank		-	301,478
LOAN FROM STATE BANK OF INDIA		203,159,857	185,456,531
Cash Credit	63,321,235		102,830,960
Export Packing Credit	253,660		10,350,708
Foreign Bills Discounting	1,514,885		5,254,541
Inland Bills Discounting	6,519,527		2,931,197
Demand Loan in Foreign Currency	98,550,550		31,089,125
SLC	33,000,000		33,000,000
		203,163,957	185,762,109

SCHEDULE 4: CURRENT LIABILITIES & PROVISIONS

		31-03-2007	31-03-2006
		Rs.	Rs.
CURRENT LIABILITIES		27,275,388	
Sundry creditors & other liabilities	27,275,388		45,073,847
PROVISIONS		22,297,060	20,797,060
Income Tax			
for Current year	6,000,000		9,500,000
for Earlier years	5,797,060		3,297,060
Provision for Deferred tax Liability (AS 22)	10,500,000		8,000,000
		49,572,448	65,870,907

SCHEDULES TO ACCOUNTS

SCHEDULE 5: FIXED ASSETS AS ON 31-03-2007

All Figures in Rupees

Sl. No.	PARTICULARS	GROSS BLOCK AT COST AND/OR REVALUATION					DEPRECIATION			NET BLOCK	
		Opening cost	Additions 2006-2007	Sales/transfer 2006-2007	Cost as on 31-03-2007	Upto 31-03-2006	For the year 2006-2007	With- drawn during the year	Total upto 31-03-2007	Written down value as on 31-03-2007	Written down value as on 31-03-2006
1.	LAND	9,047,195	--	--	9,047,195	--	--	---	9,047,195	9,047,195	
2.	BUILDINGS	33,969,037	4,881,356		38,850,393	5,362,898	1,043,639	6,406,537	32,443,855	28,606,138	
3.	PLANT & MACHINARY	118,818,846	27,744,850		146,563,696	29,535,266	6,956,988	36,492,254	110,071,441	89,283,583	
4.	R&D EQUIPMENT	94,517,538	8,446,524		102,964,062	19,924,354	5,436,503	25,360,857	77,603,205	74,593,182	
5.	R&D LAB EQUIPMENT	26,483,167	1,064,162		27,547,329	5,337,582	1,454,499	6,792,081	20,755,248	21,145,584	
6.	POLLUTION CONTROL EQUIP.	8,324,638	1,695,045		10,019,683	2,064,608	525,503	2,590,111	7,429,571	6,260,030	
7.	SAFETY EQUIPMENT	2,398,973	856,522		3,255,495	286,945	171,890	458,835	2,796,659	2,112,027	
8.	VEHICLES	3,438,293	470,274		3,908,567	806,574	371,314	1,177,888	2,730,678	2,631,718	
9.	FURNITURE & FIXTURES	1,218,133	172,094		1,390,227	397,459	88,001	485,460	904,767	820,674	
10.	LABORATORY EQUIP.	7,818,292	-		7,818,292	806,443	371,369	1,177,812	6,640,480	7,011,850	
11.	LIBRARY BOOKS	8,042	-		8,042	8,042	---	8,042	--	-	
12.	OFFICE EQUIPMENT	7,066,644	119,571		7,186,215	2,002,132	454,887	2,457,019	4,729,196	5,064,510	
13.	LOOSE TOOLS	10,354	---		10,354	10,354	---	10,354	---	-	
	TOTALS	313,119,152	45,450,396	--	358,569,548	66,542,660	16,874,592	83,417,253	275,152,295	246,576,491	
	PREVIOUS YEAR FIGURES	251,246,457	65,526,383	3,653,688	313,119,152	54,353,475	12,807,327	618,145	66,524,261	246,594,891	

SCHEDULES TO ACCOUNTS31st March 2007**SCHEDULE 6: INVESTMENTS**

	31-03-2007 Rs.	31-03-2006 Rs.
(Unquoted) (at cost)		
100 equity shares of Chem Design Co. Ltd.	-	1,000
	<u>-</u>	<u>1,000</u>

SCHEDULE 7 : CURRENT ASSETS, LOANS & ADVANCES

	31-03-2007 Rs.	31-03-2006 Rs.
INVENTORIES	124,013,279	80,238,010
a) Raw Materials & consumables	49,515,255	44,434,730
b) Finished Goods	273,312	2,495,500
c) Work in process	74,224,712	33,307,780
SUNDRY DEBTORS		
(Unsecured considered good)	82,102,933	128,206,320
Debts outstanding		
i) For less than six months	81,445,520	128,206,320
ii) for more than six months	657,413	-
DEPOSITS	4,465,710	7,419,196
LOANS & ADVANCES	17,985,016	7,363,984
a) Advances	6,176,533	1,584,730
b) Deposits	10,057,548	5,779,254
c) Advances to Suppliers	1,750,935	-
CASH & BANK BALANCES	1,299,164	1,357,203
PREPAID EXPENSES	3,322,290	2,892,840
ADVANCE TAX	28,553,236	25,455,564
	<u>261,741,628</u>	<u>252,933,117</u>

SCHEDULES TO ACCOUNTS

31st March 2007

SCHEDULE 8 : MANUFACTURING EXPENSES

	31-03-2007 Rs.	31-03-2006 Rs.
Raw Materials	334,865,645	278,892,252
Stores, spares & consumables	18,389,774	21,741,059
Other Purchases	-	3,552,694
Power & Fuel	59,249,304	45,800,468
Maintenance & Repairs	9,114,272	20,758,958
Rates, Taxes & Fees	1,195,875	1,716,579
Rentals	1,300,993	--
Insurance	3,221,727	2,870,770
Audit fees	26,000	26,000
Directors sitting fees	10,000	18,000
	<u>427,373,590</u>	<u>375,376,780</u>

SCHEDULE 9 : VARIATION IN STOCKS

	31-03-2007 Rs.	31-03-2006 Rs.
a) FINISHED GOODS	2,222,188	(1,045,500)
Opening stocks	2,495,500	1,450,000
Closing stocks	273,312	2,495,500
b) WORK-IN-PROCESS	(40,916,932)	10,286,641
Opening stocks	33,307,780	43,594,421
Closing stocks	74,224,712	33,307,780
	<u>(38,694,744)</u>	<u>9,241,141</u>

SCHEDULES TO ACCOUNTS31st March 2007**SCHEDULE 10 : PERSONNEL EXPENSES**

	31-03-2007	31-03-2006
	Rs.	Rs.
Salaries, wages, Bonus & others	37,038,459	33,381,231
Safety Expenses	985,134	976,684
Training and Recruitment	12,600	41,956
Statutory contributions	3,136,680	2,298,117
Consultancy fees	1,381,416	1,061,015
	42,554,289	37,759,003

SCHEDULE 11 : MARKETING EXPENSES – ON EXPORT SALES

	31-03-2007	31-03-2006
	Rs.	Rs.
EXPENDITURE IN INDIAN CURRENCY		
Export promotion Expenses	387,881	24,750
Foreign travel expenses	2,063,390	1,041,080
Freight on export sales	14,803,564	17,839,379
Communication Expenses	3,379,759	2,972,929
Commission	1,367,363	1,310,700
Others	262,701	--
EXPENDITURE IN FOREIGN CURRENCY	5,239,965	9,110,483
Exhibitions & Others	4,007,255	7,460,589
Foreign Travel	1,232,710	1,649,894
	27,504,623	32,299,321

SCHEDULES TO ACCOUNTS

31st March 2007

SCHEDULE 12 : MARKETING EXPENSES – ON DOMESTIC SALES

	31-03-2007 Rs.	31-03-2006 Rs.
Advertisement	177,149	146,000
Freight on domestic sales	541,911	341,361
Domestic travel expenses	270,656	338,280
	-----	-----
	989,716	825,641
	-----	-----

SCHEDULE 13 : FINANCE CHARGES

	31-03-2007 Rs.	31-03-2006 Rs.
FINANCE CHARGES		
Bank charges & commission	2,135,861	2,751,862
Interest on secured loans	8,722	71,684
Interest on working capital	18,140,685	14,974,271
	-----	-----
	20,285,268	17,797,817
	-----	-----

SCHEDULES TO ACCOUNTS31st March 2007**SCHEDULE 14 :
NOTES FORMING PART OF ACCOUNTS****I. QUANTATIVE INFORMATION****i. INSTALLED CAPACITY**

Product	2006-07	2005-06
	MT	MT
Sodium Metal Derivatives	2700	2500
Amino Pyridines	500	500
Fine Chemicals	250	200

ii. PRODUCTION AND SALES

Product	Opening Stock (MT)	Production (MT)	Sales (MT)	Closing Stock (MT)
Sodium Metal Derivatives	0.225 (2.200)	1784.197 (1667.018)	1769.765 (1668.993)	14.656 (0.225)
Amino Pyridines	--- (---)	119.318 (137.000)	118.668 (136.990)	0.65 ---
Fine chemicals	0.022 ---	12.977 (75.490)	12.999 (75.470)	--- (0.020)
Caustic Lye (dilute) (Recovered from Pollution control & treatment)	--- ---	1495.735 (1091.810)	1495.735 (1091.810)	--- ---
Work in Process	182.558			198.498

Figures in Brackets relate to Previous year

II. CONSUMPTIONS

	Curr. Yr. QTY	Prev. Yr. QTY	Curr. Yr. Value(Rs.)	Prev. Yr. Value(Rs.)
1) Chemicals	1520.670 MT	1786.730 MT	244,956,067	206,512,597
2) Gases	1102.830 MT	1461.880 MT	47,792,625	51,938,471
-do-	15,024 cyl	3,354 cyl	3,434,742	689,798
3) Oils & solvents	373.88 KL	295.780 KL	18,119,968	95,90,385
-do-	182.33 MT	547.300 MT	7,513,507	15,036,719
4) Stores & others	---	--	31,643,554	21,741,060
5) LDO	24.000 KL	64.800 KL	622,651	17,19,578
6) HCO	1588.970 KL	1309.550 KL	36,706,264	2,04,99,631
7) Power	51,86,165 units	56,05,666 units	21,715,345	22,258,234
Total			412,504,723	349,986,473

SCHEDULES TO ACCOUNTS31st March 2007**III. FOREIGN EXCHANGE TRANSACTIONS**

	Current Yr. (Rs)	Previous Yr (Rs)
a) C.I.F value of imports	127,776,538	140,971,074
Raw Materials	127,776,538	138,440,305
Capital Equipment	Nil	2,530,769
b) Expenditure in Foreign currency	5,239,965	9,110,483
c) F.O.B. value of Exports	248,160,486	326,438,574

IV PAYMENT TO AUDITORS

	Current Yr. (Rs)	Previous Yr (Rs)
Statutory audit	20,000	20,000
Taxation matters	6,000	6,000
Reimbursement of Expenses	5,925	5,450

V EARNINGS PER SHARE

	Current Yr. (Rs)	Previous Yr (Rs)
Net Profit After tax	76,125,447	132,994,760
No. of Equity shares	6,033,600	6,033,600
Earnings Per Share	12.61	22.04

SCHEDULES TO ACCOUNTS

31st March 2007

VIII ACCOUNTING POLICIES

- 1) Sales are inclusive of Central Excise and Sales Tax.
- 2) Gratuity is handled through LIC Special Policy on actuarial basis and the annual premium is treated as expenditure.
- 3) Straight Line Method of Depreciation has been adopted.
- 4) Raw Materials are valued at Cost, excluding Modvat.
- 5) Stock in process valued at cost
- 6) Finished Goods are valued at Market Value less selling expenses Less profit element.
- 7) Modvat Benefits are reduced from cost of Purchases.
- 8) Stores, Spares & Packing Material are valued at Cost.
- 9) Investments are carried at cost plus accrued interest, if any.
- 10) Expenses on Research & Development are separately allocated.

SCHEDULES TO ACCOUNTS

31st March 2007

IX. NOTES ON ACCOUNTS

- 1) The value of Proforma credits under MODVAT SCHEME is Rs 2,72,19,872/- (Previous Year Rs. 2,76,04,114/-)
- 2) Contingent liability on account of Income tax demand - Rs 1,74,86,024/- (Previous year – Rs. 51,30,021).
- 3) Term loan from APIDC has been secured against the first charge of Fixed assets and personal guarantee of Directors.
- 4) Working capital loan from State Bank of India has been secured against the hypothecation of stocks and receivables, second charge on fixed assets and personal guarantee of Directors.
- 5) Figures of Sundry debtors, creditors and other advances are subject to reconciliation.
- 6) Previous Year's figures have been regrouped/recast/restructured wherever found necessary/convenient /appropriate.
- 7) Amounts and weights have been approximated to the nearest round figure.

Signature from Schedules 1 to 14.

As per our Report attached.

For AVADHANI & COMPANY
Chartered Accountants

K.R.K. AVADHANI
PARTNER

Y.V. LALITHA DEVI
CHAIR PERSON

Y.S.R.VENKATA RAO
MANAGING DIRECTOR

Place: Hyderabad
Dated: 23-06-2007

ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

Balance Sheet Abstract and Company's General Business Profile

1. Registration Details

Registration No.

-	-	-	1	1	9	6
---	---	---	---	---	---	---

 State Code

0	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

0	7
---	---

2. Capital raised during the year (Amount in Rs. Thousand)

Public Issue

		N	I	L
--	--	---	---	---

Rights Issue

		N	I	L
--	--	---	---	---

Bonus Issue

		N	I	L
--	--	---	---	---

Private Placement

		N	I	L
--	--	---	---	---

3. Position of mobilisation and deployment of funds (Amount in Rs. Thousand)

Total Liabilities

-	5	6	1	3	3	5
---	---	---	---	---	---	---

Total Assets

-	5	6	1	3	3	5
---	---	---	---	---	---	---

Source of funds

Paid-up Capital

-	-	6	0	3	3	6
---	---	---	---	---	---	---

Reserves & Surplus

-	2	3	3	6	2	8
---	---	---	---	---	---	---

Secured Loans

-	2	0	3	1	6	3
---	---	---	---	---	---	---

Unsecured Loans

	-	-	-			
--	---	---	---	--	--	--

Deferred Liability

-	-	1	4	6	3	4
---	---	---	---	---	---	---

Current Liability

-	-	4	9	5	7	2
---	---	---	---	---	---	---

Application of funds

Net Fixed Assets

-	2	7	5	1	5	2
---	---	---	---	---	---	---

Investments

		-				
--	--	---	--	--	--	--

Current Assets

-	2	6	1	7	4	2
---	---	---	---	---	---	---

Misc. Expenditure

			-	-	-	
--	--	--	---	---	---	--

Accumulated Losses

			-	-	-	
--	--	--	---	---	---	--

Advance for Land

2	4	4	4	1		
---	---	---	---	---	--	--

4. Performance of Company (Amount in Rs. Thousand)

Turnover

6	0	1	3	0	9
---	---	---	---	---	---

Total Expenditure

5	1	6	7	6	7
---	---	---	---	---	---

Profit or Loss Before Tax

-	8	4	5	4	2
---	---	---	---	---	---

+ -

/	
---	--

Profit or Loss after Tax

-	7	6	0	4	2
---	---	---	---	---	---

(Please tick appropriate box + for profit - for loss)

Earning Per Share in Rs.

1	2	-	6	0
---	---	---	---	---

 Ps

Dividend Rate

-	4	5
---	---	---

 %

5. Generic names of three principal products/service of the company (as per monetary terms)

Item Code No.

2	8	5	1	0	0	0	9
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

S	O	D	I	U	M
---	---	---	---	---	---

A	M	I	D	E
---	---	---	---	---

Item Code No.

2	8	5	0	0	0	0	3
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

S	O	D	I	U	M
---	---	---	---	---	---

A	Z	I	D	E
---	---	---	---	---

Item Code No.

2	9	3	3	3	9	0	1
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

A	M	I	N	O
---	---	---	---	---

P	Y	R	I	D	I	N	E	S
---	---	---	---	---	---	---	---	---

Note: Classification of product under ITC code being of a technical nature is not verified by the auditors.

CASH FLOW STATEMENT**Rupees**

	2006-07	2005-06
A. Cash flow from operating activities		
1. Net Profit before Tax and extraordinary items	84,542,035	144,283,510
2. Adjustments for		
Depreciation	16,874,593	12,807,329
Interest expense	20,285,268	17,797,817
Interest income	(267,972)	(345,335)
Other income	(946,094)	(1,959,843)
	<u>35,945,795</u>	<u>28,299,968</u>
3. Operating Profit before working capital changes (1+2)	120,487,830	172,583,478
4. Adjustments for		
Increase/(Decrease) in IFST Loan	1,993,044	1,600,399
Increase/(Decrease) in Trade payable & other liabilities	(16,298,459)	14,662,211
(Increase)/Decrease in inventories	(43,775,269)	(2,370,306)
(Increase)/Decrease in Trade and other receivables	34,908,717	(51,217,050)
	<u>(23,171,967)</u>	<u>(37,324,746)</u>
5. Cash generated from operations (3+4)	97,315,863	135,258,732
6. Direct taxes paid	(8,500,000)	(11,000,000)
7. Net cash from Operating activities (5+6)	<u>88,815,863</u>	<u>124,258,732</u>
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(56,246,392)	(68,896,472)
Sale of fixed assets	---	3,035,543
Increase of investments	---	--
Decrease of investments	1,000	14,713,470
Interest income	267,972	345,335
Dividend income	946,094	1,959,843
Cash flow before Extraordinary Items	(55,031,326)	(48,842,281)
Extra Ordinary item	---	--
8. Net cash used in Investing activities	(55,031,326)	(48,842,281)
C. Cash flow from Financing activities		
Proceeds from Long term and Other borrowings	17,401,848	52,621,985
Repayment of Long term and other borrowings	--	--
Interest expenses	(20,285,268)	(17,797,817)
Dividend paid	(27,151,200)	(105,588,000)
Tax on Dividend	(3,807,956)	(14,808,718)
9. Net Cash from/(used in) Financing activities	<u>(33,842,576)</u>	<u>85,572,550</u>
10. Net Increase/(Decrease) in Cash & cash equivalent (7+8+9)	<u>(58,039)</u>	<u>(10,156,099)</u>
11. Cash and cash equivalent as at the beginning of the year	1,357,203	11,513,302
12. Cash and cash equivalent as at the end of the year	1,299,164	1,357,203