



**ALKALI METALS LTD.,**

**AN ISO 9001 & 14001 COMPANY AND EXPORT HOUSE**



**ANNUAL REPORT**

**2010-11**



**BOARD OF DIRECTORS**

DR. J.S. YADAV	CHAIRMAN
SRI. CH. S. PRASAD	DIRECTOR
SRI. P.C. PATNAIK	DIRECTOR
SRI. G. JAYARAMAN	DIRECTOR
SRI. R.C. SOHNI	DIRECTOR
SRI. Y. S. R. VENKATA RAO	MANAGING DIRECTOR
SMT. Y. LALITHYA POORNA	DIRECTOR
SRI. P. SATISH CHANDRAMOULI	COMPANY SECRETARY

**BANKERS**

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

**AUDITORS**

M/s. C K S ASSOCIATES  
CHARTERED ACCOUNTANTS  
Nagarjuna #87, Road # 3,  
Gaganmahal Colony,  
Hyderabad – 500 029

**REGISTERED OFFICE & FACTORIES**

Plot B-5, Block III,  
Industrial Dev. Area, Uppal,  
HYDERABAD - 500 039.

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

Plot No. 36, 37 & 38  
JN Pharma City,  
Visakhapatnam

**REGISTRARS AND SHARE TRANSFER AGENTS**

M/s. CAMEO CORPORATE SERVICES LTD.,  
Subramanian Building, No.1,  
Club House Road,  
Chennai – 600 002.



**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 43<sup>rd</sup> Annual General Meeting of M/s. Alkali Metals Limited will be held on Saturday the 30<sup>th</sup> July of 2011 at 10.00 A.M at Hotel Green Park, Ameerpet, Hyderabad-500 016 to transact the following business:

**ORDINARY BUSINESS**

- 1) To receive consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and the Profit & Loss Account for the year ended on that date and the reports of the Directors, Auditors thereon.
- 2) To declare dividend on equity shares of Rs.10/- each for the year ended 31<sup>st</sup> March 2011 as recommended by Board.
- 3) To elect a Director in place of Sri. Ch.S. Prasad who retires by rotation and being eligible offers himself for re-appointment.
- 4) To elect a Director in place of Sri. G. Jayaraman who retires by rotation and being eligible offers himself for re-appointment.
- 5) To appoint M/s. C K S Associates, Chartered Accountants, Hyderabad as Statutory Auditors of the Company and to pass the following as an ordinary resolution:

“Resolved that M/s. C K S Associates, Chartered Accountants, Hyderabad (Peer Review Certificate No.004353) be and are hereby appointed as Statutory Auditors from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting at a remuneration as may be fixed by Board”

**Special Business**

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

“RESOLVED THAT Sri. R.C. Sohni, who was appointed as an Additional Director as per the provisions of the Companies Act 1956 by the Board of Directors, who holds Office up to the ensuing Annual General Meeting and in respect of whom the Company received a request 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”

By order of the Board of Directors

Sd/-  
Y.S.R. VENKATA RAO  
MANAGING DIRECTOR

Place: Hyderabad  
Date: 23.05.2011

**Notes**

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and a proxy need not be a member.
- 2) The instrument appointing a proxy, to be effective, must reach the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- 3) The Register of members and transfer books of the company will remain closed from Thursday the 28<sup>th</sup> July 2011 to Saturday the 30<sup>th</sup> July 2011 both days inclusive.
- 4) The dividend for the year ended 31<sup>st</sup> March 2011 as recommended by the Board, if approved at the meeting will be paid to those members whose names appear in the Company's register of members after effecting valid transfers received up to the close of business hours on 27<sup>th</sup> July 2011. In respect of shares held in electronic form the dividend will be payable on the basis of beneficial ownership as per the details provided as at the close of business hours on 27<sup>th</sup> July 2011 by NSDL and CDSL for this purpose.
- 5) Members, who hold shares in electronic /demat form are requested to furnish the change of address, details of their bank accounts, viz, name of the bank, full address of the branch, account no. etc., to their respective Depository Participants and who hold shares in physical form to the company's Registrars and Transfer Agents M/s. Cameo Corporate Services Ltd., Subramanian Building, No.1, Club House Road, Chennai – 600 002 so as to enable the Company to incorporate the bank details on the dividend warrants.
- 6) Members seeking information or clarification on the Accounts are requested to send their queries in writing to the company one week before the date of AGM, to enable the management to prepare with replies.
- 7) Members holding shares in identical order of names in more than one folio are requested to write to the company's Registrars & Transfer Agents enclosing their share certificates to enable consolidation of their share holdings in one folio.
- 8) Share holders who have not claimed their dividend for the years 2008-09, 2009-10 and IPO Refund are requested to claim the same.
- 9) The brief profile of the directors being appointed, retiring and re-appointing are furnished elsewhere in the Annual Report.
- 10) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 in respect of Special business, item no.6 is annexed herewith.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956****Item No.6.**

Sri. R.C. Sohni was co-opted as an Additional Director as per Section 260 of the Companies Act 1956 and as per Articles of Association of the Company w.e.f. 30<sup>th</sup> July 2010 on the Board of the Company and shall hold office up to the date of 43<sup>rd</sup> 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 Companies Act, 1956. Your Directors recommend the above resolution as set out in the notice to be passed as an ordinary resolution. None of the Directors except Sri. R.C. Sohni is interested in the above resolution.

By order of the Board of Directors

Sd/-

**Y.S.R. VENKATA RAO**  
**MANAGING DIRECTOR**

Place: Hyderabad

Date: 23.05.2011



**DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2011.**

To  
The Share Holders,  
ALKALI METALS LTD.

Dear Members,

Your Directors are pleased to submit the 43<sup>rd</sup> Annual Report and Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March 2011:

**Financial Results**

The performance of the company for the financial year ended 31<sup>st</sup> March 2011 is summarized as below: (Rs.)

	<b>2010-11</b>	<b>2009-10</b>
Gross Turnover	691,470,810	604,093,374
Profit before finance charges, depreciation and taxation	80,763,135	121,691,827
Less : Finance Charges	24,924,536	7,054,071
Depreciation	26,117,538	19,166,546
Profit before tax	29,721,061	95,471,210
Less : Current Year's tax	6,400,000	16,300,000
Previous Years	--	4,042,722
MAT Credit Entitlement	(19,737,813)	--
Deferred tax (AS22)	11,871,434	9,722,022
Profit After tax	31,187,440	65,406,466
Add: Balance Brought forward	223,290,746	215,536,372
Dividend on equity shares	20,365,012	40,730,024
Tax on Dividend	3,319,436	6,922,068
Transfer to general reserve	2,972,106	10,000,000
Balance surplus carried to Balance Sheet	227,821,632	223,290,746

**Performance**

During the year the company's sales / turnover for the year ended March 2011, has been satisfactory. Although the gross income has gone up but due to all-round escalation of costs and stiff competition in the market, the company has made a profit before taxes of Rs. 297.21 Lakhs when compared to last year's profit before taxes of Rs 954.71 Lakhs.

Your Directors are taking all steps to reduce the costs and improve the margins to the extent possible. Your Directors are confident to improve the profitability in the coming years.

**Dividend on Equity Shares**

Considering performance and profitability of your company during the year and keeping in view the ongoing Capital works and growth trajectory, your Directors are pleased to recommend dividend at Rs.2/- per share on the paid-up equity capital subject to necessary approvals. The aggregate dividend payout for the year 2010-11 amounts to Rs.23,684,448/- including Dividend Tax.

**Future**

Even though the sales in the last six months were not satisfactory due to severe competition and low margins, your Company can foresee a good momentum in sales in the current financial year as the new facility at Visakhapatnam put into operation, and arrangements with strategic manufacturers of new range of products is in advanced stage to increase the volume and profitability of the Company. Apart from this our R&D has been fully strengthened to meet the future and current market trends and convert the opportunities into reality for higher scale of Commercial production and profitability. Thus the Company is exploring all the possibilities to acquire the know how from other strategic manufacturers to combine our best efforts for all-round growth and create better wealth for the Shareholders.

**Listing on Stock Exchanges**

The securities of the company are continued to be listed on BSE and NSE. The listing fees for these stock exchanges have been paid for the current year.

**Research & Development:**

Your Company has been identifying new products through R&D wing constantly. R&D Specialists are being associated to develop costomotised products for testing and commercialization which are going to yield good financial support to the Company's turnover and which are of paramount importance because of improved outcomes and achievements. We are confident of maintaining our consistency in quality and going forward to introduce more and more new diversified products and delivery mechanism to counter the competitors and expect sustained growth and increase our market share in near future. Thus the Company is trying its best to put into use its scientific excellence and expertise in marketing new products in India and abroad.

**Utilization of IPO Funds**

All the Stakeholders are aware that the Company has collected Rs.262.65 Millions through IPO process during October 2008 and stipulated Rs.387.37 Millions for setting up of API plant at JN Pharma City, Visakhapatnam and so far spent Rs. 265.89 Millions.

**Directors**

As per Articles and in accordance with the provisions of the Act, Sri. Ch.S. Prasad and Sri. G. Jayaraman retire at the 43rd AGM and are being eligible offer themselves for re-appointment.

Sri. R.C. Sohni was co-opted as Additional Director and is proposed to be elected as Director who retires by rotation at the ensuing Annual General Meeting.

The brief particulars of all retiring Directors as well as newly elected Director are furnished in the Corporate Governance Report.

**Auditors**

M/s. C K S Associates, Statutory Auditors retire at the ensuing Annual General Meeting and being eligible, offer themselves for appointment. The Board noted the Auditors Report and also letter received from them as per 224(1B) of the Companies Act 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act.

**Directors Responsibility Statement**

Directors confirm that in the preparation of Annual Accounts for the year ended 31<sup>st</sup> March 2011:

- All applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- The Accounting policies framed in accordance with the guidelines of the ICAI have been applied
- 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.

**Corporate Governance / MDA**

Pursuant to Clause 49 of Listing agreement, your company has to mandatorily comply with the requirements of corporate governance. A separate section on corporate Governance and certificate from the Auditors of the Company regarding compliance of conditions of corporate governance form part of the Annual Report.

**Conservation of Energy, Technology absorption, and Foreign Exchange**

As required under 217 1(e) of the Companies Act 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo have been given in Annexure-II, which forms part of this report.

**Industrial Safety and Environment****Safety**

Your Company continues to accord high priority to all safety of all the personnel and mitigation of damage to equipment in all the plants. A thorough review of all the safety measures in all the plants is undertaken in consultation with risk management specialists and certain proactive actions taken to avoid accidents. Safety drills are conducted at regular intervals to train the workers and the employees to meet the exigencies of the accidents.

**Environment**

Members are aware that your Company has been accorded ISO 9001 and ISO 14001 reflecting its commitment to environment protection. Further, extensive plantation of trees around manufacturing plants is undertaken for green belt development.

**Particulars under 217(2A)**

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended is furnished here under.

<b>Name</b>	<b>Qualification</b>	<b>Date of joining</b>	<b>Designation</b>	<b>Previous employer</b>	<b>Experience</b>	<b>Age</b>	<b>Remuneration / commission</b>
Sri.Y.S.R.	B.E.(Mech)	01.07.1991	Managing	---	38 years	60	Rs.2.20
Venkata Rao	F.I.E.		Director				Millions



**Industrial Relations:**

The company enjoyed cordial relations with its employees at all levels. Your Directors record their appreciation of the support and co-operation of all employees, staff and workers and counts on them for the accelerated growth of the Company.

**Acknowledgements:**

Your Directors express their gratitude to all stakeholders, State Bank of India, Regulatory Authorities, Government of Andhra Pradesh, customers, business associates, dealers, from India and abroad, staff and workers for their continued support at all times and look forward to have the same in our future endeavors.

By order of the Board of Directors

Sd/-

Y.S.R. VENKATA RAO  
MANAGING DIRECTOR

Sd/-

Dr. J.S. YADAV  
CHAIRMAN

Place: Hyderabad

Date: 23.05.2011





**Annexure-I to Directors' Report  
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**

For captive consumption of power DG sets are being used. 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**

	2010-11	2009-10
<b>A. Power and Fuel Consumption</b>		
<b>Electricity</b>		
(i) Purchased		
Total Units (KWH)	5,751,680	4,596,327
Total Amount (Rs.)	25,948,058	17,025,440
Rate per Unit in (Rs.)	4.51	3.70
(ii) Own generation (Diesel generator)		
Units generated	265,485	484,054
Units per litre of Fuel oil/gas	3.36	2.63
<b>H.S.D</b>		
Quantity (Ltr)	78,955	183,935
Total Amount (Rs.)	4,765,466	6,830,186
<b>L.D.O., H.C.O &amp; L.C.O</b>		
Quantity (KL)	2,047	1,702
Total Amount (Rs.)	61,835,976	42,436,269
<b>B. Consumption per unit of production</b>		
Units produced (MT)	1968.61	1803.14
Electricity consumption per MT (KWH)	3056.56	3052.96
L.D.O. & H.C.O. consumed per MT (KL)	1.04	0.95



**B. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

**FORM – B**

**A. RESEARCH & DEVELOPMENT**

**1. Specific areas of Research & Development**

In the process of R&D, multidisciplinary teams collaborate to develop practical chemical syntheses to drug intermediates and also supply technical data for use in the process of technical evaluations. Further, its role is to design practical, efficient, scalable, environmentally responsible and economically viable avenues to chemical substances for implementation in manufacturing.

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

- Consistent approach to chemical process parameters for quality standards.
- Save time by automating repetitive R&D tasks
- Gain valuable chemical process understanding from low value material and process attributes data using machine learning methods.
- Adaptability to cost cutting measures.
- Shorten time-to-decision and improve efficiency by providing streamlined, regulatory compliant chemical process.

**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**

- |  |   |  |
|--|---|--|
| <ol style="list-style-type: none"> <li>a. Technology imported</li> <li>b. Year of import</li> <li>c. Has technology been fully absorbed?</li> <li>d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.</li> </ol> | } | No technology has been imported during the past 5 years. |
|--|---|--|

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

	<b>2010-11</b>	<b>2009-10</b>
Earnings	269,300,441	281,613,874
Outgo	281,673,531	136,970,264
Raw Materials	180,073,588	134,112,807
Trading Goods	97,167,851	--
Equipment	1,725,272	--
Foreign currency exp.	2,706,820	2,857,457
Net Foreign exchange earnings	(12,373,090)	144,643,610

For and on behalf of Board of Directors

Sd/-

Y.S.R. VENKATA RAO  
MANAGING DIRECTOR

Sd/-

Dr. J.S. YADAV  
CHAIRMAN

Place : Hyderabad

Date : 23.05.2011



## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management and Discussion Analysis Report sets out developments in the business, environment and company's performance since our last report. The analysis supplements the Directors' Report and audited financial statements which form together part of this Annual Report.

### **INDUSTRY OUTLOOK, OPPORTUNITIES AND THREATS**

During the year 2010-11, the Company achieved a turnover of Rs. 65.60 Crores compared to the turnover of Rs. 57.22 Crores during 2009-10 i.e about 14% increase in sales compared to the previous year. However, there is no commensurate increase in profitability. Profit before tax during the year 2010-11 is Rs. 2.97 Crores compared to Rs.9.54 Crores during 2009-10. This is because of increase in costs of inputs while the selling prices remained steady. The situation is expected to improve in the current year in view of increase in selling prices, increasing trend in order book position, new R&D products, strategic business tie ups with interested parties coupled with various new business avenues. The company also initiated various cost cutting measures like strict control on employing contract labour etc.. With the commissioning of the manufacturing facility at Pharma City, Parawada, Visakhapatnam, the company hopes to post better results for the current year.

### **THREATS**

Constant rise in input costs and all-round escalation of other basic raw material from India and abroad is posing a serious threat for the industry since it is not possible to transfer the entire increase in the cost of production to the customers. This is likely to affect the profit margin. Prices of basic raw material like sodium metals, ammonia, Hydrogen gas, pyridine and Picoline (Alpha and Gama) have increased. Added to this interrupted power supply is adding high cost to the company's finished products. Despite this unpredictable change in cost of inputs, manpower costs, petro-diesel costs, still the management is hopeful to come out successfully. Above all, the market position in Japan which suffered on account of the recent natural calamity and to which the company has a significant presence in the export sales, is also likely to have some adverse impact on the turnover and profitability.

### **OUTLOOK**

Pharmaceuticals and Agrochemicals are the sectors which consume the products manufactured by Alkali Metals Limited. The outlook therefore revolves around the growth prospects of these two sectors. The company has also plans to enter APIs manufacturing sector as well.

Pharmaceutical fine chemicals (PFC) are chemicals used in the manufacture of pharmaceutical products. The pharmaceutical industry being one of the largest clients of PFC industry, not only affects the sales dynamics of the PFC industry, but also catalyses certain trends in this industry. The relative importance of India as manufacturing areas for fine chemicals and pharmaceutical APIs has increased over recent decades because of the cost benefits that these countries offer to the pharmaceutical companies.

The Indian fine chemical Industry is growing at a faster pace. In India, the industry is recording a rapid growth of approximate 15% y-o-y which includes fine chemicals, organic chemicals and pharmaceutical intermediates.



Active Pharmaceutical Ingredients (API) constitutes the largest segment of the specialty chemical industry. The industry size is about US\$15 bn and this growth momentum is backed by cost efficiency, expertise in R&D is leading to new discoveries. Major drivers for specialty chemicals are favorable macro economic factors in India and growing export market with scope for import substitution. Moreover, there is a great potential of chemical demand in India as per capita chemical consumption is relatively low compared to global and Asian countries.

In the past, markets like Western Europe, North America and Japan constituted a majority of global specialty chemicals but this status is expected to change in the near future. Emerging countries such as China and India are expected to grow at significantly higher rates than developed countries.

### **PRODUCT PERFORMANCE**

Global scenario for sodium derivatives, cyclic compounds and fine chemicals appears to be bright. The Company's products are well established in the market for the past 43 years. The customer's satisfaction and quality products supply are the key factors for the continued support from customers within the country and abroad.

With strong new business visibility and our ability to expand existing relationships, we remain confident that we will continue to drive growth, achieve our strategic corporate objectives and emerge stronger in our journey towards global leadership. We also plan to have our marketing offices in all key metro cities within India as well as abroad.

### **RISKS AND CONCERNS**

The Company has three units at different places in Andhra Pradesh and the Company is following plant wise approach for risk management. The risks associated with the business of the Company are re-viewed periodically by the top management to take suitable measures for mitigating the same relating to production, operations, Marketing, Regulatory Affairs, Finance and Human Resources. Requisite resources have been deployed in terms of Technology, Research and Development, experienced people and processes to monitor, evaluate and manage principal risks and critical nature of transactions. While there is systematic risk identification and mitigation frame work-in place, there are certain business risks which are external to the Company. The Company has no control over these external risks. Some of these include a general down turn in market demand conditions due to effect of economic and political conditions, volatility in interest rates new regulations and Government policies that may have impact on the business of the Company.

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The company has in place effective systems of internal control commensurate its size -and nature of business which provides for:

- Efficient use and safeguarding resources
- Accurate recording and custody of assets
- Compliance with prevalent statutes, policies, procedures, listing requirements, management guidelines and circulars.
- Transactions being accurately recorded ,cross verified and promptly reported
- Adherence to applicable accounting standards and policies.
- IT systems which include controls for facilitating the above.



The internal control system provides for well documented policies, guidelines, authorizations and approval procedures. The internal audit reports are laid before Audit Committee and discussions were held periodically by the Audit Committee at its meetings. The observations /findings made in internal audit reports, along with the status of action thereon are reviewed by the Audit committee of the Board of directors on a regular basis.

The company has an exhaustive budgetary control system and the management regularly reviews actual performance

### **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

	<b>2010-11</b>	<b>2009-10</b>
	<b>Rs.</b>	<b>Rs.</b>
Net Sales	656,026,855	572,162,870
Other income	1,296,353	3,785,669
Total income	657,323,208	575,948,539
Total expenditure	576,560,073	454,256,712
Operating profit	80,763,135	121,691,827
Operating profit margin	12.29%	21.13%
Finance charges	24,924,536	7,054,071
Gross profit margin after finance charges but before depreciation and taxes	8.49%	19.90%
Depreciation	26,117,538	19,166,546
Profit before tax	29,721,061	95,471,210
Provision for income tax	6,400,000	16,300,000
MAT Credit Entitlement	(19,737,813)	--
Deferred Tax (AS 22)	11,871,434	9,722,022
Previous year taxes	--	4,042,722
Profit after tax	31,187,440	65,406,466
Net Profit Margin	4.74%	11.36%

The book value per share stands at Rs 65.45 as on 31.03.2011 (Rs.64.70 previous year). The market price of equity share on NSE ranged between Rs 45 to Rs 136 and BSE between Rs. 45 to Rs. 137 during the financial year 2010-11. (Equity shares of Rs. 10/- each)

### **HUMAN RESOURCE DEVELOPMENT**

The Company believes that the key to success lies in creating and nourishing a pool of talent within its people whose skills, expertise and experience provide the impetus towards market leadership. Also, the dedication, commitment and aspirations of its Employees provide the fuel for excellence in performance. The Company's human resource practices are widely accepted by the management, staff and workers. During the year under review, the Industrial relations with Employees/workers at all the Company's locations continued to be harmonious and positive.



**CAUTIONARY AND FORWARD LOOKING STATEMENT**

Statements in the Management discussion and Analysis Report which describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward-looking statements" within the meaning of applicable Securities Laws and Regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however materially differ from those expressed or implied. Important factors that could make a difference to the Company's Operations include global and Indian political, economic & demand-supply conditions, finished goods prices, raw materials cost & availability, cyclical demand and pricing in the company's principal markets, changes in Government regulations, Policies, tax regimes, economic developments within India besides other factors such as litigation and industrial relations as well as the ability to implement the strategies.

**REPORT ON CORPORATE GOVERNANCE**

(As required under clause 49 of the Listing Agreement entered into with the Stock Exchanges)

**CORPORATE GOVERNANCE PHILOSOPHY OF THE COMPANY**

The company believes that Corporate Governance is a systematic process of blending deliberate corporate practices with regulatory deliberate Corporate practices with regulatory Compliances, for controlling and managing the organization in the most effective way.

Good corporate governance, the Company Strongly believes, ensures transparency, full disclosure ,greater accountability, supervision and internal controls, risk management, internal and external Communications and high standards of safety, health, environment, accounting fidelity, product and service quality, fairness to all stakeholders etc. Towards this, the Company continues to focus its energies and resources in order to enhance the trust of all its stakeholders. The company follows the best practices of Corporate Governance and reporting system.

**BOARD OF DIRECTORS**

The Board of Directors guides, directs, and oversees the management and protects the interest of Customers, shareholders, Employees and society at large. The Board also ensures the Compliance of the applicable provisions, code of ethical standards.

**Size and Composition of the Board of Directors**

The company has Seven Directors of which five are independent Directors and One Non-Executive and Non-Independent Director and one Managing Director. The composition of Board is in conformity with clause 49 of Listing Agreement with professional Competence.

**NUMBER OF BOARD MEETINGS**

During the year (01-04-2010 to 31-03-2011) the Board met six times i.e. on 10.04.2010, 27.05.2010, 30.07.2010, 08.09.2010, 13.11.2010 and 05.02.2011. The maximum time gap between any of the consecutive meetings is less than four months.

**Composition , Attendance Record and Directorships held**

S. No.	Name of the Director	Category / Status of Directorship.	No. of Board Meetings attended during the year	No. of Directorship(s) in other companies.	No. of Committee position held in other Companies (6)		Attendance at the AGM held on 30/07/2010
					Chairman	Member	
(1)	(2)	(3)	(4)	(5)			(7)
01.	Smt. Y.V. Lalitha Devi	Promoter Director & Chair Person	1	--	--	--	No
02.	Dr. J.S. Yadav	Chairman & Independent Director	4	--	--	--	Yes
03.	Sri Ch.S. Prasad	Independent Director	4	--	--	--	No
04.	Sri P.C. Patnaik	Independent Director	5	--	--	--	Yes
05.	Sri. G. Jayaraman	Independent Director	5	--	--	--	Yes
06.	Sri. R.C. Sohni	Independent Director	4	--	--	--	Not Applicable
07	Sri. Y.S.R. Venkata Rao	Managing Director	6	--	--	--	Yes
08.	Smt. Y. Lalithya Poorna	Non-Ind & Non-Exe. Director	1	--	--	--	No



- Smt. Y.V. Lalitha Devi, resigned as Chairperson and Director w.e.f 27.05.2010.
- Smt. Y. Lalithya Poorna was appointed as Director w.e.f 10.04.2010
- Sri. R.C. Sohni was inducted as Additional Director w.e.f 30.07.2010
- Private Limited and Un-listed Public Limited & Section 25 companies are excluded.
- The Non Executive Directors are paid sitting fees of Rs. 5,000/- for attending each meeting of Board of Directors and Rs. 2,000/- for Audit Committee and the Company has not paid any sitting fees to Sri. Y.S.R. Venkata Rao, Managing Director. The Company does not have any stock option scheme or a fixed / performance linked incentives scheme to its Directors.

### **PROFILE OF DIRECTORS RETIRING AND SEEKING RE-APPOINTMENT AND ELECTION**

**Sri. Ch. S. Prasad**, aged 76 years is a Non Executive and Independent Director of our Company. He holds M.Sc (Chemical Technology) from Andhra University. He is also a Fellow member of the Indian Institute of Chemical Engineers and also the Institution of Engineers (India). In the past he has been the Chairman of Indian Institute of Chemical Engineers, Waltair Regional Centre. Mr. Ch. S. Prasad has around of 47 years of experience in the field of Manufacturing Industry. He has worked as an Assistant Plant Manager in M/s. Fertilizer Corporation of India, Vice President (Manufacturing) in M/s. Coromandal Fertilizers Limited and as the Regional Director of the Mehta Group International in Uganda, (East Africa) for M/s. Mehta Group taking care of the corporate management of their joint ventures.

He was also Member-Regional Technical Committee of Andhra Pradesh State Pollution Control Board for issuing environmental clearance for establishing new Industries in the region and Member-Technical Committee of the Government of India for regulating business activities in Coastal Regulation Zone of the coastal areas of the State of Andhra Pradesh under Shore Area Development Authority, Rules.

**Sri. G. Jayaraman**, aged 55 years, is a Non Executive and Independent Director of the Company. He holds B.Sc., Mathematics degree and is a Fellow member of Institute of Chartered Accountants of India, Institute of Cost & Works Accountants of India and Institute of Company Secretaries of India. He has multi-faceted industrial experience across information technology, textiles, cement and pharmaceuticals over 28 years spanning finance, accounts, secretarial, legal and administration functions. Currently, he is serving a multi-national IT company in a senior leadership role.

He has been associated with Andhra Pradesh State Board of All India Manufacturers' Organization for the past 10 years and served as its Chairman during 2003-04 and 2004-05.

**Sri. R.C. Sohni**, aged about 73 years, is a Non-Executive and Independent Director of the Company. He is co-opted on the Board as Additional Director on 30th July 2010. He is having all-round experience in the areas encompassing Financial Management, Administration and Corporate Governance. By qualification he is B.Com, M.A. LL.B; C.A.I.I.B, D.P.A, D.COOPN; and a Fellow of Development Institute of the world Bank. He worked in various Public Sector Banks, APIDC, SICOM in Senior Chief Executive capacities and also held Directorships in several Reputed Companies/Listed Companies.





**Audit Committee:**

The Audit Committee of the Company, comprises of four members namely Sri. G. Jayaraman, Sri. P.C. Patnaik, Sri. Ch. S. Prasad and Sri. R.C. Sohni. During the period 01-04-2010 to 31-03-2011, the committee met four times and the time gap between one meeting to another is less than 4 months period. The Audit Committee has been constituted in conformity with the requirements of Section 292(A) of the Companies Act 1956 and clause 49 of listing agreement. Audit committee consists of all independent directors . All members including Chairman have adequate financial and accounting knowledge. The role and responsibilities of Audit Committee is as defined in the Companies Act & clause 49 of listing agreement. The quorum for the meetings of the Audit committee is one-third of the members of the Committee, subject to a minimum of two members present at the meeting.

**The attendance of the members at the meetings of the Audit Committee is given below.**

S. No.	Name of the Member	Category	No. of Meetings Attended
01.	Sri. G. Jayaraman	Independent Director	3
02.	Sri. Ch. S. Prasad	Independent Director	3
03.	Sri. P.C. Patnaik	Independent Director	4
04.	Sri. R.C. Sohni	Independent Director	2*

(\* Inducted w.e.f 13.11.2010)

**Remuneration Committee:**

The terms of reference to the remuneration committee is as per clause 49 of listing agreement which include mainly to recommend to the Board the remuneration package of company's Managing Director / Executive Director & such other matters as the Board may deem fit for its reference.

**The composition & attendance of the Remuneration Committee is as follows.**

S.No.	Name of the Member	Category	Attendance of the remuneration committee meetings held on 10.04.2010 & 27.05.2010
01.	Sri. Ch.S. Prasad	Independent Director	Yes
02.	Sri. G. Jayaraman	Independent Director	Yes
03.	Sri. P.C. Patnaik	Independent Director	Yes

**Details of Remuneration paid to Directors for the year**

(in Rs.)

S.No	Name of the Director	Remuneration	Sitting fee	Total
1	Sri. Y.S.R. Venkata Rao	2,200,000	-	2,200,000
2	Smt. Y.V Lalitha Devi	-	5,000	5,000
3	Smt. Y. Lalithya Poorna	-	5,000	5,000
4	Sri. Ch.S. Prasad	-	26,000	26,000
5	Sri. P.C. Patnaik	-	33,000	33,000
6	Sri. G. Jayaraman	-	31,000	31,000
7	Sri. R.C. Sohni	-	24,000	24,000
8	Dr. J.S. Yadav	-	20,000	20,000

**Investors Grievances Committee:**

This committee is responsible for redressal of investors Grievances. The Grievances of share holders relating to non receipt of dividends, non receipt of Annual Reports are being referred to this committee. The constitution of Investors Grievances committee is as follows.

S.No.	Name of the Member	Category	Attendance of the remuneration committee meetings held on 08-09-2010 & 23-09-2010
01.	Sri. G. Jayaraman	Independent Director	Yes
02.	Sri. Ch S. Prasad	Independent Director	--
03.	Sri. P.C. Patnaik	Independent Director	--
04.	Sri Y.S.R. Venkata Rao	Managing Director	Yes

- i) Name and designation of compliance Officer : P. Satish Chandra Mouli  
Company Secretary & Compliance Officer  
B-5, Block-III, IDA, Uppal,  
Hyderabad – 500 039
- ii) Number of share holders Complaints received during the year ended 31st March 2011 : 37
- iii) Number of complaints resolved to the satisfaction of share holders : 37
- iv) No. of complaints pending : NIL

**General Body Meetings**

a) Location and time where last three years AGMs were held:

Year	Location	Date	Time
2007-08	Flat No. 5, Prembagh, 3-4-490/A, Barkatpura, Hyderabad – 500 027	7 <sup>th</sup> May 2008	4.00 P.M.
2008-09	Hotel Green Park, Ameerpet, Hyderabad – 500 016.	30 <sup>th</sup> May 2009	4.00 P.M.
2009-10	Hotel Green Park, Ameerpet, Hyderabad – 500 016.	30 <sup>th</sup> July 2010	10.00 AM

- b) No Extra-Ordinary General Meeting of the shareholders was held during the year.
- c) No Postal Ballot was conducted during the year. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.
- d) Special Resolutions passed in previous 3 Annual General Meetings

Year	Brief particulars of the resolution(s)
2007-08	1. To Issue bonus shares in the ratio of 1 share for every 10 shares 2. Public issue of shares u/s 81(1A) 3. Alteration of other objects u/s 17 4. To undertake the business activity as specified in the other objects u/s. 149(2A)

**Subsidiaries**

The Company has no subsidiary company.

**Management Discussions & Analysis**

This annual report has a detailed chapter on management discussions and analysis forming part of this report.

**Risk Management**

The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

**Proceeds & Utilization of IPO Proceeds**

Proceeds of IPO are furnished in the directors report which forms part of this report.

**Disclosures**

The Managing Director and General Manager (Finance) of the company have given the annual certification on financial reporting and internal controls to the Board in terms of clause 49 of Listing Agreement. The Managing Director and General Manager (Finance) of the company have also given the quarterly certification on financial results while placing the same report the Board in terms of Clause 41 of the Listing Agreement.

**Compliance of Auditors**

Certificate from Auditors of the company M/s. CKS Associates, Chartered Accountants, Hyderabad conforming compliance with the conditions of corporate governance as stipulated under clause 49 is attached to this report forming part of the Annual Report.

**Related Party transactions**

No transaction of material nature has been entered into by the company with its Directors / Management and their relatives etc. that may have a potential conflict with the interests of the company. The Register of Contracts containing transactions in which Directors are interested is placed before the Board regularly. Transactions with related parties are disclosed in the notes to the Accounts in the Annual Report.

**Details of Non-Compliance and Penalties**

No penalties have been imposed on the Company by the Stock Exchanges where the company's shares are listed or SEBI or any other Statutory Authority on any matter during the year under review.

**Code of Conduct**

The Board of Directors has laid down a 'Code of Conduct' for all the Board members and the senior management of the company and the same is posted on the website of the company. Annual declarations are obtained from the Board Members and Senior Management Staff. The company has established a mechanism for employees to report to the management, concerning about unethical behavior, actual or suspected fraud or violation of Company's code of conduct or ethical policy. The employees have been appropriately communicated within the organization about the mechanism and have been provided direct access to the management of the company. The mechanism lays emphasis on making enquiry into whistle blower complaint received by the company.

**Reconciliation of share capital Audit (Formerly Secretarial Audit Report)**

A qualified practicing company secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Reconciliation of share capital Audit (Formerly Secretarial Audit Report) confirm that the total issued / Paid-up capital is in agreement with the total number of shares in physical form and the total number of Dematerialized shares held with NSDL and CDSL.

**Disclosure of Accounting Treatment in preparation of Financial Statements**

The Company has followed the accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

**Means of Communication**

The Quarterly, Half yearly and Annual results are normally published by the company in the leading news papers in English version circulating substantially in the whole of India and in Telugu (being the Regional language) where the registered office is situated. The results are also placed on company's website i.e. [www.alkalimetals.com](http://www.alkalimetals.com) to access first hand information about the financial information of the company. Besides this as required under the listing agreement the said information is also sent to stock exchanges (BSE & NSE).

**General Shareholder's information****i) AGM**

Date : 30-07-2011

Time : 10 AM

Venue : Hotel Green Park, Ameerpet, Hyderabad – 500 016

**ii) Financial Calendar**

First Quarter results (April - June)	: On or before 15 <sup>th</sup> August.
Second Quarter results (July – Sept)	: On or before 15 <sup>th</sup> Nov.
Third Quarter results (Oct – Dec)	: On or before 15 <sup>th</sup> February.
Annual Results audited (Audited)	: On or before 31 <sup>st</sup> May

**iii) Date of Book Closure** : 28.07.2011 to 30.07.2011  
(both days inclusive)

**iv) Dividend on equity shares payment date** : within 30 days of declaration.

**v) Listing on stock exchanges:** The securities of the company are listed on BSE & NSE. The listing fees for these stock exchanges have been paid.

**vi) Stock Code:** a) BSE Scrip code : 533029  
b) NSE trading symbol : ALKALI

**vii) Demat ISIN No. in NSDL / CDSL  
for equity shares of Rs. 10/- each** : INE773I01017



## viii) Market Information (in Rs.)

Month	NSE			BSE		
	High	Low	Closing	High	Low	Closing
April	136.00	110.00	122.85	137.00	111.10	122.85
May	127.30	100.10	107.35	127.00	100.15	107.35
June	117.55	104.00	109.65	117.75	104.30	110.10
July	124.55	107.20	109.50	122.00	107.75	109.90
August	111.85	99.90	100.65	112.00	99.50	100.55
September	107.50	99.50	99.80	107.20	99.25	99.95
October	106.90	96.40	96.80	116.20	96.00	96.55
November	106.00	75.00	81.05	105.80	75.10	81.40
December	84.60	70.00	77.20	84.65	70.10	76.80
January	80.50	57.00	61.35	80.95	56.60	61.40
February	66.00	45.00	48.35	63.50	45.30	48.35
March	53.90	45.20	48.45	52.00	46.10	48.90

iX) **Registrars & Transfer Agents** : Cameo Corporate Services Ltd  
Subramanian Building, No.1, Club House Road  
Chennai-600 002, Tel: 044-28460390/948  
Fax:044-28460129,  
Email : cameo@cameoindia.com  
Contact person : Sri K.Ranganathan

X) **Share Transfer System** : The shares are transferred within the stipulated period as per the listing Agreement. 99.99 % of shares are in the dematerialized form. Remat is done for 2 shares during the year under report from Registrars.

Xi) **Distribution of share holding as on 31<sup>st</sup> March 2011**

HOLDING	NUMBER	% OF TOTAL	SHARES	% OF TOTAL
between 10 and 5000	14,959	94.08	1,478,465	14.52
between 5001 and 10000	567	3.57	441,921	4.34
between 10001 and 20000	199	1.25	280,169	2.75
between 20001 and 30000	70	0.44	173,713	1.71
between 30001 and 40000	30	0.19	106,192	1.04
between 40001 and 50000	17	0.10	78,093	0.77
between 50001 and 100000	33	0.21	215,967	2.12
between 100001 and Above	25	0.16	7,407,986	72.75
<b>Total</b>	<b>15,900</b>	<b>100.00</b>	<b>10,182,506</b>	<b>100.00</b>

**Xii) Categories of share holding as on 31<sup>st</sup> March 2011**

<b>Category</b>	<b>No. of shares held</b>	<b>% of holdings</b>
Indian Promoters including persons acting in concert	7,100,842	69.73
Bodies corporate (including clearing members)	649,442	6.38
Resident Indians	2,298,235	22.57
Non-Resident Indians	58,034	0.57
FI-others	6,790	0.07
Hindu undivided families	69,163	0.68
<b>Total</b>	<b>10,182,506</b>	<b>100.00</b>

**xiii) Plant Locations**

The Company's plants are located at:

Unit –I : Plot No. B-5, Block-III, IDA, Uppal, Hyderabad – 500 039.

Unit-II : Survey No. 299 to 302, Dommara Pochampally Village, Qutubullapur  
Mandal, R.R. District.

Unit-III : J.N. Pharma City, Parwada, Visakhapatnam

**xiv) Address for correspondence:**

Registered office Address: Plot No. B-5, Block-III, IDA,  
Uppal, Hyderabad – 500 039



**DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT**

I declare that the Company has received affirmation of compliance with the “Code of Business conduct for Directors and Senior Executives” laid down by the Board of Directors, from all the Directors and Senior Management Personnel of the Company, to whom the same is applicable, for the financial year ended 31<sup>st</sup> March 2011.

Sd/-  
Y.S.R. VENKATA RAO  
MANAGING DIRECTOR

Place: Hyderabad  
Date: 23.05.2011

**CERTIFICATE OF COMPLIANCE WITH CLAUSE 49 OF LISTING AGREEMENT**

To  
The Members of Alkali Metals Ltd.,

We have examined the compliance of conditions of Corporate Governance by Alkali Metals Limited, for the financial year ended 31<sup>st</sup> March 2011, as stipulated in the Listing Agreement of the said Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which management has conducted affairs of the Company.

for C K S Associates  
Chartered Accountants (FRN 007390S)  
Sd/-  
P. GANAPATHI RAO  
Partner  
M.No. 24113

Place: Hyderabad  
Date: 23.05.2011



**CEO/CFO CERTIFICATION**  
(under clause 49 of Listing Agreement)

To  
The Board of Directors  
M/s. Alkali Metals Ltd  
B-5, Block-III, IDA, Uppal,  
Hyderabad-500 039

I/We Y.S.R. Venkata Rao, Managing Director and P. Sankara Rao, General Manager (Finance) of the Company hereby certify to the Board that:

- a. We have reviewed financial statements and the cash flow statement for the financial Year ended 31<sup>st</sup> March 2011 and that to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards applicable laws and regulations.
- b. There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated the Auditors and the Audit committee
  - i) Significant Changes in internal control over financial reporting during the year;
  - ii) Significant changes in Accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an Employee having a significant role in the Company's internal Control System over financial reporting.

Place: Hyderabad  
Date: 23.05.2011

Sd/-  
Y.S.R. VENKATA RAO  
Managing Director

Sd/-  
P. SANKARA RAO  
General Manager (Finance)





**AUDITORS' REPORT**

**To**

**The Members of ALKALI METALS LIMITED**

1. We have audited the attached Balance sheet of **ALKALI METALS LIMITED** as at March 31, 2011 and also the Profit and Loss Account and Cash Flow statement for the year ended on that date, annexed 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, (as amended) issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. 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;
  - b. 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;
  - c. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. On the basis of written representation received from the directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    1. in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2011 and
    2. in the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date.
    3. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For C K S ASSOCIATES  
Chartered Accountants  
(Firm Regn.No. 007390S)

Sd/-  
P. GANAPATAI RAO  
Partner  
M.No.24113

Place:Hyderabad  
Date:23.05.2011

**ANNEXURE TO THE AUDITORS' REPORT****(Referred to in Paragraph 3 of our report of even date)**

- 1.1 The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- 1.2 All the assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- 1.3 During the year, the company has not disposed off a substantial part of fixed assets during the year.
- 2.1 The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- 2.2 In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on such physical verification.
- 3 The company has neither granted nor taken any loan, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the sub-clauses (a), (b), (c), (d), (e), (f) and (g) of clause (iii) are not applicable to the company.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5.1 According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6 The company has not accepted any deposits from the public to which the directives issued by Reserve Bank of India and provisions of Sections 58A, 58 AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under apply.
- 7 In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8 As per the information given to us, the Central Government has not prescribed maintenance of Cost Records under section 209 (1)(d) of the Companies Act, 1956.



- 9.1 The company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, investor education & protection fund, employees state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess, service tax and other material statutory dues applicable to it.
- 9.2 According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty, and cess were in arrears, as at March 31, 2011, for a period of more than six months from the date they became payable, expect the following:

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

<b>Name of the Statute</b>	<b>Nature of the dues</b>	<b>Amount (Rs)</b>	<b>Period to which the amount relates</b>	<b>Forum where appeal is preferred.</b>
Income tax Act	Income tax & Interest	3,905,446	A.Y. 2003-04	ITAT, Hyd. Partial Relief given by ITAT, consequential order to be received
Income tax Act	Income tax & Interest	7,580,578	A.Y 2004-05	Commissioner (Appeals)–II, Hyd
Income tax Act	Penalty u/s 271 (1) (c)	950,000	A.Y 1999-2000	Commissioner (Appeals)–II, Hyd
Income tax Act	Income tax & Interest	11,374,280	A.Y.2005-06	Commissioner (Appeals)–II, Hyd
Income Tax Act	Income Tax & Interest	31,395,329	A.Y.2006-07	Commissioner (Appeals)–II, Hyd
Income Tax Act	Income Tax & Interest	12,882,799	A.Y.2007-08	Commissioner (Appeals)–II, Hyd
Income Tax Act	Income Tax & Interest	25,463,708	A.Y.2008-09	Commissioner (Appeals)–II, Hyd

- 10 The Company has no accumulated losses. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11 In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank.
- 12 In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances, on the basis of security by way of pledge of shares, debentures and other securities.
- 13 In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- 14 In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments, Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.



- 15 In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- 16 The company has not taken any long terms loans during the year under review.
- 17 According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
- 18 The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, during the year under report.
- 19 The Company has not issued any debentures
- 20 The Company has not raised any money by public issue during the year.
- 21 According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For C K S ASSOCIATES  
Chartered Accountants  
(Firm Regn.No. 007390S)

Sd/-  
P. GANAPATAI RAO  
Partner  
M.No.24113

Place:Hyderabad  
Date:23.05.2011

**BALANCE SHEET**

<b>BALANCE SHEET AS AT 31.03.2011</b>		<b>(Rupees)</b>			
	<b>SCH</b>	<b>31.03.2011</b>		<b>31.03.2010</b>	
<b>I SOURCES OF FUNDS</b>					
<b>1. SHARE HOLDERS FUNDS</b>					
a Share Capital	1	101,825,060		101,825,060	
b Reserves and Surplus	2	564,652,085	666,477,145	557,149,093	658,974,153
<b>2 LOAN FUNDS</b>					
a Secured Loans	3		351,316,986		185,760,007
b Deferred Sales Tax Liability	--		21,256,799		19,013,999
<b>3 DEFERED TAX LIABILITY</b>					
			31,843,456		19,972,022
<b>TOTAL</b>			<b>1,070,894,386</b>		<b>883,720,181</b>
<b>II APPLICATION OF FUNDS</b>					
<b>4 FIXED ASSETS</b>					
a) Gross Block	4	650,159,936		605,885,853	
b) Depreciation		164,460,327		138,882,274	
c) Net Block			485,699,607		467,003,581
d) Capital Work-in-progress			93,477,814		22,566,200
<b>5 INVESTMENTS</b>					
	5		16,879,696		91,879,696
<b>6 CURRENT ASSETS, LOANS AND ADVANCES</b>					
a) Inventories	6	255,735,676		110,205,550	
b) Sundry Debtors	7	112,421,114		132,574,291	
c) Cash & Bank Balances	8	17,720,056		48,666,716	
d) Other Current Assets	9	162,006		170,055	
e) Loans & Advances	10	174,643,171		125,905,142	
Total Current Assets		560,682,023		417,521,754	
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>					
a) Current Liabilities	11	63,745,114		68,755,470	
b) Provisions		41,897,545		72,892,809	
<b>NET CURRENT ASSETS</b>			<b>455,039,364</b>		<b>275,873,475</b>
<b>7 MISCELLANEOUS EXPENDITURE</b>					
a) Public Issue Expenses			19,797,905		26,397,229
<b>TOTAL</b>			<b>1,070,894,386</b>		<b>883,720,181</b>
Significant Accounting Policies and Notes to Accounts		17			

As per our Report attached  
for C K S Associates  
Chartered Accountants (FRN 007390S)

For and on Behalf of Board of Directors

Sd/-  
P. GANAPATHI RAO  
PARTNER  
M.No. 24113

Sd/-  
P. SATISH CHANDRA MOULI  
COMPANY SECRETARY

Sd/-  
DR. J.S. YADAV  
CHAIRMAN

Sd/-  
Y.S.R.VENKATA RAO  
MANAGING DIRECTOR

Place: Hyderabad  
Dated: 23.05.2011

**PROFIT AND LOSS ACCOUNT**

<b>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011</b>							<b>(Rupees)</b>	
	<b>SCH</b>	<b>31.03.2011</b>			<b>31.03.2010</b>			
<b>INCOME</b>								
a) Sales – Export			291,669,875			299,142,120		
b) Sales – Domestic			399,800,935			304,951,254		
<b>TOTAL SALES</b>			<b>691,470,810</b>			<b>604,093,374</b>		
Less : Taxes								
a) Central Excise		21,809,326			21,871,027			
b) Sales Tax		13,634,629	35,443,955		10,059,477	31,930,504		
<b>NET SALES</b>				<b>656,026,855</b>				<b>572,162,870</b>
Other Income	12			1,296,353				3,785,669
<b>TOTAL</b>				<b>657,323,208</b>				<b>575,948,539</b>
<b>EXPENDITURE</b>								
a) Cost of Raw Materials				305,800,943				240,730,701
b) Payments & Benefits to Employees	13			67,586,732				48,750,607
c) Manufacturing, Administration Selling and Marketing Expenses	14			219,466,653				163,713,408
d) Finance Charges	15			24,924,536				7,054,071
e) Depreciation				26,117,538				19,166,546
<b>TOTAL</b>				<b>643,896,402</b>				<b>479,415,333</b>
Variation in Stocks	16			(16,294,255)				1,061,996
<b>PROFIT BEFORE TAX</b>				<b>29,721,061</b>				<b>95,471,210</b>
a) Current Year Tax			6,400,000			16,300,000		
b) Short/(Excess) provision for previous year			--			4,042,722		
c) MAT Credit Entitlement			(19,737,813)			--		
d) Deferred Tax Liability			11,871,434	(1,466,379)		9,722,022		30,064,744
<b>PROFIT AFTER TAX</b>				<b>31,187,440</b>				<b>65,406,466</b>
Surplus from the previous year brought forward				<b>223,290,746</b>				<b>215,536,372</b>
<b>AVAILABLE FOR APPROPRIATION</b>								
a) Proposed Dividend			20,365,012			40,730,024		
b) Tax on proposed Dividend			3,319,436			6,922,068		
c) Transfer to General Reserve			2,972,106	26,656,554		10,000,000		57,652,092
<b>Balance Transfer to Balance Sheet</b>				<b>227,821,632</b>				<b>223,290,746</b>
Significant Accounting Policies and Notes to Accounts	17							

As per our Report attached  
for C K S Associates  
Chartered Accountants (FRN 007390S)

For and on Behalf of Board of Directors

Sd/-  
P. GANAPATHI RAO  
PARTNER  
M.No. 24113

Sd/-  
P. SATISH CHANDRA MOULI  
COMPANY SECRETARY

Sd/-  
DR. J.S. YADAV  
CHAIRMAN

Sd/-  
Y.S.R.VENKATA RAO  
MANAGING DIRECTOR

Place: Hyderabad  
Dated: 23.05.2011

**CASH FLOW STATEMENT**

CASH FLOW STATEMENT		(Rupees)	
	2010-11	2009-10	
<b>A. Cash flow from Operating activities</b>			
1. Net Profit before Tax and extraordinary items	36,320,385		102,070,517
2. Adjustments for			
Depreciation	25,578,053		19,166,546
Interest expense	24,924,536		7,054,071
Interest income & other receipts	(1,296,353)		(3,785,669)
Extra Ordinary item (Public issue expenses written off)	--		--
Dividend income	--		--
	49,206,236		22,434,948
3. Operating Profit before working capital changes (1+2)	<b>85,526,621</b>		<b>124,505,465</b>
4. Adjustments for			
Increase/(Decrease) in Share Capital	--		--
Increase/(Decrease) in Share Premium	--		--
Increase/(Decrease) in IFST Loan	2,242,800		--
Increase/(Decrease) in Trade payable & other liabilities	(24,134,186)		(3,199,331)
Increase/(Decrease) in Advance from Customers	--		--
(Increase)/decrease in inventories	(145,530,126)		(1,614,893)
(Increase)/Decrease in Trade and other receivables	(28,576,803)	(195,998,315)	36,104,722
5. Cash generated from operations (3-4)	<b>(110,471,694)</b>		<b>83,586,519</b>
6. Direct taxes paid	1,466,379		(30,064,744)
7. Net cash from Operating activities (5-6)	<b>(109,005,315)</b>		<b>53,521,775</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(115,185,692)		(91,066,573)
Sale of fixed assets	--		--
Increase of investments	--		--
Decrease of investments	75,000,000		--
Interest income & other receipts	1,296,353		3,785,669
Dividend income	--		--
Cash flow before Extraordinary Items	<b>(38,889,340)</b>		<b>(87,280,904)</b>
Extra Ordinary item (Public issue expenses)	--		--
Loss on sale of Asset	--		--
8. Net cash used in Investing activities	<b>(38,889,340)</b>		<b>(87,280,904)</b>
<b>C. Cash flow from Financing activities</b>			
Proceeds from Longterm and Other borrowings	165,556,979		75,730,551
Repayment of Longterm and other borrowings	--		--
Interest expenses	(24,924,536)		(7,054,071)
Dividend paid	(20,365,012)		--
Tax on Dividend	(3,319,436)		--
9. Net Cash from/(used in) Financing activities	<b>116,947,995</b>		<b>68,676,480</b>
10. Net Increase/(Decrease) in Cash & cash equivalent (7+8+9)	<b>(30,946,660)</b>		<b>34,917,350</b>
11. Cash and cash equivalent as at the beginning of the year	48,666,716		13,749,366
12. Cash and cash equivalent as at the end of the year	<b>17,720,056</b>		<b>48,666,716</b>

for C K S Associates

For and on Behalf of Board of Directors

Chartered Accountants (FRN 007390S)

Sd/-  
P. GANAPATHI RAO  
PARTNER  
M.No. 24113

Sd/-  
P. SATISH CHANDRA MOULI  
COMPANY SECRETARY

Sd/-  
DR. J.S. YADAV  
CHAIRMAN

Sd/-  
Y.S.R.VENKATA RAO  
MANAGING DIRECTOR

Place: Hyderabad  
Dated: 23.05.2011

**SCHEDULES TO ACCOUNTS  
31.03.2011**

	<b>(Rupees)</b>	
	<b>31-03-2011</b>	<b>31-03-2010</b>
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
15,000,000 Equity shares of Rs.10/- each	150,000,000	150,000,000
	150,000,000	150,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
10,182,506 Equity shares of Rs.10/- each fully paidup	101,825,060	101,825,060
	<b>101,825,060</b>	<b>101,825,060</b>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
Share Premium Account	237,150,000	237,150,000
Revaluation Reserve	8,336,793	8,336,793
General Reserve	91,343,660	88,371,554
Profit and Loss Account	227,821,632	223,290,746
	<b>564,652,085</b>	<b>557,149,093</b>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Term Loan from State Bank of India	47,629,885	54,995,308
Working Capital Loan from State Bank of India	303,687,101	130,764,699
	<b>351,316,986</b>	<b>185,760,007</b>




**SCHEDULES TO ACCOUNTS  
31.03.2011**

<b>SCHEDULE 4: FIXED ASSETS</b>										
<b>PARTICULARS</b>	<b>GROSS BLOCK</b>				<b>DEPRECIATION</b>				<b>NET BLOCK</b>	
	<b>Opening cost as on 01.04.2010</b>	<b>Additions during the year</b>	<b>Sales/ transfer</b>	<b>Cost as on 31-03-2011</b>	<b>Upto 31-03-2010</b>	<b>For the year 2010-11</b>	<b>Withdrawn during the year</b>	<b>Total upto 31-03-2011</b>	<b>Written down value as on 31-03-2011</b>	<b>Written down value as on 31-03-2010</b>
LAND	61,937,729	--	--	61,937,729	--	--	--	--	61,937,729	61,937,729
BUILDINGS	133,029,894	5,060,685	--	138,090,579	10,342,082	4,230,983	--	14,573,064	123,517,514	122,687,813
PLANT & MACHINERY	225,257,226	14,458,971	--	239,716,197	59,603,073	11,505,431	--	71,108,503	168,607,693	165,654,153
R&D EQUIPMENT	115,974,071	4,914,871	--	120,888,942	42,719,766	5,835,155	--	48,554,921	72,334,021	73,254,300
R&D LAB EQUIPMENT	32,923,727	17,948,992	--	50,872,719	11,711,526	1,976,838	--	13,688,364	37,184,355	21,212,200
POLLUTION CONTROL EQUIP.	10,019,683	--	--	10,019,683	4,166,620	519,852	--	4,686,472	5,333,211	5,853,063
SAFETY EQUIPMENT	3,255,495	--	--	3,255,495	974,505	171,890	--	1,146,395	2,109,099	2,280,990
VEHICLES	5,220,702	--	1,414,929	3,805,773	2,150,479	495,967	539,485	2,106,961	1,698,811	3,070,222
FURNITURE & FIXTURES	1,548,899	180,398	--	1,729,297	760,665	91,208	--	851,873	877,424	788,235
LABORATORY EQUIP.	8,225,200	107,922	--	8,333,122	2,317,439	392,974	--	2,710,413	5,622,709	5,907,762
OFFICE EQUIPMENT	8,493,228	3,017,168	--	11,510,396	4,136,119	897,240	--	5,033,359	6,477,036	4,357,108
<b>TOTAL</b>	<b>605,885,853</b>	<b>45,689,006</b>	<b>1,414,929</b>	<b>650,159,936</b>	<b>138,882,274</b>	<b>26,117,538</b>	<b>539,485</b>	<b>164,460,327</b>	<b>485,699,612</b>	<b>467,003,581</b>
CAPITAL WORK IN PROGRESS	22,566,200	70,911,614	--	93,477,814	--	--	--	--	93,477,814	22,566,200
<b>TOTAL</b>	<b>628,452,053</b>	<b>116,600,620</b>	<b>1,414,929</b>	<b>743,637,750</b>	<b>138,882,274</b>	<b>26,117,538</b>	<b>539,485</b>	<b>164,460,327</b>	<b>579,177,426</b>	<b>489,569,781</b>
PREVIOUS YEAR FIGURES	539,746,736	308,081,919	219,376,606	628,452,053	119,715,727	19,166,546	--	138,882,274	489,569,781	420,031,010



**SCHEDULES TO ACCOUNTS  
31.03.2011**

	<b>(Rupees)</b>	
	<b>31-03-2011</b>	<b>31-03-2010</b>
<b>SCHEDULE 5 : INVESTMENTS</b> <b>(Current Non Trade unquoted - At Cost)</b>		
Mutual Funds		
SBI-SHF-Ultra Short Term Fund (Net asset value as on 31.03.2011 is Rs.24,227,575) (Prev. Year - Rs. 95,411,118)	16,879,696	91,879,696
	<b>16,879,696</b>	<b>91,879,696</b>
<b>SCHEDULE 6 : INVENTORIES</b> <b>(As certified by the Management)</b>		
a) Raw Materials & consumables	58,237,273	39,899,244
b) Finished Goods	74,588	2,113,761
c) Trading Goods	110,897,842	--
d) Work in process	86,525,973	68,192,545
	<b>255,735,676</b>	<b>110,205,550</b>
<b>SCHEDULE 7 : SUNDRY DEBTORS</b> (Unsecured & considered good for which the company holds no security other than debtors Personal Security)		
a) Out standing for less than six months	111,098,108	131,293,072
b) Out standing for more than six months	1,323,006	1,281,219
	<b>112,421,114</b>	<b>132,574,291</b>
<b>SCHEDULE 8 : CASH AND BANK BALANCES</b>		
Cash on hand	1,619,670	506,343
Balances with Scheduled Banks in :		
Current Accounts	5,388,882	2,207,547
E E F C Account	6,672,976	42,532,794
Margin Money Deposits Accounts	3,635,500	3,378,500
Unclaimed Dividend Account	402,768	41,272
Unclaimed Refund Account	260	260
	<b>17,720,056</b>	<b>48,666,716</b>
<b>SCHEDULE 9 : OTHER CURRENT ASSETS</b>		
Interest Receivable	162,006	170,055
	<b>162,006</b>	<b>170,055</b>

**SCHEDULES TO ACCOUNTS  
31.03.2011**

	<b>(Rupees)</b>	
	<b>31-03-2011</b>	<b>31-03-2010</b>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b> (unsecured and Considered good Recoverable in cash or kind or for value to be received)		
a) Advances	36,504,265	38,566,118
b) Prepaid Taxes - Income Tax	66,881,338	63,772,095
c) Balances with Central Excise Dept.	44,108,901	13,704,352
d) Deposits	4,215,510	6,203,010
e) Prepaid Expenses	3,195,344	3,659,567
f) MAT Credit	19,737,813	--
	<b>174,643,171</b>	<b>125,905,142</b>
<b>SCHEDULE 11: CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A) CURRENT LIABILITIES</b>		
Sundry Creditors	60,232,442	66,003,314
Advances against Sales	2,295,718	1,681,640
Other Liabilities	813,925	1,028,984
Unclaimed Dividend	402,768	41,272
Unclaimed Refunds	260	260
<b>TOTAL</b>	<b>63,745,113</b>	<b>68,755,470</b>
<b>B) PROVISIONS :</b>		
Income Tax	18,213,097	25,240,717
Proposed Dividend	20,365,012	40,730,024
Tax on Proposed Dividend	3,319,436	6,922,068
<b>TOTAL</b>	<b>41,897,545</b>	<b>72,892,809</b>
<b>SCHEDULE 12 : OTHER INCOME</b>		
Interest from Banks and others (Tax deducted at source Rs.109,243/-)	848,537	611,095
Miscellaneous Income	447,816	3,174,574
	<b>1,296,353</b>	<b>3,785,669</b>
<b>SCHEDULE 13 : PAYMENT AND BENEFITS TO EMPLOYEES</b>		
Salaries, wages, Bonus & others	56,799,302	42,454,300
Leave Encashment	1,715,975	1,461,171
Safety Expenses	668,792	635,633
Training and Recruitment	61,889	92,000
Statutory contributions	3,577,461	4,107,503
Contract Workmen Settlement	4,763,313	--
	<b>67,586,732</b>	<b>48,750,607</b>



**SCHEDULES TO ACCOUNTS  
31.03.2011**

				<b>(Rupees)</b>
		<b>31-03-2011</b>	<b>31-03-2010</b>	
<b>SCHEDULE 14 :</b>				
<b>MANUFACTURING, ADMINISTRATION SELLING AND MARKETING EXPENSES</b>				
Stores, spares & consumables		24,856,131		17,272,417
Power & Fuel		92,757,290		67,865,360
Repairs & Maintenance				
a) Buildings	1,486,663		1,288,233	
b) Plant & Machinery	11,344,652		12,080,506	
c) Others	1,172,871	14,004,186	681,909	14,050,648
Rates, Taxes & Fees		1,773,795		1,359,366
Rentals		1,207,164		1,202,000
Insurance		1,736,926		2,133,925
R&D Expenditure		31,296,303		9,630,739
Pollution Control Expenses		1,365,610		703,746
Directors Remuneration		2,200,000		3,061,997
Directors sitting fees		144,000		168,000
Remuneration to Auditors				
a) Audit Fee	200,000		200,000	
b) Tax Representation Fee	35,000		35,000	
c) Certification & Other Services	70,550	305,550	30,760	265,760
Professional & Consultancy Fee		2,115,664		1,165,502
Foreign travel expenses				
a) Directors	98,216		527,129	
b) Others	545,659	643,875	438,571	965,700
Freight on sales		22,969,302		14,009,104
Communication Expenses		2,180,810		1,914,451
Printing & Stationery		1,772,411		937,469
Periodicals & Subscriptions		385,235		501,351
Commission to Agents		1,173,820		462,146
Bank charges & commission		5,615,885		3,071,036
Foreign exchange fluctuation		(2,636,178)		11,032,513
Domestic Travel & Conveyance exp				
a) Directors	82,696		135,957	
b) Others	2,228,983	2,311,679	1,149,103	1,285,060
Exhibitions & Others		3,079,868		2,856,647
Advertisement		977,245		831,899
Others		294,314		367,265
Loss on Sale of Vehicle		336,444		--
IPO Expenses Written Off		6,599,324		6,599,307
		<b>219,466,653</b>		<b>163,713,408</b>



## SCHEDULES TO ACCOUNTS

31.03.2011

	(Rupees)	
	31-03-2011	31-03-2010
<b>SCHEDULE 15 : FINANCE CHARGES</b>		
Interest on working capital	19,718,439	7,054,071
Interest on term loan	5,206,097	--
	<b>24,924,536</b>	<b>7,054,071</b>
<b>SCHEDULE 16 : VARIATION IN STOCKS</b>		
<b>a) FINISHED GOODS</b>		
Opening stocks	2,113,761	--
Closing stocks	(74,588)	(2,113,761)
	2,039,173	(2,113,761)
<b>b) WORK-IN-PROCESS</b>		
Opening stocks	68,192,545	71,368,302
Closing stocks	(86,525,973)	(68,192,545)
	(18,333,428)	3,175,757
<b>TOTAL</b>	<b>(16,294,255)</b>	<b>1,061,996</b>

**SCHEDULES TO ACCOUNTS****31.03.2011****SCHEDULE – 17****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****1. HISTORY**

Alkali Metals Ltd. which was established in 1968, at Hyderabad, Andhra Pradesh, India, as a closely held company, became a Public Listed company on 6<sup>th</sup>. November, 2008 being listed on BSE & NSE. Originally set up for manufacturing of Sodium Metal, the company subsequently diversified into manufacturing of Sodium derivatives, Pyridine derivatives, Fine Chemicals etc. The company is recognised as an “Export House” by DGFT and also recognised by Dept. of Science and Technology, New Delhi as an approved “In house R & D Facility”. The company has Three manufacturing units, at Uppal, Dommara Pochampally and JNPC Visakhapatnam. The Unit at Dommara Pochampally and Visakhapatnam are 100% EOUs.

**2. SIGNIFICANT ACCOUNTING POLICIES****A) Basis of Preparation of Financial Statement**

The Financial Statements are prepared on going concern assumption and under the historical cost convention, except for certain fixed assets which are revalued in accordance with generally accepted Accounting principles in India and the provisions of the Companies Act 1956.

**B) Use of Estimates**

The preparation of financial statements requires estimates and assumption to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

**C) Fixed Assets**

Fixed assets are stated at cost net of cenvat / value added tax and includes amounts added on revaluation, less accumulated depreciation, and impairment of loss, if any. All costs including financing costs till commencement of production, net charges on foreign exchange contracts and adjustments arising from exchange rate variation attributable to the fixed assets are capitalised.

**D) Investments**

Investments in mutual funds are stated at cost and market value as on the date of Balance Sheet is disclosed in the schedule.

**E) Depreciation**

Depreciation on all fixed assets is provided on straight-line method at the rates specified in schedule – XIV of the Companies Act 1956.

**SCHEDULE – 17****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

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**F) Impairment of Asset**

The Carrying amount of asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the asset's net selling price and value in use, which is determined based on the estimated future cash flow discounted to their present values. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

**G) Inventories**

Items of inventories are valued at lower of cost or net realisable value after providing for obsolescence, if any. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw material is determined on FIFO method.

**H) Foreign Currency Transactions**

Foreign Currency Transaction are recorded at the exchange rates prevailing at the transaction date. Current Assets and Current Liabilities relating to Foreign Currency Transactions remaining unsettled at the balance Sheet date translated at the year end rates. The result gain/ loss, if any, is recognised in Profit & Loss Account.

**I) Turnover**

Sales are recognised on despatch of goods from the factory.

**J) Employee Benefits****i. Gratuity:**

The Company contributes towards Group Gratuity Fund (defined benefit retirement plan) administered by the Life Insurance Corporation Of India, for eligible employees. Under this scheme the settlement obligation remains with the Company, while the Life Insurance Corporation Of India administers the scheme and determines the premium to be contributed by the Company. The plan provides for a lump-sum payment to the vested employees on retirement or termination of employment, based on the respective employees' salary and the years of service with the Company.

**ii. Provident Fund**

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged off to the profit and loss account of the year when the contributions to the fund are due. There are no other obligations other than the contributions to be remitted to the Provident Fund Authorities.

**iii. Leave Encashment**

Provision for Leave Encashment is recognised in the books as per the actuarial valuation.



**SCHEDULE – 17**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**K) Borrowing Cost**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

**L) Provision for Current and Deferred Tax**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income tax Act, 1961. Deferred tax resulting from “timing difference” between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax asset is not recognised in the books as matter of prudence.

**M) Minimum Alternate Tax Credit**

Minimum Alternate Tax Credit Entitlement is recognized in the books of account when there is convincing evidence that the Company will pay normal income tax during the specified period. The Entitlement is reviewed at each balance sheet date with regard to the correctness of the carrying amount.

**N) Research and Development**

Capital expenditure incurred has been disclosed under separate heads of account and revenue expenditure incurred is charged off as a distinct item in the Profit and Loss account.

**O) Claims**

Claims by and against the company, including liquidated damages, are recognised on acceptance basis.

**3. NOTES TO ACCOUNTS**

1. The Disclosures of Employee Benefits as required by Accounting Standard – 15 (Revised) “Employee Benefits”, are given below:

**i. Defined Contribution Plan**

Contributions to defined contribution plan recognized as expenses for the year are as under:

	2010-11	2009-10
Employer’s Contribution to PF	1,924,378	1,758,767
Employer’s Contribution to ESI	721,095	535,883

**ii. Defined Benefit Plan**

The Employees’ Gratuity Fund Scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit to build up the final obligation.





## SCHEDULE – 17

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

**Reconciliation of opening and closing balances of the present value of defined benefit obligation**

		31-03-2011	31-03-2010
<b>1</b>	<b>Assumptions</b>		
	Discount Rate	8%	8%
	Salary Escalation	4%	4%
<b>2</b>	<b>Changes in the present value of obligation</b>		
	Present value of obligations as at beginning of year	7,591,822	5,109,499
	Interest cost	607,346	408,760
	Current Service Cost	490,397	386,642
	Benefits Paid	(139,535)	--
	Actuarial (gain)/Loss on obligations	588,070	1,686,921
	Present value of obligations as at end of year	9,138,100	7,591,822
<b>3</b>	<b>Changes in Fair Value of Plan Assets</b>		
	Fair value of plan assets at beginning of year	12,577,943	8,284,073
	Expected return on plan assets	1,152,477	762,419
	Contributions	--	3,531,451
	Benefits paid	(139,535)	--
	Actuarial Gain / (Loss) on Plan assets	--	--
	Fair value of plan assets at the end of year	13,590,885	12,577,943
<b>4</b>	<b>Fair Value of Plan Assets</b>		
	Fair value of plan assets at beginning of year	12,577,943	8,284,073
	Actual return on plan assets	1,152,477	762,419
	Contributions	--	3,531,451
	Benefits Paid	(139,535)	--
	Fair value of plan assets at the end of year	13,590,885	12,577,943
	Funded status	4,452,785	4,986,121
	Excess of Actual over estimated return on plan assets	--	--
<b>5</b>	<b>Actuarial Gain/Loss recognized</b>		
	Actuarial gain/(Loss) for the year –Obligation	(588,070)	(1,686,921)
	Actuarial (gain)/Loss for the year - plan assets	--	--
	Total (gain)/Loss for the year	588,070	1,686,921
	Actuarial (gain)/Loss recognized in the year	588,070	1,686,921
<b>6</b>	<b>The amounts to be recognized in the balance sheet and statements of profit and loss</b>		
	Present value of obligations as at the end of year	9,138,100	7,591,822
	Fair value of plan assets as at the end of the year	13,590,885	12,577,943
	Funded status	4,452,785	4,986,121
	Net asset/(liability) recognized in balance sheet	(4,452,785)	4,986,121
<b>7</b>	<b>Expenses Recognised in statement of Profit &amp; loss</b>		
	Current Service cost	490,397	386,642
	Interest Cost	607,346	408,760
	Expected return on plan assets	(1,152,477)	(762,419)
	Net Actuarial (gain)/Loss recognised in the year	588,070	1,686,921
	Expenses recognised in statement of Profit & Loss	533,336	1,719,904



**SCHEDULE – 17**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company’s policy for plan assets management.

**2. Contingent liabilities not provided for** (Rs. in Millions)

	2010-11	2009-10
a) Bank guarantees	4.31	12.25
b) Letters of credit	2.89	5.98
c) Un-executed Capital work in progress	3.07	3.82

**3. Claim against the company not acknowledged as debts -** (Rs.)

	2010-11	2009-10
Income Tax	93,552,140	78,587,933

4. Working Capital Loans from banks and interest accrued on these loans are secured by hypothecation of present and future raw materials, work in progress, finished goods, stores and spares and book debts of the company and a first charge on the immovable properties and personal guarantee of Managing Director.

5. The Company was sanctioned Interest Free Sales Tax Deferment of Rs.34,585,650/- under target – 2000 Scheme by the Government of Andhra Pradesh vide final eligibility Certificate No. LR No.10/4/2001/0878/0878/ID dt.24-07-2001, for a period of 14 years starting from 20-03-1999 to 19-03-2013. The company has so far availed Sales Tax Deferment of Rs.21,256,799/- up to 31-03-2011, which is shown as liability in the Balance Sheet. The repayment of 1<sup>st</sup> year availment will start from year 2016.

6. i) The Company has provided for Deferred Tax in accordance with Accounting Standard on Accounting for Taxes on income’ (AS-22) issued by the Institute of Chartered Accountants of India. The details of deferred tax assets and liabilities of the Company as on the date of Balance Sheet are as follows:

	(Rs. In Millions)
	<b>As on 31.03.2011</b>
Deferred Tax Liability	
On Fixed assets	32.04
Deferred Tax Liability	
On Gratuity	0.20
<b>NET DEFERRED TAX LIABILITY</b>	<b>31.84</b>
Net Deferred Tax charge to Profit & Loss Account for the year	
Deferred Tax	31.84
LESS: Already Provided	19.97
Net Deferred Tax	11.87

**SCHEDULE – 17****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

- ii) In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the Company has recognised MAT Credit Entitlement of Rs.19.73 Millions in the books of account for the year. MAT Credit would result in future economic benefits by way of its adjustment against the discharge of normal tax liability under the provisions of Section 115JAA of the Income Tax Act, 1961 and there is convincing evidence that the company will pay normal income tax liability during the specified period.

**7. a. Managerial Remuneration (Rs.in Million)**

	2010-11	2009-10
Salary paid/payable	2.20	0.10
Commission	--	2.96
	2.20	3.06

**b. Computation of Net Profit in Accordance with Section 309 (5) (Rs.in Million)**

	2010-11	2009-10
Profit before tax as per Profit & Loss Account	29.72	95.47
Add: Depreciation charged in the accounts	26.12	19.17
Directors emoluments (Directors Remuneration & Sitting fees)	2.34	3.23
Less: Depreciation charged in the accounts	26.12	19.17
Profit on sale of fixed assets	--	--
	32.07	98.70
Maximum Remuneration eligible to Whole Time Directors @ 10% of Net Profit for the Year:	3.21	9.87

**8. Earning per Share (Rupees)**

	2010-11	2009-10
Total No. of Shares	10,182,506	10,182,506
Profit after Taxes and exceptional items	31,187,440	65,406,466
Earning per share	3.06	6.42

**9. Segment Reporting**

The Company is predominantly engaged in the manufacture and sale of chemicals where the risks and returns associated with the products are uniform. The Company has identified the location of production facilities and other assets as its primary segments for reporting. The Production Segments of the company are Unit-I (Uppal), Unit-II (Dommara Pochampally) and Unit-III (Visakhapatnam).



## SCHEDULE – 17

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Particulars	Rs. In Millions	
	2010-11	2009-10
<b>Segment Revenue (Sales)</b>		
Unit- I (Uppal)	371.30	279.03
Unit- II (Dommara Pochampally)	282.60	296.92
Unit- III (Visakhapatnam)	3.42	--
<b>Total Segment Revenue</b>	<b>657.32</b>	<b>575.95</b>
<b>Segment Results : Profit / (Loss) before Interest and Tax</b>		
Unit- I (Uppal)	16.77	34.85
Unit- II (Dommara Pochampally)	54.41	67.67
Unit- III (Visakhapatnam)	(16.53)	--
<b>Total Segment Results</b>	<b>54.65</b>	<b>102.52</b>
Less: Interest (Expense) / Income	(24.93)	(7.05)
Add / (Less) : Unallocable Income / (Expense) - Net	--	--
Add / (Less) : Exceptional Items - Net	--	--
Total Profit Before Tax and After Exceptional Items.	<b>29.72</b>	<b>95.47</b>
<b>Capital Employed (Segment Assets less Segment Liabilities)</b>		
Unit- I (Uppal)	222.57	224.53
Unit- II (Dommara Pochampally)	172.76	149.61
Unit- III (Visakhapatnam)	236.77	250.10
Total Capital Employed in segments	<b>632.10</b>	<b>624.24</b>
Add : Unallocable Assets less Liabilities	--	--
<b>Total Capital Employed in the Company</b>	<b>632.10</b>	<b>624.24</b>

**10. (A) In accordance with the accounting standard No. 18 the details of related party transactions are as follows**

S. No.	Particulars of the party	Nature of Relationship	Transaction	2010-11 (Rs)	2009-10 (Rs)
1	Asian Herbex Ltd.,	Promoter Group Company	Plant Maintenance Charges	--	500,000
2	CDC Industrial Infra Ltd.,	Promoter Group Company	Rent	1,087,164	1,010,000
3	Dr. Y.V.S.S. Murty	Promoter	Royalty	--	2,569,002
4	Dr. Y.V.S.S. Murty	Promoter	Rent	--	192,000
5	Sri Y.S.R. Venkata Rao	Managing Director	Remuneration	2,200,000	100,000
6	Sri Y.S.R. Venkata Rao	Managing Director	Commission	--	2,961,997
7	Sri Y.S.R. Venkata Rao	Managing Director	Rent	120,000	--



## SCHEDULE – 17

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

## (B) Remuneration to directors is as follows:

S.No	Name of the Director	Relationship	Nature of transactions	2010-11 (Rs.)	2009-10 (Rs.)
1	Sri. Y.S.R. Venkata Rao	Managing Director related to Smt. Y. Lalithya Poorna, Director	Remuneration as Managing Director	2,200,000	3,061,997

11. There are no dues to any creditors constituting “Suppliers” within the meaning of Section 2(n) of the Micro, Small and Medium Enterprises development act 2006.

## 12. QUANTITATIVE INFORMATION REGARDING CAPACITIES AND PRODUCTION

### I. QUANTATIVE INFORMATION

#### i. Installed Capacity (As certified by Management)

Product	2010-11 MT	2009-10 MT
Sodium Metal Derivatives, Amino Pyridines, Fine Chemicals & others.	5,000	4,400

#### ii. Production and Sales

Product	Opening Stock MT	Production MT	Sales MT	Value Rs. Millions	Closing Stock MT	Value Rs. Millions
Sodium Metal Derivatives, Amino Pyridines, Fine Chemicals	--	1,968.610	1,968.160	690.82	0.450	0.08
	--	(1,803.141)	(1,793.408)	(603.54)	(9.733)	--
Caustic Lye	--	932.93	932.93	0.68	--	--
	--	(666.47)	(666.47)	(0.55)	--	--

(Figures in Brackets relate to Previous year)

### II. CONSUMPTION

	2010-11 QTY	2009-10 QTY	2010-11 Value(Rs.)	2009-10 Value(Rs.)
1) Chemicals	2,029 MT	1,820 MT	216,303,307	164,545,688
2) Gases	1,150 MT	886 MT	41,821,921	32,466,853
-do-	40,128 cyl	53,193 cyl	11,913,675	13,785,872
3) Oils & Solvents	631 KL	860 KL	23,871,794	23,817,524
-do-	133 MT	74 MT	11,890,246	6,114,764
<b>Total</b>			<b>305,800,943</b>	<b>240,730,701</b>

**SCHEDULE – 17****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****III. BREAK UP OF CONSUMPTION OF RAW MATERIALS.**

	2010-11		2009-10	
	Value (Rs)	%	Value (Rs)	%
Indigenous	134,271,498	43.91	99,995,646	41.54
Imported	171,529,445	56.09	140,735,055	58.46
<b>Total</b>	<b>305,800,943</b>	<b>100.00</b>	<b>240,730,701</b>	<b>100.00</b>

**IV. FOREIGN EXCHANGE TRANSACTIONS**

	2010-11		2009-10	
	Value (Rs)		Value (Rs)	
C.I.F value of Imports		278,966,711		134,112,807
Raw Materials	180,073,588		134,112,807	
Trading Goods	97,167,851			
Capital Equipment	1,725,272		--	
Expenditure in Foreign currency		2,706,820		2,857,457
Traveling	159,600		373,707	
Others	2,547,220		2,483,750	
F.O.B Value of Exports		269,300,441		281,613,874

**13.** Previous years figures have been regrouped wherever necessary

**Signature to Schedules 1 to 17**

As per our Report attached

for C K S Associates  
Chartered Accountants (FRN 007390S)

For and on Behalf of Board of Directors

Sd/-  
P. GANAPATHI RAO  
PARTNER  
M.No. 24113

Sd/-  
P. SATISH CHANDRA MOULI  
COMPANY SECRETARY

Sd/-  
DR. J.S. YADAV  
CHAIRMAN

Sd/-  
Y.S.R.VENKATA RAO  
MANAGING DIRECTOR

Place: Hyderabad  
Dated: 23.05.2011



**BALANCE SHEET ABSTRACT AND COMPANY'S PROFILE OF ALKALI METALS LIMITED**

**I Registration Details :**

Registration No.	<input type="text" value="01196"/>	State Code	<input type="text" value="01"/>	Balance Sheet Date	<input type="text" value="31-03-2011"/>
		(Refer Code List)		<b>Date Month Year</b>	

**II Capital raised during the year : (Amount in Rs. Thousands)**

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

**III Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)**

Total Liabilities	<input type="text" value="1,070,894"/>	Total Assets	<input type="text" value="1,070,894"/>
-------------------	--	--------------	--

**Sources of Funds**

Paid-up Capital	<input type="text" value="101,825"/>	Reserves & Surplus	<input type="text" value="564,652"/>
Secured Loans	<input type="text" value="351,317"/>	Unsecured Loans	<input type="text" value="NIL"/>
Deferred Liability	<input type="text" value="21,256"/>	Deferred Tax Liability	<input type="text" value="31,843"/>

**Application of Funds**

Net Fixed Assets	<input type="text" value="485,699"/>	Investments	<input type="text" value="16,880"/>
Net Current Assets	<input type="text" value="455,039"/>	Miscellaneous Expenditure	<input type="text" value="19,797"/>
Capital Work in Progress	<input type="text" value="93,478"/>	Accumulated Losses	<input type="text" value="NIL"/>

**IV Performance of Company: (Amount in Rs. Thousands)**

Turnover	<input type="text" value="657,323"/>	Total Expenditure	<input type="text" value="627,602"/>
Profit/Loss before tax	<input type="text" value="29,721"/>	Profit/Loss after tax	<input type="text" value="31,187"/>
<input type="checkbox"/> +		<input type="checkbox"/> +	
<i>(Please tick appropriate box + for Profit, - for Loss)</i>			
Earning per Share in Rs.	<input type="text" value="3.06"/>	Dividend rate %	<input type="text" value="20"/>

**V Generic Names of Three Principal Products / Services of Company : (As per monetary terms)**

Item Code (ITC Code)	<input type="text" value="28510009"/>
Product Description	<input type="text" value="SODIUM AMIDE"/>
Item Code (ITC Code)	<input type="text" value="28500003"/>
Product Description	<input type="text" value="SODIUM AZIDE"/>
Item Code (ITC Code)	<input type="text" value="29333901"/>
Product Description	<input type="text" value="AMINO PYRIDINES"/>



**ALKALI METALS LIMITED**  
B-5, BLOCK III, IDA, UPPAL, HYDERABAD – 500 039  
**ATTENDANCE SLIP**  
**ANNUAL GENERAL MEETING- 30<sup>th</sup> JULY, 2011 AT 10.00 A.M**

<b>DP. Id</b>	
---------------	--

<b>Client Id/ Folio No.</b>	
---------------------------------	--

<b>No. of Shares</b>	
----------------------	--

<b>NAME &amp; ADDRESS OF THE REGISTERED SHAREHOLDER /PROXY</b>
--

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.  
I hereby record my presence at the 43<sup>rd</sup> ANNUAL GENERAL MEETING of the Company at HOTEL GREEN PARK, Ameerpet, Hyderabad – 500 016 on Saturday, 30<sup>th</sup> July 2011.

SIGNATURE

*Note:* Please complete this form and hand it over at the entrance of the hall.

**ALKALI METALS LIMITED**  
B-5, BLOCK III, IDA, UPPAL, HYDERABAD – 500 039  
**FORM OF PROXY**  
**ANNUAL GENERAL MEETING- 30<sup>TH</sup> JULY 2011 AT 10.00 A.M**

I/We ..... of ..... in the district of .....being a member/members of **ALKALI METALS LTD** hereby appoint ..... of ..... in the district of ..... or failing him .....of .....in the district of .....as my/our proxy to vote for me/us on my/our behalf at the 43<sup>rd</sup> ANNUAL GENERAL MEETING of the Company to be held on Saturday, 30<sup>th</sup> July, 2011 and at any adjournment thereof.

Signed this ..... day of ..... 2011.

<b>DP. Id</b>	
---------------	--

<b>Client Id/ Folio No.</b>	
---------------------------------	--

<b>No. of Shares</b>	
----------------------	--

Signature...

Affix a Rs 1/- Revenue Stamp
---------------------------------------

*Note:* This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



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Certification**



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**Alkali Metals Ltd.,**

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Hyderabad - 500 039. INDIA  
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website : [www.alkalimetals.com](http://www.alkalimetals.com)