

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

### BOARD OF DIRECTORS

**Sri T.G. Bharath**  
**Chairman & Managing Director**  
**Sri R.M. Kranthi** (Up to 27.11.2006)  
**Sri M.P. Murti**  
**Sri O.D. Reddy**  
**Sri G. Krishna Murthy**  
**Sri P.T. Reddy** (from 27.11.2006)  
**Sri R. Madan Mohan Rao**  
(from 28.03.05 to 25.07.06 and  
31.01.07 to 02.02.07)

### COMPANY SECRETARY

**Smt. V. Surekha**

### AUDITORS

**M/s. S.T. Mohite & Co.,**  
Chartered Accountants  
Hyderabad.

### BANKERS

State Bank of Hyderabad

### REGISTRAR & SHARE TRANSFER AGENT

Venture Capital & Corporate Investments Ltd.,  
12-10-167, Bharat Nagar,  
Hyderabad - 500 018.

### REGISTERED OFFICE & WORKS

Gondiparla, Kurnool - 518 004.  
Andhra Pradesh - India

### STABLE BLEACHING UNIT

Manjavadi,  
Laxmapuram - 636 905  
Dharmapuri District, Tamilnadu  
Gondiparla, Kurnool.

### HYDROGEN GAS WORKS

Gondiparla, Kurnool.

### BROMINE PLANT

Kuluvekkam, Tiruporur  
Anna Dist, Tamilnadu.

### STEARIC ACID

Nemam Village, Kakinada,  
East Godavari (Dist)  
Andhra Pradesh

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## NOTICE

NOTICE is hereby given that the 2nd Annual General Meeting of Members of SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED will be held at the Registered Office of the Company at Gondiparla, Kurnool - 518 004 (A.P.) on Thursday, 27th September, 2007 at 11.00 a.m. to transact the following business :

### **ORDINARY BUSINESS :**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007, the Profit and Loss Account and Cash Flow Statement for the period ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M P Murti, who retires by rotation and being eligible offers himself for re-appointment .
3. To appoint Statutory Auditors and to fix their remuneration.

### **SPECIAL BUSINESS:**

4. To consider and if thought, fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** .  
"RESOLVED THAT Sri P T Reddy who was appointed as director in casual vacancy of the directorship be and is hereby appointed as director of the Company."
5. To consider and if thought, fit, to pass with or without modifications, the following resolution as a **Special Resolution** to add the following objects under main objects and for deletion of item 6 from other objects :  
"RESOLVED THAT in pursuance to Section 17 and 149(2A) and other applicable provisions of the Companies Act, 1956 approval of the members is hereby accorded for insertion of the following item in main objects in Clause IIIA after sub clause 4 and to commence the business thereof.  
III(A) 5. To purchase, take on lease or otherwise acquire any mining rights, mines and lands or elsewhere believed to contain metallic or mineral, saline or chemical substances, kisselghur, French chalk, china clay, bentonite and other clays, boryles, lime, soapstone, calcite and such other filler materials, earths or other ingredients including coal, lignite, rock phosphate, brimstone, brine, bauxite, rare earths which may seem suitable or useful or for any of the Company's objects and any interests therein and to explore work, exercise, develop and turn to account the same.  
III(A) 6. To carry on the business of manufacturing, processing, export, import buying, selling and deal in cement, cement intermederiaries, all its by- products and products to be made there from.  
"RESOLVED FURTHER THAT item No. 6 under clause (III) (C) of other objects of memorandum of association of the Company be deleted and the remaining other objects be renumbered serially from 1 to 9 .
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**  
"RESOLVED that in suppression of the Resolution passed at the Extra Ordinary

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General Meeting of members of the company held on 25th March, 2006 and pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time such sum or sums of money as the Board may deem fit for the purpose of the business of the Company notwithstanding that the moneys to be so borrowed by the Company (apart from temporary loans obtained or to be obtained from the company's bankers in the ordinary course of business) will exceed the aggregate of the paid share capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose, provided however that the total amount so borrowed by the Board of Directors and outstanding at any one time shall not exceed Rs.200 Crores (Rupees Two Hundred Crores)."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**

"RESOLVED THAT in partial modification of Resolution No. 7 passed at the Annual General Meeting of the Company held on 27<sup>th</sup> September, 2006 for the appointment and terms of remuneration of Sri T G Bharath, Chairman and Managing Director of the Company and in accordance with the provisions of Sections 198, 269, 309 and 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and Central Government approval, the Company hereby approves of the revision in the maximum amount of salary payable to Sri T G Bharath as per Central Government approval from Rs. 1,50,000 p.m to Rs.1,65,533 p.m with effect from 1<sup>st</sup> April, 2007 for the remainder of the tenure of his appointment as set out in the explanatory statement annexed to the Notice convening this Meeting."

"RESOLVED THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

BY ORDER OF THE BOARD

Place: Kurnool

Date :30.06.2007

(V SUREKHA)

COMPANY SECRETARY

### NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint one or more Proxies to attend and vote on a poll on his behalf and such proxy need not be a member of the company. A Proxy Form is enclosed. Proxy Form in order to be effective, duly completed, must be received by the company at the Registered Office not less than 48 hours before the time fixed for the Meeting.
2. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Members are requested to bring with them the attendance Slip sent with the Annual Report duly completed and signed and hand it over at the entrance.

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4. Pursuant to Sec.154 of the Companies Act, 1956 and Clause 16 of the Listing Agreement, the Register of Members and Share Transfer Books of the Company will remain closed for 3 days i.e., from 25/09/2007 to 27/09/2007 (both days inclusive).
5. Non-resident Indian Shareholders are requested to inform us immediately :
  - a) the change in Residential Status on return to India for permanent settlement.
  - b) the particulars of Bank NRE Account, if not furnished earlier.

### **Request to the Members:**

1. Queries, if any, on Annual Accounts may please be forwarded to the Registered Office of the Company atleast 7 days before the date of the Annual General Meeting to enable us to prepare the answers well in advance.
2. Members are requested to quote Folio Number / Client ID No. in all correspondence.
3. Members are requested to note the following e-mail ID for any clarification on shares and other related matters **secretarial\_srhyppo@tgvmail.net**

## **EXPLANATORY STATEMENT**

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

### **Item No.4:**

Sri P T Reddy was appointed as a director of the Company in the Board Meeting held on 27.11.2006 to fill casual vacancy caused due to resignation of Sri R M Kranti under Section 262 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company. He holds the office up to the date of this Annual General Meeting.

Notice, along with deposit of Rs.500/- as required under section 257 of the Companies Act, 1956, has been received from a Member proposing the appointment of Sri P T Reddy as a director of the Company. No director other than Sri P T Reddy is concerned or interested in the resolution. Your directors commend the resolution for your approval.

### **Item NO. 5 :**

The management of your Company is planning to diversify its activities by entering into mining sector which is included in the other objects of the Company. Further it is also contemplating to diversify into manufacture, export and import of cement. In view of this now it is proposed to add the following items under Main objects clause and to commence the business in the respective areas in view of the following advantages and reasons

**Mining :** Mining is going to become backbone for industrial and infrastructure development of the country in view of abundant availability of natural resources. Various mine based raw materials Viz., Iron Ore, lime, aluminum etc., are abundantly available in our country . To tap the emerging opportunities in this field particularly in view of the favourable government policies for infrastructure growth and development, the Company is contemplating to diversify its activities in a big way in future in this direction.

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**Cement** : There is high demand for cement. Many cement units are situated around the factory of the Company. The raw materials are abundantly available in the locality . In view of the infrastructure growth and development , the Company is exploring the possibilities to diversify its activities by entering into this activity.

In view of the above explained reasons the Company is seeking members approval to include these objects clauses in the main objects as sub clauses 5, 6 under Clause III(A) of the Memorandum of Association pursuant to section 149 and 17 of the companies Act, 1956.

Further it is proposed to delete other objects under S No 6 and to renumber the remaining other objects from S NO 1 to 9 in view of the addition of objects as stated above in main objects clause.

None of the directors of the Company is interested in the above said resolutions.

Your directors commend the above resolution as set out under item No 5 in the notice for approval by the shareholders.

### **Item No. 6**

Pursuant to the provisions of clause (d) of Sub-Section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a General Meeting.

The Board of directors can borrow up to a limit of Rs. 50 crores as per the approval given by the shareholders in the Extra-Ordinary General Meeting held on 25th March, 2006. The Company wants to diversify its activities into the fields of cement and mining. Hence, it is deemed expedient to approach the shareholders to increase the limit of borrowing power of the Board from the present Rs.50 crores to Rs. 200 crores.

The resolution under item No.6 of the notice seeks the approval of the members as required under Section 293 (1) (d) of the Companies Act, 1956 .

None of the Directors are interested or concerned in the above said resolution.

Your directors commend the above resolution as set out under item No 6 in the notice for approval by the shareholders

### **Item No. 7**

At the Annual General Meeting held on 27.09.2006, the members of the Company had approved of the appointment and terms of remuneration of Sri T G Bharath as Chairman and Managing Director of the Company for the period of five years i.e., from 25.07.2006 to 24.07.2011 on a remuneration of Rs. 1,50,000 plus other perquisites subject to the condition that overall remuneration drawn by him from the Company and SRHHL Industries Limited will not be more than the total remuneration sanctioned by Govt. of India, Ministry of Company affairs. The Company had received the approval of the Central Government vide letter No.12/ 219/2997 – CL.VII dated 08.05.2007 for total remuneration of Rs. 1,65,533 per month plus Commission @1% of the net profits .

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The increase in the remuneration of Rs. 1,65,533 p.m from Rs. 1,50,000 p.m is with effect from 01.04.2007 All the terms and conditions of the appointment of Sri T G Bharath as approved by the Members at the First Annual General Meeting held on 27.09.2006 shall remain unchanged.

The resolution at item No. 7 of the Notice is recommended for acceptance by the members.

Sri T G Bharath is concerned or interested in Item No. 7 of the Notice.

BY ORDER OF THE BOARD

Place : Kurnool

(V SUREKHA)

Date : 30.06.2007

COMPANY SECRETARY

Details of Directors seeking appointment/re-appointment  
at the forthcoming Annual General Meeting  
(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	P T REDDY	M P MURTI
Date of Birth	01.04.1938	01.12.1919
Date of Appointment	27-11-2006	25-07.2006
Expertise in specific functional areas	More than 40 years rich experience in chemical plants	More than 50 years Industrial experience at very senior level in Indian and Multi National Companies.
Qualifications	B.Tech.(Hon's) (Chemical Engg.)	M.Sc., M.S.(Case Western – USA)
Shareholding in the Company	NIL	NIL
Directorship in other Companies	Sree Rayalaseema Galaxy Projects (P) Ltd.	SRHHL Industries Ltd Sree Rayalaseema Alkalies and Allied Chemicals Limited Vybra Automet Ltd Reliance Cellulose Products (P) Ltd CIL Securities Ltd Novopan Industries Limited
Membership in Committees in other Public Ltd Companies	NIL	Audit and Remuneration Committees in SRHHL Industries Limited Audit and Investors Grievance Committee in Sree Rayalaseema Alkalies and Allied Chemicals Ltd.

**DIRECTORS' REPORT**

To

The Members

Your Directors have pleasure in presenting the Second Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2007.

**Financial Results:** (Rs. in lakhs)

	<b>2006 - 07</b>	<b>2005 - 06</b>
Profit before Interest, Depreciation and Tax	<b>1342.51</b>	946.88
Less : Interest	<b>134.53</b>	127.64
Depreciation	<b>339.56</b>	334.44
Loss due to fire	<b>1.35</b>	154.85
Preliminary Expenses Written off	<b>2.98</b>	
Prior period adjustments	<b>8.83</b>	43.15
Profit before Tax	<b>855.26</b>	286.80
Provision for Taxation	<b>294.22</b>	50.85
Profit after Tax	<b>561.04</b>	235.94
Add:Balance brought forward from the previous year	<b>235.94</b>	---
Balance carried forward to next year	<b>796.98</b>	235.94

**Operations:**

During the year the Company achieved a turnover of Rs.119.41 lakhs against previous year turnover of Rs.91.45 lakhs. During the year 2006-07 the Stable Bleaching Powder-unit I(SRHHL) had expanded the production capacity from 4950 tonnes to 9900 tonnes per annum. The production capacity of Calcium Hypochlorite is increased from 9900 tonnes to 13,200 tonnes per annum.

**Risk Management :**

All assets of the company and other potential risks have been adequately insured.

**Fixed Deposits :**

The Company has accepted fixed deposits of Rs. 1,44,50,000/- during the year.

**Listing of Shares:**

The Equity shares of your company got listed at Bombay Stock Exchange Ltd and The National Stock Exchange of India Ltd with effect from 8th May, 2007. The Company has paid the Annual Listing fees to each of these Stock Exchanges for the financial year 2007-08. As per Stock Exchanges notification the equity shares with Distinctive Nos. from 4109502 to 6027944 are under lock in upto 10.05.2010 to comply with SEBI Guidelines.

**Particulars of Employees :**

The information as required under Sec. 217 (2A) of the Companies Act, 1956 and the rules framed there under was not annexed as none of the employees were in receipt of the remuneration as per the limits prescribed there under.

**Particulars of Energy Conservation, Technology absorption and Foreign Exchange Earnings and Outgo :**

Information as per Section 217 (1) (e) of the Companies Act,1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are forming part of the Directors Report for the year ended 31st March, 2007 is annexed to this Report.(Annexure 1).

**Directors' Responsibility Statement**

Pursuant to the requirement under Section 217(2AA) of the Companies Act,1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the accounts for the financial year ended 31st March,2007, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March,2007 on a 'going concern' basis.

**Corporate Governance:**

A report on the Corporate Governance Code along with a certificate from the auditors of the Company regarding the compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement (Annexure 2) and also the Management Discussion and Analysis Report are annexed to this Report.(Annexure-3)

**Directors**

Sri R M Kranti resigned as director with effect from 27.11.06 due to pre-occupation with his earlier engagements. The Board in its meeting held on 27.11.2006 appointed Sri P T Reddy as Director to fill the casual vacancy caused due to resignation of Sri R M Kranti.



**Cost Audit**

The Cost Audit under Section 233B has been carried out in respect of the product Sulphuric Acid by M/S Kapardhi & Associates, Cost Auditor of the Company. The Company has complied with Company Law Board's Order No. F.No./52/258/CAB-2000 dated 13.08.2007 and other relevant provisions of the Companies Act, 1956.

**Auditors :**

M/s. M. T. S. Rao & Co., Chartered Accountants, Hyderabad, the Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting of the Company and are eligible for re-appointment. The company is advised that the firm name of auditors has been changed to S T Mohite & Co., with effect from 10.05.2007 with constitution of the auditor firm remaining unchanged .

**Acknowledgments :**

Your Directors wish to express their gratitude to State Bank of Hyderabad, Government Departments, Project and Technical Consultants, for their continued support and to all the employees of the company for their devoted and loyal services.

For and On behalf of the Board

Sd/-

**T.G. BHARATH**

Chairman & Managing Director

Place : Kurnool

Date : 30.06.2007

**ANNEXURE - 1 TO DIRECTORS' REPORT:**

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

**A. Conservation of Energy:**

In Calcium Hypochlorite plant, all the Ammonia Absorption Chilling Plants were replaced with Lithium Bromide Absorption Heat Pumps of Thermax make. By operation of the Vapour Absorption Heat Pumps, the savings are as given below :

Savings on steam : 72 MT per day

Savings on Power : 93 KWH per day

All the 7° C reciprocating compressors for chilled water of stable bleaching powder and Mono Chloro Acetic Acid plants were replaced with 3.5° C Vapour Absorption Machine of higher capacity to improve the productivity. By using the Vapour Absorption Machine, Bleaching Powder production was increased by 4 MT / day. The VAM utilization for the present rate of production is only 65% of the available capacity. The balance 35% spare capacity can be utilized for future expansions.

**FORM A**

Disclosure of particulars with respect to conservation of Energy:

	UNIT	<b>Current Year 2006-2007</b>	Previous Year 2005-2006
<b>A. Power and Fuel Consumption</b>			
<b>1. ELECTRICITY</b>			
a. Purchased	(KWH)	<b>14481423</b>	12484170
Total Amount	(Rs)	<b>48929458</b>	45951141
Rate per Unit	(Rs.)	<b>3.38</b>	3.68
b. Own Generation			
Through Diesel Generator (Units)	(KWH)	<b>2290</b>	3710
Units per Ltr. of Diesel Oil	(KWH)	<b>2.90</b>	2.66
Cost / Unit	(Rs.)	<b>11.62</b>	11.15

**B. Consumption per MT of Production :**

Product Name			
Hi-Strength Hypochlorite (HSH)	(KWH)	791	903
Sulphuric Acid (SA)	(KWH)	51	47
Chlorosulphonic Acid (CSA)	(KWH)	58	76
Stable Bleaching Powder (SBP)	(KWH)	233	225
Monochloroacetic Acid (MCA)	(KWH)	375	214
Bromine	(Kg.)	0.00	1.70
H2 Gas	(CUM)	0.32	0.31

**B. Technology Absorption:**

Efforts made in Technology Absorption as per Form B.

**FORM B**

**I. Research and Development (R & D)**

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

- a) Continuous Lime slaker of EIMCO KCP of the capacity of 5 MT/Hr (100MT/day) was installed in place of existing batch type lime slakers (25MT/day) Keeping in view the expansion of Calcium Hypochlorite Plant.
- b) Proposed to provide on line vibrating screen to separate crystallized salt from Reactor - III Calcium Hypochlorite slurry before going to vacuum Drum Filter to avoid frequent drainage of accumulated salt from Vacuum Drum Filter for one stream and to minimize slurry loss.

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

Improvement in the quality of products, reduction of insolubles level in the final product from the existing 4% to 2% level, minimization of wastage, better utilization of raw material and power saving.

**3. Future Plans**

In the current year 2007-08, it is proposed to expand production capacity of Stable Bleaching Powder of unit I (SRHHL) from 9900 tonnes to 14,850 tonnes P.a and unit III from 4950 tonnes to 9900 tonnes p.a. Further, it is also proposed to increase the production capacity of Calcium Hypochlorite from 13,200 tonnes to 23,100 tonnes P.a and Mono Chloro Acetic acid from 4800 tonnes to 6000 tonnes P.a.

**4. Expenditure on R & D**

- (i) Charged under primary heads.

**Technology Absorption, Adoption and Innovation:**

There is no import of technology during the year.

**C. Foreign Exchange Earnings and Outgo :**

- a) Activities relating to exports, initiatives taken to increase Exports, development of new export market for products and services and export plans:  
The Company is continuously exploring the new markets for export of its products.
- b) Total foreign Exchange used/earned (Rs. in lakhs)
  - i. Foreign Exchange earned 5834.74
  - ii. Foreign Exchange used 263.83

For and On behalf of the Board  
sd/-

Place : Kurnool

**T.G. BHARATH**

Date : 30.06.07

Chairman & Managing Director

## **ANNEXURE - 2 TO DIRECTORS' REPORT**

### **REPORT ON CORPORATE GOVERNANCE**

#### **1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Corporate Governance in Sree Rayalaseema Hi-Strength Hypo Limited is a systematic process by which Company is directed and controlled to enhance its wealth generating capacity. Sree Rayalaseema Hi-Strength Hypo Limited (SRHHL) has been practicing the principles of good corporate governance. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on attainment of high levels of transparency, accountability and integrity.

#### **2. BOARD OF DIRECTORS**

##### **BOARD PROCEDURE**

A detailed agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every meeting on the overall Company performance. A detailed functional report is also placed at every Board Meeting.

##### **BOARD OF DIRECTORS**

The composition of the Board is in compliance with the guidelines given in clause- 49 of the Listing Agreement. The Board comprises of five directors and majority of directors are independent directors. Except chairman & Managing Director, the other directors are non-executive directors. The details of directors attending the meetings are further furnished hereunder :

S.No	Name of the Director	Designation	No.of Board Meetings		Other Membership	
			Held	Attended	Board	Committee
1.	Sri R Madan Mohan Rao	Independent Director	8	3	4	2
2.	Sri R M Kranti	Independent Director	8	4	-	-
3.	Sri N Vijaya Raju Gupta	Independent Director	8	2	-	-
4.	Sri T G Bharath	Chairman & Managing Director	8	7	4	1
5	Sri M P Murti	Independent Director	8	7	6	4
6	Sri O D Reddy	Independent Director	8	7	3	4
7	Sri G Krishna Murthy	Independent Director	8	7	3	7
8	Sri P T Reddy	Independent Director	8	4	1	-

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

During the financial year ended 31st March, 2007, Eight Board meetings were held on (1) 20/04/2006 (2) 25.07.2006 (3) 29.08.2006 (4) 31.10.2006 (5) 27.11.2006 (6) 31.01.2007 (7) 26.02.2007 (8) 01.03.2007. The last Annual General Meeting of the Company was held on 27.09.2006 and it was attended by Sri T G Bharath, chairman & Managing Director, Sri O D Reddy, Chairman of audit Committee and Sri G Krishna Murthy, Director .

1. Sri R Madan Mohan Rao resigned on : 25.07.2006
2. Sri T G Bharath appointed on : 25.07.2006
3. Sri O D Reddy appointed on : 25.07.2006
4. Sri M P Murti appointed on : 25.07.2006
5. Sri G Krishna Murthy appointed on : 25.07.2006
6. Sri N Vijaya Raju Gupta resigned on : 25.07.2006
7. Sri R M Kranthi resigned on : 27.11.2006
8. Sri P T Reddy appointed on : 27.11.2006

### COMMITTEES OF THE BOARD

#### AUDIT COMMITTEE

The composition of the Audit Committee is in accordance with the corporate Governance guidelines and the provisions of 292A of the Companies Act, 1956. The main terms of reference of the Audit Committee are :

- (a) Oversight of the Company's financial reporting process to ensure that the financial statements is correct, sufficient and credible.
- (b) Recommending to the Board appointment, reappointment, fixation of fees etc. of statutory auditors.
- (c) Reviewing with management the annual Financial Statement before submitting to the Board with particular reference to directors Responsibility statement, changes in Accounting policies, major accounting entries involving estimates, compliance with other Listing agreement, disclosure of other related party transactions.
- (d) Qualifications in draft audit Report.
- (e) Reviewing with management quarterly financial statements.
- (f) The adequacy of internal audit functions.
- (g) Discussion with statutory auditors before the audit commences.
- (h) Reviewing the findings of any investigations by the internal auditors etc.,

The Audit Committee comprises of Sri O D Reddy as Chairman, Sri. M P Murti and Sri.R.M.Kranti as members up to 26.11.2006. The committee Reconstituted on 27.11.2006.with Sri O D Reddy as Chairman, Sri. M P Murti - Member and Sri P T Reddy- Member . All the members of the Committee are non-executive independent directors. The role,terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of Companies Act,1956 and listing agreement.

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

The Committee held three meetings during the year 2006-07 on 29.08.2006, 31.10.2006 and 31.01.2007 and all the members attended the meetings.

### 3. REMUNERATION COMMITTEE

The Remuneration Committee comprises of Sri M P Murti as Chairman and Sri O D Reddy, Sri G Krishna Murthy as its Members. The Committee inter alia, deals with all elements of remuneration of all wholetime directors, service contracts, notice period, severance payments etc.

The Committee held one meeting during the year 2006-07 to discuss about the remuneration of CMD on 25.07.2006 and all the members attended the meeting.

The non-Executive directors will be paid sitting fee of Rs. 1000/- per meeting of Board and Audit Committee. The CMD will not be paid any sitting fee for attending the Board / committee meetings. The details of total remuneration paid to Sri T G Bharath, CMD for the year is furnished hereunder :

Salary	Perquisites	Commission	Total
Rs. 14,02,258	Rs. 48,368	Rs. 7,07,007	Rs. 21,57,633

CMD is drawing his remuneration from this company from the date of his appointment i.e. 25th July, 2006 as per central Govt approval dated 01.08.2006.

### 4. SHAREHOLDER(S) / INVESTOR(S) GRIEVANCE COMMITTEE

To review the actions taken by the Company in relieving Investor's Grievances and its response to stock exchanges, SEBI and other related Government correspondence, Investors Grievance Committee / shareholders committee was constituted by the Board on 25.07.2006 and the same was subsequently reconstituted with Sri T G Bharath as Chairman, Sri P T Reddy and Sri O D Reddy as members. The Company is vested with the requisite powers and authorities to specifically look into redressal of shareholder and investor grievances.

No. of Investor Queries/ complaints received in the year 2006-07	Pending at the end of the year	No. of pending Share Transfers
226	NIL	NIL

### 5. GENERAL BODY MEETINGS :

The first Annual General Meeting of the Company was held on 27/09/2006 at 11 A M at Regd Office Gondiparla, Kurnool – 518004 ( A P ) . The special business transacted and approved by the members at the previous AGM are as follows:2005-06

1. Appointment of First director Sri R M Kranti as regular director
2. Appointment of additional directors Sri M P Murti, Sri O D Reddy and Sri G Krishna Murthy.
3. Appointment of Sri T G Bharath as CMD under Section 316.

**6. DISCLOSURES :**

- (a) Related Party Transactions :  
None of the transactions with any of the related parties were in conflict with the interests of the Company at large. The details of related party transactions are furnished under Schedule J – Notes to Accounts of Balance Sheet and Profit and Loss Account to comply with Accounting Standard 18.
- (b) Board disclosures- Risk Management :  
The Board members are informed about the risk assessment and minimization procedures and these are reviewed to ensure that executive management controls risk through means of a properly defined framework.
- (c) The Company has not received any notices from stock exchanges or SEBI regarding non compliance of statutory provisions. The Company is complying with all mandatory requirements.

**7. MEANS OF COMMUNICATIONS :**

The Company publishes its quarterly, half yearly and annual results in the Business Standard (English) and Andhra Prabha (Telugu) news papers generally. In addition to this the Company is communicating its results to all the Stock Exchanges where the shares are listed. Further quarterly results, shareholding pattern and other related information is placed on the Company's Website. Further to confirm that the management discussion and analysis report communicated to shareholders and all the concerned it has been made part and parcel of Annual Report. Further the quarterly / Half yearly results are generally posted in company's website [www.tgvgroup.com](http://www.tgvgroup.com)

**8. GENERAL SHAREHOLDER INFORMATION**

- (a) Annual General Meeting :
- Date : 27<sup>th</sup> September, 2007  
Time : 11 a m  
Venue : SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED  
REGD.OFFICE: GONDIPARLA  
KURNOOL - 518 004 (A.P)
- (b) Tentative Financial Calendar : The next financial year covers the period from 1<sup>st</sup> April 2007 to 31<sup>st</sup> March, 2008.  
Unaudited Financial Results for:
- |                |               |
|----------------|---------------|
| First Quarter  | July, 2007    |
| Second Quarter | October, 2007 |
| Third Quarter  | January, 2008 |
| Fourth Quarter | April, 2008   |
- (c) Book Closure Period : 25.09.2007 to 27.09.2007 (inclusive of both days)
- (d) Dividend Date : Not Applicable
- (e) Listing on Stock Exchanges

The company's equity shares are listed on Bombay Stock Exchange Limited and the National Stock Exchange of India Ltd with effect from 08.05.2007.

The ISIN No.(DEMAT) on the NSDL and the CDSL is INE 917H01012.

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

- (f) Stock Code: The Stock codes on exchanges are on  
Bombay Stock Exchange Ltd - 532842  
The National Stock Exchange of India Ltd - SRHHYPOLTD
- (g) Market Price Data in the last Financial Year 2006-07  
As the shares of the Company got listed on 8<sup>th</sup> May 2007, the market price data for the year 2006-07 is not applicable.
- (h) Share Transfer Agents:  
The Company has appointed M/s.Venture Capital & Corporate Investments Ltd. as Share Transfer Agent for dematerialisation, Rematerialisation, Share Transfers and other related matters.
- (i) Shareholding Pattern as on 31st March,2007

Sl.No	CATEGORY	SHARES	AMOUNT	%
1	Promoters	3756187	37561870	36.88
2	Mutual Funds	1895	18950	0.02
3	Banks, Financial Institutions	437810	4378100	4.30
4	Body Corporates	460078	4600780	4.52
5	Indian Public	4348671	43486710	42.69
6	NRI / OCBS	1180022	11800220	11.59
7	Total	10184663	101846630	100.00

- (j) Dematerialisation of shares and liquidity:  
As on 31st March, 2007 41.17% of shares were held in Dematerialised Form and rest in Physical Form.
- (k) Outstanding GDR / ADRs / Warrants / Convertible Instruments  
Not Applicable
- (l) Code of Conduct :  
A code of conduct is duly approved by the Board on 29.08.2006 and communicated to all Directors and Senior Management of the Company and affirmed by them as to its compliance on an annual basis. Code of conduct is posted on website of the Company.

### DECLARATION BY CEO

As provided in Clause 49 of the Listing Agreement with Stock Exchange the directors and Senior Management personnel have confirmed continuous compliance with code of conduct for the year ended 31.03.2007.

For & On behalf of the Board of Directors

Place : Kurnool  
Date : 30.06.2007

**T G Bharath**  
Chairman & Managing Director



## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

(m) Plant Locations:

- Stable Bleaching Powder Plant (3 Nos) two located at Gondiparla, Kurnool District, Andhra Pradesh and other is at Manjawadi, Laxmapuram, Dharmapuri District, Tamilnadu.
- Sulphuric Acid, Chloro Sulphonic Acid, Monochloro Acetic Acid and Calcium Hypochlorite (Hi-Strength Hypo) plants are located at Gondiparla, Kurnool District, Andhra Pradesh.
- Bromine Plant is located at Kaluvekkam, Tiruporur, Anna District, Tamilnadu.
- Bottling of Hydrogen Gas plant situated at Gondiparla, Kurnool District, Andhra Pradesh.

(n) For all matters Address for Correspondence at any of the following addresses

(A) Registrar and share transfer Agent

Venture capital & Corporate Investments Limited

12-10-167, Bharat Nagar,

Hyderabad - 500 018.

Tel No.: 040-23818475 / 23818476 / 23868023 Fax No.: 040-23868024

(B) Sree Rayalaseema Hi-Strength Hypo Limited

TGV Mansion, No.6-2-1012, 2nd Floor,

Above ICICI Bank

Khairatabad

Hyderabad - 500 004

Tel.Nos. 040-23313957 Fax : 040-23313875

(C) Sree Rayalaseema Hi-Strength Hypo Limited

40/304, K J Compelx

Bhagya Nagar

Kurnool - 518 004

Tel Nos.08518-220164/ 224028

(D) Sree Rayalaseema Hi-Strength Hypo Limited

Gondiparla

Kurnool - 518 004 (A.P)

Tel.No. 08518-280065/66/67

For & On behalf of the Board of Directors

Place : Kurnool  
Date : 30.06.2007

**T G Bharath**  
Chairman & Managing Director

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

### AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

(Under Clause 49 of the Listing Agreement the Auditor's Certificate is given as annexure to the Directors' Report.)

#### ANNEXURE TO THE DIRECTORS' REPORT

To

The Members of

Sree Rayalaseema Hi-Strength Hypo Limited

We have examined the compliance of the conditions of Corporate Governance by Sree Rayalaseema Hi-Strength Hypo Limited., for the year ended on 31st March 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the condition of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementation thereof, adopted by the company for ensuring the compliance with the condition of Corporate Governance ,it is neither an audit nor an expression opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, and representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the clause 49 of the above mentioned Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that as on 31st March 2007 there were no investor grievances remaining unattended / pending for a period exceeding one month against the company as per the records maintained by the Company and the same were resolved afterwards.

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 the management has conducted the affairs of the Company.

**for S T Mohite & Co.,  
Chartered Accountants**

PLACE : KURNOOL

DATE : 30.06.07

**M T Sreenivasa Rao**

Proprietor/Membership No. 15635

**ANNEXURE - 3 TO DIRECTOR'S REPORT:**

**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

**(A) INDUSTRY STRUCTURE AND DEVELOPMENTS:**

The Company products can be broadly classified under Inorganic chemicals.

**(B) OPPORTUNITIES AND THREATS:**

- (a) The company is making efforts to export Monochloro Acetic Acid, Sulphuric Acid besides Stable Bleaching Powder and Calcium Hypochlorite, which have been exporting past several years.
- (b) During the year, the company has participated in global tender for export of Aluminium Sulphate which is a trading product and executed export order successfully. The company is receiving enquiries for export of Aluminium Sulphate. The Company is purchasing Aluminium sulphate locally and making exports.
- (c) Any changes in international price of its export products and fluctuations in foreign exchange will have effect on the profitability of the Company.

**(C) SEGMENTWISE OR PRODUCTWISE PERFORMANCE:**

The company is a manufacturer of Hi-Strength Hypochlorite (HSH), Stable Bleaching Powder (SBP), Monochloro Acetic Acid (MCA), Sulphuric Acid (SAP), Chloro Sulphonic Acid (CSA), Oleum, Bromine and bottling of hydrogen gas.

The Company surpassed its previous performance in the case of Chloro Sulphonic Acid, Oleum, Calcium Hypo Chlorite. However, there was a marginal decrease in SBP, MCA, Sulphuric Acid.

**(D) OUT LOOK:**

The Company is exploring possibilities of exporting more quantities of existing products such as Calcium Hypochlorite, Stable Bleaching Powder and also planning to export Monochloro Acetic Acid. There is marginal increase in sale of all products. Your Company is focussing more thrust on export of its all products.

**(E) RISKS AND CONCERNS:**

- (i) Raw material prices are market driven and any upward revision will affect the profitability of the company.
- (ii) The Company is importing Hydrated Lime for the manufacture of Sulphuric Acid (SAP) Chloro Sulphonic Acid (CSA), Oleum and Calcium Hypochlorite (HSH) respectively and exporting HSH, SBP etc.. Any fluctuations in foreign currencies will have bearing on the profitability of the Company.

**(F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has a good system of internal controls in all spheres of its activities. All the staff of the Internal Audit Department are well trained in internal control procedures and well versed with computerised environment. Further in key areas like stores, Finalisation of Purchase Orders and fixation of material sales prices are under pre-audit system supported by Advisory Committees. The Management regularly reviews the findings of the internal auditors and effective steps to implement the suggestions/ observations of the Auditors are taken and monitored regularly. In the opinion of the Board, an effective internal control system adequate to the size of the Company are in place.

**(G) DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

During the year majority of the products exceeded by its previous years performance. For the year 2006-07 Net Profit before Tax is Rs. 855.26 lakhs against Rs.286.80 lakhs during the previous year. The Company provided Rs.294.23 lakhs towards current tax & FBT deferred tax. Due to this the Net Profit after Tax was high when compared to previous year.

**(H) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

During the year, the Company maintained harmonious and cordial Industrial relations. The Company is regularly conducting seminars and workshops to improve the safety and maintenance of the factory and for also timely despatches of quality products. The Company is deputing employees for attending seminars, for updating their skills and knowledge. The Company had 250 employees on its rolls.

**AUDITORS' REPORT**

To  
The Members of  
Sree Rayalaseema Hi-Strength Hypo Limited

1. We have audited the attached Balance Sheet of Sree Rayalaseema Hi-Strength Hypo Limited, as at 31<sup>st</sup> March 2007, the Profit and Loss Account and also the 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 the 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 test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) Order 2004, issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order to the extent applicable.
4. Further to our comments in Annexure referred in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of these books.
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv) 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 in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
  - v) On the basis of the written representations received from the Directors, as on 31.03.2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as director in terms of Clause(g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts with the notes and accounting policies thereon give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India.
    - a) In the case of Balance Sheet, of the state of the affairs of the Company as at 31st March, 2007.
    - b) In the case of Profit and Loss Account, of the Profit for the year ended on that date: and
    - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**for S.T. Mohite & Co.,  
Chartered Accountants**

Place : Kurnool  
Date : 30.06.2007

**M.T. Sreenivasa Rao**  
Proprietor/ Membership No.15635

**ANNEXURE TO AUDITORS' REPORT**

**Annexure referred to in paragraph 3 of Auditors' Report of even date on the Accounts of Sree Rayalaseema Hi-Strength Hypo Ltd.,for the year ended 31st March, 2007.**

1. a) The Company has maintained proper records showing particulars, including quantitative details and situation of Fixed assets.  
b) Some of the fixed assets have been physically verified by the management during the year in accordance with a phased programme and verification of fixed assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification. As informed that the programme is such that all the fixed assets will get physically verified once in 3 years time. In our opinion, the verification programme is reasonable having regard to the size of the company and the nature of the fixed assets.  
c) Fixed assets disposed off during the year, in our opinion, do not constitute substantial part of fixed assets of the company. And such disposal has, in our opinion, not affected the going concern status of the company.
2. a) The inventories of the company have been physically verified by the Management during the year at reasonable intervals.  
b) 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.  
c) The company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion, were not material, have been properly dealt with in the books of account.
3. a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act,1956.  
b) The company has availed unsecured loans from one company named in the register maintained under Section 301 of the Companies Act, 1956. The terms and conditions are not prejudicial to the interest of 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 purchase of Inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of inventory, fixed assets and for the sale of goods.
5. a) According to the information and explanations given to us and as confirmed by the management of the company, 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.  
b) 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 Companies Act, 1956 and exceeding the value of Rs.5,00,000/- in respect of any party during the year have been at prices which are reasonable having regard to prevailing market prices at the relevant time.

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

6. In our opinion and according to the information and explanation given to us, the company has complied with Provisions of Section 58 A and 58AA of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business and it was informed that no material irregularities were noticed by the internal auditors during the period of audit.
8. The company has maintained cost records under section 209(1)(d) of the Companies Act, 1956 in regard to the manufacture of chemical product of sulphuric acid. We are of the opinion that, prima facie, the prescribed records have been made and maintained. We have not, however, made a detailed examination of the same. Maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 is not applicable for other chemical products of the company.
9.
  - a) According to the information and explanation given to us, the Company is regular in depositing with appropriate undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it, and
  - b.) No undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, service tax and cess are in arrears as at 31.03.2007 for a period of more than six months from the date they became payable.
  - c.) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. As per the information and explanations given to us and an overall examination of the financial statements of the company for the current and immediately preceding financial year, we report that the company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
11. According to records of the company, during the year the company has not defaulted in the repayment of dues to financial institution or banks.
12. As per the information and explanation 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 to any body during the year.
13. In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit or society, the provisions of Clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company for this year.
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 (Auditor's Report) Order, 2003 are not applicable to the Company.
15. The Company has given guarantee for the loans taken by M/s.Sree Rayalaseema Alkalies and Allied Chemicals Ltd (SRAAC) from IFCI to the tune of Rs.1000 lakhs. The terms and conditions of the guarantee are not prejudicial to the interest of the Company. As per the information given by the Company, the borrower is paying the installment / interest as the case may be regularly to the lender.

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

16. According to the records of the company, the company has raised term loans during the year and were applied for the purpose for which the loan was obtained.
17. As per the information and explanations given to us and on an over all examination of the balance sheet and the cash flow statement of the company, we are of the opinion that no funds raised on short term basis have been used for long term investment .
18. As per the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year, which requires the creation of security or charge.
20. During the year the Company has not made any public issue for which the management has to disclose the end use of money raised through that public issue.
21. As per the representation given by the Company and relied on by us, no fraud on or by the Company has been noticed or reported during the year.

**for S.T. Mohite & Co.,  
Chartered Accountants**

Place : Kurnool  
Date : 30.06.2007

**M.T. Sreenivasa Rao**  
Proprietor/ Membership No.15635



**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**BALANCE SHEET AS AT 31 ST MARCH,2007**

	Schedule	As At 31.03.2007 Rs.	As At 31.03.2006 Rs.
<b>I. SOURCEOFFUNDS</b>			
<b>Shareholders Funds:</b>			
Share Capital	1	10,18,46,630	10,18,46,630
Reserves and Surplus	2	21,10,21,816	15,49,18,283
<b>Loan Funds:</b>			
Secured Loans	3	16,12,15,737	9,09,88,147
Unsecured Loans	4	16,87,81,723	14,76,49,583
Deferred Tax Liabilities		9,08,51,043	8,46,33,948
<b>TOTAL</b>		<u>73,37,16,949</u>	<u>58,00,36,591</u>
<b>II. APPLICATION OFFUNDS</b>			
<b>Fixed Assets - Gross Block</b>	5	52,98,22,113	43,84,85,943
Less: Depreciation Reserve		6,52,98,781	3,13,42,938
Net Block		<u>46,45,23,332</u>	<u>40,71,43,005</u>
Add: Capital works in progress		31,89,132	72,97,762
		46,77,12,464	41,44,40,767
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	6	6,33,10,125	6,46,51,201
Sundry Debtors	7	13,02,47,677	11,15,19,702
Cash and Bank Balances	8	1,95,29,102	1,13,17,138
Other Current Assets	9	1,65,78,282	1,27,36,054
Loans and Advances	10	19,02,03,993	15,76,66,956
		<u>41,98,69,179</u>	<u>35,78,91,051</u>
<b>Less: Current Liabilities &amp; Provisions</b>	11	15,50,55,276	19,28,97,765
Net Current Assets		26,48,13,903	16,49,93,284
<b>Miscellaneous Expenditure</b>	12	11,90,582	6,02,540
(To the extent not written off or adjusted)			
<b>TOTAL</b>		<u>73,37,16,949</u>	<u>58,00,36,591</u>
Note to Balance Sheet	13		
Notes forming part of accounts	21		

Schedules 1 to 13 & 21 annexed form integral part of Balance Sheet

As per our report of even date attached

**For and On behalf of the Board**

**For S.T. Mohite & Co.,**  
Chartered Accountants

**M.T. Sreenivasa Rao**  
Proprietor/Membership No.15635  
Place : Kumool  
Date : 30.06.2007

**T.G. Bharath**  
Chairman & Managing Director  
Place : Kumool  
Date : 30.06.2007

**P.T. Reddy**  
Director  
**V Surekha**  
Company Secretary

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2007**

	Schedule	Year Ended 31.03.2007 R s .	Year Ended 31.03.2006 Rs.
<b>I. INCOME</b>			
Gross Sales	14	1,19,41,05,227	91,44,53,010
Other Income	15	20,10,880	2,07,20,212
Export Incentives-DEPB		2,08,23,531	1,83,96,102
Profit on sale of investments and assets		0	11,58,049
Increase / (Decrease) in Stocks	16	(1,33,72,689)	1,84,48,592
<b>Total</b>		<u>1,20,35,66,949</u>	<u>97,31,75,965</u>
<b>II. EXPENDITURE</b>			
Trading Purchases		4,67,24,401	1,60,13,017
Consumption of Rawmaterials / Inputs	17	50,24,71,095	46,07,89,498
Manufacturing, Administrative and			
Selling Expenses	18	44,27,14,232	33,23,96,680
Payments to employees	19	6,04,96,472	6,11,17,821
Finance charges	20	3,04,52,976	2,09,35,254
<b>TOTAL</b>		<u>1,08,28,59,175</u>	<u>89,12,52,270</u>
<b>III. Profit Before Depreciation, Extraordinary Item, Prior period item and Tax I - II</b>		12,07,07,774	8,19,23,695
Depreciation		3,39,55,844	3,34,43,935
Amortisations		2,97,645	0
<b>IV. Profit Before Extraordinary Item, Prior period Item and Tax</b>		8,64,54,285	4,84,79,760
Loss on fire accident		1,34,974	1,54,84,973
Expenses/Income relating to prior period		7,92,833	43,15,093
<b>V. Profit before Tax</b>		8,55,26,478	2,86,79,694
<b>VI. Provision for Taxation</b>			
i) Current Tax	2,25,70,848	24,13,396	
ii) Fringe Benefit Tax	6,34,732	6,70,419	
iii) Deferred Tax	<u>62,17,365</u>	<u>20,01,507</u>	
		2,94,22,945	50,85,322
<b>VII. Net Profit for the year</b>		5,61,03,533	2,35,94,372
Add: Balance brought forward from Previous year		2,35,94,372	0
<b>VIII. Balance carried to Balance Sheet</b>		<u>7,96,97,905</u>	<u>2,35,94,372</u>
Notes forming part of accounts	21		

Schedules 13 to 20 & 21 annexed form integral part of Profit and Loss Account  
As per our report of even date attached

**For and On behalf of the Board**

**For S.T. Mohite & Co.,**  
Chartered Accountants

**M.T. Sreenivasa Rao**  
Proprietor/Membership No.15635

**T.G. Bharath**  
Chairman & Managing Director

**P.T. Reddy**  
Director

Place : Kumool  
Date : 30.06.2007

Place : Kumool  
Date : 30.06.2007

**V Surekha**  
Company Secretary

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31.03.2007 AS PER CLAUSE 32 OF LISTING AGREEMENT**

	Rs.in Lakhs	
	Year Ended 31.03.2007	Year Ended 31.03.2006
<b>A. Cash Flow From Operating Activities</b>		
Net Profit before Tax and Extraordinary items	855.26	286.80
Depreciation	339.56	334.44
Interest paid	134.53	127.64
Interest received	(8.93)	(6.95)
Profit on sale of Assets	0.00	(11.58)
Operating Profit before Working Capital Changes	<u>1,320.42</u>	<u>730.35</u>
Adjustments for:		
Trade and other receivables	(551.07)	(2,819.23)
Inventories	13.41	(646.51)
Trade payables	(378.50)	(1,928.98)
	<u>(916.16)</u>	<u>(1,536.76)</u>
Cash generated from operations	404.26	(806.41)
Interest paid	(134.53)	(127.64)
Interest received	8.93	6.95
Direct taxes	(294.23)	(50.85)
Profit on sale of asset	0.00	11.58
Cash flow before Extra-ordinary items	<u>(15.57)</u>	<u>(966.37)</u>
Extra ordinary items	0.00	2,331.70
Net Cash flow from Operating Activities	<u>(15.57)</u>	<u>1,365.33</u>
<b>B. Cash flow from Investing Activities</b>		
Purchase & Sale of Assets	(878.08)	(4,484.88)
Net cash used in Investing Activities	<u>(878.08)</u>	<u>(4,484.88)</u>
<b>C. Cash flow from financing Activities</b>		
Proceeds from long term borrowings	975.77	3,232.72
Net cash used in Financing Activities	<u>975.77</u>	<u>3,232.72</u>
Net increase in Cash & Cash equivalents (A+B+C)	<u>82.12</u>	113.17
Cash and Cash equivalents as at 01.04.2006(Op.B/s)	113.17	0.00
Cash and Cash equivalents as at 31.03.2007(Cl.B/s)	195.29	113.17

**Note:** Comparative figures of the previous year, where necessary, have been regrouped to confirm to those of the current year

**For and on behalf of the Board**

**T.G.Bharath**  
Chairman & Managing Director

**P.T.Reddy**  
Director

Place : Kurnool  
Date : 30.06.2007

**V Surekha**  
Company Secretary

**CERTIFICATE**

We have examined the above cash flow statement for the year ended 31st March, 2007. The statement has been prepared by the company in accordance with clause 32 of the Listing Agreement executed with the Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the company covered by our Report of 30th June, 2007 to the members of the company.

**For S.T. Mohite & Co.,**  
Chartered Accountants

Place : Kurnool  
Date : 30.06.2007

**M.T. Sreenivasa Rao**  
Proprietor/Membership No.15635

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**SCHEDULES TO BALANCE SHEET**

	<b>As At 31.03.2007 Rs.</b>	<b>As At 31.03.2006 Rs.</b>
<b>SCHEDULE - 1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
1,20,00,000 (Previous year 1,20,00,000) Equity Shares of Rs.10/-each	<b>12,00,00,000</b>	12,00,00,000
<b>Issued</b>		
1,01,84,663 (Previous year 1,01,84,663) Equity Shares of Rs.10/-each (Ref.Note-1 below)	<b>10,18,46,630</b>	10,18,46,630
<b>Subscribed and Paid up:</b>		
1,01,84,663 (Previous year 50,000) Equity Shares of Rs.10/-each Fully paid up	<b>10,18,46,630</b>	5,00,000
Share Capital Suspense Account (Previous year 1,01,34,663) Equity Shares of Rs.10/-each (Ref.Note-2 below)	<b>0</b>	10,13,46,630
<b>TOTAL</b>	<b><u>10,18,46,630</u></b>	<u>10,18,46,630</u>

**NOTE-1**

Issued Capital comprise of 1,01,84,663 Equity Shares of Rs.10/- each issued as detailed below:

	<b>No. of shares</b>
a) Subscribed by subscribers of Memorandum of Association	50,000
b) Equity Shares of Rs.10/- each issued to the Shareholders of SRHHL Industries, Sree Rayalaseema Dutch Kassambou Ltd (SRDKL) and Brilliant Industries Ltd (BIL) as per the order dated 07.07.2006 of Hon'ble A.P.High Court approving the Scheme of Arrangement as detailed below	
i) To Members of SRHHL Industries Ltd(100:25)	<b>82,16,218</b>
ii) To Members of SRDKL (100:29)	<b>8,57,385</b>
iii) To Members of BIL (100:26)	<b>10,61,060</b>
<b>Total</b>	<b><u>1,01,84,663</u></b>

**NOTE-2**

In consideration of transfer of assets and liabilities of chemical unit w.e.f 01.04.2005. merged in to the company as per the scheme of demerger, equity shares were allotted to the share holders of SRHHL Industries, SRDKL and BIL in terms of order Dt: 07.07.2006. Passed by the Hon'able High Court of Andhra Pradesh. Pending determination of list of eligible share holders, on respective record dates; allotment of shares and issue of share certificates, The aggregate value of shares so issued was shown under the head "share capital suspense account" in previous year and reversed to Share Capital Account in this current year after issuance Share Certificates.

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

	As At 31.03.2007 Rs.	As At 31.03.2006 Rs.
<b>SCHEDULE - 2</b>		
<b>Reserves and Surplus</b>		
<b>Capital Reserve :</b>		
Central/Capital Subsidy (as per the last Balance sheet)	<b>43,55,500</b>	43,55,500
<b>General Reserve</b>		
Amalgamation reserve (as per the last Balance sheet)	<b>12,69,68,411</b>	12,69,68,411
<b>Surplus:</b>		
Profit and Loss Account-Balance	<b>7,96,97,905</b>	2,35,94,372
	<b><u>21,10,21,816</u></b>	<u>15,49,18,283</u>

**SCHEDULE - 3**

**Secured Loans**

**From Bank :**

Working capital Loans	<b>9,42,56,329</b>	7,09,07,890
Term Loans	<b>6,69,59,408</b>	2,00,80,257
	<b><u>16,12,15,737</u></b>	<u>9,09,88,147</u>

**Notes**

- 1) The Working Capital limits from bank are Secured by Hypothecation of Raw Materials Stock-in-process, Finished Goods, Consumable Spares, Book Debts and Receivables.
- 2) The term loans from bank are secured by exclusive charge on specific fixed assets.
- 3) The Working Capital and term loans from bank are also secured by first charge on other Fixed Assets of the Company.
- 4) The Working Capital and Term loans from bank are further secured by guarantee from Managing Director in his individual capacity.

**SCHEDULE - 4**

**Unsecured Loans**

Fixed Deposits		<b>1,44,50,000</b>	2,50,95,021
Deferred Sales Tax		<b>5,61,05,799</b>	7,17,09,826
Other Loans and Advances			
From Banks	1,19,541		
From Others	9,81,06,383	<b>9,82,25,924</b>	5,08,44,736
		<b><u>16,87,81,723</u></b>	<u>14,76,49,583</u>

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**SCHEDULE - 5  
Fixed Assets :**

Amount in Rs.

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost As At 01.04.2006	Additions	Deductions	Total Upto 31.03.2007	Upto 01.04.2006	For The Period	Deductions	Total Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
<b>1. On own use :</b>										
Land	18899155	378127	767772	18509510	0	0	0	0	18509510	18899155
Factory Building	70351224	5253186	0	75604410	1568354	1784603	0	3352957	72251453	68782870
Plant & Machinery	333867404	70497775	0	404365179	27567042	28707597	0	56274639	348090540	306300662
Furniture & Fixtures	2189620	45446	0	2235066	261461	267338	0	528799	1706267	1928159
Office Equipment	7586206	1198205	0	8784412	1699736	1746521	0	3446257	5338155	5886470
Other Equipment	2461190	489191	0	2950381	235067	212777	0	447844	2502537	2226123
Vehicles	3106103	7225586	0	10331689	0	1019391	0	1019391	9312298	3106103
<b>2. On Lease :</b>										
Plant & Machinery-Lease	25044	7016422	0	7041466	11278	217616	0	228894	6812572	13766
<b>3. Capital Work-in-progress</b>										
Civil Work-in-progress	1752465	1476297	3228762	0	0	0	0	0	0	1752465
Machinery Under Erection	5545297	12076678	14432843	3189132	0	0	0	0	3189132	5545297
Total	72,97,762	1,35,52,975	17,66,16,05	31,89,13,2	31,89,13,2	0	0	0	31,89,13,2	72,97,762
	44,57,83,708	1,05,65,6914	1,84,29,377	53,30,12,45	31,34,29,38	3,89,55,843	0	62,98,781	46,77,24,64	41,44,40,770
	0	45,77,69,436	11,98,5,728	44,57,83,708	0	33,44,38,933	21,00,99,5	31,34,29,38	41,44,40,770	0

Note: Title to properties acquired by the company under Scheme of Arrangement are in the process of being transferred in the company's name.

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

	As At 31.03.2007 Rs.	As At 31.03.2006 Rs.
<b>SCHEDULE - 6</b>		
<b>Inventories</b>		
(As Taken Valued And Certified by Management)		
Raw Materials	96,40,092	47,55,412
Packing Material	44,55,366	31,08,258
Stores and Spares	3,29,44,190	2,73,14,908
Material in transit	1,70,543	0
Stocks - in - Process	18,21,054	19,65,320
Finished Goods	1,42,78,880	2,75,07,303
	<u>6,33,10,125</u>	<u>6,46,51,201</u>
<b>SCHEDULE - 7</b>		
<b>Sundry Debtors</b>		
Debts outstanding for more than six months		
Secured - considered good	1767232	
Unsecured - considered good	11842402	1,76,22,423
Other Debts		
Unsecured - considered good	11,66,38,043	9,38,97,279
	<u>13,02,47,677</u>	<u>11,15,19,702</u>
<b>SCHEDULE - 8</b>		
<b>Cash and Bank Balances</b>		
Cash on Hand	10,80,386	7,62,548
Bank Balances		
With Scheduled Banks		
-In Current Accounts	90,56,184	21,23,944
-In Fixed Deposits	93,92,532	84,30,646
(Under margin with Banks for Lc's)		
	<u>1,95,29,102</u>	<u>1,13,17,138</u>
<b>SCHEDULE - 9</b>		
<b>Other Current Assets</b>		
Accrued interest on deposits	3,61,060	2,04,756
Duty Entitlements of DEPB, Target Plus	1,62,17,222	1,25,31,298
	<u>1,65,78,282</u>	<u>1,27,36,054</u>
<b>SCHEDULE - 10</b>		
<b>Loans and Advances</b>		
(Unsecured, considered good)		
Advances Recoverable in cash or in kind or for value to be received	13,87,36,113	13,05,08,873
Advances against Capital Expenditure	16,76,755	0
Deposits / balances with Customs, Excise, Sales Tax and Govt. Bodies	4,37,83,250	2,42,88,773
Deposits: Others	11,47,414	19,73,558
Advance Income Tax (including Tax deducted at source)	48,60,461	8,95,752
	<u>19,02,03,993</u>	<u>15,76,66,956</u>
<b>SCHEDULE - 11</b>		
<b>Current Liabilities and Provisions</b>		
<b>A. Current Liabilities</b>		
Sundry creditors		
For Supplies, Services, Expenses etc., dues to small scale Industrial undertakings (Refer note & schedule-21 of sl No.6 )	80,19,027	24,36,925
Other Dues	6,73,51,274	5,74,60,774
Other Liabilities	1,33,64,598	8,66,88,147
Advances from Customers	1,44,28,265	1,90,43,802
<b>B. Provisions</b>		
Provision for taxation	2,49,84,244	24,13,396
Provision for Others	2,69,07,868	2,48,54,721
	<u>15,50,55,276</u>	<u>19,28,97,765</u>

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

	As At 31.03.2007 Rs.	As At 31.03.2006 Rs.
<b>SCHEDULE - 12</b>		
<b>Miscellaneous Expenditure</b>		
(to the extent not written off or adjusted)		
Preliminary Expenses	6,02,540	
Add : Expenses incurred during the year	8,85,687	6,02,540
Less: Amount written off during the year	<u>2,97,645</u>	0
	<u>11,90,582</u>	<u>6,02,540</u>

### SCHEDULE - 13

#### Notes on Balance Sheet

Rs.in Lakhs

1) Demand for differential tariff from APCPDCL for power purchased from AP Gas Power Corporation Limited for which Company has contested in a legal case	1,055.77	1,055.77
2) Matters for which Company is contingently liable		
a) Gaurantees given by the Company for loans taken by other company	1,000.00	1,000.00
b) Surety given by the Company for the performance contract excuted by other Company favouring DGFT authorities	4,333.98	4,333.98
Note : for point No.1 and 2 (The above contingent liabilities relates to demerged company as per scheme of Arrangement as approved by Hon'ble High Court Of Andhra Pradesh vide its Order dated 15.06.2006)		
3) The Company has made an appeal u/s 17 of SARFAESI Act against action of bank for forfeiture of EMD / Advance which is pending before DRT, Mumbai.	76.00	0
4) Customers cheques / bills discounted with Banks	957.47	248.07
5) Unexpired Bank Guarantees	101.96	102.00
6) Unexpired Letters of Credit	471.26	315.13
	<b>Year Ended</b> <b>31.03.2007</b> Rs.	<b>Year Ended</b> <b>31.03.2006</b> Rs.

### SCHEDULE TO PROFIT AND LOSS ACCOUNT

#### SCHEDULE - 14

#### GROSS SALES :

##### Chemicals

Exports	63,01,31,207	
Domestic	43,57,99,956	
	<b>1,06,59,31,163</b>	82,57,26,186
Hydrogen Gas	4,60,37,421	3,12,15,046
Sale of Steam	2,30,64,150	2,21,55,188
Other Sales	30,02,437	43,02,322
Trading Sales	6,56,88,688	3,13,11,767
	<u>1,20,37,23,859</u>	<u>91,47,10,509</u>
<b>Less:Sales Returns</b>	<b>96,18,632</b>	<b>2,57,499</b>
	<u>1,19,41,05,227</u>	<u>91,44,53,010</u>



**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

	<b>Year Ended 31.03.2007 Rs.</b>	<b>Year Ended 31.03.2006 Rs.</b>
<b>SCHEDULE - 15</b>		
<b>OTHER INCOME:</b>		
Interest Received-Gross (Tax deducted at source Rs. 182467)	8,92,821	6,94,603
Other Misc. Income	10,06,828	1,91,68,083
Tanker Rental Charges	1,11,231	1,20,104
Brokerage received	0	7,37,422
	<u>20,10,880</u>	<u>2,07,20,212</u>
<b>SCHEDULE - 16</b>		
<b>Increase/Decrease in Stocks:</b>		
<b>Closing Stocks:</b>		
Finished Goods	1,42,78,880	2,75,07,303
Stock-in-Process	18,21,054	19,65,320
<b>Total (A)</b>	<u>1,60,99,934</u>	<u>2,94,72,623</u>
<b>Opening Stocks:</b>		
Finished Goods	2,75,07,303	87,23,560
Stock-in-Process	19,65,320	23,00,471
<b>Total (B)</b>	<u>2,94,72,623</u>	<u>1,10,24,031</u>
Increase/(Decrease) in Stocks (A-B)	<u>-1,33,72,689</u>	<u>1,84,48,592</u>
<b>SCHEDULE - 17</b>		
<b>Consumption of Raw materials / Inputs</b>		
Opening Stocks	47,55,412	1,32,80,693
Purchases	50,73,55,775	45,22,64,217
	51,21,11,187	46,55,44,910
Less:Closing Stocks	96,40,092	47,55,412
	<u>50,24,71,095</u>	<u>46,07,89,498</u>

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

	<b>Year Ended 31.03.2007 Rs.</b>	<b>Year Ended 31.03.2006 Rs.</b>
<b>SCHEDULE - 18</b>		
<b>Manufacturing, Administration and Selling Expenses</b>		
Consumption of other Chemicals	9,70,438	11,44,815
Consumption of Stores	5,71,91,502	3,81,18,924
Power and Fuel	4,89,56,058	4,62,42,728
Processing Charges	0	20,17,876
Repairs and Maintenance		
Buildings	13,94,502	
Plant and Machinery	5,49,08,476	
Others	<u>50,70,139</u>	
	6,13,73,117	3,73,83,886
Excise Duty	6,11,19,802	5,21,58,745
Lease Rental Charges	12,88,137	5,39,177
Rents,Rates and Taxes	42,56,349	32,79,240
Insurance	66,41,843	50,10,222
Loss on sale of Assets	0	4,05,881
Travelling and Conveyance	31,46,864	39,76,943
Printing and Stationery	14,23,236	23,27,116
Postage,Telegrams and Telephone expenses	41,16,071	26,23,794
Selling expenses	2,61,60,381	1,09,74,965
Difference in Exchange rate	4,94,501	29,76,526
Freight out ward and Incidental Expenses	13,97,83,084	10,53,47,402
Fee and charges	43,94,820	44,85,262
Legal and professional charges	19,47,673	8,57,660
Security and Other Service charges	91,67,530	50,42,385
Other Misc. expenses	71,60,441	69,49,841
Auditors Remuneration	81,593	25,000
Advertisement	8,48,159	4,87,292
Managerial Remuneration (Ref. note of Sch. 21 of sl. No.2)	21,57,633	0
Directors Sitting fee	35,000	21,000
<b>Total</b>	<b><u>44,27,14,232</u></b>	<b><u>33,23,96,680</u></b>
<b>SCHEDULE - 19</b>		
<b>Payments to Employees</b>		
Salaries, Wages and Bonus	4,69,91,814	4,82,52,804
Contribution to and provision for		
Provident Fund	28,23,660	30,15,398
Employees State Insurance	12,43,940	1,19,7626
Gratuity	7,78,169	4,96,688
Workmen and Staff Welfare Expenses	86,58,889	81,55,305
<b>Total</b>	<b><u>6,04,96,472</u></b>	<b><u>6,11,17,821</u></b>
<b>SCHEDULE - 20</b>		
<b>Finance charges</b>		
Interest	1,34,53,278	1,27,63,950
Bank and other finance Charges	1,69,99,698	81,71,304
<b>Total</b>	<b><u>3,04,52,976</u></b>	<b><u>2,09,35,254</u></b>

**SCHEDULE - 21**

**Notes forming part of accounts.**

**I. Accounting Policies**

a) The accounts are maintained under Historical Cost Convention on accrual basis as going concern with generally accepted accounting principles and applicable accounting standards.

**b) Fixed Assets**

Fixed assets are stated at cost. Cost of asset includes acquisition and installation expenses which are directly attributable for bringing the asset into working condition.

**c) Depreciation**

Depreciation on all assets is provided on straight line method in accordance with the provisions of Companies Act,1956.

**d) Inventories**

i) Raw Materials,Stores are valued at average cost. Cost includes purchase price, duties, freight inwards, taxes and other directly attributable expenses.

ii) Finished Goods are valued at cost including related overheads or net realisable value whichever is lower.

iii) Stock-in-process is valued at cost plus appropriate production overheads.

**e) Excise Duty**

Liability for Excise Duty on Finished Goods lying in the factory by making provision in books of account as required by revised guidance note on modvat accounting issued by the Institute of Chartered Accountants of India.

**f) Cenvat**

Cenvat benefit is accounted for reducing the purchase cost of the material and adjusted against the excise liability payable by the company.

**g) Retirement benefits**

Retirement benefits to Employees such as Gratuity & Leave encashment The Company has entered into agreement with the Life Insurance Corporation provisions were provided during the year on accrual basis of India under Group Gratuity-cum-Assurance Scheme to cover future payments of gratuity for its employees who are covered under the scheme.In respect of the employees not covered by the scheme,gratuity is accounted on payment basis.

**h) Sales**

Sales Value excludes vat / sales tax

**i) Foreign exchange transactions**

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time of transactions.The outstanding transactions at the end of the year after accounted at the rates pending as on such date.

**j) Revenue Recognition :**

i) Interest / Hire charges on Hire purchase loans has been taken into account on due and payable basis.

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

### k) Export Incentives:

Export incentives such as DEPB (Duty Entitlement Pass Book) license are calculated based on exports made during the year.

### l) Accounting for taxes on income :

The Company has accounted for deferred Tax in accordance with Accounting standard 22 "Accounting for Taxes on Income "issued by the Institute of Chartered Accountants of India. Accordingly, timing difference resulting in deferred tax liabilities are recognised.

2. Particulars of Managerial remuneration	<b>Current Year</b>	Previous year
	<b>31.03.2007</b>	31.03.2006
	Rs.	Rs.
Salary & allowances	<b>14,02,258</b>	Nil
Contribution to Provident Fund	<b>48,368</b>	Nil
Commission	<b>7,07,007</b>	Nil
	<b>21,57,633</b>	Nil
Computation of Profit U/s.350 of the Companies Act,1956.		
Profit before tax	8,55,26,478	Nil
Add : Depreciation charged as per Profit & Loss A/c	3,39,55,844	Nil
Managerial remuneration	14,50,626	Nil
Directors sitting fee	35,000	Nil
Provision for doubtful debt	18,53,096	Nil
Amounts Written off	3,06,625	Nil
	<b>12,31,27,669</b>	Nil
Less: Depreciation charged as per U/s 350 of Co.Act.	5,24,26,921	Nil
Net Profit as per Section 198	7,07,00,748	Nil
Commission payable for the year @ 1 %	7,07,007	Nil
3. Auditors Remuneration		
As Auditors	<b>60,000</b>	25,000
For Tax Matters	<b>15,000</b>	Nil
Out of Pocket Expenses	<b>6,593</b>	Nil
	<b>81,593</b>	25,000
4. The Sales tax liability is being accumulated in view of sanction of deferment by the Government of Andhra Pradesh as per State Incentive Scheme and is included under unsecured loans.		
5. Confirmation of balances from certain parties for amounts due to them or due from them are yet to be received. Confirmation letters were received from some of the parties and balances are being reconciled.		

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

6. a) The names of Small Scale Industrial Undertakings, to whom the company owes for more than 30 days are given below :
- 01) Bharatiya Chemicals, 02) Bharath Lime Industries, 03) Datta Sai polymers, 04) Excelwoven sacks , 05) Lakshmi Engineering Enterprises, 06) Paran polymers 07) Lohia mine chemicals, 08) Prasad Engineering Industries, 09) Rajasthan Minerals & Chemicals, 10) Shivam Chemicals, 11) Sri Sai Ram Polymer 12) Srikanth Minerals Pvt. Ltd
- b) As per the record of the company, there is no information about the suppliers/ units covered by Micro / Small scale/ Medium Enterprises Development Act ,2006. Hence the information required under section 22 of the Micro / Small scale/ Medium Enterprises development Act ,2006 is not furnished.

### 7. Deferred tax liability:

The company has accounted for Deferred tax in accordance with Accounting Standard 22 " Accounting for Taxes on Income" issued by the Institute of Chartered Accountant of India and has charged the net profit and loss account with the deferred tax liability relating to the year net of Rs.1,84,71,077/-

As a result of the adoption of this policy, the profit for the year is lower by Rs.62,17,365/

	<b>2006-07</b>	2005-06
	<b>Rs.in Lakhs</b>	Rs.in Lakhs
I. Deferred Tax Liabilities :-		
Depreciation differences	<b>1,84,71,077</b>	77,22,474
	<u><b>1,84,71,077</b></u>	<u>77,22,474</u>
II. Deferred Tax Assets :-		
Unabsorbed Depreciation	<b>0</b>	17,76,226
	<u><b>0</b></u>	<u>17,76,226</u>
Net Deferred Tax Liabilities(I-II)	<b>1,84,71,077</b>	59,46,248
Tax liability at current rates	<b>62,17,365</b>	20,01,507

### 8. Related parties disclosures :

The Company has the transactions with the following related parties on account of shareholdings by Key Management Personnel and their relatives.

#### (A) Particulars of Associate Companies

##### Name of the Related Party

- a) Sree Rayalaseema Alkalies and Allied Chemicals Ltd.
- b) Sree Rayalaseema Dutch kassenbouw Pvt. Ltd.,
- c) TGV Projects & Investments Pvt.Ltd.,
- d) Brilliant Industries Ltd
- e) Sree Maruthi Marine Industries Ltd.,
- f) Gowri Gopal Hospitals Pvt.Ltd
- g) Sree Rayalaseema Agro Chemicals Pvt.Ltd.,
- h) Sree Rayalaseema Galaxy Projects Pvt. Ltd.,
- i) SRHHL Industries Ltd
- j) Sree Maruthi Agro Tech Ltd

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**(B) Key Management Personnel :**

Name of the Related Party	Nature of Relationship
a) Mr. T G Bharath	Chairman & Managing Director

**(C) Transactions with Associate Companies**

**31.03.07**      31.03.06  
**Rs in Lakhs**      Rs in Lakhs

a) Goods sold	<b>463.72</b>	366.78
b) Goods/Containers purchased	<b>3639.78</b>	3029.33
c) Rents paid	<b>38.20</b>	24.48
d) Rents received	<b>2.17</b>	0.00
e) Services availed	<b>88.26</b>	29.93
f) Services rendered	<b>10.57</b>	0.00
g) Ledger balances as on	<b>-50.56</b>	36.65

**9) Earnings per share :**

**31.03.2007**      31.03.2006  
**Rs.in Lakhs**      Rs.in Lakhs

I. Net Profit as per Profit and Loss Account available to equity share holders	<b>56103533</b>	23594372
II. No.of shares for computation of Earning Per share	<b>10184663</b>	10184663
III. Earning per share (Basic)	<b>5.51</b>	2.32

**10) Additional information pursuant to the paragraph 3,4C, & 4D of part-II of Schedule VI of the Companies Act,1956.**

Capacity, Production, Purchases, Sales, Consumption and Stocks.

A. Licensed and Installed Capacity

**(IN METRIC TONNES)**

		<b>Year Ended</b>		<b>Year Ended</b>	
		<b>31.03.2007</b>		<b>31.03.2006</b>	
	Units	Lincensed	Installed	Lincensed	Installed
Stable Bleaching Powder (Unit I and III)	MT	14850	14850	14850	14850
Hydrogen Gas	Cu.M	5544000	544000	5544000	544000
Monochloro Acetic Acid	MT	2400	2400	2400	2400
Sulphuric Acid	MT	45000	45000	45000	45000
Chlorosulphonic Acid	MT	15000	15000	15000	15000
Hi-Strength Hypo	MT	13200	13200	9900	9900
Bromine	MT	65	65	65	65

\* Capacity for which Memorandum filed with Secretariat for Industrial Approvals

\*\* The installed capacity as certified by the Management.

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

### B. Actual Production, Turnover and Stocks

a Product	Op.Stock	Value	Production	Sales	Turnover	Closing	Stocks
	ason01.04.2006	Rs	Qty	Qty	ValueRs.	ason	31.03.2007
	Lakhs	Mts	Mts	Lakhs	Qty(Mts)	Rs.Lakhs	Qty (Mts)
1 Stable Bleaching Powder	21.41 (15.33)	238 (1,553)	1258288 (9772.34)	1252121 (9194.18)	167253 (1342.16)	8308 (21.41)	943 (2.38)
2 Monochloro Acetic Acid	8805 (3255)	3761 (1281)	170129 (1933.60)	170300 (1908.10)	83512 (917.65)	8634 (88.05)	3657 (37.61)
3 Hi-Strength Hypo	42783 (132800)	18897 (60.28)	921198 (7270.00)	95753 (6975.03)	602422 (4141.60)	13228 (42783)	5580 (188.97)
4 Sulphuric Acid	10558 (65.29)	229 (1.49)	3539089 (37211.66)	3510809 (37171.37)	99363 (1017.58)	38838 (105.58)	795 (2.29)
5 Chlorosulphonic Acid	7441 (25.74)	428 (1.27)	765265 (3942.27)	752411 (3893.60)	72990 (261.76)	20295 (74.41)	958 (4.28)
6 Other byproducts	1342500 (2034.00)	785 (3.01)	269400 (71745)	15510 (60555)	58091 (576.51)	60900 (13425)	030 (7.85)
Total 1 to 6					1068931 (8257.26)		
7 Hydrogen Gas	106860 (8319)	021 (0.39)	263355760 (203.39)	262379120 (2207.32)	43729 (312.15)	1083500 (1068.60)	192 (0.21)

### C. Raw Materials Consumed

	Year Ended		Year Ended	
	31.03.2007		31.03.2006	
	Qty,(Mts)	Rs.(Lakhs)	Qty,(Mts)	Rs.(Lakhs)
Hydrated Lime	12677.10	552.05	8811.850	429.38
Chlorine	18005.52	956.41	15353.628	1142.70
Acetic Acid	1524.72	522.47	1641.125	564.93
Sulphur	16623.40	741.30	16843.788	830.12
Quic Lime	3910.24	326.17	3518.290	240.23
Caustic Soda Lye	5908.21	1038.42	4846.266	794.75
Others		887.89		605.78
<b>Totals</b>		<b>5024.71</b>		<b>4607.89</b>

#### a) Value of Imports on CIF Basis (as certified by the management)

	Year Ended	
	31.03.2007	Year Ended
	(Rs.in Lakhs)	31.03.2006
		(Rs.in Lakhs)
Raw Material	125.73	58.25
Spares	15.29	1.35

## SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED

### b. Expenditure incurred in foreign currency

Travelling expenses	0.45	5.04
Overseas Sales Commission	25.59	44.70
Freight Paid	95.62	136.36
Others	1.15	1.30

### c. Raw Material Consumed

	2006-2007		2005-2006	
	Value Rs.	%	Value Rs.	%
Imported	125.73	2.51	58.25	1.33
Indigeneous	4877.66	97.49	4327.32	98.67
	<b>5003.39</b>	<b>100.00</b>	4607.89	100.00

### d. Earnings in foreign exchange

	Year Ended <b>31.03.2007</b> (Rs.in Lakhs)	Year Ended 31.03.2006 (Rs.in Lakhs)
FOB value of exports	<b>5834.74</b>	3819.44

11. Previous year figures have been regrouped/rearranged wherever necessary to make them compareble with current years figures.

12. Figures shown in the accounts have been rounded off to the nearest rupee.

As per our report of even date attached signatures to schedule 1 to 21 For and On behalf of the Board

**For S.T. Mohite & Co.,**

Chartered Accountants

**M.T. Sreenivasa Rao**

Proprietor/Membership No.15635

**T.G. Bharath**

Chairman & Managing Director

**P.T. Reddy**

Director

Place : Kumool

Date : 30.06.2007

Place : Kumool

Date : 30.06.2007

**V Surekha**

Company Secretary



**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
(SUBMITTED IN FORM OF PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956)**

**I. REGISTRATION DETAILS :**

REGISTRATION NO.

BALANCE SHEET DATE         STATE CODE    
DATE MONTH YEAR

**II. CAPITAL RAISED DURING THE YEAR**

(Rs. in Thousands)

PUBLIC ISSUE

RIGHTS ISSUE

BONUS ISSUE

PRIVATE ISSUE

**III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS** (Rs. in Thousands)

TOTAL LIABILITIES

TOTAL ASSETS

**SOURCE OF FUNDS :**

PAID-UP CAPITAL

RESERVE & SURPLUS

SECURED LOANS

UNSECURED LOANS

DEFERRED TAX LIABILITY

**APPLICATION OF FUNDS:**

NET FIXED ASSETS

INVESTMENTS

NET CURRENT ASSETS

MISC. EXPENDITURE

ACCUMULATED LOSSES

**IV. PERFORMANCE OF COMPANY**

(Rs. in Thousands)

TOTAL INCOME

PROFIT/ (LOSS) BEFORE TAX

+ / - TOTAL EXPENDITURE

+ / - PROFIT/ (LOSS) AFTER TAX

EARNINGS PER SHARE

DIVIDEND RATE (%)

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**1. GENERIC NAMES OF PRINCIPAL OF THE COMPANY**

Item Code No. (ITC CODE)    2 8 2 8 1 0 0 0  
 Product Description        S T A B L E   B L E A C H I N G  
    P O W D E R

Item Code No. (ITC CODE)    2 8 0 7 0 0 0 1  
 Product Description        S U L P H U R I C   A C I D

Item Code No. (ITC CODE)    2 9 1 5 4 0 0 1  
 Product Description        M O N O C H L O R O A C E T I C   A C I D

Item Code No. (ITC CODE)    2 8 2 8 1 0 0 0  
 Product Description        C A L C I U M   H Y P O   C H L O R I T E

Item Code No. (ITC CODE)    2 8 0 6 2 0 0 0  
 Product Description        C H L O R O   S U L P H O N I C   A C I D

Item Code No. (ITC CODE)    2 8 0 1 3 0 0 1  
 Product Description        B R O M I N E

Item Code No. (ITC CODE)    9 9 9 3 0 0 0 0  
 Product Description        H Y D R O G E N G A S

Item Code No. (ITC CODE)    2 8 3 6 9 0 1  
 Product Description        M A G N E S I U M C A R B O N A T E

As per our report even date attached

**For S.T. Mohite & Co.,**  
 Chartered Accountants

For and On behalf of the Board

**M.T. Sreenivasa Rao**  
 Proprietor/Membership No.15635

**T.G. Bharath**  
 Chairman & Managing Director

**P.T. Reddy**  
 Director

Place : Kurnool  
 Date : 30.06.07

V. Surekha  
 Company Secretary

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

(Formerly SARAC Chemicals Limited)

Regd. Office: Gondiparla, Kurnool - 518 004 (A.P.)

**PROXY FORM**

Client ID

Regd. Folio No.

DP ID

No. of Shares held

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a Member/ Members of the above named company hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our Proxy to vote for me/us and on my/our behalf at the 2nd Annual General Meeting of the Company held on Thursday, the 27th September, 2007 at 11.00 A.M. or at any adjournment thereof.

Affix 1  
Rupee  
Revenue  
Stamp

Signature

Note: 1. The Proxy form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the Meeting.

**SREE RAYALASEEMA HI-STRENGTH HYPO LIMITED**

(Formerly SARAC Chemicals Limited)

Regd. Office: Gondiparla, Kurnool - 518 004 (A.P.)

**ATTENDANCE SLIP**

Client ID

Regd. Folio No.

DP ID

No. of Shares held

Name of the Shareholder : \_\_\_\_\_

Name of the Proxy : \_\_\_\_\_

Signature of Member/Proxy \_\_\_\_\_

I hereby record my presence at the 2nd Annual General Meeting on Thursday the 27th day of September, 2007 at 11.00 A.M.

Note : To be signed and handed over at the Meeting Venue.

Signature of Member / Proxy