



ALKALI METALS LTD.,

AN ISO 9001 & 14001 COMPANY AND EXPORT HOUSE



ANNUAL REPORT 2009-10

Tributes to Dr. Y.V.S.S. Murty



21.08.1927

30.03.2010

BRIEF ABOUT DR. Y.V.S.S. MURTY

DR. Y.V.S.S. Murty graduated in 1947 with a M.Sc., (Tech.) (Chemical Engineering) from Andhra University. He obtained Doctoral degree in Chem. Engg. in 2004 from Atlantic University, USA for his thesis on Process development for hazardous Chemicals and upscaling involving explosive and exothermic reactions.

After leaving the University in 1947 he worked in different Government organizations and with that experience he established the entrepreneur talent in him and he opted to the joint venture scheme started by Andhra Pradesh Industrial Development Corporation in 1968. He set up a factory, Alkali Metals Ltd. (AML) to manufacture Sodium Metal the first of its kind in India and one of the five plants in the World. The technology and engineering for Sodium Metal was in-house. During this time Nuclear grade Sodium was produced for FBTR at Kalpakkam which was a significant achievement. Today AML produces many hazardous chemicals based on Sodium Metal and Amino Pyridines, Tetrazoles, etc. There was resurgence of AML which was a pioneer in the products it manufactures and established high reputation in the industry in India and abroad. The products of AML are exported to countries like USA, Europe and Japan. The company is listed recently in stock exchanges, BSE & NSE.

In 1983 he established a consultancy firm called Chem Design Company which pioneered Safety Audit, Risk Analysis, Hazop Study in manufacturing industry. These studies were carried out in many large factories from Bhatinda to Trivendrum and Kandla to Kolkatta. It even carried out Hazop Study for Satellite launch vehicles PSLV and GSLV at Sriharikota. The company was also a consultant to GCCI, Libya.

He was invited as a speaker at World Chemical Congress in 1989 at Rome. He was also member of trade delegation of FIEO and visited Russia, Hungary. He traveled extensively not only in India but also in Europe including former USSR, USA, China, Korea and Japan.

He received several awards, the most important being Life Time achievement award from the Indian Institute of Chemical Engineers at its annual congress in 2002 and Life Time achievement from All India Manufacturers Organisation, AP Board (AIMO) in 2009.

SOCIAL SERVICE AND PHILANTHROPY

He established a trust in the name of his father with handsome contribution from himself and his wife Smt. Y.V. Lalitha Devi and Alkali Metals Ltd. Apart from some donations to Rama Krishna Muth, Andhra Mahila Sabha, etc. The main function of the trust is to give scholarships to students studying Engineering and Medicine. So far about 800 students have benefitted with the help of this Trust..

**BOARD OF DIRECTORS**

DR J.S. YADAV	CHAIRMAN
SRI CH. S. PRASAD	DIRECTOR
SRI P.C. PATNAIK	DIRECTOR
SRI G. JAYARAMAN	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, Parawada,
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 42nd Annual General Meeting of M/s. Alkali Metals Limited will be held on Friday, the 30th July 2010 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 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the reports of the Directors, Auditors thereon.
- 2) To approve and declare dividend on equity shares of Rs.10/- each for the year ended 31st March 2010 as recommended by Board.
- 3) To elect a Director in place of Dr. J.S. Yadav who retires by rotation and being eligible offers himself for reappointment.
- 4) To elect a Director in place of Sri. P.C. Patnaik who retires by rotation and being eligible offers himself for reappointment.
- 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 till 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 Smt. Y. Lalithya Poorna, 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 her 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.”



- 7) To consider re-appointment of Managing Director Sri. Y.S.R. Venkata Rao and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“Resolved that in accordance with the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and any statutory modifications or enactments thereof, approval of the Company be and is hereby accorded to the re-appointment of Managing Director Sri. Y.S.R. Venkata Rao for a period of 5 years w.e.f 1st May 2010 on the following terms and conditions:

Basic pay	: Rs.1,50,000/- per month
H.R.A.	: Rs. 50,000/- per month
Commission	: 3% (Three Percent) on net profit calculated in accordance with Section 309 of the Companies Act.
Medical benefit	: Medi claim policy for Rs. 5 lakhs for family.
Insurance	: Accidental Insurance for Rs. 25 lakhs for self.
Leave Travel	: One month's basic pay per year which can be accumulated up to 2 years.
Vehicle	: Company car with a driver for official use.
Telephone & Email	: Free telephone, fax and email service at residence for Official use.
Gratuity	: One month's basic pay for each completed Year of service.

RESOLVED FURTHER THAT total remuneration payable to Sri Y.S.R. Venkata Rao, Managing Director be and is hereby limited to a over all ceiling limit of 5% per annum on net profit as per section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or its profits are inadequate, Sri. Y.S.R. Venkata Rao, Managing Director shall be paid such remuneration not exceeding the ceiling limits specified under Schedule XIII of the Companies Act, 1956.

By order of the Board of Directors

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

Place: Hyderabad
Date: 27.05.2010

**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 Wednesday 28th day of July 2010 to Friday 30th day of July 2010 both days inclusive.
- 4) The dividend for the year ended 31st March 2010 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 27th July 2010. 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 27th July 2010 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 Participant 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 year 2008-09 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 & 7 are Annexed herewith.



Explanatory Statement Pursuant to Section 173 of the Companies Act 1956:

Item No. 6.

Smt. Y. Lalithya Poorna, was co-opted as Additional Director as per Section 260 of the Companies Act 1956 w.e.f 10th April 2010 on the Board of the Company and shall hold office till the conclusion of 42nd Annual General meeting. The Company received a notice along with the deposit proposing her 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. Y.S.R. Venkata Rao and Smt. Y. Lalithya Poorna, is interested in the above resolution.

Item No.7

The term of appointment of Sri.Y.S.R. Venkata Rao as Managing Director concluded on 30th April 2010. The Board re-appointed him for a further period of 5 years in the Board meeting held on 27th May 2010 and was recommended by the Remuneration Committee of the Company.

The present proposal is to seek Members' approval for his re-appointment, in terms of applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act.

The Board recommends the resolution for your approval.

None of the Directors of the company is in any way concerned or interested in this resolution except Sri.Y.S.R Venkata Rao and Smt. Y. Lalithya Poorna.

By order of the Board of Directors

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

Place: Hyderabad
Date: 27.05.2010.

**DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2010.**

To
The Share Holders,
ALKALI METALS LTD.

Dear Members,

Sad demise of Our Founder Chairman:

March 30th, 2010 is a very sad day for all of our members as our founder promoter Chairman Dr.Y.V.S.S. Murty passed away after a brief illness. It is indeed a great loss to our industry in particular as well to chemical industry in general. He embarked on setting up this industry at a time industrialisation in the country was at a very nascent stage and against all odds he successfully steered our Company for 42 long years and the fruits of his hard work are being now enjoyed by the current team of management, staff, workers and share holders. He was deeply committed to industry, technology, self dependence and had enlarged vision for growth of our industry. Due to his untiring efforts, the industry is recognised world over as a strong technology oriented company.

Board is pleased to submit their Report and Audited Accounts of the Company for the financial year ended 31st March 2010:

Financial Results:

The performance of the company for the financial year ended 31st March 2010 is summarized as below:

	2009-10	2008-09
Gross Turnover	604,093,374	685,379,336
Profit before finance charges, depreciation and taxation	121,691,827	129,964,407
Less: Finance Charges	7,054,071	12,749,155
Depreciation	19,166,546	18,500,511
Profit before tax	95,471,210	98,714,741
Less: Current year's tax	16,300,000	11,200,000
Previous Years	4,042,722	--
Deferred tax (AS22)	9,722,022	(250,000)
Profit After tax	65,406,466	87,764,741
Add: Balance Brought forward	215,536,372	192,362,383
Dividend on equity shares	40,730,024	40,730,024
Tax on Dividend	6,922,068	6,922,068
Transfer to general reserve	10,000,000	10,000,000
Bonus issue	-	6,938,660
Balance surplus carried to Balance Sheet	223,290,746	215,536,372

Dividend on equity shares :

During the financial year 2009-10, considering reasonable performance of your company and your Directors are pleased to recommend dividend at Rs. 4/- per share (@ 40%) on the paid-up equity capital subject to necessary approvals. The aggregate dividend payout for the year 2009-10 amounts to Rs 476.52 Lakhs including Dividend Tax.

**Review of operations :**

During the year the company's sales / turnover for the year ended March 2010, has been satisfactory although the gross income has gone down due to all-round escalation of costs and stiff competition in the market. The company has a profit before taxes of Rs 954.71 Lakhs when compared to last year's profit before taxes of Rs 987.14 Lakhs.

Future :

Even though the sales in the first six months of the financial year were down due to severe recession in the industry, the next six months saw good momentum and pick up in the sales. Your company has been able to successfully come out of the slumber due to large basket of products, which are developed in house.

With the new facility at Visakhapatnam put into operation, additional value added products can be brought into fold, thus increasing the top and bottom lines of the company. Already certain high valued intermediates which are developed in R&D, are being scaled up for commercial production, thus future looks bright and hopeful.

Stock Exchanges:

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

Commercial Production from Unit III, Parawada, Visakhapatnam:

The Board is pleased to inform all the shareholders that the Commercial production from Unit III, Parawada, Visakhapatnam has begun with effect from 16th March 2010 and started exporting from this unit also.

Research & Development:

As research and developmental efforts are continuous for sustained growth and development of any Industry, your Board is constantly endeavoring and monitoring to strengthen the R&D wing, which is the back bone for the Company's future products. Efforts are being made to scale up the products from pilot scale to commercial level for the products which have high value addition to the profitability level. With this philosophy, the Company during the year has further strengthened the human resources by recruiting technically competent and qualified personnel to man the programmes identified by the specialists in the respective areas of concentration.

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, Parawada, Visakhapatnam and so far spent Rs 210.41 Millions. The Company has commenced its Commercial Production with effect from 16th March 2010.

Directors:

As per Articles and in accordance with the provisions of the Act, Dr. J.S. Yadav and Sri. P.C. Patnaik retire at the 42nd AGM and are being eligible offer themselves for re-appointment.

Sri. Y.S.R. Venkata Rao, Managing Director is proposed for re-appointment at the ensuing Annual General Meeting.

Smt. Y. Lalithya Poorna 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 and the Managing 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 31st March 2010:

- 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:

A Report on Corporate Governance together with Management discussion and Analysis Report along with Certificate from the Auditors of the Company regarding compliance with Clause 49 of Listing agreement are annexed.

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:

The Company endeavors to protect the environment in all its activities as a social responsibility. safety drills are conducted at regular intervals to train the workers and the employees to meet the exigencies of the accidents.

The environmental Management system adopted by the Company at its plants is Certified as per International Standard ISO 9001 and ISO 14001. Further, extensive plantation of trees around manufacturing plants is undertaken for green belt development.

Particulars under 217(2A):

Details of Persons who are in receipt of remuneration as specified U/s 217 (2A) of the Companies Act, 1956.



Name	Qualification	Date of joining	Designation	Previous employer	Experience	Age	Remuneration / commission
Y.S.R. Venkata Rao	B.E (Mech.) F.I.E	01.07.1991	Managing Director	--	37 yrs	59	Rs.30.62 lakhs p.a.

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 and confidence reposed on the management.

By order of the Board of Directors

Sd/-
Dr. J.S. YADAV
CHAIRMAN

Place: Hyderabad
Date: 27.05.2010

**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**

	2009-10	2008-09
A. Power and Fuel Consumption :		
Electricity:		
(i) Purchased:		
Total Units (KWH)	4,596,327	4,877,450
Total Amount (Rs.)	17,025,440	17,696,547
Rate per Unit in (Rs.)	3.70	3.62
(ii) Own generation: (Diesel generator)		
Units generated:	484,054	274,319
Units per litre of Fuel oil/gas	2.63	1.82
H.S.D		
Quantity (Ltr)	183,935	150,466
Total Amount (Rs.)	6,830,186	5,150,455
L.D.O., H.C.O & L.CO		
Quantity (KL)	1,702	1,432
Total Amount (Rs.)	42,436,269	40,942,575
B. Consumption per unit of production:		
Units produced (MT)	1,803.14	1,597.39
Electricity consumption per MT (KWH):	3,052.96	3,225.10
L.D.O. & H.C.O. consumed per MT (KL):	0.95	0.90



B. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION FORM – B

A. RESEARCH & DEVELOPMENT

1. Specific areas of Research & Development:

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

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

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

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

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

2. Details of technology imported during the past 5 years

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

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

	2009-10	2008-09
Earnings	281,613,874	318,051,919
Outgo	136,970,264	154,829,189
Raw Material	134,112,807	150,425,652
Equipment	-	1,224,085
Foreign currency exp.	2,857,457	3,179,452
Net Foreign exchange earnings	144,643,610	163,222,730

For and on behalf of Board of Directors

Place: Hyderabad
Date: 27.05.2010

Sd/-
Dr. J.S. Yadav
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY OUTLOOK, OPPORTUNITIES AND THREATS:

With improvement in economic scenario moderately, better liquidity environment, recent pick up in growth rate in manufacturing sector, the business is expected to grow further due to potential increase in export markets, adequate manufacturing facilities and engineering capacities coupled with various management strategies and access to global technologies, Management is optimistic about growth of the Company in the coming years. The API manufacturing facility at Pharma City, Parawada, Visakhapatnam has commenced its Commercial operations w.e.f 16th March 2010 and with the commissioning of this Unit, the Company can foresee bright future with a steady growth in demand for the Company's products in India and abroad.

THREATS

Rise in input costs is a serious threat for the industry since it may not be possible to proportionately increase the selling price and thus affecting the profit margin. Prices of basic raw material like sodium metals, ammonia, nitrogen, Hydrogen gas, pyridine and Picoline (Gama & Beta) have increased due to recovery in the global demand. Added to this restricted power supply is burdening high cost to the company's finished products. Despite this unpredictable change in cost of inputs, the management is hopeful to come out successfully on a profitable note.

OUTLOOK:

The Indian Speciality Chemical Industry is growing at a good pace in the world. Today, India has achieved considerable progress in all segments of chemicals including Speciality chemicals. The Companies manufacturing highly valued chemicals and who are compliant of industrial quality standards, can make their mark not only in India but even in the overseas market as well. With the on set of liberalization and globalization, the Industry is on a major expansion spree. It is expected that with the new capacities coming on stream the Indian Chemical Industry is expected to grow at 7% to 9% per annum, augmenting the economic growth.

PRODUCT PERFORMANCE:

The Company's products are well established in the market and has gained tremendous customer acceptance not only in India but also in Countries like Japan, Germany, Italy, Mexico, Belgium, Israel, Spain, France, U.K, China & U.S.A. The Company's commitment to its customers is uncompromising and every endeavor is made to create and maintain un-matched customer satisfaction by delivering quality product at a competitive price. The Company has also introduced an efficient and speedy customer support and logistics system to further strengthen its dealer network and customer base. The Company's focus on quality and service are the key drivers for enhancing customer satisfaction for enhanced sales. The Company in its pursuit to reduce the logistics costs has been focusing its efforts to increase its market share in the vicinity of its plants.

**RISKS AND CONCERNS:**

The Company's two units are located near by Hyderabad and the third unit is located at Parawada, Visakhapatnam, Andhra Pradesh and the Company is following plant wise approach for risk management which lays emphasis on identifying and managing key operational and strategic risks. 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 ensuring accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with laws and Regulations.

The company has an exhaustive budgetary control system and the management regularly reviews actual performance. The company has also put in place a well defined organization structure, clear authority levels and detailed internal guidelines for conducting business transactions. The company has an internal audit system, adherence to management instructions and legal compliance. Audit plans are prepared in advance, based on risk assessment. Internal audit also conducts follow up reviews to ensure implementation of its recommendation sand suggestions. The Audit committee of the Board of Directors periodically reviews audit plans, observations and recommendations of the Internal and Statutory Auditors with reference to significant risk areas and adequacy of internal controls.

**FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

	2009-10	2008-09
	Rs.	Rs.
Net Sales	572,162,870	637,820,541
Other income	3,785,669	2,052,555
Total income	575,948,539	639,873,096
Total expenditure	454,256,712	509,908,689
Operating profit	121,691,827	129,964,407
Operating profit margin	21.13%	20.31%
Finance charges	7,054,071	12,749,155
Gross profit margin after finance charges but before depreciation and taxes	19.90%	18.32%
Depreciation	19,166,546	18,500,511
Profit before tax	95,471,210	98,714,741
Provision for income tax	16,300,000	11,200,000
Deferred Tax (AS 22)	9,722,022	(250,000)
Previous year taxes	4,042,722	-
Profit after tax	65,406,466	87,764,741
Net Profit Margin	11.36%	13.72%

The book value per share stands at Rs 64.70 as on 31.03.2010 (Rs.63.20 previous year). The market price of equity share on NSE ranged between Rs 98 to Rs 398 and BSE between Rs.98.00 to Rs.399.40 during the financial year 2009-10. (Equity shares of Rs. 10/- each)

HUMAN RESOURCE DEVELOPMENT

Industrial relations remained cordial during the year and there was all-round co-operation. Moreover, the commitment of the team was instrumental in achievement of the results. Employees at all levels across plant locations had put in their best efforts for the progress of the Company and have also shown a huge degree of commitment towards the general cost consciousness and as a result the company was able to reduce its costs. It will be the management's constant endeavor to work as a team in order to contribute to the growth and success of the Company. The ISO 9001 and 14001 bear ample testimony to the commitment of Employees to excellence. The Company had 537 number of Employees and workmen as on 31st March 2010.

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 exchange)

CORPORATE GOVERNANCE PHILOSOPHY:

Your company believes that sound ethical practices, transparency in operations and timely disclosures go a long way in enhancing long term share holders' value while safeguarding the interest of all stake holders. It is this conviction that has led the company to make strong corporate governance value intrinsic in all its operations.

The company is led by a distinguished Board, which includes independent directors. The Board provides a strong oversight and strategic counsel. The company has established systems and procedures to ensure that the Board of the company is well informed and well-equipped to fulfill its oversight responsibilities and to provide management the strategic direction it needs to create long-term value to its shareholders.

BOARD OF DIRECTORS:**Composition of the Board of Directors:**

The company has Six Directors of which four 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.

NUMBER OF BOARD MEETINGS:

During the year (01-04-2009 to 31-03-2010) the Board met five times i.e. on 17-04-2009, 30-05-2009, 29-07-2009, 29-10-2009 & 29-01-2010. 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 30/05/2009
					Chairman	Member	
(1)	(2)	(3)	(4)	(5)			(7)
01.	Smt. Y.V. Lalitha Devi	Promoter Director & Chair Person	5	--	--	--	Yes
02.	Dr. Y.V.S. Murty	Promoter Director	5	1	1	1	Yes
03.	Sri Ch.S. Prasad	Independent Director	4	--	--	--	Yes
04.	Sri P.C. Patnaik	Independent Director	5	--	--	--	Yes
05.	Sri. G. Jayaraman	Independent Director	5	--	--	--	Yes
06.	Dr. J.S. Yadav	Independent Director	4	--	--	--	No
07	Sri. Y.S.R. Venkata Rao	Managing Director	5	--	--	--	Yes



- Dr. Y.V.S.S. Murty passed away on 30-03-2010.
- Smt. Y.V. Lalitha Devi, resigned as Chairperson and Director w.e.f 27/05/2010.
- Smt Y. Lalitha Poorna was appointed as Additional Director w.e.f 10/04/2010.
- 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 MANAGING DIRECTOR & DIRECTORS RETIRING AND SEEKING RE-APPOINTMENT AND ELECTION.

Sri. Y.S.R. Venkata Rao, is the Promoter and Managing Director of the Company. A technocrat and second generation entrepreneur, Sri Y.S.R. Venkata Rao, holds B.E. (Mechanical) from Sri Venkateswara University, AP, Fellow of the Institution of Engineers (India), and joined the Company in the year 1977. He was inducted on the Board w.e.f. 01.07.1991 and he held the positions of Joint Managing Director and then Managing Director w.e.f. 01.05.1999. Since then, he has been playing a pivotal role in steering the growth of the Company from being a manufacturer of Alkali Metals to producer of sodium metal derivatives, cyclic compounds, fine chemicals, which find wide application in various industries, especially the Pharma sector. In his capacity as Managing Director of the Company, Sri Y.S.R. Venkata Rao takes care of operations and strategic initiatives of the Company. His technical expertise has earned him the "Member of the Year Award" for the year 2002 from the All India Manufacturer's Association, Andhra Pradesh State Board and also held various coveted posts in FAPCCI, PHARMEXCIL, BDMA and such other organizations.

Dr. J. S. Yadav, aged 58 years, is a Non Executive and Independent Director of our Company. He has Doctorate in Chemistry in 1976. He was a Post Doc at Rice University, Houston & UW, Madison in USA for 3 ½ years. His research group successfully developed cost effective technologies for Speciality chemicals. His expertise and skills in organic chemistry are outstanding and is an eminent scientist with a high level of commitment to the cause of his profession viz. Natural Products-Organic chemistry. He is a Director of the Indian Institute of Chemical Technology (IICT), Hyderabad since 2003.

Sri. P.C. Patnaik, aged 76 years, is a Non Executive and Independent Director of our Company. He holds M.Sc., (Tech.) in Chemical Engineering from Andhra University. He had done his Research Scholar at IIT, Kharagpur and Ford Foundation Scholar at Carnegie Mellon University, Pittsburgh. He is also Fellow of the Institute of Engineers (India). Mr. P.C. Patnaik has around 50 years of experience in the field of project development, industrial promotion, entrepreneurship development and corporate management at senior and apex levels. He worked as Technical Executive in Steel Authority of India (SAIL), Senior Technical Advisor, Andhra Pradesh Industrial Development Corporation (APIDC), and as Managing Director – North Eastern Industrial and Technical Consultancy Organization (NEITCO).

He also worked as consultant/advisor in Scotia Energy, Scotland, Scottish Power, UK, Flo Energy, Florida, USA, Southland Enviro Green C, Atlanta, USA.

**Profile of Directors seeking election.**

Mrs. Y. Lalithya Poorna, aged 33 years. She is a Non Executive and Non Independent Director. She is B.Tech. (Chemical Technology) and MS (Food Technology & Statistics) by qualification. She has been actively involved in various functional activities and monitoring the general administration of CDC Industrial Infras Limited. She is associated with several social welfare organizations, working for the education and medical needs of the economically underprivileged people through their family trust.

Audit Committee:

The Audit Committee of the Company, comprises of four members namely Dr. Y.V.S.S. Murty, Mr. G. Jayaraman, Mr. P.C. Patnaik, Mr. Ch. S. Prasad. During the period 01-04-2009 to 31-03-2010, 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 three independent directors and one promoter non-executive director. 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.

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	4
02.	Dr. Y.V.S. S. Murty	Promoter & Non-Exe. Director	4
03.	Sri. Ch. S. Prasad	Independent Director	3
04.	Sri. P.C. Patnaik	Independent Director	4

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 held on 17-04-2009
01.	Mr. Ch.S. Prasad	Ind. Director	Yes
02.	Mr. G. Jayaraman	Ind. Director	Yes
03.	Mr. P.C. Patnaik	Ind. Director	Yes
04.	Dr. Y.V.S.S. Murty	Promoter & Non – Exe. Director	Yes

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

S.No	Name of the Director	commission	Sitting fee	Total
1	Sri. Y.S.R. Venkata Rao	30,61,997	--	30,61,997
2	Dr. Y.V.S.S. Murty		33,000	33,000
3	Smt. Y.V. Lalitha Devi		25,000	25,000
4	Sri. Ch.S. Prasad		24,000	24,000
5	Sri. P.C. Patnaik		33,000	33,000
6	Sri. G. Jayaraman		33,000	33,000
7	Dr. J.S. Yadav		20,000	20,000

Investors Grievances Committee:

This committee 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 held on 29-01-2010
01.	Sri. G. Jayaraman	Independent Director	Yes
02.	Sri. Ch S. Prasad	Independent Director	Yes
03.	Sri. P.C. Patnaik	Independent Director	Yes
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 2010. : NIL
- iii) Number of complaints resolved to the satisfaction of share holders. : NIL
- iv) No. of complaints pending : NIL

General Body Meetings:

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

Year	Location	Date	Time
2006-07	B-5, Block-III, IDA, Uppal, Hyderabad – 500 039.	21 st July 2007	4.00 P.M.
2007-08	Flat No. 5, Prembagh, 3-4-490/A, Barkatpura, Hyderabad – 500 027	7 th May 2008	4.00 P.M.
2008-09	Hotel Green Park, Ameerpet, Hyderabad – 500 016.	30 th May 2009	4.00 P.M.

- 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)
2006-07	1. To Issue bonus shares in the ratio of 15 shares for every 100 shares 2. Public issue of shares u/s 81(1A) 3. Alteration of Main objects and inclusion of other objects u/s. 17 4. Alteration of Articles of Association u/s 31
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)
2008-09	Re-appointment of Managing Director

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.

Related party transactions:

As per AS 18 the related party transactions are reflected in notes to accounts forming part of this report.

Risk Management:

The Board is apprised of the matters with regard to Risk Management & Assessment. The risk minimization procedures have been put in place and are reviewed from time to time to ensure that the executive management controls risk through means of properly defined framework.

Proceeds & Utilisation of IPO Proceeds:

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

Disclosures:

Wherever necessary, Senior Management makes disclosures to the Board relating to all the material financial and commercial transactions where they have a personal interest that may have a potential conflict with the interest of the Company at large. All the related party transactions have been disclosed in the notes to the accounts of the Balance Sheet presented in the Annual Report. All the Directors have disclosed their interest in Form No. 24AA pursuant to Section 299 of the Companies Act, 1956 and as and when any changes in their interests take place, they are placed at the Board Meetings for taking the same on record.

The Senior Management and the Board of Directors of the Company review the adoption of the non-mandatory requirements under Clause 49 of the Listing Agreement, from time to time.

Your Company has complied with all the requirements of the Listing Agreement with the Stock Exchanges, SEBI Regulations and other Statutory Authorities. No penalties or strictures have been imposed on your Company by the Stock Exchanges or SEBI or any other statutory Authority in connection with violation of Capital Market norms, rules, regulations etc.

Whistle blower policy and affirmation that no personnel have been denied access to Audit Committee.

**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 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 : 30-07-2010
Time : 10.00 A.M
Venue : Hotel Green Park, Ameerpet, Hyderabad – 500 016

ii) Financial Calendar :

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

iii) **Date of Book Closure** : 28.07.2010 to 30.07.2010
(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	317.00	280.05	250.20	316.70	222.20	250.80
May	360.00	254.70	348.85	359.25	253.10	349.40
June	398.00	275.00	282.15	399.40	275.00	281.50
July	283.00	210.00	240.50	285.00	200.25	240.35
August	310.00	205.60	265.80	295.00	206.00	253.50
September	272.50	235.00	242.40	272.25	240.00	242.15
October	288.60	141.15	154.80	284.00	143.00	155.25
November	155.00	119.25	125.30	154.95	120.20	125.90
December	139.45	122.50	135.85	139.95	122.10	137.10
January	144.00	111.00	114.35	143.85	111.50	114.20
February	123.00	98.20	100.25	123.00	98.00	101.10
March	134.80	98.00	110.75	135.00	101.10	110.55



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 300 shares during the year under report from Registrars.

Xi) Distribution of share holding as on 31st March 2010

HOLDING	NUMBER	% OF TOTAL	SHARES	% OF STOTAL
between 1 and 100	11,674	73.89	528,861	5.19
between 101 and 500	3,345	21.17	814,420	8.00
between 501 and 1000	436	2.76	334,002	3.28
between 1001 and 2000	171	1.08	250,540	2.46
between 2001 and 3000	59	0.37	146,714	1.44
between 3001 and 4000	22	0.14	76,053	0.75
between 4001 and 5000	24	0.15	109,221	1.07
between 5001 and 10000	40	0.25	271,201	2.66
> 10000	28	0.18	7,651,494	75.14
Total	15,799	100.00	10,182,506	100.00

Xii) Categories of share holding as on 31st March 2010

Category	No. of shares held	% of holdings
Indian Promoters including persons acting in concert	7,113,095	69.86
Bodies corporate	1,136,531	11.16
Individuals (below 1lakh value)	1,812,683	17.80
Individuals (above 1 lakh value)	13,555	0.13
Clearing members	37,559	0.37
Hindu undivided families	43,650	0.43
Non-resident Indians	25,433	0.25
Total	10,182,506	100.00

xiii) Secretarial Audit :

The company gets secretarial audit done by a practicing company secretary for the purpose of reconciliation of the total equity capital with both the depositories and in physical form with the total paid up capital as per the Books. The Secretarial Audit reports are placed before the Board of Directors on a quarterly basis and are also sent to stock exchanges where the Company's shares are listed.



xiv) **Company's policy as Insider Trading :**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992. As amended to date, the company has framed a code of conduct for prevention of insider trading. The Company Secretary and Compliance Officer has been appointed as the Compliance Officer for this purpose. The code is applicable to all heads of Departments of the company and who are expected to have access to the unpublished price sensitive information, relating to the Company and the same is being implemented as a self regulatory mechanism. The code is extended upto the levels of General Manager and Dy. General Managers.

xv) **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, Parawada, Visakhapatnam

xvi) **Address for correspondence :**

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

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 31st March 2010, 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
Sd/-

P. GANAPATHI RAO
Partner
M.No. 24113

Place: Hyderabad
Date: 27.05.2010

**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 31st March 2010.

Place: Hyderabad
Date: 27.05.2010

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

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 31st March 2010 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: 27.05.2010

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, 2010 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 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, 2010 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:27.05.2010

**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, 2010, for a period of more than six months from the date they became payable, except 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:

Name of the Statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where appeal is preferred.
Income tax Act	Income tax & Interest	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	23,382,300	A.Y.2007-08	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 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:27.05.2010

**BALANCE SHEET**

BALANCE SHEET AS AT 31.03.2010		(Rupees)			
	SCH	31.03.2010		31.03.2009	
I SOURCES OF FUNDS					
1 SHARE HOLDERS FUNDS					
a Share Capital	1	101,825,060		101,825,060	
b Reserves and Surplus	2	557,149,093	658,974,153	541,755,980	643,581,040
2 LOAN FUNDS					
a Secured Loans	3		185,760,007		110,029,456
b Deferred Sales Tax Liability	—		19,013,999		19,013,999
3 DEFERRED TAX LIABILITY			19,972,022		10,500,000
TOTAL			883,720,181		783,124,495
II APPLICATION OF FUNDS					
4 FIXED ASSETS	4				
a) Gross Block		605,885,853		391,250,166	
b) Depreciation		138,882,274		119,734,123	
c) Net Block			467,003,581		271,516,043
d) Capital Work-in-progress			22,566,200		148,514,971
5 INVESTMENTS	5		91,879,696		91,879,696
6 CURRENT ASSETS, LOANS AND ADVANCES					
a) Inventories	6	110,205,550		108,590,657	
b) Sundry Debtors	7	132,574,291		143,987,491	
c) Cash & Bank Balances	8	48,666,716		13,749,366	
d) Other Current Assets	9	170,055		-	
e) Loans & Advances	10	125,905,142		78,557,275	
Total Current Assets		417,521,754		344,884,789	
LESS : CURRENT LIABILITIES AND PROVISIONS	11				
a) Current Liabilities		68,755,470		41,867,453	
b) Provisions		72,892,809		65,050,087	
NET CURRENT ASSETS			275,873,475		237,967,249
7 Deferred Tax Asset	—		-		250,000
8 MISCELLANEOUS EXPENDITURE					
a) Public Issue Expenses			26,397,229		32,996,536
TOTAL			883,720,181		783,124,495
Significant Accounting Policies and Notes to Accounts	17				

As per our Report attached
For C K S Associates
Chartered Accountants

For and on Behalf of Board of Directors

Sd/-
P.GANAPATI 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
Date : 27-05-2010


PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010						(Rupees)	
	SCH	31.03.2010		31.03.2009			
INCOME							
a) Sales – Export			299,142,120			345,629,163	
b) Sales –Domestic			304,951,254			339,750,173	
TOTAL SALES			604,093,374			685,379,336	
Less : Taxes							
a) Central Excise		21,871,027			33,153,695		
b) Sales Tax		10,059,477	31,930,504		14,405,100	47,558,795	
NET SALES				572,162,870			637,820,541
Other Income	12			3,785,669			2,052,555
TOTAL				575,948,539			639,873,096
EXPENDITURE							
a) Cost Of Raw Matetials	--		240,730,701				280,817,135
b) Payments & Benefits To Employees	13		48,750,607				52,272,765
c) Manufacturing, Administration Selling and Marketing Expenses	14		163,713,408				138,441,131
d) Finance Charges	15		7,054,071				12,749,155
e) Depreciation			19,166,546				18,500,511
TOTAL				479,415,333			502,780,697
Variation In Stocks	16			1,061,996			38,377,658
PROFIT BEFORE TAX				95,471,210			98,714,741
a) Current Year Tax			16,300,000			11,200,000	
b) Short/(Excess) provision for previous years			4,042,722			-	
c) Deffered Tax Liability			9,722,022	30,064,744		(250,000)	10,950,000
PROFIT AFTER TAX				65,406,466			87,764,741
Surplus from the previous year brought forward				215,536,372			192,362,383
AVAILABLE FOR APPROPRIATION							
a) Proposed Dividend			40,730,024			40,730,024	
b) Tax on proposed Dividend			6,922,068			6,922,068	
c) Bonus Issue			-			6,938,660	
d) Transfer to General Reserve			10,000,000	57,652,092		10,000,000	64,590,752
Balance Transfer to balance sheet				223,290,746			215,536,372
Significant Accounting Policies and Notes to Accounts	17						

As per our Report attached
For C K S Associates
Chartered Accountants

For and on Behalf of Board of Directors

Sd/-
P.GANAPATI 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
Date : 27-05-2010

**CASH FLOW STATEMENT****Rupees**

	2009-10		2008-09	
A. Cash flow from Operating activities				
1. Net Profit before Tax and extraordinary items		102,070,517		98,995,038
2. Adjustments for				
Depreciation	19,166,546		18,500,511	
Interest expense	7,054,071		12,749,155	
Interest income & other receipts	(3,785,669)		(2,052,555)	
		22,434,948		29,197,111
3. Operating Profit before working capital changes (1+2)		124,505,465		128,192,149
4. Adjustments for				
Increase/(Decrease) in Share Capital	--		25,500,000	
Increase/(Decrease) in Share Premium	--		237,150,000	
Increase/(Decrease) in IFST Loan	--		914,115	
Increase/(Decrease) in Trade payable & other liabilities	(3,199,331)		(7,874,265)	
(Increase)/decrease in inventories	(1,614,893)		22,339,290	
(Increase)/Decrease in Trade and other receivables	(36,104,722)	(40,918,946)	(2,521,028)	275,508,112
5. Cash generated from operations (3-4)		83,586,519		403,700,261
6. Direct taxes paid		(30,064,744)		(10,950,000)
7. Net cash from Operating activities (5-6)		53,521,775		392,750,261
B. Cash flow from investing activities				
Purchase of fixed assets/capital work in progress	(91,066,573)		(122,533,799)	
Sale of fixed assets	--		970,297	
Increase of investments	--		(91,879,696)	
Decrease of investments	--		-	
Interest income & other receipts	3,785,669		2,052,555	
Cash flow before Extraordinary Items	(87,280,904)		(211,390,643)	
Extra Ordinary item				
(Public issue expenses)	--		(23,980,860)	
Loss on sale of Asset	--		(280,297)	
8. Net cash used in Investing activities		(87,280,904)		(235,651,800)
C. Cash flow from Financing activities				
Proceeds from Long term and Other borrowings	75,730,551		(131,010,961)	
Repayment of Long term and other borrowings	--		--	
Interest expenses	(7,054,071)		(12,749,155)	
Dividend paid	--		--	
Tax on Dividend	--		--	
9. Net Cash from/(used in) Financing activities		68,676,480		(143,760,116)
10. Net Increase/(Decrease) in Cash & cash equivalent (7+8+9)		34,917,350		13,338,345
11. Cash and cash equivalent as at the beginning of the year		13,749,366		411,021
12. Cash and cash equivalent as at the end of the year		48,666,716		13,749,366

for C K S Associates
Chartered Accountants

For and on Behalf of Board of Directors

Sd/-
P.GANAPATI RAO
PARTNER
M.No.24113
Place: Hyderabad
Dated: 27.05.2010Sd/-
P. SATISH CHANDRA MOULI
COMPANY SECRETARYSd/-
Dr. J.S. YADAV
CHAIRMANSd/-
Y.S.R.VENKATA RAO
MANAGING DIRECTOR

**SCHEDULES TO ACCOUNTS****31-03-2010**

	(Rupees)	
	31.03.2010	31.03.2009
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED:		
150,00,000 Equity shares of Rs.10/- each	150,000,000	150,000,000
	150,000,000	150,000,000
ISSUED, SUBSCRIBED AND PAID UP:		
101,82,506 Equity shares of Rs.10/- each fully paidup	101,825,060	101,825,060
	101,825,060	101,825,060
SCHEDULE 2 : RESERVES AND SURPLUS		
Share Premium Account	237,150,000	237,150,000
Revaluation Reserve	8,336,793	10,698,054
General Reserve	88,371,554	78,371,554
Profit and Loss Account	223,290,746	215,536,372
	557,149,093	541,755,980
SCHEDULE 3 : SECURED LOANS		
Term Loan from State Bank of India	54,995,308	70,000,000
Working Capital Loan from State Bank of India	130,764,699	40,029,456
	185,760,007	110,029,456


SCHEDULES TO ACCOUNTS
31-03-2010

SCHEDULE 4 : FIXED ASSETS									
PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Opening cost as on 01-04-2009	Additions 09-10 (Upto 31-03-2010)	Sales/ transfer	Cost as on 31-03-2010	Upto 31-03-2009	For the year 09-10 (Upto 31-03-2010)	Withdrawn during the year	Total upto 31-03-2010	Written down value as on 31-03-2010
LAND	9,047,195	52,890,534	-	61,937,729	-	-	-	-	9,047,195
BUILDINGS	45,670,635	87,359,259	-	133,029,894	8,906,031	1,436,051	-	10,342,081	36,764,605
PLANT & MACHINERY *	156,927,899	70,690,588	2,361,261	225,257,226	51,442,157	8,160,916	-	59,603,073	105,485,743
R&D EQUIPMENT	112,203,113	3,770,953	-	115,974,066	37,119,344	5,600,422	-	42,719,766	75,083,768
R&D LAB EQUIPMENT	32,228,362	695,365	-	32,923,727	10,066,073	1,645,454	-	11,711,526	22,162,289
POLLUTION CONTROL EQUIP.	10,019,683	-	-	10,019,683	3,641,117	525,503	-	4,166,620	6,378,565
SAFETY EQUIPMENT	3,255,495	-	-	3,255,495	802,615	171,890	-	974,505	2,452,879
VEHICLES	4,546,780	673,922	-	5,220,702	1,695,206	455,273	-	2,150,479	2,851,574
FURNITURE & FIXTURES	1,499,677	49,222	-	1,548,899	672,158	88,507	-	760,665	827,520
LABORATORY EQUIP.	8,076,877	148,323	-	8,225,200	1,935,156	382,283	-	2,317,438	6,141,721
OFFICE EQUIPMENT	7,756,049	737,179	-	8,493,228	3,435,871	700,248	-	4,136,119	4,320,179
TOTAL	391,231,765	217,015,345	2,361,261	605,885,853	119,715,727	19,166,546	-	138,882,274	271,516,039
CAPITAL WORK-IN-PROGRESS	148,514,971	91,066,574	217,015,345	22,566,200	-	-	-	-	148,514,971
TOTAL	539,746,736	308,081,919	219,376,606	628,452,053	119,715,727	19,166,546	-	138,882,274	420,031,010
PREVIOUS YEAR FIGURES	384,502,596	148,672,102	1,231,330	531,943,368	101,494,649	18,500,511	261,033	119,734,123	283,007,947

* Unadjusted Revaluation Reserve to the extent of Rs.23,61,261/- has been adjusted to the gross block of Plant & Machinery & revaluation reserve

**SCHEDULES TO ACCOUNTS****31-03-2010**

	(Rupees)	
	31.03.2010	31.03.2009
SCHEDULE 5 : INVESTMENTS		
(Current Non Trade unquoted - At Cost)		
Mutual Funds		
SBI-SHF-Ultra Short Term Fund	91,879,696	91,879,696
(Net asset value as on 31.03.2010 is Rs.95411118) (Prev. Year - Rs. 91879696)	91,879,696	91,879,696
SCHEDULE 6 : INVENTORIES		
(As certified by the Management)		
a) Raw Materials & consumables	39,899,244	37,222,355
b) Finished Goods	2,113,761	-
c) Work in process	68,192,545	71,368,302
	110,205,550	108,590,657
SCHEDULE 7 : SUNDRY DEBTORS		
(Unsecured & considered good for which the company holds no security other than debtors Personal Security)		
a) Out standing for less than six months	131,293,072	143,832,791
b) Out standing for more than six months	1,281,219	154,700
	132,574,291	143,987,491
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash on hand	506,343	327,708
Balances with Scheduled Banks in :		
Current Accounts	2,207,547	4,649,337
E E F C Account	42,532,794	3,605,321
Margin Money Deposits Accounts	3,378,500	5,167,000
Unclaimed Dividend Account	41,272	-
Unclaimed Refund Account	260	-
	48,666,716	13,749,366
SCHEDULE 9 : OTHER CURRENT ASSETS		
Interest Receivable	170,055	-
	170,055	-

**SCHEDULES TO ACCOUNTS****31-03-2010**

	(Rupees)	
	31.03.2010	31.03.2009
SCHEDULE 10 : LOANS AND ADVANCES		
(unsecured and Considered good Recoverable in cash or kind or for value to be received)		
a) Advances	38,566,118	4,269,363
b) Prepaid Taxes - Income Tax	63,772,095	51,111,184
c) Balances with Central Excise Dept.	13,704,352	13,540,709
d) Deposits	6,203,010	6,232,510
e) Prepaid Expenses	3,659,567	3,403,509
	125,905,142	78,557,275
SCHEDULE 11: CURRENT LIABILITIES AND PROVISIONS		
A)CURRENT LIABILITIES		
Sundry Creditors & Others	66,003,314	39,918,739
Advances against Sales	1,681,640	902,435
Other Liabilities	1,028,984	1,046,279
Unclaimed Dividend	41,272	-
Unclaimed Refunds	260	-
TOTAL	68,755,470	41,867,453
B) PROVISIONS :		
Incometax	25,240,717	17,397,995
Proposed Dividend	40,730,024	40,730,024
Tax on Proposed Dividend	6,922,068	6,922,068
TOTAL	72,892,809	65,050,087
SCHEDULE 12 : OTHER INCOME		
Interest from Banks and others (Tax Deduct at source Rs.49120/-)	611,095	2,052,555
Miscellaneous Income	3,174,574	-
	3,785,669	2,052,555
SCHEDULE 13 : PAYMENT AND BENEFITS TO EMPLOYEES		
Salaries, wages, Bonus & others	42,454,300	48,343,150
Leave Encashment	1,461,171	384,374
Safety Expenses	635,633	687,706
Training and Recruitment	92,000	41,500
Statutory contributions	4,107,503	2,816,035
	48,750,607	52,272,765


**SCHEDULES TO ACCOUNTS
31-03-2010**

	31.03.2010		31.03.2009	
SCHEDULE 14 : MANUFACTURING, ADMINISTRATION SELLING AND MARKETING EXPENSES				
Stores, spares & consumables		17,272,417		17,755,601
Power & Fuel		67,865,360		65,957,121
Repairs & Maintenance				
a) Buildings	1,288,233		1,163,370	
b) Plant & Machinery	12,080,506		12,434,137	
c) Others	681,909	14,050,648	944,221	14,541,728
Rates, Taxes & Fees		1,359,366		1,265,610
Rentals		1,202,000		1,260,000
Insurance		2,133,925		2,160,179
R & D Expenditure		9,630,739		13,537,962
Pollution Control Expenses		703,746		540,189
Directors Remuneration		3,061,997		1,200,000
Directors sitting fees		168,000		120,000
Remuneration to Auditors				
a) Audit Fee	200,000		20,000	
b) Tax Representation Fee	35,000		6,000	
c) Other Services	30,760	265,760	-	26,000
Professional & Consultancy Fee		1,165,502		2,593,021
Foreign travel expenses				
a) Directors	527,129		96,665	
b) Others	438,571	965,700	431,080	527,745
Freight on sales		14,009,104		13,964,810
Communication Expenses		1,914,451		1,598,924
Printing & Stationery		937,469		956,817
Periodicals & Subscriptions		501,351		407,331
Commission to Agents		462,146		627,732
Bank charges & commission		3,071,036		2,636,905
Foreign exchange fluctuation		11,032,513		(8,048,664)
Domestic Travel & Conveyance exp				
a) Directors	135,957		222,572	
b) Others	1,149,103	1,285,060	579,199	801,771
Exhibitions & Others		2,856,647		3,216,206
Advertisement		831,899		496,068
Others		367,265		17,778
Loss on Sale of Vehicle		-		280,297
IPO Expenses Written Off		6,599,307		-
		163,713,408		138,441,131
SCHEDULE 15 : FINANCE CHARGES				
Interest on working capital		7,054,071		12,749,155
		7,054,071		12,749,155
SCHEDULE 16 : VARIATION IN STOCKS				
a) FINISHED GOODS				
Opening stocks		-		1,402,500
Closing stocks		(2,113,761)		-
		(2,113,761)		1,402,500
b) WORK-IN-PROCESS				
Opening stocks		71,368,302		108,343,460
Closing stocks		(68,192,545)		(71,368,302)
		3,175,757		36,975,158
TOTAL		1,061,996		38,377,658

**SCHEDULES TO ACCOUNTS****31.03.2010****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 listed company on 6th 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.

**SCHEDULES TO ACCOUNTS****31.03.2010**

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.



SCHEDULES TO ACCOUNTS

31.03.2010

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) 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.

N) Claims:

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

3. NOTES TO ACCOUNTS

- 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:

	2009-10	2008-09
Employer's Contribution to PF	1,758,767	1,743,964
Employer's Contribution to ESI	535,883	479,564

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.



SCHEDULES TO ACCOUNTS

31.03.2010

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

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

**SCHEDULES TO ACCOUNTS****31.03.2010**

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 Lakhs)

	2009-10	2008-09
a) Bank guarantees	122.5	80.60
b) Letters of credit	59.80	121.46
c) Un-executed Capital work in progress	38.17	183.50

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

	2009-10	2008-09
Income Tax	78,587,933	60,205,633

- 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 second charge on the immovable properties and personal guarantees of some of the Directors.
- 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. 19,013,999/- up to 31-03-2010, which is shown as liability in the Balance Sheet. The repayment of 1st year availment will start from year 2016.
- 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:

	As on 31.03.2010 (Rs.)
Deferred Tax Liability	
on Fixed assets	9,117,235
Deferred Tax Liability	
On Gratuity	604,787
NET DEFERRED TAX LIABILITY	
Net Deferred Tax charge to Profit & Loss Account for the year	
Deferred Tax	19,972,022
ADD: Deferred Tax Asset Account	250,000
LESS: Already Provided	10,500,000
Net Deferred Tax	9,722,022

**SCHEDULES TO ACCOUNTS****31.03.2010****7.a. Managerial Remuneration:****(Rs. In Lakhs)**

	2009-10	2008-09
Salary paid/payable	1.00	12.70
Commission	29.62	--
	30.62	12.70

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

	2009-10	2008-09
Profit before tax as per Profit & Loss Account	954.71	989.95
Add: Depreciation charged in the accounts	191.67	185.00
Directors emoluments (Directors Remuneration & Sitting fees)	32.30	13.20
Less: Depreciation charged in the accounts	191.67	185.00
Profit on sale of fixed assets	0	2.80
	987.01	1000.35
Maximum Remuneration eligible to Whole Time Directors @ 10% of Net Profit for the Year:	98.70	100.03

8. Earning per Share

	2009-10	2008-09
Total No. of Shares	10,182,506	10,182,506
Profit after Taxes and exceptional items (Rs.)	65,406,466	87,764,741
Earning per share (Rs.)	6.42	10.03

9. Segment Reporting

The company is predominantly engaged in the manufacture and sale of chemicals where the risk and returns associated with the products are uniform. The company has identified the Geographical segments as its primary segments for reporting. The Geographical segments of the company are Europe, Japan, USA and other etc.

**SCHEDULES TO ACCOUNTS****31.03.2010**

(Rs in Lakhs)

Geographic Segment						
Particulars	India	Europe	Japan	USA	Others	Total
	51%	37%	7%	1%	4%	100%
Revenue	3,088.88	2,218.04	440.59	75.19	218.23	6,040.93
Operating Expenses	2,600.71	1,867.50	370.96	63.31	183.74	5,086.22
Unallocated Expenses	0	0	0	0	0	0
Operating Income	0	0	0	0	0	0
Non-Operating Income	0	0	0	0	0	0
Profit Before Tax	488.17	350.54	69.63	11.88	34.49	954.71
Tax	83.13	60.31	11.41	1.63	6.52	163.00
Deferred Tax & Earlier year Taxes	-	-	-	-	-	137.64
Net Profit	334.44	240.16	47.70	8.14	23.62	654.06
Fixed Assets	-	-	-	-	-	4,670.03
Current Assets	-	-	-	-	-	4,175.22
Total Assets	-	-	-	-	-	8,845.25
Segment Liabilities	0	0	0	0	0	0
Unallocated Liabilities	-	-	-	-	-	8,845.25
Total Liabilities	-	-	-	-	-	8,845.25

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

Particulars of the party	Nature of Relationship	Transaction	Current Yr. (Rs)	Previous Yr (Rs)
Asian Herbex Ltd.,	Promoter Group Company	Job work charges	--	1,200,000
Asian Herbex Ltd.,	Promoter Group Company	Plant Maintenance	500,000	--
CDC Industrial Infra Ltd.,	Promoter Group Company	Rent	1,010,000	1,068,000
Dr Y.V.S.S. Murty	Promoter	Royalty	2,569,002	5,377,036
Dr Y.V.S.S. Murty	Promoter	Rent	192,000	192,000
Sri Y.S.R. Venkata Rao	Managing Director	Remuneration	100,000	1,270,000
Sri Y.S.R. Venkata Rao	Managing Director	Commission	2,961,997	--


SCHEDULES TO ACCOUNTS
31.03.2010
(B) Remuneration to directors is as follows

(All amounts in rupees)

S.No	Name of the Director	Relationship	Nature of transactions	Current Yr. (Rs)	Previous Yr (Rs)
1	Sri. Y.S.R. Venkata Rao	Managing Director related to Smt. Y.V.Lalita Devi, Chairperson	Remuneration as Managing Director	3,061,997	1,270,000

11. There are no due 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

Product	2009-10 MT	2008-09 MT
Sodium Metal Derivatives, Amino Pyridines, Fine Chemicals & others.	4,400	4,400

ii. Production and Sales

Product	Opening Stock MT	Production MT	Sales MT	Closing Stock MT
Sodium Metal Derivatives, Amino Pyridines, Fine Chemicals	----- (8.500)	1,803.141 (1,597.398)	1,793.408 1,605.898)	9.733 -----
Caustic Lye	-----	666.47 (699.900)	666.47 (699.900)	----

(Figures in Brackets relate to Previous year)

II. CONSUMPTION

	Curr. Yr. QTY	Prev. Yr. QTY	Curr. Yr. Value(Rs.)	Prev. Yr. Value(Rs.)
1) Chemicals	1820.079MT	1809.963MT	164,545,688	199,325,712
2) Gases	885.695MT	741.214MT	32,466,853	33,864,571
-do-	53,193 cyl	33,897 cyl	13,785,872	8,682,222
3) Oils & solvents	859.903 KL	960.304 KL	23,817,524	27,955,071
-do-	73.933 MT	143.190 MT	6,114,764	10,989,559
Total			240,730,701	280,817,135

**SCHEDULES TO ACCOUNTS
31.03.2010****III. BREAK UP OF CONSUMPTION OF RAW MATERIALS.**

	Curr. Yr. Value(Rs.)	%	Prev. Yr. Value(Rs.)	%
1) Indigenous	99,995,646	41.53	169,626,208	60.40
2) Imported	140,735,055	58.47	111,190,927	39.60
Total	240,730,701	100	280,817,135	100

IV. FOREIGN EXCHANGE TRANSACTIONS

	Current Yr. (Rs)	Previous Yr (Rs)
a) C.I.F value of imports	134,112,807	151,649,737
Raw Materials	134,112,807	150,425,652
Capital	--	1,224,085
Equipment		
b) Expenditure in Foreign		
currency		
Traveling	373,707	134,325
Others	2,483,750	3,045,127
c) F.O.B. value of Exports	281,613,874	318,051,919

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

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

For and on Behalf of Board of Directors

Sd/-
P. SATISH CHANDRA MOULI
COMPANY SECRETARY

Sd/-
Dr. J.S. YADAV
CHAIRMAN

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

Place: Hyderabad
Dated: 27.05.2010

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

I Registration Details :	State Code	Balance
Sheet Date		
Registration No.	01196	01
	(Refer Code List)	31-03-2010
		Date Month Year

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	883,720	Total Assets	883,720
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Sources of Funds

Paid-up Capital	101,825	Reserves & Surplus	557,149
Secured Loans	185,760	Unsecured Loans	NIL
Deferred Liability	19,014	Deferred Tax Liability	19,972

Application of Funds

Net Fixed Assets	467,004	Investments	91,880
Net Current Assets	275,873	Miscellaneous Expenditure	26,397
Capital Work in Progress	22,566	Accumulated Losses	NIL

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

Turnover	575,949	Total Expenditure	480,477
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Profit/Loss before tax

Profit/Loss after tax

+	95,471	+	65,406
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(Please tick appropriate box + for Profit, - for Loss)

Earning per Share in Rs.	6.42	Dividend rate %	40 %
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V Generic Names of Three Principal Products / Services of Company :

(As per monetary terms)

Item Code (ITC Code)	28510009
Product Description	SODIUM AMIDE
Item Code (ITC Code)	28500003
Product Description	SODIUM AZIDE
Item Code (ITC Code)	29333901
Product Description	AMINO PYRIDINES



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ALKALI METALS LIMITED
B-5, BLOCK III, IDA, UPPAL, HYDERABAD – 500 039
ATTENDANCE SLIP
ANNUAL GENERAL MEETING- 30th JULY, 2010 AT 10.00 A.M

DP. Id		NAME & ADDRESS OF THE REGISTERED SHAREHOLDER /PROXY
Client Id/ Folio No.		
No. of Shares		

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.
 I hereby record my presence at the 42nd ANNUAL GENERAL MEETING of the Company at HOTEL GREEN PARK, Ameerpet, Hyderabad – 500 016 on Friday, 30th July 2010.

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- 30TH JULY 2009 AT 10.00 A.M

I/We of in the district ofbeing a member/members of **ALKALI METALS LTD** hereby appoint of in the district of or failing himofin the district ofas my/our proxy to vote for me/us on my/our behalf at the 42nd ANNUAL GENERAL MEETING of the Company to be held on Friday, 30th July, 2010 and at any adjournment thereof.

Signed this day of 2010.

DP. Id		<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 60%;"> Signature... </div> <div style="width: 35%; border: 1px solid black; padding: 5px; text-align: center;"> Affix a Rs 1/- Revenue Stamp </div> </div>
Client Id/ Folio No.		
No. of Shares		

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.



ALKALI METALS LTD.,

AN ISO 9001, 14001 COMPANY & EXPORT HOUSE



LIFE TIME ACHIEVEMENT HONOUR
to
DR Y.V.S.S. MURTY
by
INDIAN INSTITUTE OF CHEMICAL ENGINEERS - HIRC
IN CHEMICAL ENGINEERING CONGRESS 2002,
AT HYDERABAD ON 19TH DEC. 2002



LIFE TIME ACHIEVEMENT HONOUR
to
DR. Y.V.S.S. MURTY
by
ALL INDIA MANUFACTURERS' ORGANISATION (APSB),
PRESENTED BY SRI K. ROSAIAH, HON'BLE CHIEF MINISTER
OF ANDHRA PRADESH ON 24TH NOV. 2009

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Alkali Metals Ltd.,

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website : www.alkalimetals.com