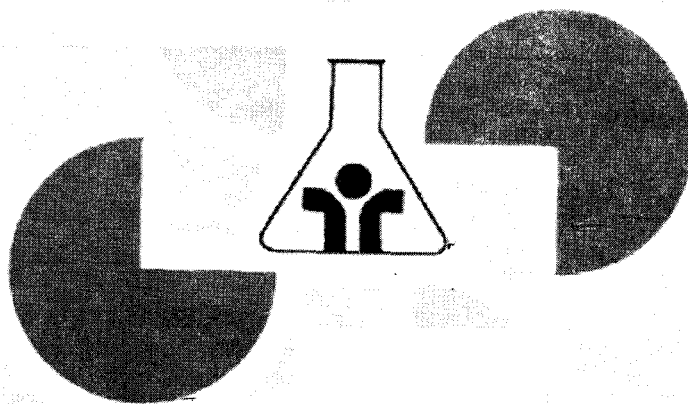
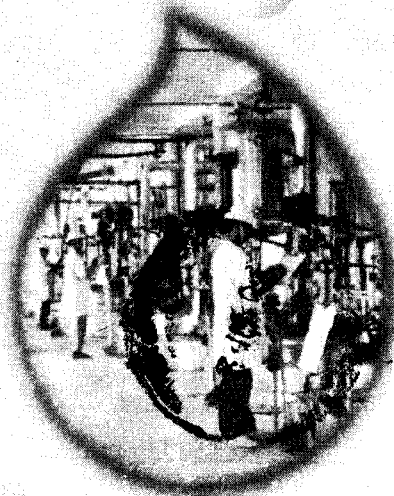


**"WE ARE IN
QUALITY BUSINESS"**



SS ORGANICS LIMITED

Board of Directors

Mr. P. Ramachandra Gupta	Director
Mr. E. Prabhakara Reddy	Director
Mr. E. Ramasubba Reddy	Director
Mr. G. Chandramouliswar Reddy	Director
Mr. G. Raghunandan	Director (Nominee- APIDC)
Mr. Rakesh Popli	Director
Mr. Y.V. Ratna Kumar	Director
Mr. P. Santosh Kumar	Director - Finance
Mr. K. Srinivas Reddy	Director - Marketing
Mr. Y. Ramachandra Reddy	Joint Managing Director
Mr. V. N. Sunanda Reddy	Managing Director

Statutory Auditors

M/s. K. Nagaraju & Associates
1-8-197
Chikkadapally
Hyderabad - 500 020.

Internal Auditors

Deva & Co.,
303, Siddhu Residency, Street No. 4,
Hill Fort, 5-9-42/2, Basheer Bagh,
Hyderabad - 500 063.

Regd. Office & Factory

Survey No. 252/1,
Aroor Village,
Sadasivapet Mandal,
Medak Dist.
Andhra Pradesh.

Corporate Office

Plot No.79/1, Sagar society, Street No.3,
Banjara Hills, Road No.2, Hyderabad - 500 034.
Andhra Pradesh, India.
Ph : 040-2354 8523/ 2355 5352
Fax- 040-2354 8563
e-mail: ssorganicslimited@msn.com

Demat Registrars

M/s. Venture Capital & Corporate Investments Limited
6-2-913/914, IIIrd Floor
Progressive Towers, Khairatabad, Hyderabad.
Ph : 23322264/62,
Fax : 23324803.

NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the Members of S S ORGANICS LIMITED will be held on Friday, the 20th day of October, 2006, at 4.00 P.M. at its Registered office at Survey No. 252/1, Aroor Village, Sadasivapet Mandal, Medak District, A.P., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Audited Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.P.Ramachandra Gupta, who retires by rotation and being eligible, offers him self for re-appointment.
3. To appoint a Director in place of Sri E. Prabhakara Reddy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. K. Nagaraju & Associates., Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. V.N.Sunanda Reddy be and is hereby appointed as Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs.75,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr. V.N.Sunanda Reddy be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Managing Director of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms and conditions of the appointment of Mr. V.N.Sunanda Reddy as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

6. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary

Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. Y. Ramachandra Reddy be and is hereby appointed as Joint Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs.60,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr. Y.Ramachandra Reddy be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Joint Managing Director of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms and conditions of the appointment of Mr. Y.Ramachandra Reddy as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

7. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. K.Srinivas Reddy be and is hereby appointed as Director-Marketing of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs.50,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr.K.Srinivas Reddy be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Director-Marketing of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms

and conditions of the appointment of Mr.K,Srinivas Reddy as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

8. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and as recommended by the Remuneration Committee and subject to such other approvals as may be necessary, Mr. P.Santosh Kumar be and is hereby appointed as Director-Finance of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration of Rs. 40,000/- per Month (including all Perquisites)".

The following perquisites be paid which are not included in the salary:

1. Contribution to Provident Fund, Superannuation fund or annuity fund as per Company's Rules.
2. Payment of Gratuity at the end of the tenure as per Company's Rules.
3. Encashment of Leave at the end of the tenure as per Company's Rules.

"RESOLVED FURTHER THAT pursuant to Section 198 and other applicable provisions, if any, of the Companies Act, 1956 Mr.P.Santosh Kumar be paid the aforesaid remuneration as minimum remuneration even in case of inadequacy of profits in any financial year during his term as Director-Finance of the Company."

"RESOLVED FURTHER THAT the salary structure, the terms and conditions of the appointment of Mr.P.Santosh Kumar as stated above can be altered and varied from time to time by the Board of Directors, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment made thereto."

By order of the Board
for S S ORGANICS LIMITED

Place : Hyderabad
Date :15th September, 2006

V. N. Sunanda Reddy
Managing Director

NOTES:

1. A MEMBER ELIGIBLE TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS IN ORDER TO BE EFFECTIVE MUST BE RECEIVED NOT LESS THAN 48 HOURS BEFORE THE MEETING AT THE REGISTERED OFFICE/ CORPORATE OFFICE OF THE COMPANY.
2. An Explanatory Statement pursuant to Sec 173 (2) of the Companies Act, 1956 with regard to special business is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will be closed from 18th October, 2006 to 20th

October, 2006 (both days inclusive).

4. Brief profile of Directors who are being re-appointed is given under corporate governance report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item no: 5

Mr.V.N Sunanda Reddy vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Managing Director of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr.V.N Sunanda Reddy as Managing Director of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. V.N.Sunanda Reddy as Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

Considering the contribution made by Mr. V N Sunanda Reddy for the successful revival of the Company, the Board recommends passing of the proposed resolution for approval of the Members. None of the Directors of the Company except Mr. V.N.Sunanda Reddy is in any way, concerned/interested in the resolution.

Item no: 6

Mr. Y.Ramachandra Reddy vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Joint Managing Director of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr. Y.Ramachandra Reddy as Joint Managing Director of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. Y.Ramachandra Reddy as Joint Managing Director of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

Considering the contribution made by Mr. Y. Ramachandra Reddy for successful improvement in production capacity, the Board recommends passing of the proposed resolution for approval of the Members.

None of the Directors of the Company except Mr. Y.Ramachandra Reddy is in any way, concerned/interested in the resolution.

Item No. 7

Mr. K.Srinivas Reddy vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Director-Marketing of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr. K.Srinivas Reddy as Director-Marketing of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies

Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. K.Srinivas Reddy as Director-Marketing of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

Considering the contribution made by Mr. K Srinivas Reddy for enhancing the market viability & for increase in the volume of market share, the Board recommends passing of the proposed resolution for approval of the Members.

None of the Directors of the Company except Mr. K.Srinivas Reddy is in any way, concerned/interested in the resolution.

Item No. 8

Mr. P.Santosh Kumar vide his letter dated 27.04.2006 submitted his resignation relinquishing the executive responsibilities as Director-Finance of the Company so as to enable the Board of Directors of the Company to restructure the appointment of Managerial persons. The Board of Directors at the meeting held on 28.04.2006 has approved the resignation of Mr. P.Santosh Kumar as Director-Finance of the Company. However, he continued as a Director of the Company.

As the Company would be entitled to appoint Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956, the Board at the Meeting held on 02.05.2006 appointed Mr. P.Santosh Kumar as Director-Finance of the Company for a term of three years with effect from 2nd May, 2006 at a remuneration as proposed in the resolution.

The Board recommends passing of the proposed resolution for approval of the Members.

None of the Directors of the Company except Mr. P. Ramachandra Gupta being relative and Mr.P.Santosh Kumar is in any way, concerned/interested in the resolution.

By order of the Board
for S S ORGANICS LIMITED

Place : Hyderabad
Date : 15th September, 2006

V. N. Sunanda Reddy
Managing Director

DIRECTORS' REPORT

To
The Members
S S ORGANICS LIMITED

Your Directors hereby present their 13th Annual Report together with the Audited Financial Statements for the year ending 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in lacs)	
For the year ending	Previous period	
31-03-2006	31-03-2005	
(12 Months)	(18 Months)	
Total Income	2724.61	2021.57
Profit / (Loss) before Financial Expenses and Depreciation	248.51	(75.36)
Profit / (Loss) after Financial Expenses and Depreciation	87.59	(178.41)
Extraordinary Items:		
Add: Interest of Financial Institutions Written off:		
As per OTS with IDBI	12.20	--
	99.79	(178.41)
Less: Prior Year Adjustments	3.10	10.46
Profit / (Loss) for the year before taxation.	96.69	(188.87)
Less: Deferred Tax Liability	33.43	62.45
FBT	--	2.06
Profit / (Loss) after Tax	63.26	(253.38)

OPERATIONS

The year under review was mixed one. While in the first half year the company's performance improved substantially, the second half was not encouraging due to various factors.

The continuing disputes raised by erstwhile Director is affecting the company on various fronts viz. expansion, availability of working capital, own production and sales, tie-ups with large companies etc., Further, the AP Pollution Control Board has issued closure order of the factory of the company on 19th November 2005, which the company successfully got revoked on 10-02-2006. This closure on the factory for almost 3 months is a major set back for the reduced performance of the company in the second half of the Financial Year.

The company was successful in getting reasonable reliefs in respect of the disputes raised by the erstwhile Director. With these problems left behind, the company could have done better performance. But unfortunately, the AP Pollution Control Board once again issued a closure order on 15-04-2006, which the company has challenged at higher forums. The company is confident of resolving this issue and improve its performance, soon it is resolved.

DIRECTORS

Dr. G.Subramanyam resigned w.e.f 28-04-2006. The Board places on record its appreciation for the valuable services rendered by him during his tenure.

DIRECTORS RESPONSIBILITY STATEMENT

Directors responsibility statement pursuant to section 217 (2AA) is given here under.

Mr. P. Ramachandra Gupta and Mr. E. Prabhakara Reddy retires by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

- that in preparation of Annual Accounts applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 or loss of the company for that period; -
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s K. Nagaraju & Associates, Chartered Accountants, Statutory Auditors of the Company who retire at this Annual General Meeting, are eligible for re-appointment. They have signified their willingness for re-appointment and have confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

REPLIES TO AUDITORS' REPORT

With reference to observations made in the Auditors' Report regarding-

- Remuneration paid to The Managing Director and other Whole time Directors, Note no.2 of the Notes to Accounts in Schedule-O is self explanatory.
- Allotment of 25, 00,000 Equity Shares of Rs.10/- each on 28th March, 2005, Note no.5 of the Notes to Accounts in Schedule-O is self explanatory.
- Applicability of Section 58A, 58AA of the Companies Act, 1956 and Fixed Deposit Rules there under for the outstanding unsecured loans, Note no.20 of the Notes to Accounts in Schedule-O is self explanatory.

- vi) Non recoverability of certain debts included under sundry debtors to the extent not ascertained and not provided for, Note no.21 of the Notes to Accounts in Schedule-O is self explanatory.
- v) Verification of Fixed Assets, considering the size of the Company and other facts and circumstances, the Company is having programme of verification of the Fixed Assets. This program of the Company is considered adequate.
- vi) Non maintenance of Cost Records, as the Company is a sick industrial Company, there was no competent person to maintain the cost records as per the Act. Even though the Company has not maintained the cost records in the prescribed format, but the information is always available to the auditor's of the Company. The Company is making all our efforts to maintain the cost records as per the Act from the present financial year.
- vii) With reference to other observations made in the Auditors Report, the notes to the Accounts are self explanatory and, therefore, do not call for any further explanation under section 217(3) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public during the year so as to attract the provisions of Section 58A of the Companies Act, 1956. The interest free unsecured loans brought in by the Company pursuant to compliance with the BIFR scheme has been considered as exempted deposits.

PARTICULARS OF EMPLOYEES

None of the employees of the company was drawing remuneration exceeding the limits prescribed under Section 217 (2A) of the Companies Act, 1956

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUT GO

Details pursuant to Sec.217 (1) (e) read with companies (Disclosure of particulars in the report of Board of directors) rules 1988 is annexed forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis report of the Company is annexed forming part of this report.

LISTING DETAILS

The Shares of the Company are listed at Hyderabad and Mumbai stock exchanges. The formalities in regard to delisting of Shares on Madras Stock Exchange Limited, Chennai are in progress.

The listing formalities of 25,00,000 equity shares of Rs. 10/- each allotted to Mr. V N Sunanda Reddy and 1,50,000 equity shares of Rs. 10/- each allotted to IDBI are under progress.

DEMATERIALISATION OF SHARES

The Shares of the Company have been admitted with CDSL Depository system under ISIN NO: INE 102E01018. NSDL has not yet admitted the same on technical reasons.

CORPORATE GOVERNANCE

The detailed report on the Corporate Governance forms part of this report and is enclosed.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their sincere appreciation and gratitude to the Company Clients and Shareholders for their continued support and faith in the Company. Your Directors also wish to appreciate the hard work and commitment exhibited by the employees to the growth of the Company.

For and on behalf of the Board of Directors
for S S ORGANICS LIMITED

Y. Ramachandra Reddy
Jt. Managing Director

V.N. Sunanda Reddy
Managing Director

Place : Hyderabad.

Date : 15-09-2006

ANNEXURE TO THE DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

FORM 'A'

01.Conservation of Energy	2005-2006 (12 Months)	2003-2005 (18 Months)
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POWER AND FUEL

Number of Units Consumed (Nos. in Lakhs)	23.26	37.54
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Unit Rate (Rs.)	3.81	3.81
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Total Amount (Rs. in Lakhs)	88.76	143.07
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OWN GENERATION (THROUGH D.G.SET)

Number of Units Consumed (Nos. in Lakhs)	1.46	1.51
---	-------------	------

Unit Rate (Rs.)	9.07	8.59
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Total Amount (Rs. in Lakhs)	13.26	12.97
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COAL

Quantity (MT)	2736.00	3427.85
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Total Cost (Rs. in Lakhs)	69.43	82.17
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Average Rate (M.T in Rs.)	2538.00	2397.00
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FORM 'B'**01. RESEARCH & DEVELOPMENT**

The Company is carrying out Research and Development in Process Development to achieve required yields and to make the price competitive in the market.

02. TECHNOLOGY ABSORPTION

The Company has not acquired any specific technology for its operations. The process technologies are acquired indigenously. The Plant & Machinery are installed keeping in view the present process requirements.

03. CONSERVATION OF ENERGY

The Company has already implemented energy conservation measures to conserve and optimise the use of energy through improved operation methods and other means will continue.

04. FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign exchange earnings during the year is Rs. 6,07,731/- & outflow is NIL.

MANAGEMENT DISCUSSION AND ANALYSIS:**1. OVER VIEW**

As informed in the earlier report, your management was saddled with unproductive litigation, however your company could register a turnover of Rs. 16.24 crores against 20.12 crores in the previous year of eighteen months, there by registering a growth of 17%. Coupled with closure of the unit for the 3 months during the year and the escalation in input cost and low yields resulted in lower contribution where by your company registered a loss of Rs. 1.78 crores for the year under review.

2. INDUSTRY REVIEW

The overall performance of Pharmaceutical Industry both in domestic and international market is very boyuant. Lot of oppurtunities for improving overall performance of Indian Pharmaceutical Industry are available presently. The management is optimistic to grab such opportunities in coming years, provided the operations are conducted smoothly without any hinderance and litigations.

3. RISKS AND THREATS

The Company is no exception to the competition from the market, new technologies and stringent patent laws. The Company has already identified such risks and trying to counter them over a period of time.

4. INTERNAL CONTROLS AND SYSTMES

The management has realized the importance of internal controls and systems, while improving the operations during the period under review. Accordingly strict systems have been laid down which are checked and audited periodically by the Internal Auditors and the same is being monitored by the members of

the Audited Committee from time to time. The systems are well laid out as per ISO-9000-2001 Certificate for Systems implementation.

5. DISPUTES

There are certain ongoing disputes, mentionned elsewhere in this report, between the company and an erstwhile Director. As a result of these disputes, the performance of the company is adversely affected. The company is confident of improved performance in the periods to come.

CORPORATE GOVERNANCE:

Company's philosophy

The Company continues to believe that good Corporate Governance brings about sustained corporate growth and long time benefits to the Stakeholders.

The Company's philosophy on Corporate Governance is to adopt standard Corporate Governance practices through continual improvement of internal systems, transparency and disclosure.

In accordance with clause 49 of the listing agreement with the Stock Exchanges on Corporate Governance, a report is given below:

1. Board of Directors

As at 31st March, 2006, the Board comprised of twelve Directors out of whom four are Executive Directors, one Non- Executive Director and seven Independent Directors. The Company has a Non -Executive Chairman. The composition of the Board is in conformity with clause 49 of the listing agreement.

None of the Directors on the Board is a Member on more than ten Committees and Chairman of more than five Committees (as specified in Clause 49), across all the Companies in which he is a Director. The Directors have made the necessary disclosures regarding Committee positions.

During the financial year 2005-2006 the Board of Directors met Six times on the following dates 29.04.2005, 29.07.2005, 27.08.2005, 28.10.2005, 09.01.2006 and 30.01.2006.

The composition of the Board as on 31st March, 2006, number of outside directorships/ committee memberships/ committee chairmanship/ summary of the board meetings held vis-à-vis the meetings attended and the attendance at the last AGM of each of the Directors was as under:

Name of the Director	Category of Directorship	Number of Other Directorships	Number of Other Committee memberships held		Number of Board Meetings attended	Attendance at the last AGM held on 29 th Sept. 2005
			Chairman	Member		
Dr .G Subramanyam	Independent, Director	1	-	-	5	No
P. Ramachandra Gupta	Non-Executive, Director	-	-	-	6	Yes
E. Prabhakara Reddy	Independent, Director	-	-	-	5	Yes
E. Ramasubba Reddy	Independent, Director	-	-	-	5	Yes
G. Chandramouliswar Reddy	Independent, Director	-	-	-	5	Yes
G. Raghunandan	Independent, Director, APIDC Nominee	2	-	-	2	No
Rakesh Popli	Independent, Director	-	-	-	3	Yes
Y.V. Ratna Kumar	Independent, Director	-	-	-	2	Yes
P. Santosh Kumar	Director- Finance	-	-	-	2	Yes
K. Srinivas Reddy	Director-Marketing	-	-	-	6	Yes
Y. Ramachandra Reddy	Joint Managing Director	-	-	-	6	Yes
V. N. Sunanda Reddy	Promoter & Managing Director	-	-	-	6	Yes

++ Directorships in private limited companies are excluded.

* Mr. B.Subba Reddy, Director, who was not re-appointed at the previous AGM has attended two Board Meetings held during his tenure and also attended the Annual General Meeting.

Changes in the Board Since the last Annual General Meeting:

1. Mr.B.Subba Reddy was not re-appointed as Director by the Members at the AGM held on 29.09.2005.
2. Mr. P.Santosh Kumar appointment as Director-Finance w.e.f. 27.08.2005 was approved at the AGM held on 29.09.2005. He relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Director-Finance.
3. Mr.Y.V.Ratna Kumar was appointed as Director by the Members at the AGM held on 29.09.2005
4. Mr.Rakesh Popli was appointed as Director by the Members at the AGM held on 29.09.2005
5. Dr.G.Subrahmanyam resigned as Director and approved at the Board Meeting held on 28.04.2006.
6. Mr.V.N.Sunanda Reddy Managing Director relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Managing Director.
7. Mr.Y.Ramachandra Reddy Joint Managing Director relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Joint Managing Director.

8. Mr.K.Srinivas Reddy Director-Marketing relinquished executive responsibilities on 28.04.2006 and appointed again on 02.05.2006 as Director- Marketing.

2. Board Meetings and Procedures

The Board Meetings are generally held at least once in a quarter, amongst others for the consideration of the un-audited quarterly financial results. Besides this, additional Board meetings are convened as and when the need arises. The Board may also approve permitted urgent matters by passing resolutions by circulation.

The information regularly supplied to the Board includes:

- Annual operating plans and budgets.
- Quarterly results of the company.
- Minutes of the committee meetings.
- Share transfers effected.
- Contracts in which directors are interested.
- Information on recruitment of senior officers.
- Action taken report on pending matters.
- Quarterly report on compliance of various laws.
- Status report on materially important litigations.
- Strategic business plans.

3. COMMITTEES OF DIRECTORS

1) Audit Committee

Your Board reiterates the necessity of providing accurate and transparent financial reporting. The Audit Committee has been constituted as per clause 49 of the listing agreement.

The Audit Committee shall have the powers and perform the functions as mentioned in Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

During the period, the Audit Committee met four times on 29.07.2005,27.08.2005,28.10.2005 and 30.01.2006. The attendance of the members of the Audit Committee was as under.

Name of the Director	Status	Number of Meetings held	Number of Meetings attended
Mr. E. Prabhakara Reddy	Chairman	4	4
Mr. P. Ramachandra Gupta	Member	4	4
Dr. G. Subramanyam	Member	4	3

The Board defined the role of the Audit Committee as under:

- Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;
- Reviewing with the Management the annual financial statements before submission to the Board;
- Reviewing with the Management, external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- Discussing with internal auditors of any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussing with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern;
- Reviewing the Company's financial and risk management policies;
- To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (incase of non-payment of declared dividends) and creditors.

Further, the Audit Committee shall have functions as may be specifically delegated to it by the Board.

The head of finance, representatives of the internal auditors and statutory auditors, as required, attend the meetings of the Audit Committee as invitees. The Audit Committee reviews the quarterly and audited financial statements of the Company before consideration and approval by the Board.

2) Investors' Grievance Committee

The Share holders' / Investors' Grievance Committee of the Board is empowered to oversee the redressal of shareholders/investor complaints/ grievances pertaining to share transfers/non-receipt of annual reports, share certificates, issue of duplicate certificates, transmissions of shares and other complaints. The Committee also reviews and recommends the measures for overall improvement in the quality of investor services.

During the period, the Share Holders Grievance Committee met two times on 27.08.2005 and 30.01.2006. The attendance of the members of the Share Holders Grievance Committee was as under.

Name of the Director	Status	Number of Meetings held	Number of Meetings attended
Mr. P. Ramachandra Gupta	Chairman	2	2
Mr. E. Prabhakara Reddy	Member	2	2
Mr. K. Srinivas Reddy	Member	2	2

The Board has authorised Mr. K. Srinivas Reddy, Director-Marketing of the Company to approve physical share transfers and confirmation of Demat requests.

3) Remuneration Committee

The Board believes that it is essential to have an independent committee of Directors who will recommend to the Board on the compensation package to each of the Whole Time Directors.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

During the period, the Remuneration Committee met once on 27.08.2005. The attendance of the members of the Remuneration Committee was as under.

Name of the Director	Status	Number of Meetings held	Number of Meetings attended
Mr. E. Prabhakara Reddy	Chairman	1	1
Dr. G. Subramanyam	Member	1	-
Mr. E. Rama Subba Reddy	Member	1	1

The following are the details of Remuneration paid to the Directors during the period.

(Rupees)

Name of the Director	Salary	Perquisites and other benefits	Sitting Fee	Total
Dr .G Subramanyam	-	-	20,000	20,000
P. Ramachandra Gupta	-	-	30,000	30,000
E. Prabhakara Reddy	-	-	30,000	30,000
E. Rama Subba Reddy	-	-	15,000	15,000
G. Chandramouliswar Reddy	-	-	12,500	12,500
G.Raghunandan*	-	-	5,000	5,000
Rakesh Popli*	-	-	7,500	7,500
Y.V.Ratna Kumar*	-	-	5,000	5,000
P. Santosh Kumar*	-	-	-	-
K. Srinivas Reddy	3,84,000	2,16,000	-	6,00,000
Y. Ramachandra Reddy	5,04,000	2,16,000	-	7,20,000
V. N. Sunanda Reddy	5,76,000	3,24,000	-	9,00,000

* Part of the year.

** Mr. B.Subba Reddy, Director was paid Rs.5,000 towards Sitting Fees during his tenure.

Shares held by Non Executive Directors:

Name of the Director	No. of Shares held
Dr .G Subramanyam	-
P. Ramachandra Gupta	87,300
E. Prabhakara Reddy	-
E. Rama Subba Reddy	1,05,000
G. Chandramouliswar Reddy	10,200
G.Raghuandan	-
Rakesh Popli	-
Y.V.Ratna Kumar	-

4. DISCLOSURES

- a) Materially significant related party transactions, which may have potential conflict with the interest of the Company at large.

None

- b) Details of non-compliances, penalties, strictures by Stock Exchanges/ SEBI/ Statutory Authorities on any matter related to capital markets during the period.

None

- c) Pecuniary relationships or transactions with Non-Executive Directors.

None

- d) Material non-listed subsidiary companies as defined in Clause 49 of the Listing Agreement with Stock Exchanges.

None

5. MEANS OF COMMUNICATION

The core of the Corporate Governance is the transparency in disclosure of timely, reliable and relevant data pertaining to the Company. The quarterly results and the Audited Annual Results of the Company are announced with in the statutory frame and published in Financial Express and Andhra Jyothi.

The Management discussion and analysis forms part of the Annual Report.

6. CODE OF CONDUCT

The Company's code of conduct, as adopted by the Board of Directors, is applicable to all the Directors, senior management and employees of the Company.

The Managing Director confirms and affirms compliance with the company's code of conduct for the Financial Year ended 31st March 2006.

The Code is derived from three essential and basic principles, which form the ingredient of a growing company viz. Good Corporate Governance, Good Corporate Citizenship and Good Ethics.

7. SEBI PREVENTION OF INSIDER TRADING

With the SEBI imposing the responsibility of " Prohibition of Insider Trading" on Companies, the Company strictly follows the code of conduct prescribed by SEBI. There have been no violations on this front.

8. PRACTICING COMPANY SECRETARY CERTIFICATE

The certificate of a Practicing Company Secretary that the

conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed to the Report.

The Certificate from the Practicing Company Secretary is sent to the Stock Exchanges along with the Annual Report of the Company.

9. GENERAL SHAREHOLDERS INFORMATION

- 1) Date, time and venue of AGM: 20th October 2006 at 4.00 p.m.. at the Registered Office of the Company.

- 2) Dates of book closure: 18th October 2006 to 20th October 2006 (both days inclusive).

- 3) Dividend Payment: Nil

- 4) Financial calendar: Financial reporting for the quarter ending 30th June 2006: 31st July 2006

Financial reporting for the quarter ending 30th September 2006 : 4th Week of October 2006.

Financial reporting for the quarter ending 31st December 2006: 4th Week of January 2007.

Financial reporting for the quarter ending 31st March 2007 : 4th Week of April 2007

Annual General Meeting for the Year ending 31st March 2007: on or before 30th September 2007.

- 5) Listing on Stock Exchanges: The Hyderabad Stock Exchange Limited (HSE)

The Bombay Stock Exchange Limited, Mumbai (BSE)

The formalities for delisting of Shares on Madras Stock Exchange, Chennai are in process.

- 6) Listing Fees: Paid to all the above Stock Exchanges for 2006-2007.

- 7) a). Registered Office:

Survey No. 252/1, Aroor Village,
Sadasivapet Mandal
Medak District, Andhra Pradesh.
Phone : 08455-250280, 250080
Fax : 08455- 250090

- b). Corporate Office:

Plot No.79/1, Sagar Society, Street No. 3,
Banjara Hills, Road No. 2, Hyderabad - 500 034.
Andhra Pradesh, India.
Ph. 040-2354 8523/ 2355 5352 Fax- 040-2354 8563
e-mail: ssorganicslimited@msn.com

- 8) Registrar and Share Transfer Agents:

Share transfers in physical form and other communication regarding share certificates, change of address, among others including demat requests may be addressed to:

Physical:

S S Organics Limited
Plot No.79/1, Sagar society, StreetNo.3,
Banjara Hills, Road No.2, Hyderabad - 500 034.
Andhra Pradesh, India.
Ph. 040-2354 8523/ 2355 5352 Fax- 040-2354 8563
e-mail: ssorganicslimited@msn.com

Due to administrative exigencies, the activity in regard to the Physical Share Transfers is being carried out in house by the Company w.e.f.15.02.2005.

Demat Registrars:

M/s. Venture Capital & Corporate Investments Limited
6-2-913/914, III Floor, Progressive Towers,
Khairatabad, Hyderabad.
Ph.No. 040 - 23322262/ 64 Fax: 040 - 23324803
e-mail: vccil_hyd@yahoo.com

9) Stock code:

At the Hyderabad Stock Exchange Limited - 936
At the Bombay Stock Exchange Limited, Mumbai - 524636

10) ISIN Code:

INE 102E01018

11) Investor Services:

Number of complaints received and
resolved by the Company during the period : 38
Number of pending share transfers : Nil

All the complaints received were redressed.

Compliance Officer as on 31-03-2006: Mr.A.Mohan Rami Reddy,
Company Secretary, Plot No.79/1, Sagar society, StreetNo.3,
Banjara Hills, Road No.2, Hyderabad - 500 034. Ph. 040-2354
8523/ 2355 5352 Fax- 040-2354 8563
e-mail: ssorganicslimited@msn.com

12) Stock Market data for the period April 2005 to March 2006

Month Stock quotes at The Bombay Stock Exchange Ltd,			
	High Rs.	Low Rs.	Volume Nos.
April,2005	30.30	21.20	57100
May,2005	23.90	20.00	68400
June,2005	27.00	18.50	73500
July,2005	28.60	19.00	88200
August,2005	36.90	19.80	249000
September,2005	35.00	24.05	153300
October,2005	29.60	20.85	50300
November,2005	27.00	20.00	58200
December,2005	22.60	19.05	48500
January,2006	22.50	20.00	60800
February,2006	22.05	18.80	88300
March,2006	20.75	16.20	73700

13) Distribution of Shareholding as on 31st March, 2006

No. of Shares	No. of Share Holders	% Share Holders	No. of Shares	% of Holding
1-500	8,233	92.64	10,97,578	10.76
501-1000	289	3.25	2,39,500	2.35
1001-2000	129	1.45	2,03,978	2.00
2001-3000	64	0.72	1,64,200	1.61
3001-4000	18	0.20	63,284	0.62
4001-5000	43	0.48	2,08,300	2.04
5001-10000	43	0.48	3,25,330	3.19
10001 and above	68	0.77	78,99,130	77.43
Total	8,887	100.00	1,02,01,300	100.00

14) The following is the shareholding pattern of the company as on 31st March, 2006

Category	No. of Equity Shares	% to total Capital
Promoters Holding	57,89,570	56.75
Institutional Investors	5,10,300	5.00
Corporate Bodies	6,59,700	6.47
NRI's	55,000	0.54
Indian Public	31,86,730	31.24
Total	1,02,01,300	100.00

15) The following is the percentage of the share holdings in physical and demat form:

Shares held in physical form – 47, 17,270 – 46.24%
Shares held in dematerialized – 54, 84,030 – 53.76%
form in CDSL

16) Particulars of past three AGMs:

AGM Year	Venue	Date	Time
12 th 2003-2005	Regd Office	29.09.2005	11.00 a.m.
11 th 2002-2003	Regd Office	29.03.2004	3.30 p.m
10 th 2001-2002	Regd Office	27.09.2002	11.30 a.m

17) Particulars of EGMs held since last AGM : Nil

18) Postal ballot

During the period no resolution was put to postal ballot. In the ensuing AGM, no business is proposed to be transacted requiring a postal ballot.

19) Plant Location

Survey No. 252/1, Aroor Village, Sadasivapet Mandal
Medak District, Andhra Pradesh. Phone : 08455-250280,
250080 Fax : 08455- 250090

20) Profile of the Directors being re-appointed at the ensuing AGM

Mr. P. Rama Chandra Gupta

Mr. P. Rama Chandra Gupta aged about 60 years. He has been in association with the Company in various capacities for many number of years. He is having more than 30 years of Business experience.

Mr. E. Prabhakara Reddy

Mr. E. Prabhakara Reddy aged about 56 years is an Advocate with around 30 years standing on the bar.

CEO/CFO

As required under Clause 49 V of the listing agreement with the Stock exchanges, the Managing Director and Director-Finance have certified to the Board, the financial Statements for the year ended 31st March 2006.

For and on behalf of the Board of Directors
for S S ORGANICS LIMITED

Y. Rama Chandra Reddy
Jt. Managing Director

V.N. Sunanda Reddy
Managing Director

Place : Hyderabad
Date : 15-09-2006

PRACTICING COMPANY SECRETARY'S CERTIFICATE

To
The Members of
S S Organics Limited,

We have examined the compliance of conditions of Corporate Governance by S S Organics Limited, for the period ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

As per the information furnished to us, due to administrative exigencies w.e.f. 15.02.2005 the Company is handling in house the works related to physical share registry and demat with the previous RTA.

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that the Share Holders / Investor Grievance Committee has maintained records to show the investor grievances and certified that as at 31st March, 2006, there were no Investor grievances remaining unattended / pending for more than 30 days.

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

A.G. RAVINDRANATH REDDY
Company Secretary in Practice
202, Pavani Annexe, Road No. 02,
Banjara Hills, Hyderabad-500 034.
FCS No. : 1997 CP No. 1932

Place : Hyderabad
Date : 15-09-2006

AUDITORS' REPORT

To
The Members of
S S Organics Limited,

1. We have audited the attached Balance Sheet of S S Organics Limited as at 31st March, 2006, the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the statements. An audit also includes assessing the estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Company Law Board 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 the comments in the annexure referred to in paragraph 3 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 the audit.
 - b. In our opinion proper books of account, as required by law have been kept by the company so far as appears from the examination of 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 Accounts.
 - d. In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of the written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
5. Attention is invited to the following in the Notes to Accounts and significant accounting policies in Schedule-O:
 - i) *Note No (2) regarding remuneration paid to the Managerial Personnel. The said remuneration was paid by the company after filing necessary forms as required under Schedule XIII of the Companies Act, 1956. However, during the inspection conducted by the Ministry of company affairs under Section 209 A, the Department did not agree with the view of the company and accordingly initiated legal proceedings, which the company is contesting. The company has also submitted applications to the Central Government seeking approval for remuneration of Managing Director and Whole time Directors, which is awaited. The outcome of these proceedings will determine whether the amounts paid shall be treated as remuneration or shall be recovered from the respective personnel.*
 - ii) *Note No (5) regarding allotment of 25,00,000 Equity Shares of Rs. 10/- each on 28th March, 2005 to Sri. V.N.Sunanda Reddy. The said allotment was made by conversion of unsecured loans as per the Modified Rehabilitation Scheme dated 27th January, 2005 approved by the Hon'ble BIFR. Pursuant to an appeal by Sri. B Subba Reddy then director of the company, the Hon'ble AAIFR, vide its Order dated 31st March, 2005 has declared the allotment of said 25,00,000 shares as null and void, which the company has contested. Accordingly no effect was given in the accounts for the said allotment during the previous period. On 28th December, 2005 the Hon'ble AAIFR has dismissed the appeal. Consequent to the dismissal of the appeal by the Hon'ble AAIFR the allotment of 25,00,000 equity shares of Rs. 10/- each to Mr. V N Sunanda Reddy is given effect with effect from the original date of allotment i.e. 28th March' 05 and is recognised as such in these accounts.*
 - iii) *Note No. (21) regarding non recoverability of certain debts included under sundry debtors to the extent not ascertained and not provided for.*
 - iv) *Note No. (22) regarding inclusion of Rs. 15,00,000/- under Loans and advances which was paid to Central Excise Department consequent to Search Proceedings by the said Department. Pending information of outcome of the said proceedings, the liability, if any cannot be ascertained and provided for in these accounts.*
 - v) *Note No. (23) regarding confirmation of balances and consequential adjustments thereon.*
 - vi) *Note No: (1) (a) of accounting policies regarding preparation of accounts on principles applicable to the going concern.*
6. Subject to our remarks in para 5 above and possible impact on the Loss, Assets and Liabilities of the company, 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:
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006.
 - ii) In the Case of Profit and Loss account, of the Loss of the Company for the year ended on that date: and
 - iii) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For K. NAGARAJU & ASSOCIATES,
Chartered Accountants

Place : Hyderabad
Date : 15.09.2006

K. Nagaraju
Proprietor

ANNEXURE TO THE AUDITORS REPORT REFERRED TO IN PARA 3 OF OUR REPORT OF EVEN DATE

- I. a) The company has generally maintained proper records showing full particulars, including quantitative details. Information regarding the situation of the fixed assets is under preparation.
- b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year in phased programme which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) The Company has not disposed off substantial part of fixed assets during the period, which affects the going concern.
- II. a) The inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to size of the company and nature of its business.
- c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- III. a) As informed the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4 (iii)(b), 4(iii)(c), 4(iii)(d) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
- b) *The company has taken unsecured loans from four persons covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.33818339/- and the year end balance taken from such persons was Rs.22,18,338/-*
- c) These amounts are interest free and other terms and conditions of loans taken by the company which are unsecured are prima facie not prejudicial to the interests of the company.
- d) The amounts brought in are having no specific repayment period.
- IV. In our opinion and according to explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for purchase of Inventory, Fixed Assets and for the Sale of goods and Services.
- V. a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI. *The company has outstanding unsecured loans as on the balance sheet date amounting to Rs.1,27,66,828 /- which were accepted by the company during the period prior to and subsequent to the reference to the Hon'ble BIFR under SICA. Under the sanctioned scheme of the Hon'ble BIFR any shortfall in funds in the implementation of the scheme should be met by the company/promoters. In these circumstances, we are not in a position to express our views with regard to applicability of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 or rules made there under.*
- VII. In our opinion the Company has an internal audit system, commensurate with its size and nature of its business.
- VIII. *We are of the opinion that the books of accounts and records to be maintained by the company pursuant to the rules made by the central government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 have not been maintained by the company.*
- IX. a) The company is generally not regular in depositing Statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Customs Duty, Excise, Cess, Wealth Tax, Service Tax and other statutory dues with appropriate authorities.
- b) *According to the information and explanations given to us an amount of Rs. 89,285/- representing provident Fund dues, Rs. 140,949/- representing Employees State Insurance dues, Rs.1023195/- representing Income Tax dues and Rs. 1,341,113/- representing sales tax dues were in arrears for a period of more than six months from the date they became payable.*
- c) 1) *The company has not deposited Customs Duty amount of Rs. 62,40,052/- on account of dispute with the Customs Duty Department, Chennai. The dispute is pending before the Honorable Customs, Excise, Gold (control) Appellate Tribunal, Bangalore.*
- 2) *The company has not deposited Provident fund amount of Rs. 13,74,918/- on account of dispute with the Assistant Commissioner of Provident Fund, Pattancheru, Medak District. The dispute is pending before Employees' Provident Fund appellate Tribunal, New Delhi.*
- X. The accumulated losses of the company at the end of the accounting period are not more than the Fifty percent of its net worth. The company has incurred cash losses during the period covered by the report but no such cash loss was there in the immediately preceding period.

The Company is Sick Industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special provisions) Act, 1985 (SICA).

- XI. As per the information received and explanations given to us, the company has no outstanding dues to any banks or financial institutes or debenture holders.
- XII. As explained to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and or other securities.
- XIII. In our opinion the provisions of special statute applicable to chit fund are not applicable to this company.
- XIV. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments.
- XV. As per the information received and explanations given to us, the company has not given any Guarantee for loans taken by others from banks or financial institutions.
- XVI. The company has not obtained any Term Loans during the period under review.
- XVII. As explained to us, the funds raised during the period under review, on short-term basis have not been used for long-term investment.
- XVIII. On 28th march,2005, the company has allotted 25,00,000 Equity Shares of Rs. 10/- each at par to a party covered in the Register maintained under section 301 of the Act, as per the Modified Rehabilitation Scheme dated 27th January,2005 approved by the Hon'ble BIFR. In view of the provisions of SICA and as provided in the said order the provisions of the scheme shall have effect not withstanding anything contained in any other law (except the provisions of the Foreign Exchange Regulation Act, 1973 and the Urban Land (Ceiling and Regulations) Act, 1976) for the time being in force or in the memorandum and Articles of Association of the sick industrial company, i.e. S S Organics Limited (SSOL) or any other instrument having effect by virtue of any law other than the Sick Industrial Companies (Special provisions) Act, 1985. On reference of an appeal to Hon'ble Appellate Authority for Industrial & Financial Reconstruction (AAIFR) by one of the then Directors of the company, the Hon'ble AAIFR vide its Order dated 31st March, 2005 has declared the allotment of 25,00,000 shares as null and void which the company contested. On 28th December, 2005 the Hon'ble AAIFR has dismissed the appeal. Accordingly the company in the Board Meeting held on 09-01-06 given effect to the allotment of 25,00,000 equity shares of Rs. 10/- each to Mr. V N Sunanda Reddy with effect from the date of allotment i.e., 28-03-2005.
- IX. The company has not issued any debentures during the period under review.
- XX. The company has not raised any money by public issue during the period under review.
- XXI. According to the information and explanation given to us, no frauds on or by the company has been noticed or reported during the period under review.

For K. NAGARAJU & ASSOCIATES,
Chartered Accountants

Place : Hyderabad
Date : 15-09-2006

K. Nagaraju
Proprietor

BALANCE SHEET AS AT 31st MARCH, 2006

	Schedule	As at 31 st March, 2006		As at 31 st March, 2005	
		Rs	Rs	Rs	Rs
SOURCES OF FUNDS					
1. Share Holders' Funds Share Capital	A		102,013,000		77,013,000
2. Loan Funds (a) Secured Loans (b) Unsecured Loans	B C	1,559,370 33,637,475		964,915 63,027,475	
			35,196,845		63,992,390
Total			137,209,845		141,005,390
APPLICATION OF FUNDS					
1. Fixed Assets Gross Block Less: Depreciation Net Block Add: Capital Work-in-Process	D	197,003,810 65,056,722 131,947,088 2,986,233		177,739,209 56,294,319 121,444,890 7,909,530	
2. Investments	E		134,933,321 493,900		129,354,420 493,900
3. Current Assets Loans& Advances Inventories Sundry Debtors Cash & Bank Balances Other Current Assets Loans & Advances	F	41,461,726 39,038,790 1,676,045 114,953 11,887,503		39,506,503 28,053,066 3,720,982 112,178 12,580,296	
		94,179,017		83,973,025	
Less: Current Liabilities & Provisions Current Liabilities Provisions	G	139,256,244 2,245,363 141,501,607		101,214,154 1,613,542 102,827,696	
Net Current Assets			(47,322,590)		(18,854,671)
4. Deferred Tax Asset Less:Deferred Tax Liability		29,408,116 19,123,954		37,553,207 21,024,225	
			10,284,162 38,821,052		16,528,982 13,482,759
5. Profit & Loss Account					
Notes to Accounts	O				
Total			137,209,845		141,005,390

As per our report of even date attached
for K NAGARAJU & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

K. NAGARAJU
Proprietor

Y. Ramachandra Reddy
Joint Managing Director

V N Sunanda Reddy
Managing Director

Place : HYDERABAD
Date : 15th September, 2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

	Schedule	For the Year ended 31 st March 2006		For the Year ended 31 st March 2005	
		Rs	Rs	Rs	Rs
Income					
Sales		162,358,654		201,223,351	
Less: Excise Duty		20,713,394		28,384,956	
			141,645,260		172,838,395
Other Income	H		55,993,008		73,761,326
Increase / (Reduction) in Stocks	I		4,518,914		25,861,419
Total			202,157,182		272,461,140
Expenditure					
Raw Materials Consumed	J		134,898,806		152,643,511
Purchase of Trading items			1,165,763		—
Salaries, Wages and Benefits to Employees	K		17,457,230		22,501,589
Other Manufacturing Overheads	L		40,746,512		56,626,748
Administrative and Selling Expenses	M		15,424,520		15,838,409
Financial Expenses	N		1,032,862		4,136,526
Depreciation			9,272,542		11,955,440
Total			219,998,235		263,702,223
Profit for the year before extraordinary items and prior period adjustments			(17,841,053)		8,758,917
Extraordinary items:					
Add: Interest of Financial Institution written off			—		1,220,000
as per OTS Package with IDBI			(17,841,053)		9,978,917
			1,045,856		309,709
Profit for the year before Taxation			(18,886,909)		9,669,208
Less: Provision for Taxation - Current Tax			—		—
- Deferred Tax			6,244,820		3,343,025
- Fringe Benefit Tax			206,564		—
Profit after Taxation			(25,338,293)		6,326,183
Add: Carried Forward Loss from Previous year			(13,482,759)		(19,808,942)
Net Loss Carried to Balance Sheet			(38,821,052)		(13,482,759)
Notes to Accounts	O				

As per our report of even date attached
for K NAGARAJU & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

K. NAGARAJU
Proprietor

Y. Ramachandra Reddy
Joint Managing Director

V N Sunanda Reddy
Managing Director

Place : HYDERABAD
Date : 15th September, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006

(As required under Clause 32 of the listing agreement with Stock Exchanges)

DETAILS	For the Year ended 31 st March, 2006		For the Period ended 31 st March, 2005	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before taxation	(18,886,909)		9,669,208	
Add: Depreciation	9,272,542	(9,614,367)	11,955,440	21,624,648
Add: Extraordinary items As per OTS Package with IDBI		—		1,220,000
Add: Interest outgo (Net) Financial Expenses		202,716		267,810
Less: Interest Income				
Operating Profit / (Loss) before Working Capital		(9,411,651)		23,112,458
Adjustment for :				
(Increase)/Decrease in Inventories		(1,955,223)		(29,913,032)
(Increase)/Decrease in Sundry Debtors		(10,985,724)		(7,696,542)
(Increase)/Decrease in Other Current Assets		(2,775)		(915,56)
Increase/(Decrease) in Loan and Advances		692,793		741,978
Increase/(Decrease) in Current Liabilities		38,042,090		51,226,944
Increase/(Decrease) in Provisions		425,257		219,626
Increase/(Decrease) in Working Capital Loans		594,455		(31,335,085)
Cash Generated from Operations		17,399,222		6,264,791
Interest Paid		—		—
Cash Flow before extraordinary items		17,399,222		6,264,791
Extraordinary Items		—		(1,220,000)
Net Cash used from operating activities (A)		17,399,222		5,044,791
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(15,051,837)		(29,587,786)
Purchase of Investments		—		—
Interest Received		(202,716)		(267,810)
Sale of Fixed Assets		200,395		261,584
Net Cash used in Investing Activities (B)		(15,054,158)		(29,594,012)
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long term and other borrowings		(29,390,000)		25,113,323
Proceeds from Share capital		25,000,000		1,500,000
Net Cash used in Financial Activities (C)		(4,390,000)		26,613,323
Net Increase in Cash and Cash Equivalents (A+B+C)		(2,044,937)		2,064,102
Cash & Bank Balances at the beginning of the year		3,720,982		1,656,880
Cash & Bank Balances at the end of the year		1,676,045		3,720,982

As per our report of even date attached
for K NAGARAJU & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

K. NAGARAJU
Proprietor

Y. Ramachandra Reddy
Joint Managing Director

V N Sunanda Reddy
Managing Director

Place : HYDERABAD
Date : 15th September, 2006

Auditors Certificate

The Board of Directors
SS Organics Limited
Survey No. 252/1,
Aroor village,
Sadasivapet Mandal,
Medak Dt.
Andhra Pradesh.

We have examined the attached Cash Flow Statement of SS Organics Limited for the year ended 31st March, 2006. The statement has been prepared by the Company in accordance with the requirements of listing agreement Clause 32 with the Stock exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of 15th September 2006 to the Members of the Company.

For K. NAGARAJU & ASSOCIATES,
Chartered Accountants

Place : Hyderabad
Date : 15-09-2006

K. Nagaraju
Proprietor

Schedules To Accounts	As at 31 st March 2006		As at 31 st March 2005	
	Rs.	Rs.	Rs.	Rs.
(A) SHARE CAPITAL				
Authorised:				
10,500,000 Equity Shares of Rs.10/- each		105,000,000		105,000,000
Issued, Subscribed & Paid-up:				
10201300 Equity Shares of Rs.10/- each		102,013,000		77,013,000
(Prv. Year 7701300 equity shares of Rs. 10/- each)		102,013,000		77,013,000
(B) SECURED LOANS				
Other Loans				
Amounts due under Hire Purchase Agreements for purchase of Vehicles		1,559,370		964,915
		1,559,370		964,915
(C) UNSECURED LOANS				
(i) Inter Corporate Deposits		9,300,000		6,300,000
(Maximum amount outstanding at any time during the year Rs 9,300,000/-)				
(ii) Other Loans				
a) From Directors		2,218,339		37,577,070
b) From Others		10,548,489		7,579,758
c) Sales Tax Deferment Loan		11,570,647		11,570,647
(Payable within one year Rs.777,794/-)		33,637,475		63,027,475

Schedules To Accounts Contd.,
(D) FIXED ASSETS (For the period from April, 05 to March, 06)
Figures in Rs.

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01-04-2005	Additions	Deletions	As at 31-03-2006	As at 01-04-2005	For the period Apr'05 to Mar'06	Deletions	As at 31-03-2006	As at 31-03-2006	As at 31-03-05
Land	1,887,730	—	—	1,887,730	—	—	—	—	1,887,730	1,887,730
Plant & Machinery	130,165,804	14,104,021	821,608*	143,448,217	44,453,920	7,197,335	339853	51,311,402	92,136,815	85711884
Building	33,024,582	4,242,440	—	37,267,022	7,952,507	1,158,559	—	9,111,066	28,155,956	25,072,075
Furniture & Fixtures	922,454	74152	—	996,606	466,216	60,456	—	526,672	469,934	456,238
Office Equipments	1,441,165	78,257	—	1,519,422	462,511	71,544	—	534,055	985,367	978,654
Data Processing Equipment	846,863	115,832	—	962,695	276,452	149,519	—	425,971	536,724	570,411
Misc. Fixed Assets	3,097,821	10,350	—	3,108,171	1,334,487	147,537	—	1,482,024	1,626,147	1,763,334
Vehicles	2,458,823	1,831,837	370,680	3,919,980	175,600	302,629	170,286	307,943	3,612,037	2,283,223
QC Lab Equipments	3,893,967	—	—	3,893,967	1,172,626	184,963	—	1,357,589	2,536,378	2,721,341
TOTAL	177,739,209	20,456,889	1,192,288	197,003,810	56,294,319	9,272,542	510,139	65,056,722	131,947,088	121,444,890
Previous Year	151,392,184	26,647,025	300,000	177,739,209	44,377,295	11,955,440	38,416	56,294,319	121,444,890	—

* Represents cost of plant & machinery lost in fire accident

Schedules To Accounts...Contd	As at 31-03-2006		As at 31 st March 2005	
	Rs.	Rs.	Rs.	Rs.
(E) INVESTMENTS : Unquoted: 49,390 Equity Shares in M/s Pattancheru Enviro-Tech Ltd. of Rs.10/- each		493,900		493,900
(F) CURRENT ASSETS, LOANS & ADVANCES				
1 CURRENT ASSETS				
a. Inventories: (at lower of cost or realisable value)				
- Raw Material	7,896,189		9,287,400	
- Finished Goods	613,775		1,727,350	
- Work-in-process	32,172,646		27,542,967	
- Consumables	779,116		948,786	
		41,461,726		39,506,503
b. Sundry Debtors : (Unsecured) Debts outstanding for more than six months				
- Considered good	3,375,211		572,937	
- Considered doubtful of recovery	783,260		783,260	
Others	34,880,319		26,696,869	
		39,038,790		28,053,066
c. Cash & Bank Balances:				
(i) Cash on Hand	80,497		160,562	
(ii) Balance with Scheduled Banks on				
Current Account	395,548		500,000	
Deposit Account	1,200,000	1,676,045	3,060,420	3,720,982
d. Accrued Interest		114,953		112,178
2) LOANS & ADVANCES : (Unsecured, considered good) Advances recoverable in cash or in kind or for value to be received or pending adjustments				
Staff Advances	89,359		293,350	
Advabces for Suppliers	1,662,868		—	
Deposits	3,625,896		3,452,375	
Other Advances:	1,828,178		6,066,791	
Balance with Excise & Other Authorities	4,681,202		2,767,780	
		11,887,503		12,580,296
		94,179,017		83,973,025

Schedules To Accounts...Contd	As at 31-03-2006		As at 31-03-2005	
	Rs.	Rs.	Rs.	Rs.
(G) CURRENT LIABILITIES & PROVISIONS				
i. CURRENT LIABILITIES				
Sundry Creditors for goods, services and expenses				
Dues to small scale industrial undertakings				
Suppliers	1,747,019		1,486,426	
Capital Goods	647,312		1,532,657	
others	759,017	3,153,348	488,253	3,507,336
Dues to others				
Suppliers	100,519,517		67,678,479	
Capital Goods	1,945,819		2,949,700	
others	33,637,560		27,078,639	
		136,102,896		97,706,818
ii. PROVISIONS				
For Retirement Benefits		2,038,799		1,613,542
For Fringe Benefits Tax		206,564		-
		141,501,607		102,827,696

Schedules To Accounts...Contd	For the Year ended 31-03-2006		For the Period ended 31-03-2005	
	Rs.	Rs.	Rs.	Rs.
(H) Other Income:				
Job Work Receipts		55,688,256		73,047,805
Misc. Others		102,036		445,711
Interest Receivable (TDS Rs.28201/-)		202,716		267,810
(Previous year TDS Rs.27591/-)		55,993,008		73,761,326
(I) INCREASE / (REDUCTION) IN STOCKS				
Closing Stock				
Finished Goods	613,775		1,727,350	
Work -in-process	32,172,646		27,542,967	
Loss of Work-in-process due to fire accident	1,002,810		-	
Less: Opening Stock		33,789,231		29,270,317
Finished Goods	1,727,350		424,058	
Work -in-process	27,542,967		2,984,840	
		29,270,317		3,408,898
		4,518,914		25,861,419

Schedules To Accounts..... (Contd).	For the Year ended 31-03-2006		For the Period ended 31-03-2005	
	Rs.	Rs.	Rs.	Rs.
(J) RAW MATERIAL CONSUMED				
Opening Stock of Raw Materials	9,287,400		5,617,770	
Less : Op. Vat amount received	180,291			
	9,107,109		5,617,770	
Add : Purchases	133,687,886		156,313,141	
		142,794,995		161,930,911
Less: Closing Stock		7,896,189		9,287,400
		134,898,806		152,643,511
(K) SALARIES, WAGES & BENEFITS TO EMPLOYEES				
Salaries & wages		14,096,447		18,400,555
Staff welfare		1,025,161		2,026,940
Benefits to Employees		2,335,622		2,074,094
		17,457,230		22,501,589
(L) MANUFACTURING EXPENSES				
Carriage Inward		356,154		1,297,565
Stores, Spares & Consumables		2,601,872		1,601,876
Power & Fuel		17,820,221		24,220,953
Conversion charges		6,189,969		3,392,317
Repairs & Maintenance:				
(i) Plant & Machinery	2,064,452		5,739,926	
(ii) Buildings	566,162		1,178,871	
(iii) Others	166,485	2,797,099	318,297	7,237,094
Effluent and Other Expenses		10,981,197		18,876,943
		40,746,512		56,626,748
(M) ADMN. & SELLING EXPENSES				
Rent		315,069		319,200
Rates & Taxes		2,153,909		1,093,116
Insurance		602,322		65,336
Legal, Professional charges		1,327,372		1,808,260
Printing & Stationery		489,566		621,393
Selling Expenses				
Business promotion	53,298		117,876	
Discount on Sales	93,054		576,799	
Commission	2,231,768	2,378,120	2,894,534	3,589,209
Remuneration to Auditors				
Audit Fee	40,000		40,000	
Tax Audit Fee	15,000		15,000	
Other Services	5,000	60,000	5,000	60,000
Loss on Sale of Assets		131,094		167,584
Loss due to Fire Accident		24,266		
Postage, Telephones		689,657		800,859
Bank charges		163,161		307,455
Travel & Conveyance		1,342,438		2,132,708
Vehicle Maintenance		1,333,463		834,535
Regn. & Renewal Fee		137,990		226,120
Other Expenses		4,276,093		3,812,634
		15,424,520		15,838,409
(N) FINANCIAL EXPENSES				
Interest - IDBI		—		2,802,200
Interest - Others		1,032,862		1,334,326
		1,032,862		4,136,526

O. NOTES FORMING PART OF THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Convention:

- a). Even though the factory is under closure from 15 th April'06 as per the closure Orders of the Pollution Control Board, since the company is contesting the said order at higher legal forum and confident of appropriate legal remedy for restart of the factory, the accounts have been prepared on a going concern concept.
- b). The Financial statements are prepared under the historical cost convention on accrual basis and in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India.

2. Fixed Assets;

- a) Fixed Assets are stated at their cost of acquisition comprising of the purchase price and any attributable cost of bringing the asset to working condition for the intended use.
- b) Depreciation is provided on Straight line method on pro-rata basis in accordance rates prescribed under Schedule XIV of the Companies Act, 1956.
- c) The carrying amount of assets are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

3. Inventories:

- a) Raw Materials, Packing Materials, Stores, Spares and Consumables are valued at cost, calculated on " First-in-First Out (FIFO) "basis, which either equal to or less than the realizable value. Items held for use in the production of inventories are not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost.
- b) Finished goods and Work-in-process are valued at lower of the cost and net realizable value. In respect of finished goods, cost includes material, labour and proportion of appropriate overheads and excise duty.

4. Revenue recognition:

Sales are exclusive of Excise Duty and Sales Tax.

5. Retirement Benefits:

- a) The Company's contribution to Provident Fund is recognized on accrual basis.
- b) Gratuity and Leave Encashment Liability is provided on the basis of actuarial valuation at the end of each financial year.

6. Deferred Tax :

Deferred Tax resulting from timing differences between book and tax profit is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize.

7. Leases :

Leases, where the substantial risks and benefits incidental to ownership of the leased item are transferred to the Company, are classified as Finance Leases. Assets under Finance leases, where there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term are capitalised and are depreciated over the tenure of the leases or estimated useful life of the asset whichever is shorter.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

8. Contingencies :

Loss arising from claims, litigation, assessments, fines, penalties etc., are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

II NOTES ON ACCOUNTS:

- 1) The Term Loan from Industrial Development Bank of India (IDBI) was secured by Equitable Mortgage of Land, Buildings and Hypothecation of Plant and Machinery and other Equipment, present and future. Though the said term loan is settled in full by the company and was admitted to by IDBI to the Hon'ble BIFR, the legal formalities for satisfaction of the said charge is pending.

2) Remuneration to Directors

	01-04-05 to 31-03-06 (12 months)	01-10-03 to 31-03-05 (18 months)
	Rs.	Rs.
Managing Director - Salary	5, 76,000	8, 41,000
Perquisites & Other Allowances	3, 24,000	4, 64,000
Jt.Managing Director - Salary	5, 04,000	6, 14,000
Perquisites & Other Allowances	2, 16,000	3, 11,000
Marketing Director - Salary	3, 84,000	4, 80,000
Perquisites & Other Allowances	2, 16,000	2, 70,000
Directors Sitting Fee	1, 30,000	1,21,500
Total	23, 50, 000	31, 01,500

The above remuneration is paid as per provisions of Section 269, 309, 198 of the Companies Act, 1956 read with schedule XIII. However, during the inspection conducted by the Ministry of Company Affairs under Section 209A, the department did not agree with the view of the company and accordingly initiated legal proceedings. The company is contesting the said legal proceedings. However without prejudice to such a view, as an abundant caution, the Company has submitted applications to Central Government seeking approval for appointment/remuneration of Managing Director and Whole time Directors and the same is pending for approval with Central Government. The above remuneration does not include remuneration as approved in the general meeting held on 29th September, 2005 with effect from 27th August, 2005 to Mr. P. Santosh Kumar, Director-Finance. For the reasons stated above, the company has applied to the Central Government seeking approval for appointment /remuneration for Mr. P Santosh Kumar. The approval by the Central Government is pending.

- 3) Prior period adjustments of Rs.10,45,856/- include rate difference of Rs. 10,35,856/- in conversion charges and Professional fee of Rs. 10,000/-
- 4) The Company has no financial leases. Operating lease is in the nature of lease of office premises with no restrictions and is renewable at mutual concept.
- 5) At the Board Meeting held on 28th March 2005, the company made allotment of 25,00,000 Equity Shares of Rs. 10/- each to Mr. V N Sunanda Reddy by conversion of Unsecured Loans and 1,50,000 Equity shares of Rs. 10/- each to Industrial Development Bank of India (IDBI). The said allotments are pursuant to the sanctioned scheme of the Hon'ble BIFR dated 27th Jan' 05. Mr. B Subba Reddy, then director of the company challenged the allotment of Equity shares to Mr. V.N.Sunanda Reddy and certain other clauses of the sanctioned scheme before the Hon'ble AAIFR. Pursuant to appeal, the Hon'ble AAIFR has declared allotment to Mr. V N Sunanda Reddy vide order dated 31st March' 05 as null and void. Accordingly the company kept the said allotment in abeyance, subject to the disposal of the main appeal. But, however the Hon'ble AAIFR dismissed the appeal of Mr.B Subba Reddy vide order dated 28th Dec' 05. Consequent to the dismissal of the appeal, the Board of Directors in the Board Meeting held on 9th Jan'06 noted the above said order of the Hon'ble AAIFR and given effect to the allotment of 25,00,000 Equity Shares of Rs. 10/- each to Mr. V N Sunanda Reddy with effect from the original date of allotment i.e., 28th March' 05. Mr. B Subba Reddy challenged the order of the Hon'ble AAIFR before the Hon'ble High Court of the Andhra Pradesh. The Hon'ble High Court of Andhra Pradesh vide order dated 2nd March' 06 noted the undertaking given by the respondent i.e., Mr.V N Sunanda Reddy of non-transfer of the said allotted shares to him to any third party.
- 6) Mr. B Subba Reddy, then Director of the Company filed a petition before the Hon'ble Company Law Board (CLB), Additional Principal Bench, Chennai alleging oppression and mismanagement and other violations under the Companies Act, 1956 and also challenging the allotment of 20 lac Equity Shares on 25.04.2003 as per the sanctioned Hon'ble BIFR Scheme. The Hon'ble Company Law Board vide order dated 29th Sept' 05 refused to interfere with the allotment of 20,00,000 Equity Share on 25th April' 03 and bifurcated the petition to deal with the other matters as alleged in the petition. The company has appealed to the Hon'ble High Court of Andhra Pradesh, questioning the jurisdiction of the Hon'ble Company Law Board to bifurcate the petition. Mr. B Subba Reddy appealed against the order of the Hon'ble Company Law Board before the Hon'ble High Court of Andhra Pradesh. All the appeals are pending.
- 7) Sundry Debtors includes dues from M/s Coral Drugs Limited, a company under the same Management. The closing balance was Rs. 15,84,891/- and the maximum outstanding at any time during the period was Rs.6,441,739/-

**8) Annual Capacities
(As Certified by the Management)**

DETAILS	2005-06	2003-05
Registered / Installed Capacity	320 TPA	320 TPA

9) DETAILS OF PRODUCTION, TURN OVER AND STOCKS OF FINISHED GOODS

(Amount in Rupees)

SNo	Description	Opening		Purchases		Production	Sales		Closing Stock	
		Qty	Amt	Qty.	Amt	Qty	Qty	Amt	Qty	Amt
1	Omeprazole	127	336400	—	—	12204	12102	30029069	229	522208
2	EsOmeprazole	139	667200	—	—	4919	5042	33805780	16	91567
3	Lansoprazole	—	—	—	—	4305	4305	16514783	—	—
4	Rabiprazole	35	323750	—	—	6529	6564	66202907	—	—
5	Others	50	400000	—	—	315103	315103	15806115	—	—
	TOTAL	351	1727350	—	—	343010	343116	162358654	245	613775
Previous year Figures		(200)	(424058)	—	—	(151076)	(150925)	(201223351)	(351)	(1727350)

NOTE: Figures given in brackets pertains to previous year.

10) DETAILS OF RAW MATERIALS CONSUMED:

(Amount in Rupees)

S No	Description	01-04-05 to 31-3-06		01-10-03 to 31-03-05	
		Qty Kgs.	Amt	Qty Kgs.	Amt
1	ACETONE	180223	9,748,814	212631	9,937,231
2	APS	38061	1,829,927	67921	3,368,522
3	3,5 LUTIDINE	20400	9,090,507	35200	14,734,639
4	PET-ETHER	27783	1,313,438	90525	2,577,304
5	METHANOL	404434	8,228,269	635932	12,936,046
6	MDC	249053	10,842,107	242863	10,310,357
7	2,3 LUTIDINE	12798	21,822,760	3985	6,385,537
8	TFE	1499	1,253,795	3300	2,919,452
9	TOLUENE	234908	9,955,896	653357	22,673,505
10	D(-) TARTARIC ACID	3020	2,026,779	3815	3,828,571
11	OTHERS	1950671	58,786,514	2235862	62,972,347
	TOTAL	3122850	134898806	4185391	152,643,511

11) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS CONSUMED:

S No	Consumed	P.E.31-03-06		P.E.31-03-05	
		%	Value Rs.	%	Value Rs.
01	IMPORTED	—	—	—	—
02	INDIGENIOUS	100%	134,898,806	100%	152,643,511
	TOTAL	100%	134,898,806	100%	152,643,511

12) Contingent Liabilities:

		As at 31st March, 06 Rs	As at 31st March, 05 Rs
(i)	Estimated Amount of Contracts Remaining to be executed on Capital account and not provided for	25, 00,000	1,00,00,000
(ii)	Export obligation	70, 00,000	70, 00,000
(iii)	Claims not acknowledged as debts	76,14,970	76,14,970

13) Sundry Creditors

The names of the small-scale industrial undertakings to whom the Company owes amounts outstanding for more than 30 days are

Ankar Engineers & Fabrication	Standard Reagents (P) Ltd
Sai Krishna Containers	Sri Sai Packing Works
GB-Indaqua Polymers & Chemicals	Perfect Fabs
Tejasri Intermediates Pvt. Ltd.	Hyderabad Ammonia & Chemicals Pvt. Ltd.
Pravesha Industries Pvt. Ltd.	

**14) FOREIGN EXCHANGE TRANSACTIONS: Inflow - Rs. 607,731/-
Outflow - Nil**

15) In compliance with the Accounting Standard relating to "Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the Deferred Tax Liability (Net) of Rs.6,244,820/- arising out of timing difference for the year 2005-06 has been recognized in the Profit and Loss A/c.

16) The components of deferred tax assets and liabilities arising on account of timing differences are:

(Amount in Rupees)

S No	Description	As at 31 st March, 06		As at 31 st March, 05	
		Assets	Liabilities	Assets	Liabilities
1	Fixed Assets		19,123,954		21,024,225
2	Un-absorbed Depreciation & Business Loss	28,721,856		37,439,759	
3	Others	686,260		113,448	
	Total	29,408,116	19,123,954	37,553,207	21,024,255

17) Earnings per Share:

	As at 31 st March,,06	As at 31 st March,,05
	Rs	Rs
Net Profit / (Loss) for the year	(25,338,293)	63,26,183
No. of Equity Shares (Face Value of Rs.10/- each)	1,02,01,300	77,01,300
EPS (Rs)	—	0.82

18. During the year ended 31st March 2006, the company has entered into transactions with related parties. The transaction together with the related balance as at 31st March 2006 are presented in the following table.

S.No	Name of the Transactions	Associates	
		31 st March, 06 Rs	31 st March, 05 Rs
A)	CORAL DRUGS LTD :		
1	Sale of Finished Goods	7,228,980	4,539,690
2	Rendering services	109,500	291,000
	Total	7,338,480	4,830,690
B)	V N SUNANDA REDDY:		
1	Salary	576,000	841,000
2	Perquisites	324,000	464,000
	Total	900,000	1,305,000
C)	Y RAMA CHANDRA REDDY:		
1	Salary	504,000	614,000
2	Perquisites	216,000	311,000
	Total	720,000	925,000
D)	K SRINIVAS REDDY:		
1	Salary	384,000	480,000
2	Perquisites	216,000	270,000
	Total	600,000	750,000

Balance as on 31st March 2006 :

CORAL DRUGS LIMITED

Rs.15,84,891/-

Name of the related party and description of relationship

i) Company in which directors are Substantially interested

- M/s. CORAL DRUGS LIMITED

19) The company operates in only one business segment and there is no geographical segments to be reported.

20) The company has accepted Interest free borrowings from Directors, Friends and their Relatives and Associates prior to and subsequent to sanction of Rehabilitation Scheme and Modified Rehabilitation Scheme and such borrowings are continuing as outstanding as on this Balance Sheet date. The said amounts were infused by the said persons to ensure continued operation of the company. It may also be mentioned that as per the sanctioned scheme of Hon'ble BIFR, any shortfall in funds should be met by the company / promoters without delay. In view of this position, the company is of the view that the provisions of Section 58A and other relevant rules and regulations does not apply to this borrowings. However, the Registrar of Companies has initiated legal proceedings on this matter. The company is contesting the same.

21) Debts considered doubtful represent debts for which persuasive/legal proceedings have been taken for recovery. Pending outcome of such action, these debts are being continued as debts doubtful of recovery in the accounts and accordingly no provision has been made in these accounts.

22) Loans and Advances includes a sum of Rs. 15,00,000/- paid to the Central Excise Department, consequent to Search Proceedings carried out by the said department. The said payment is to meet the liability, if any, to the department. Pending outcome of the said proceedings, the payment is reflected under loans and advances in these accounts.

23) Confirmation of balances under Sundry Debtors, Deposits, Loans and Advances, Current Liabilities, and Sales Tax loan are not available. However necessary action in this regard is already initiated. Pending confirmation/reconciliation and review by the Company, consequential adjustments arising thereon, if any are presently are not ascertainable.

24) The company has published the un-audited financial results for the year ended 31st March' 06 as taken on record by the Board of Directors of the company on 28th April'06. As mentioned elsewhere in these accounts, the factory of the company was closed on 15th April' 06 pursuant to the order of the A P Pollution Control Board. The company is contesting the said order since its issuance and the company was successful in revoking a similar order issued earlier by AP Pollution Control Board during this financial year. However, considering the fact that considerable time has lapsed between the closure of factory and this date on which the accounts are prepared, the impact in the Work-in-process, Increase/Decrease in stocks as on the date of closure of the factory both in terms of their current realisable value and reduced yield impact due to such long storage, has been recognised in these accounts.

25) Figures for the previous period have been regrouped and reclassified wherever necessary to be in conformity with the current period.

As per our report of even date attached
for K NAGARAJU & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

K. NAGARAJU
Proprietor

Y. Ramachandra Reddy
Joint Managing Director

V N Sunanda Reddy
Managing Director

Place : HYDERABAD
Date : 15th September, 2006

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

Rupees in Thousands

i. Registration Details :

1	2	0	3	8
---	---	---	---	---

State Code

0	1
---	---

Balance Sheet Date

3	1	0	3
---	---	---	---

Date

Month

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

Year

ii. Capital Raised During the Year:

Public Issue

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

Rights Issue

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

Bouns Issue

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

Private Placement

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

*Issued as per BIFR Scheme

	2	5	0	0	0
--	---	---	---	---	---

iii. Position of Mobilization and Deployment of Funds:

Total Liabilities

1	3	7	2	0	9
---	---	---	---	---	---

Total Assets

1	3	7	2	0	9
---	---	---	---	---	---

Source of Funds

Paid-up Capital

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

Reserves & Surplus

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

Secured Loans

		1	5	5	9
--	--	---	---	---	---

Unsecured Loans

	3	3	6	3	7
--	---	---	---	---	---

Application of Funds

Net Fixed Assets

1	3	4	9	3	3
---	---	---	---	---	---

Investments

			4	9	4
--	--	--	---	---	---

Net Current Assets

-	4	7	3	2	3
---	---	---	---	---	---

Misc. Expenditure

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

Deferred Tax Assets

	1	0	2	8	4
--	---	---	---	---	---

Accumulated Losses

	3	8	8	2	1
--	---	---	---	---	---

iv. Performance of Company :

Turnover /Total Income

2	0	2	1	5	7
---	---	---	---	---	---

Total Expenditure

2	2	1	0	4	4
---	---	---	---	---	---

Profit Before Tax

	-	1	8	8	7
--	---	---	---	---	---

Profit after tax

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

Earnings per share Rs. Ps.

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

Dividend Rate %

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

v. Generic name of Principal Products /Services of Company :(as per monetary terms)

Product Description : Bulk Drugs

Item Code : 2942

* Alloted previous year and effect is given during this year

For and on behalf of the Board

Y. Ramachandra Reddy
Joint Managing Director

V N Sunanda Reddy
Managing Director

Place : HYDERABAD
Date : 15th September 2006

S S ORGANICS LIMITED

Regd.Off: Survey No. 252/1, Arroor Village, Sadasivapet Mandal, Medak District.A.P.
Corporate Office: 79/1, Sagar Society, Road No. 2, Banjara Hills, Hyderabad.

PROXY FORM

Folio No. / D.P. ID & Client ID No. _____ No. of Shares held _____
I/We _____ of _____ being Member/Members
of the Company hereby appoint _____ of _____
or failing him _____ of _____ as my/our proxy to
attend and vote for me / us / our behalf at the 13th Annual General Meeting of the
Company to be held on Friday 20th October, 2006 and at any adjournment thereof.

Signed this _____ day of _____ 2006.

Affix 15 paise
Revenue
Stamp

Signature _____

Note: Proxy form should reach the Company's Regd. Office/Corporate Office not less than 48 hours before the meeting.

S S ORGANICS LIMITED

Regd.Off: Survey No. 252/1, Arroor Village, Sadasivapet Mandal, Medak District.A.P.
Corporate Office: 79/1, Sagar Society, Road No. 2, Banjara Hills, Hyderabad.

ATTENDANCE SLIP

I hereby record my presence at the 13th Annual General Meeting of the Company at the
Regd. Office at 4.00 p.m. on Friday 20th October, 2006

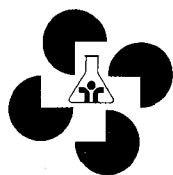
Name of the Shareholder: _____ Signature _____

Name of the Proxy : _____ Signature _____

Folio No. / D.P. ID & Client ID No. _____ No. of Shares held _____

**BOOK-POST
PRINTED MATTER**

If undelivered please return to :



S S ORGANICS LIMITED

Corporate Office :

Plot No.79/1, Sagar Society, Street No. 3,
Banjara Hills, Road No. 2, Hyderabad - 500 034.
Andhra Pradesh, India.

Ph. 040-2354 8523/ 2355 5352 Fax- 040-2354 8563

e-mail: ssorganicslimited@msn.com