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SdF Industries Limited

Regd. Office : Palakkad, Kerala. Factory : Pampady, Kerala

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14th Annual Report 2003-2004

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SDF Industries Limited

2003 - 2004

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Registered Office
'SDF House', 7 / 352, N.H. By-pass Road
Chandranagar
Palakkad - 678 007.
Kerala.

Factory
'SDF Industrial Complex'
7 / 628, Pampadi
Thiruvilwamala
Thrissur - 680 597.
Kerala.

SDF Industries Limited
2003-2004

Board of Directors

Mr. K.V. Mohan Menon	Chairman
Dr. G.S. Keshavamurthy	
Mr. Ranjit Ramjee	
Mr. M.P. Gopalakrishnan	
Mr. K.V. Pradeep Menon	
Mr. N. Krishnan Nair	Nominee of SBT

Management

Mr. K. Chandrabhanu	General Manager (Commercial & Productivity)
Mr. A. Gopikrishnan	Manager (Admn. & Corp. Affairs)
Maj. P.G. Nair (Retd.)	Advisor

Bankers
State Bank of Travancore.
The Federal Bank Ltd.
The Catholic Syrian Bank Ltd.
Union Bank of India.

Statutory Auditors
M/s. Varma & Varma
Chartered Accountants
Calicut.

Internal Auditors
Mr. N.R. Neelakandan
Chartered Accountant
Palakkad.

Registrar & Share Transfer Agent
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Milis Compound
LBS Marg, Bhandup West
Mumbai - 400 078

Investor Relation Centre at :
"Surya", 35
Mayflower Avenue
Behind Senthil Nagar
Sowripalayam Road
Coimabtore - 641 028.

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NOTICE OF THE ANNUAL GENERAL MEETING

To all members,

Notice is hereby given that the 14th Annual General Meeting of the Members of the company will be held on Thursday, the 23rd December 2004 at 10.00 A.M. at the Conference Hall of Rotary Paul Harris Hall, N.H. By Pass Road, Karingarapully Post, Palakkad - 678 559 to transact the following businesses.

AGENDA

Ordinary Business

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31.03.2004 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. G.S.Keshavamurthy who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri. Ranjit Ramjee who retires by rotation and is eligible for reappointment.
4. To appoint Statutory Auditors and fix their Remuneration.

NOTES

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.**
2. **The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the meeting.**
3. Pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 the members are informed that the company has not declared any dividend in the past and hence transfer of unclaimed dividends to Government account does not arise.
4. Reappointment of Directors.

The information required by the Corporate Governance Code is given below.

I. Name : Dr. G.S. Keshavamurthy
Age : 71
Qualifications : B.Sc., B.Sc. (Tech.), D.Sc. (UK), C. Engg., FIE, FIICHE, FIMA - Technocrat.
Expertise : 40 years of experience in large Chemical & Man made fibre Industries.

Other Directorships :

Name of the Company	Position held
1. The Arya Vaidya Pharmacy (Coimbatore) Ltd.	Director
2. Travancore Rayons Limited	Director
3. United Hospital (P) Ltd.	Director
4. TAPMI-Board of Studies	Director

Dr. G.S. Keshavamurthy is a member of the Audit Committee.

II. Name : Ranjit Ramjee
Age : 54
Qualification : B.Com.
Expertise : More than 27 years of Business and Managerial experience.

Other Directorships :

Name of the Company	Position held
1. Garibdasji Pvt. Ltd.	Director

Ranjit Ramjee is a member of the Audit Committee.

By the order of the Board
Sd/-
Ranjit Ramjee
Director

Palakkad
5.11.2004

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DIRECTORS' REPORT - 2003 - 2004

Dear fellow Shareholders, Ladies & Gentlemen,

Your Directors place before you the 14th Annual Report of your company together with the Audited Accounts for the year ended 31.3.2004.

COMPANY'S PERFORMANCE :

I. IMFL Division :

The Company was able to substantially step up the IMFL bottling activity for other companies engaged in sales in Kerala State. The total number of cases packed during the year was 6,78,542 cases. Inspite of marketing difficulties and imposition of taxes, your company was able to market 86,840 cases of its own brands. The progress achieved in IMFL operations continues during the current year also. The number of cases packed during the first six months of 2004 (From April to September 2004) amounted to 4,17,162 cases.

II. Distillery Division :

The State Government has still not given us permission to include molasses as raw material for distillery operations. The present market trends show very high prices for molasses and Extra Neutral Alcohol. If this trend continues, your company may seriously consider starting of the Distillery division after conducting the necessary commercial and technical feasibility studies. In the mean time, the case against the Government is still pending in the Division Bench of High Court of Kerala.

III. Profitability :

The improved IMFL bottling activity including our own sales has resulted in a profit of Rs. 71.79 lakhs before interest and depreciation. The Management also has taken sufficient initiatives and steps to control the expenses including raw and packing material costs. During the current year the profit from IMFL division would be marginally higher than the previous year. However, the carried forward loss as per profit & Loss account for the period ended 31st March 2004 is Rs. 523.33 lakhs. Much of this loss, as you are aware, is due to heavy interest burden on loans from Banks and KSIDC which as mentioned below, will be waived.

IV. BIFR Proceedings :

During the last two years the company management has been discussing with the Banks and Financial Institutions a compromise and rehabilitation settlement. As a part of this settlement the Banks and KSIDC have agreed to accept Rs. 837.00 lakhs as a final settlement after waiver of all interest including penal interest. The company has been given time upto 30th June 2007 to pay the above dues to the Banks and KSIDC. The Company also has to pay an amount of Rs. 300.00 lakhs from the sale of surplus assets of the company over and above the amount of Rs. 837.00 lakhs, by 30th June 2005. This proposal has already been put before BIFR whose final decision is expected at an early date. Your directors are happy to report that the company has already paid Rs. 100.00 lakhs to Banks and KSIDC as on 31.3.2004 as per schedule. The company is confident of meeting the schedules mentioned by Banks and KSIDC, with improved performance and profits.

V. Personnel

There are no employees drawing more than Rs. 2,00,000 per month. No Director is paid any remuneration.

VI. Conservation of Energy

When the main Distillery Unit becomes operative, necessary energy conservation measures will be introduced. Consumption of power in respect of IMFL operations is not considerable.

VII. Listing Particulars

The shares of the company are listed at the Stock Exchanges at Kochi, Mumbai, Chennai and Ahmedabad. Due to financial constraints the company has paid the Listing fee only to Mumbai Stock Exchange.

VIII. Reply to Auditors observations

With regard to the observations made by the Statutory Auditors in their Report, Suitable explanations have been included in the Notes forming part of accounts.

IX. Directors

Dr. G.S. Keshavamurthy and Mr. Ranjit Ramjee retire by rotation and are eligible for reappointment. As in the past the directors have not been drawing any remuneration nor sitting fees etc. The Board performs its functions purely on honorary basis and to the best interest of the company.

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Mr. C.Balakrishnan, the Promoter Director of the company expired on 14th September 2004. The Board of Directors reiterated and appreciated the services rendered by him during his tenure of office as Founder Director of the Company. The Board expressed its deep condolence for the sad demise of Mr. C.Balakrishnan and rededicate ourselves to fulfil our founder's vision.

Mr. Nevin Megchiani, Director resigned from the board with effect from 30.10.2004. The Board wishes to place on record the invaluable services rendered by Mr. Nevin Megchiani during his tenure of office as Director of the Company.

X. Statutory Auditors

The Statutory Auditors M/s. Varma & Varma, Chartered Accountants, retires at the ensuing Annual General Meeting and are eligible for reappointment.

XI. Directors's Responsibility Statement

The Directors hereby state :

i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

ii. That the directors had 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 on 31.03.2004 and of the Loss of the company for that period.

iii. 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.

iv. That the directors had prepared the annual accounts on a going concern basis.

XII. Corporate Governance

The requirement of Compliance with code and Corporate Governance as per clause 49 of the listing Agreement has been duly complied with. The company has an "Audit Committee" of directors with Mr. M.P. Gopalakrishnan (Chairman), Mr. Ranjit Ramjee and Dr. G.S. Keshavamurthy as members and a report showing the details of Corporate Governance is enclosed.

XIII. Extension of time for holding AGM

Due to certain operational reasons, the Company has obtained extension of time for holding Annual General Meeting of the Company on or before 31.12.2004 vide letter No. 09-5674/TA(4)/3727/2004, dt. 27.9.2004 from Registrar of Companies, Kerala

Acknowledgement

Your Directors wish to record their gratitude to the Central and State Government Agencies including KSBC, KSEB, Local Panchayat Officials etc., Banks and KSIDC. They also wish to put on record their happiness with the functioning of the officers, staff and workers who have extended support to your company.

For and on behalf of the Board,

Palakkad
5.11.2004

Sd/-
Chairman

A TRIBUTE TO LATE C.BALAKRISHNAN, FOUNDER - DIRECTOR

After a brief illness, Mr.C.Balakrishnan our Founder Director, died on 14th September 2004. Apart from promoting our Company, Late C.Balakrishnan played an important role in administering the Company, through his contributions in Directors meetings and Management Committee meetings. While praying for his soul to rest in peace, we hereby pledge to work hard to achieve his mission and vision.

DIRECTORS, MANAGEMENT, STAFF & WORKERS OF SDF INDUSTRIES LIMITED

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ANNUAL REPORT 2003-2004

CORPORATE GOVERNANCE

1. Company's Philosophy on code of Governance :

Your Company firmly believes in transparency in all its dealings and lays emphasis on integrity and regulatory compliance. The Company considers Corporate Governance as a prerequisite for meeting the needs and aspirations of its shareholders and other stake holders in the company. With this in view, this year's Annual Report has made necessary disclosures on the activities of the company.

2. Board of Directors :

The Board is headed by the Non-Executive Chairman, Mr. K.V. Mohan Menon (NRI), and is composed of eminent persons with considerable professional experience in varied fields and comprises of Non-Executive Directors, with majority being independent directors. The details are given below.

Director	Whether Promoter, Executive, or Non-Executive/Independent	No. of outside Directorships held (only public companies)	No. of Board Committees in which a member/ Chairman
Mr. K.V. Mohan Menon (NRI)	Chairman-Promoter / Non-Executive	Nil	Nil
Mr. C. Balakrishnan*	Promoter / Non-Executive	4	Nil
Mr. K.V. Pradeep Menon (NRI)	Promoter / Non-Executive	Nil	Nil
Mr. Ranjit Ramjee	Independent Non-Executive	Nil	2/--
Mr. M.P. Gopalakrishnan	Independent Non-Executive	Nil	2/2
Dr. G.S. Keshavamurthy	Independent Non-Executive	2	2/--
Mr. N. Krishnan Nair (SBT Nominee)	Nominee Director	Nil	Nil
Mr. Nevin Megchiani (NRI)**	Independent Non-Executive	Nil	Nil

*Deceased on 14.09.2004

** Resigned w.e.f. 30.10.2004

3. Board Meeting & AGM:

During the year under review, 6 Board meetings were held, the dates being 30th April, 2003, 31st July, 2003, 27th August 2003, 29th August 2003, 30th October, 2003 and 31st January 2004.

The Annual General Meeting was held on 30th September, 2003.

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Details of attendance of each Director at the Board Meetings and AGM are given below:

Directors	No. of Board Meetings attended	Whether attended last AGM
Mr. K.V. Mohan Menon (Chairman)	6	No
Mr Ranjit Ramjee	6	No
Mr. M.P. Gopalakrishnan	6	Yes
Mr. C. Balakrishnan*	Nil	No
Dr. G.S. Keshavamurthy	3	Yes
Mr. N. Krishnan Nair (SBT Nominee)	Nil	No
Mr. K.V. Pradeep Menon	Nil	No
Mr. Nevin Megchiani**	Nil	No

*Deceased on 14.09.2004

** Resigned w.e.f. 30.10.2004

4. Audit Committee :

The Audit Committee consists of the following 3 Non-Executive Independent Directors:

Directors	Status	No. of Meeting attended
Mr. M.P. Gopalakrishnan - Chairman	Independent Non Executive	5
Mr. Ranjit Ramjee	Independent Non Executive	5
Dr. G.S. Keshavamurthy	Independent Non Executive	4

Terms of reference of the Audit Committee is as per the recommended term referred in Clause 49 (II) (D) of the listing Agreement viz. To review Internal Audit Reports, the Statutory Auditors' Report on the financial statements, to generally interact with the internal Auditors and statutory Auditors, to review weaknesses in internal controls, to select and establish accounting policies and to review financial statements before submission to the Board.

During the year under review, five Meetings of the Audit Committee were held the dates being 30th April 2003, 31st July 2003, 27th August 2003, 30th October 2003 and 31st January 2004.

5. Remuneration Committee :

No remuneration is paid to any director of the company. No remuneration committee has been formed as the same is not mandatory.

6. Share Transfer & Shareholders'/Investors' Grievance Committee :

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate Certificates by the company, and (ii) looks into various issues relating to shareholders including redressal of complaints from shareholders relating to transfer of shares, non-receipt of Balance Sheets, etc. The Committee consists of three Non-Executive independent Directors namely :

Mr. M.P. Gopalakrishnan - Non-Executive Director - Chairman
Mr. Ranjit Ramjee - Non-Executive Director
Dr. G.S. Keshavamurthy - Non-Executive Director

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The Committee met 16 times during the year.

Name and designation of Compliance Officer : Mr. A. Gopikrishnan, Manager (Admn. & Corp. Affairs)

No. of Shareholders' complaints received during the year : 15

No. of complaints not resolved to the satisfaction of shareholders : Nil

No. of pending share transfers : Nil

7. General Body Meetings :

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

	Date	Location	Time
1.	30th September 2003	Rotary Paul Harris Hall N H By Pass Road Palakkad	10.30 A.M.
2.	30th September 2002	Rotary Paul Harris Hall N H By Pass Road Palakkad	10.00 A.M.
3.	27th December 2001	Rotary Paul Harris Hall N H By Pass Road Palakkad	10.00 A.M.

(b) Whether Special Resolution were put through postal ballot last year : No.

(c) Are votes proposed to be conducted through postal ballot this year : No.

8. Other disclosures :

(a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large:

The company has no transactions with any related parties that may have potential conflict with the interest of the company at large.

(b) Details of noncompliance by the Company, penalties, strictures imposed on the Company by stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The company being a sick company has not paid the listing fees payable to the Stock Exchanges except the Stock Exchange Mumbai.

9. Means of communication:

(a) Whether half-yearly report sent to each household of shareholders : No.

(b) Quarterly results :

(i) Which newspapers normally published in : The Hindu & Kerala Kaumudhi (Local Edition)

(ii) Any website displayed : No.

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(c) Whether presentations made to institutional investors or to the analysts : No presentation were made to institutional investors or to the analysts.

(e) Whether Management Discussion & Analysis Report is a part of Annual Report or Not : Yes.

10. General Shareholder information :

(a) AGM : Date, Time and Venue : 23-12-2004, 10 A.M., Rotary Paul Harris Hall, N.H.Bye pass Road, Palakkad

(b) Financial calendar (tentative) : Financial Year "1st April to 31st March"

Financial reporting for the quarter ending June 30, 2004	:	End of July, '04
Financial reporting for the quarter ending September 30, 2004	:	End of October, 04
Financial reporting for the quarter ending December 31, 2004	:	End of January, 05
Financial reporting for the year ending March 31, 2005	:	End of May, 2005

(c) Book closure period : 27.09.2004 to 30.09.2004 (both days inclusive)

(d) Dividend payment date : Not applicable

(e) Listing on Stock Exchanges : The Company's Securities are listed at :

1. The Stock Exchange, Mumbai
2. The Stock Exchange, Ahmedabad
3. The Cochin Stock Exchange Ltd.
4. Madras Stock Exchange Ltd.

(f) Stock Code : SUPDF - 7518

(g) Stock Market Data : Shares not traded in BSE since July, 2001. The last quotation on BSE was on 6.7.2001. Rate : Rs. 1.80.

(h) Share Registrar for physical

The Company has appointed M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai - 400 078, to act as Registrar and Transfer Agents to handle all investor services relating to shares held in physical form as well as in electronic mode.

The address of their Investor Relation Centre is given below.

Intime Spectrum Registry Limited, "Surya" 35, Mayflower Avenue
Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028
Ph : 0422 - 2316755. Fax : 0422 - 2314792

(i) Share Transfer System :

Share Transfers in physical form are registered and returned within a period of 15 days from the date of receipt in case documents are complete in all respects. The Share Transfer Committee normally meets twice in a month.

(j) Dematerialization of shares and liquidity : As on 31st March 2004, out of 11687300 equity shares, only 27,300 shares were demated through Central Depository Services (I) Ltd.

(k) Outstanding GDRs/ADR/Warrants, Convertible Bonds, conversion date and likely impact on equity : Nil.

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(m) (i) Distribution of shareholding as on 31st March, 2004

Group of shares	No. of shareholders	No. of shares held	% age to Total Shares
Upto 500	12659	2854880	24.43
501 - 1,000	1391	1123650	9.61
1,001 - 2,000	448	714600	6.11
2,001 - 3,000	131	337310	2.90
3,001 - 4,000	63	230500	1.97
4,001 - 5,000	55	269000	2.30
5,001 - 10,000	59	499300	4.27
10,001 and above	60	5658060	48.41
TOTAL	14866	11687300	100.00

(ii) Shareholding pattern as at 31st March, 2004.

Sl.No.	Category	No. of Shares held	%
1.	Promoters, Directors & Relatives	58,08,590	49.70%
2.	Mutual Funds and UTI	22,400	0.19%
3.	Banks & Financial Institutions	14,100	0.12%
4.	Private Corporate Bodies	6,98,500	5.98%
5.	Indian Public	47,11,410	40.31%
6.	NRIs	4,32,300	3.70%
		1,16,87,300	100.00%

(n) Plant Location :
SDF Industrial Complex, 7/628, Pampadi, Thiruvilwamala, Trichur Dist., Kerala - 680 597
Tel. No. 0488-4282703, Fax No. 4282184

(o) Address for Communications :

For Annual Report, Transfer of Physical Shares, Change of Address and any other query relating to the shares of the Company.

Intime Spectrum Registry Limited, Investor Relation Centre, "Surya" 35, May flower Avenue Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028, Tamil Nadu.

Contact address for shareholder/Analyst : The Manager (Admn. & Corp. Affairs), SDF Industries Limited, SDF House, 7/352, NH By pass Road, Chandranagar, Palakkad, Kerala - 678 007. Tel : 0491-2572629 Tele Fax : 2572421

Palakkad
5.11.2004

For and on behalf of the Board
Sd/-
Chairman

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