

18th Annual Report 2007 - 2008



Recapture the Spirit of Kerala

S I F
INDUSTRIES LTD

SDF Industries Limited

Board of Directors

Mr. K.V. Mohan Menon - Chairman / Wholetime Director
 Dr. G.S. Keshavamurthy
 Mr. Ranjiit Taunk
 Mr. M.P. Gopalakrishnan
 Mr. S. Vasudevan -Nominee of State Bank of Travancore

Management

Mr. A. Gopikrishnan
 General Manager (Operations & Corporate Affairs)
 Maj. P.G. Nair (Retd.)
 Adviser

**Registered Office :**

"SDF House",
 7/352, NH Bypass Road
 Chandranagar
 Palakkad - 678 007
 Kerala.

Factory :

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

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

M/s. Mohan & Venkataramanan
 Chartered Accountants
 Coimbatore.

Registrar & Share Transfer Agent

M/s. Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound
 LBS Marg, Bhandup West
 Mumbai - 400 078

Branch Office

M/s. Intime Spectrum Registry Ltd.
 "Surya", 35, Mayflower Avenue
 Behind Senthil Nagar
 Sowripalayam Road
 Coimbatore - 641 028.

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SDF Industries Limited

NOTICE OF THE ANNUAL GENERAL MEETING**To all Members,**

Notice is hereby given that the 18th Annual General Meeting of the Members of the Company will be held on Monday, the 29th September 2008 at 10.00 A.M. at the Conference Hall of Rotary Paul Harris Hall, N.H. Bypass 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 31.03.2008 and the Balance Sheet as at that date and the Report 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 Mr. Ranjiit Taunk 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. The Register of Members and Share Transfer Books of the Company shall remain closed from 24.09.2008 to 29.09.2008 (both days inclusive).

5. Reappointment of Directors

The information required by Corporate Governance Code is given below.

1. Name : Dr. G.S. Keshavamurthy
Age : 75
Qualifications : B.Sc., B.Sc.(Tech), D.Sc.(UK), C.Engg., FIE, FIICHE, FIMA-Technocrat.

Expertise : 44 years of experience in Large Chemical & Man made fibre Industries.

Relationship : Not related to any other Director of the Company

Other Directorships:

Name of the Company	Position held
The Arya Vaidya Pharmacy (Coimbatore) Ltd.	Director
No. of shares held in the company : Nil	
Dr. G.S. Keshavamurthy is a member of the Audit Committee	

2. Name : Mr. Ranjiit Taunk

Age : 58

Qualifications : B.Com.

Expertise : 31 Years of Business & Managerial experience.

Relationship : Not related to any other Director of the Company

Other Directorships:

Name of the Company	Position held
1. Garibdasji Pvt. Ltd., Coimbatore	Director
No. of shares held in the company : 61,200	
Mr. Ranjiit Taunk is a member of the Audit Committee	

Palakkad
02. 09. 2008

By the order of the Board
Sd/-
Chairman & Wholtime Director

SDF Industries Limited

DIRECTORS' REPORT 2007 - 2008**TO THE MEMBERS OF SDF INDUSTRIES LIMITED**

The Directors present their Eighteenth Annual Report and the Audited Statement of Accounts for the year ended March 31, 2008.

I. PERFORMANCE :

	Financial Year	
	2007 - 2008	2006-2007
	(Rs. Lakhs)	(Rs. Lakhs)
(i) Total Income	250	409
(ii) Total Expenditure	1096	463
(iii) Net Loss	846	54

Our company is finalising an OTS (One Time Settlement) with the lending banks shortly and approaching Hon'ble BIFR (Board for Industrial and Financial Reconstruction) for sanction of DRS (Draft Rehabilitation Scheme). Before that the company requires to value its assets in line with the market value and provide prior years' liabilities of Turnover Tax which was pending before Hon'ble Supreme Court of India. Hence you will observe larger provision for loss than prior years. This is as per the recommendation of our consultants. But once the OTS / DRS is sanctioned, for the next financial year the company will be reversing major part of its accumulated losses which comprises of the accumulated interest.

The benefit of OTS with the banks is of complete waiver of the accumulated interest and also waiver of some part of principal amount outstanding to the banks. In order to accommodate this the company has to write down its assets valuation and perhaps any other sacrifices that may be recommended by OA (Operating Agency) / BIFR.

II. OVERALL VIEW :

The Company has reached an understanding with all the lending banks on One Time Settlement under the Rehabilitation Scheme. This settlement has to be done before the end of March 2009. Once it is implemented, the company can writeoff all interest payable and a part of principal loan amount. In a couple of years the company can wipe out the balance of the accumulated losses, based on internal accruals and promoters contribution. The management is of the opinion that the company can become profitable within short period.

Due to the delay in sanctions of OTS the company could not perform its best and had to cut own production and marketing of our brands and to concentrate only on contract bottling income. The company is expecting a good production in the coming years, once the company builds up sufficient surplus working capital. Of course to achieve this, the company must wipe out its accumulated losses by One Time Settlement with its lenders. As mentioned earlier, the company is in the final stage of negotiations.

III. IMFL & DISTILLERY OPERATIONS

Due to paucity of working capital, the company is only doing IMFL manufacturing activities under job work basis and joint venture manufacturing. During the year 2007-2008 the company has manufactured 11 lakh cases. Presently company can produce 1.80 lakhs cases per month. But it is increasingly difficult to attract new customers while the company is sick. It is hoped once bank settlement is over the company will get few blue chip bottling customers. It is unlikely to restart the distillery operations in the near future due to prevailing Govt. policies and commercial scenario.

IV. CORPORATE GOVERNANCE

The requirement of compliance with Code of 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. Ranjiit Taunk and Dr. G.S. Keshavamurthy as members and a report showing the details of Corporate Governance is enclosed.

V. PERSONNEL

There are no employees drawing more than Rs. 2,00,000/- per month. Directors are not paid any remuneration or sitting fees for the Board Meetings.

VI. CONSERVATION OF ENERGY

Since the main distillery division is not functioning, only IMFL bottling division is presently operated, the consumption of energy / power therefore is insignificant.

VII. LISTING PARTICULARS

The Company's shares are suspended from trading in the Bombay Stock Exchange Ltd., until the company comes out of its sickness. After this we can recommence the trading of our shares in the premier bourses.

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. Ranjiit Taunk retire by rotation and are eligible for reappointment.

The Board performs its functions by regular meetings and monitoring all the activities purely on honorary basis and in the best interest of the Company.

X. AUDIT

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

XI. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby state :

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures.
- ii. that they have selected such accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements 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 31.03.2008 and of the Profit / Loss of the Company for that period.
- iii. that they have 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 they have prepared the annual accounts on a going concern basis.

XII. APPRECIATION

The board takes this opportunity to thank all our fellow shareholders for your continued co-operation. On your behalf and Board of Directors, I thank the Government Officials, our Bankers who stood with us in bad times and each members of our staff and employees for their sincere and hard work which is enabling the company to come out of its sickness.

Jai Hind!

On behalf of the Board of Directors

Sd/-

Chairman / Wholetime Director

Palakkad
02.09.2008

SDF Industries Limited

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 share holders 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 Executive Chairman, Mr.K.V.Mohan Menon 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 composition of the directors and their attendance at the Board Meeting during the year and at the last Annual General Meeting, and also the number of the other directorships are as follows.

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of other Directorship held in Public Companies	No. of membership in other Committees Member / Chairman
Mr. K.V.Mohan Menon	Chairman / Wholtime Director Promoter / Executive	5	Yes	Nil	Nil
Mr. Ranjiit Taunk	Independent Non Executive	5	Yes	Nil	2/-
Mr. M.P.Gopalakrishnan	Independent Non Executive	5	Yes	Nil	2/2
Dr. G.S.Keshavamurthy	Independent Non Executive	1	Yes	1	2/-
Mr. S. Vasudevan (SBT Nominee)	Nominee Director	1	No	Nil	Nil
Mr. S. Sankar (SBT Nominee)	Nominee Director	--	---	--	--

State Bank of Travancore has nominated Mr. S. Vasudevan in the place of Mr. S. Sankar

None of the Directors are related among themselves.

During the year under review, 5 Board Meetings were held, the dates being 30th April 2007, 31st July 2007, 31st August 2007, 31st October 2007 and 31st January 2008.

The Annual General Meeting was held on 29th September, 2007.

SDF Industries Limited

Shareholdings of Directors

Name of the Director	No. of Shares	Percentage
Mr. K.V.Mohan Menon	2891400	24.74
Mr. Ranjiit Taunk	61200	0.52
Mr. M.P. Gopalakrishnan	900	0.008

Other Non - Executive Directors do not hold any shares in the company.

3. Audit Committee:

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

Name of the Member	Status	No. of Meeting attended
Mr. M.P. Gopalakrishnan	Non - Executive - Independent	5
Mr. Ranjiit Taunk	Non - Executive - Independent	5
Dr. G.S. Keshavamurthy	Non - Executive - Independent	1

The Chairman of the Audit Committee is Mr. M.P. Gopalakrishnan, Chartered Accountant.

The role, Powers and functions of the Audit Committee are as per Section 292A of the companies Act, 1956 and the guidelines set out in the listing agreement with the Stock exchanges. Terms of reference of this Committee are as required by SEBI under clause 49 of the Listing Agreement. Besides having access to all the required information from within the company, the committee can obtain external professional advice whenever required. The Committee acts as a link between the statutory and internal auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and Internal Auditors and meet with them to discuss their finding, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

During the year under review, five Meetings of the Audit Committee were held the dates being 30th April 2007, 31st July 2007, 31st August 2007, 31st October 2007 and 31st January 2008.

4. Remuneration Committee:

No remuneration is paid to any director of the company. No remuneration committee has been formed as the same is not mandatory. The company does not have any employee stock option scheme.

There has been no materially relevant pecuniary transaction or relationship between the company and its Non-Executive Independent Directors during the year.

5. 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. Ranjiit Taunk	- Non-Executive Director
Dr.G.S.Keshavamurthy	- Non-Executive Director

The Committee met 10 times during the year.

SDF Industries Limited

Name and designation of Compliance Officer :

Mr. A. Gopikrishnan, General Manager(Operations & Corporate Affairs).

The minutes of the Investor Grievance Committee were placed at the Board Meeting.

No. of shareholders' complaints received during the year : 8

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

No. of pending share transfers : Nil

6. General Body Meetings:

(a) The last three Annual General Meetings were held as under :

Financial Year	Date	Location	Time
2004 - 05	29.09.2005	Rotary Paul Harris Hall NH By Pass Road, Palakkad	10:00 a.m.
2005 - 06	29.09.2006	Rotary Paul Harris Hall NH By Pass Road, Palakkad	10:00a.m.
2006 - 07	29.09.2007	Rotary Paul Harris Hall NH By Pass Road, Palakkad	10:00 a.m.

(b) Whether any Special Resolutions passed in the previous 3 AGMs : Nil

(c) No special resolution were put through postal ballot last year and there is no proposal for this year.

(d) No Extra Ordinary General Meeting was held during the year 2007-08.

7. 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 non-compliance 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 has paid the listing fees due to Bombay Stock Exchange Limited.

Company being a sick company has not paid the listing fees payable to the other Stock Exchanges.

(c) The Company does not have any Whistle Blower Policy. However no personnel has been denied access to the Audit Committee of the Company.

(d) The Company has complied with all the mandatory requirements of Corporate Governance Norms as enumerated in Clause 49 of the Listing Agreement with Stock Exchanges. The non-mandatory requirements have not been adopted by the Company.

8. 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 New Indian Express & Kerala Kaumudhi (Local Edition)
 - (ii) Any Website displayed : No.
- (c) Whether presentations made to institutional investors or to the analysts:
No presentation were made to institutional investors or to the analysts.
- (d) Whether Management Discussion & Analysis Report is a part of Annual Report or not : Yes.

Code for prevention of insider trading

The Company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors / Officers/ Designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

Code of conduct

A code of conduct has been laid down for all board members and senior management of the company who have affirmed the compliance with the same. The Chairman's declaration to this effect forms part of this report.

9. General Shareholder information:

- (i) AGM: Date, time and venue: 29-09-2008, 10:00 A.M., Rotary Paul Harris Hall , NH Bypass Road, Palakkad.
- (ii) Financial calendar (tentative): Financial Year "1st April to 31st March"
 - Financial reporting for the quarter ending June 30, 2008 : End of July, '08
 - Financial reporting for the quarter ending September 30, 2008 : End of October, 08
 - Financial reporting for the quarter ending December 31, 2008 : End of January, 09
 - Financial reporting for the quarter ending March 31, 2009 : End of April, 2009
- (iii) Book closure period: 24.09.2008 to 29.09.2008 (both days inclusive).
- (iv) Dividend payment date: Not applicable
- (v) Listing on Stock Exchanges : The Company's securities are listed at:
 - 1. Bombay Stock Exchange Limited
 - 2. Ahmedabad Stock Exchange Ltd.
 - 3. Cochin Stock Exchange Ltd.
 - 4. Madras Stock Exchange Ltd.
- (vi) Stock Code: SUPDF - 507518
- (vii) 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.

(viii) Registrar and Transfer Agent :

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 Branch Office at Coimbatore is given below.

**Intime Spectrum Registry Limited, Coimbatore Branch Office "Surya" 35, Mayflower Avenue,
Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028. Ph: 0422-2314792/2316755
E-mail : coimbatore@intimespectrum.com**

(ix) 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 and Demat confirmed within 15 days. The Share Transfer Committee normally meets as and when required.

SDF Industries Limited

(x) (a) Distribution of Shareholding as on 31st March, 2008.

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters	36,09,200	30.88%
2	Mutual Funds and UTI	22,400	0.19%
3	Banks, Financial Institutions	12,100	0.10%
4	Private Corporate Bodies	7,92,300	6.78%
5	Indian Public	72,51,300	62.05%
		1,16,87,300	100.00%

(b) Distribution schedule as on 31st March, 2008

Group of Shares	No. of Shareholders	No. of shares held	Percentage to Total Shares
Upto 500	12594	2837980	24.28
501- 1,000	1380	1116050	9.55
1,001- 2,000	443	706700	6.04
2,001- 3,000	132	339810	2.91
3,001- 4,000	65	237400	2.03
4,001- 5,000	56	273300	2.34
5,001- 10,000	61	517400	4.43
10,001 and above	60	5658660	48.42
	14791	11687300	100.00

(xi) Dematerialisation of shares and liquidity:

As on 31st March 2008, out of 11687300 equity shares, only 2,42,900 shares were demated through Central Depository Services (I) Ltd.

(xii) Outstanding GDRs/ADR/Warrants, Convertible Bonds, conversion date and likely impact on equity : NIL

(xiii) Plant Location:

SDF Industrial Complex, 7/628, Pampadi, Thiruvilwamala, Trichur Dist., Kerala - 680 597.

Tel.No. 0488-4282704, Fax No. 4282184.

(xiv) 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, Coimbatore Branch Office, "Surya" 35, Mayflower Avenue

Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028, Tamilnadu.

Contact address for shareholder/Analyst:

The General Manager (Operations & Corp. Affairs), SDF Industries Limited

SDF House, 7/352, NH Bypass Road, Chandranagar, Palakkad, Kerala - 678 007.

Tel: 0491-2572629 Tele Fax:2572421

DECLARATION

It is hereby declared that all the Board Members, Senior Management and Employees of the Company have affirmed to and compliance with the 'Code of Conduct' laid down by the Company, as on 31st March 2008.

For and on behalf of the Board

Sd/-

Chairman / Wholetime Director

Palakkad
02.09.2008