22nd Annual Report 2011 - 2012

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Board of Directors

Mr. K.V. Mohan Menon Fellow, British Institute of Management(London), FICFA(USA)
Chairman & Whole time Director

Dr. G.S. Keshavamurthy B.Sc., B.Sc.(Tech), D.Sc.(UK), C.Engg., FIE, FIICHE, FIMA

Mr. M.P. Gopalakrishnan B.Com., FCA

Management

Mr. Sunil Nair B.E (Mech)., MBA - Advisor

Mr. Ramachandran Nair .C B.Com., MBA - General Manager (Prodn.)

Mr. Vinoo P. Stephen M.Com., PGDCA - Manager(Finance & Accounts)

Mr. Shamsudhin P.H. B.Sc. - Deputy Manager (Production)

Mr. Santhosh K. B.Com. - Deputy Manager (Production)

Mr. Suresh Kumar G. B.A. - Manager (Sales)

Mrs. Lissy T.T. - Executive (Factory)

Statutory Auditors

M/s. Varma & Varma
Chartered Accountants, Kozhikode.

Internal Auditors

Mr. D. Venkataramanan
Chartered Accountants, Coimbatore.

Registrar & Share Transfer Agent

M/s. Link Intime India (P) Ltd.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup West
Mumbai - 400 078

Branch Office

M/s. Link Intime India (P) Ltd.
"Surya", 35, Mayflower Avenue
Sowripalayam Road
Coimbatore - 641 028.

SdF INDUSTRIES LTD

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

Factory :
"SDF Industrial Complex"
5/128, Pampadi
Thiruvilwamala
Thrissur - 680 597
Kerala.

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NOTICE OF THE ANNUAL GENERAL MEETING

To all Members,

Notice is hereby given that the 22nd Annual General Meeting of the Members of the Company will be held on Wednesday, the 26th September 2012 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 Statement of Profit and Loss for the year ended 31.03.2012 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 Statutory Auditors and fix their Remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

   RESOLVED that in accordance with the provisions of Sections 198 and 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Sri.K.V.Mohan Menon be and is hereby reappointed as Whole Time Director of the Company for a period of 5 years with effect from 30th April 2012 without any remuneration and perks.

   FURTHER RESOLVED that during his tenure as Whole Time Director Sri.K.V.Mohan Menon shall not be liable to retire by rotation.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.4

Sri.K.V.Mohan Menon was appointed as Whole Time Director for a period of 5 years with effect from 30th April 2012.

Sri.K.V. Mohan Menon is a Fellow in British Institute of Management and has over 35 years of experience as Investment Banker. The Board of Directors has considered that it is in the interest of the company to have him as the Whole Time Director without any remuneration.

The Whole Time Director will carry out such duties and exercise such powers as may be entrusted to him by the Board of Directors subject to the supervision, superintendence and control of the Board.

None of the Directors except Sri. K.V. Mohan Menon is interested in the resolution.

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions of the reappointment of Sri. K.V. Mohan Menon as Whole Time Director in terms of Section 302 of Companies Act, 1956.

Your Directors recommended the resolution for your approval as an Ordinary Resolution.

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 22.09.2012 to 26.09.2012 (both days inclusive).
5. Reappointment of Directors

   The information required by Corporate Governance Code is given below :

1. Name : Dr. G.S. Keshavamurthy
   Age : 80
   Qualifications : B.Sc., B.Sc.(Tech), D.Sc.(UK), C.Engg., FIE, FIICHE, FIMA - Technocrat.
   Expertise : 48 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 : K.V. Mohan Menon
   Age : 62
   Qualifications : Fellow-British Institute of Management
   Expertise : Ex- Investment Banker
   Former Director-India Investment Fund, UK
   Former Member-Consultative Committee (NRI)
   Ministry of Finance, Govt. of India.

   Other Directorships :

Name of the Company	Position held
1. Puma Tours & Travels (P) Ltd.	Director

By the order of the Board

Palakkad
04.08.2012

K. V. Mohan Menon
Chairman & Wholetime Director

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DIRECTORS' REPORT 2011 - 2012

TO THE MEMBERS OF SDF INDUSTRIES LIMITED

The Directors present their Twenty Second Annual Report and the Audited Statement of Accounts for the year ended March 31, 2012.

I. PERFORMANCE :

	Financial Year	
	2011 - 2012	2010-2011
	(Rs. Lakhs)	(Rs. Lakhs)
(i) Total Income	390	430
(ii) Total Expenditure	378	344
(iii) Profit	12	86
(iv) Bank Interest waiver	---	3633
(v) Net Profit	12	3719

Last year we informed you of our full and final settlement of all bank loans which were availed by then management . The carry forwarded loans and accrued interest burden was very huge comparing to the company's earnings. But however with protracted negotiations and contribution from the present promoters, the company could save huge sum of accumulated and overdue interest and thus the company has wiped out this large liability. However, we still carry Turnover Tax (TOT) liability due to which the company is still not able to come out of sickness. This TOT was imposed on retrospective basis by the government. It is to be noted that the major part of this TOT belong to third party bottlers who were doing job work in our factory. Repeated requests to the Sales Tax department to collect the arrears from these said Third Parties did not yield any positive response. Hence this need to be cleared from our own sources in order to comply the orders of Hon. BIFR. However, BIFR has sought concessions from the Government to waive interest and penalty.

As you are aware that being a company under rehabilitation we are under the purview of Hon. BIFR with a nationalized Bank as the Operating Agency. In the last sitting, Hon. BIFR has instructed the OA to include third party TOT liability also as our liability but without any interest or penalty until the cut off date. Accordingly, the OA has prepared a DRS incorporating this and needed rehabilitation scheme by which the company will become healthy by the year 2017. This include writing down of the issued nominal capital by 60%. This will wipe off a substantial part of the accumulated loss and in turn will afford the company to an early rehabilitation. Also there will be a Monitoring Agency appointed by Hon. BIFR who will monitor the affairs of the company.

II. OVERALL VIEW

The present State Government has a public policy of bringing down the consumption and sales of Alcoholic beverages and hence brought out rules to restrict the sales. Most of the distilleries in Kerala are running at huge losses due to over 200% cost escalation in raw material prices, wages etc. But the monopoly liquor purchasing government agency the Beverages Corporation (KSBC) did not allow any price increase and when supply from local distilleries started to dwindle, a marginal 6% increase was allowed for existing and established brands while 5% was cut off from the newer brands. Hence, small companies like our's were very badly affected. Due to this restrictive policy, most of our client bottlers stopped or reduced their intake from our company. In fact, our Rate of capacity utilisation went down from 75% to 35% during the last quarter. This has affected our profitability but in spite of this we are happy to state that we could make a nominal profits of Rs.36 lakhs (PBIDT) and Rs.12 lakhs net profit.

As mentioned in previous years, the fortunes of distilleries in Kerala very much depend upon the government policies. Hence, we have to perform the best within this strict parameters.

Within the scenario as mentioned above the company has taken a policy to operate as service provider to brand owners thus to reduce the risk at a time when we are marching towards rehabilitation.

As discussed in the last AGM, the company being a sick unit under rehabilitation scheme, will have to divert all income towards clearing outstanding arrears. Therefore the company is prohibited from declaring dividends until such time as permitted.

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III. 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), Dr.G.S. Keshavamurthy and Mr. K.V.Mohan Menon as members and a report showing the details of Corporate Governance is enclosed.

IV. PERSONNEL

There are no employees drawing more than Rs.2,00,000 per month. Directors are not paid any remuneration nor sitting fees for the board meetings. However now that the company is making profits we will be remunerating the directors for their valuable service to the company as it is difficult to attract talents to work for the company unless we remunerate at the market rates for their skilled service.

V. 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.

VI. 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 the company can recommence the trading of its shares in the premier bourses.

VII. 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.

VIII. DIRECTORS

Dr. G.S.Keshavamurthy retire by rotation and is eligible for reappointment. Mr.Ranjiit Taunk, director resigned from the Board w.e.f. 28.12.2011. The Board records its appreciation for the valuable service rendered by Mr. Ranjiit Taunk to the company.

The Board performs its functions by regular meetings and monitors all the activities purely on honorary basis and in the best interests of the Company. Directors are not paid any remuneration nor sitting fees for the board meetings. But as mentioned earlier the Board will consider remuneration if found necessary and as per government regulations.

IX. AUDIT

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

X. 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 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 31.03.2012 and of the profit 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.

XI. APPRECIATION

The Board thanks fellow stakeholders, Management Staff and Employees for their encouragement and hard work to keep the company make profits albeit small in spite of very adverse circumstances.

On behalf of the Board of Directors

Palakkad
04.08.2012

K. V. Mohan Menon
Chairman & Wholetime Director

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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 details of composition of the Board, the attendance record of the Directors at the Board Meetings held during the financial year and the last Annual General Meeting and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

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 Committees Member / Chairman
Mr. K.V.Mohan Menon	Chairman / Promoter / Executive	5	Yes	Nil	2 / -
Mr. M.P.Gopalakrishnan	Independent Non Executive	5	Yes	Nil	2 / 2
Dr. G.S.Keshavamurthy	Independent Non Executive	3	Yes	1	2 / -
Mr. Ranjiit Taunk *	Independent Non Executive	3	No	Nil	2 / -

** Mr. Ranjiit Taunk resigned w.e.f. 28.12.2011.*

None of the Directors are related among themselves.

During the year under review, the Board of Directors met 5 times on 13th May 2011, 11th August 2011, 15th November 2011, 28th December 2011 and 13th February 2012.

At least one Board meeting was held during every quarter and the time gap between two meetings was not more than four months.

The Annual General Meeting was held on 28th December 2011.

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Shareholdings of Directors in the Company as on 31st March 2012

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held	Percentage
1	Mr. K.V.Mohan Menon	2891500	24.74
2	Mr. M.P. Gopalakrishnan	900	0.008

Other Directors do not hold any shares in the company.

3. Audit Committee:

The Audit Committee comprises of Three Directors, of which two are Independent directors. Mr. M.P. Gopalakrishnan, Chartered Accountant, is the Chairman of the Audit Committee.

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.

Four Meetings of the Committee were held during the financial year 2011-12 on 13th May 2011, 11th August 2011, 15th November 2011 and 13th February 2012. The constitution of the Committee and the attendance of each members is as given below :

Name of the Member	Category	No. of Meeting attended
Mr. M.P. Gopalakrishnan	Non - Executive - Independent	4
Dr. G.S. Keshavamurthy	Non - Executive - Independent	2
Mr. K.V.Mohan Menon	Chairman / Promoter / Executive	1
Mr. Ranjiit Taunk*	Non - Executive - Independent	3

** Mr. Ranjiit Taunk resigned w.e.f. 28.12.2011.*

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 reddressal of complaints from shareholders relating to transfer of shares, non-receipt of Balance Sheets, etc. The Committee consists of the following Directors :

Mr.M.P.Gopalakrishnan - Non-Executive Director - Chairman

Dr.G.S.Keshavamurthy - Non-Executive Director

Mr. K.V.Mohan Menon - Chairman / Promoter / Executive

The Committee met 10 times during the year.

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Mr. Vinoo P. Stephen, Manager (Finance & Accounts) is the Compliance Officer.

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

No. of shareholders' complaints received during the year	:	1
No. of complaints not resolved to the satisfaction of shareholders	:	Nil
No. of pending share transfers / complaints	:	Nil

6. General Body Meetings:

The Details of date, time and location of Annual General Meetings held during the last 3 years are as under

Financial Year	Date	Venue	Time
2008 - 09	30.09.2009	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00 a.m.
2009 - 10	29.09.2010	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00 a.m.
2010 - 11	28.12.2011	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00a.m.

No special resolutions passed during the last 3 Annual General Meetings.

No special resolutions were put through postal ballot last year and there is no proposal for this year.

No Extra Ordinary General Meeting was held during the year 2011-12.

7. Other disclosures:

(a) There are no materially significant related party transactions ie transaction of the company of material nature with its promoters, directors or the management, their subsidiaries or relatives etc. which have potential conflict with the interest of the Company at large.

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

(c) The Company does not have any Whistle Blower Policy. However any employee, if he/she so desires, would have free access to meet Senior Level Management and Report any matter of concern.

(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 Business Line & Mangalam (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.

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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.

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.

9. General Shareholder information:

(i) AGM: Date, time and venue: 26-09-2012, 10:00 A:M., Rotary Paul Harris Hall , N H Bypass Road, Palakkad.

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

Financial reporting for the quarter ending June 30, 2012	: First week of August 2012.
Financial reporting for the quarter ending September 30,2012	: First week of November 2012.
Financial reporting for the quarter ending December 31,2012	: First week of February 2013.
Financial reporting for the quarter ending March 31, 2013	: End of May 2013.

(iii) Book closure period: 22.09.2012 to 26.09.2012 (both days inclusive).

(iv) Dividend payment date: Not applicable

(v) Listing on Stock Exchanges : The Company's shares are listed at:

1. Bombay Stock Exchange Limited
2. The Ahmedabad Stock Exchange Ltd.
3. The 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. Link Intime India Private 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.

Link Intime India Private Limited, Coimbatore Branch Office, "Surya" 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028. Ph: 0422 - 2314792 / 2316755, E-mail : coimbatore@linkintime.co.in

(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 & Shareholders'/Investors' Grievance Committee meets as and when required.

(x) (a) Distribution of Shareholding as on 31st March, 2012.

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters	36,12,100	30.91%
2	Mutual Funds and UTI	22,400	0.19%
3	Banks, Financial Institutions	12,100	0.10%
4	Private Corporate Bodies	7,92,700	6.78%
5	Indian Public	72,48,000	62.02%
	Total	1,16,87,300	100.00%

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