



**THIRTEENTH ANNUAL REPORT
2005 - 2006**



SOUTHERN FUELS INDIA LIMITED

BOARD OF DIRECTORS

Sri K V Kaleeswaran	Chairman cum Managing Director
Sri K Vijay Anandh	Executive Director
Ms Uma Shanthini	Director
Sri P Parthiban	Director
Sri N Srinivasan	Director
Sri G Saravanan	Director

AUDITORS

M/s RAJAN SANKAR & CO
Chartered Accountants
1, Sarojini Street, Ramnagar
Coimbatore – 641 009

BANKERS

Industrial Development Bank of India (IDBI)
Mumbai

City Union Bank Limited
Sarojini Street, Ramnagar
Coimbatore – 641 009

ICICI Bank Limited
Rajaji Street, Ramnagar
Coimbatore – 641 009

REGISTERED OFFICE

187 A Mettupalayam Road
Kavundampalayam
Coimbatore – 641 030

Works

A – 82 SIPCOT Industrial Complex
Melur Post
Tuticorin – 628 002



SOUTHERN FUELS INDIA LIMITED

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Saturday, the 30th day of September, 2006 at 11.00 A.M. at the Registered Office of the Company at 187 – A, Mettupalayam Road, Kavundampalayam, Coimbatore – 641 030 to transact the following business.

AGENDA**ORDINARY BUSINESS**

1. To consider and adopt the Audited Balance Sheet as at 31st March 2006, Profit and Loss Account for the year ended on that date, the Reports of Directors and Auditors thereon.
2. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
3. To appoint a Director in the place of Sri P Parthiban, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

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

“RESOLVED THAT Sri G Saravanan who was co-opted as an Additional Director of the Company by the Board of Directors who ceased to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received notices in writing proposing his candidature for the office of Director be and is hereby appointed as Director of the Company whose period of office shall be subject to retirement by rotation”.

For and on behalf of the Board

Place : Coimbatore

Date : 4.9.2006

K V Kaleeswaran
Chairman cum Managing Director

**Note:**

1. A member entitled to vote, is entitled to appoint a proxy to attend and vote instead of himself, the proxy need not be a member of the Company.
2. Proxies in order to be effective, should reach the Registered Office of the Company before 48 hours of the commencement of the Annual General Meeting.
3. Members are requested to bring their copy of the Annual Report and duly filled attendance slip with them to the Annual General Meeting.
4. Information as required under Clause 49 of the Listing Agreement in respect of re-appointment of Director is provided in the Annexure to the notice.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 27.9.2006 to 30.9.2006 (Both days inclusive).
6. The relevant Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of the Special Business under Item No. 4 is enclosed.
7. Since the Company has not declared any dividend, furnishing particulars regarding transfer of unpaid or unclaimed dividend are not applicable.
8. Members are requested to intimate the change of address, if any, quoting their registered folio number to the Company.
9. Members are requested to note in terms of Scheme of Rehabilitation as sanctioned by the BIFR, the Board of Directors has derated the existing Equity Share Capital to 10% from Rs.355 Lakhs to Rs.35.50 Lakhs by canceling the paid up share capital to the tune of Rs.319.50 Lakhs. New Share Certificates are being under dispatch and the old Share Certificates issued by the Company stands automatically cancelled and to avoid the related postal expenditure it was decided not to recall the old Share Certificates. The company is in the process of demating its shares and the details of ISIN No will be intimated to shareholders once received.



SOUTHERN FUELS INDIA LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956:**Item No.4**

Sri G Saravanan was appointed as an Additional Director of the Company at the Board Meeting held on 24.12.2005 and hold office up to the Annual General Meeting. The Company has received notices from the members of the Company along with requisite deposit proposing the appointment of Sri G Saravanan as a Director of the Company. Sri G Saravanan has also filed his consent to act as a Director of the Company if elected.

For and on behalf of the Board

Place : Coimbatore

Date : 4.9.2006

K V Kaleeswaran

Chairman cum Managing Director

RE-APPOINTMENT OF DIRECTORS :

A brief resume in respect of the proposed re-appointment of Director is given below in terms of Clause 49 of the Listing Agreement:

Name	Sri P Parthiban
Age	37 Years
Qualification	Graduate
Date of Appointment	4.3.2005
Experience	Five to Six years experience in the Trading Business of LAM Coke
Other Directorships	Nil

Name	Sri G Saravanan
Age	35 Years
Qualification	Graduate
Date of Appointment	24.12.2005
Experience	Five to Six years experience in the Trading Business of LAM Coke
Other Directorships	Nil



SOUTHERN FUELS INDIA LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

To

The Members

Your Directors have great pleasure in presenting the Thirteenth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2006.

Financial Results:

The financial results of the Company for the year under review are furnished below:

	(in Rupees in Lakhs)	
	31.3.2006	31.3.2005
Operating Profit / (Loss) before interest and depreciation	1395.45	(5.01)
Less: Interest	—	0.13
Gross Profit / (Loss)	1395.45	(5.14)
Less: Depreciation	33.95	38.48
Net Profit / (Loss) for the year	1361.49	(43.63)
Amount Brought forward from previous year	(1698.46)	1655.00
Liability no longer written off	319.60	0.17
Amount carried over to Balance Sheet	(17.38)	1698.46

DIVIDEND :

In order to conserve the funds, the Directors of the Company have not recommend any dividend on the share capital of the Company.

REVIEW OF OPERATION :

During the year under review, the Company has earned conversion charges amounting to Rs.82.33 lakhs as against Rs.56.73 lakhs. The income earned out of business is negligible and the profit is mainly due to waiver of interest by IDBI, considered under other income.

FUTURE PROSPECTS :

In view of high raw material cost and low selling prices of Low Ash Metallurgical Coke during this current year also, the Company foresees to do only job work. Your Directors are taking sincere efforts to sustain the existing operations of the Company.

BIFR :

As per the Scheme for rehabilitation of the Company sanctioned by the Board for Industrial and Financial Reconstruction in Case No. 128 of 1999 at the hearing held on 18.08.2005 the company has de-rated the existing equity capital to 10% from Rs.355 Lakhs to Rs.35.5 Lakhs by canceling the paid up share capital to the tune of Rs.319.50 Lakhs and converted the unsecured loan of Rs.310 Lakhs brought in by Shivamani & Company Private Limited into equity shares by way of allotment of 31,00,000 equity shares of Rs.10 each at par to M/s Shivamani & Company Private Limited and accordingly the same has been given effect by your Board of Directors at their Meeting held on 9.1.2006.

Consequent to the above, the issued, subscribed and paid up capital of the Company shall be Rs.345.50 Lakhs divided into 34,55,000 shares of Rs.10 each.

PUBLIC DEPOSITS :

The Company has not accepted any deposits from the public during the year.

DIRECTORS :

Sri P Parthiban retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment. The details as required under Clause 49 of the Listing Agreement is attached.

The term of office of Sri G Saravanan expires at the ensuing Annual General Meeting and notices had been received from a member proposing his candidature for the office of the Directorship with requisite deposit.

AUDITORS :

Your Company's Auditors M/s Rajan Sankar & Co., Chartered Accountants, Coimbatore retire at the ensuing Annual General Meeting and they are eligible for re-appointment.



SOUTHERN FUELS INDIA LIMITED

REPLY TO AUDITORS REMARK :

With regards to Auditors observations, the notes on accounts are self explanatory.

COMPANY SECRETARY :

The Company was unable to appoint Company Secretary due to financial constraints. However, the Company is taking steps to appoint a Company Secretary.

PARTICULARS OF EMPLOYEES :

The Company does not have employees as prescribed under section 217 (2A) of the Companies Act, 1956. Hence, furnishing of particulars does not arise.

Conservation of Energy, Technology Absorption, Foreign exchange earnings and outgo :

During the year under review, the particulars required under section 217 (1) (e) of the Companies Act, 1956, we report that there was neither energy conservation measures taken nor technology absorption was involved.

Foreign Exchange earned : Nil

Foreign Exchange used : Nil

DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of the provisions of section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- that in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 and of the profit of the Company for that period;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in detecting fraud and other irregularities;
- that the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

A separate report on Corporate Governance, Management Discussion and Analysis and a certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated Under Clause 49 of the Listing Agreement form part of the Annual Report.

LISTING :

The equity shares of the Company are listed in Mumbai, Calcutta and Bangalore Stock Exchanges and the Company has duly paid the annual listing fees to Bombay Stock Exchange for the year 2005-06 and taking steps to pay the annual listing fees to other Stock Exchanges.

ENVIRONMENT AND SAFETY :

The Company has taken various steps to attain high level of safety in its factory and we are happy to inform that there was no untoward incident during the year under consideration. Strict measures were taken to keep the environment clean and free from Pollution.

ACKNOWLEDGEMENT:

Your Directors wish to express their sincere thanks for the valuable co-operation and assistance extended by Government Authorities, Industrial Development Bank of India, City Union Bank Ltd, ICICI Bank Ltd, Tamil Nadu Electricity Board, shareholders, consumers and suppliers. They also wish to place on record their appreciation for the hard work and dedicated service put in by the employees at all levels.

For and on behalf of the Board

Place : Coimbatore

Date : 4.9.2006

K V Kaleeswaran
Chairman cum Managing Director

DECLARATION

To

The Members of Southern Fuels India Limited

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and Senior Management Personnel have been complied with by all the members of the Board and Senior Management Personnel of the Company respectively.

For and on behalf of the Board

Place : Coimbatore

Date : 4.9.2006

K V Kaleeswaran
Chairman cum Managing Director



SOUTHERN FUELS INDIA LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS:

COMPANY'S BUSINESS :

The Company's main business is manufacture of Low Ash Metallurgical Coke (LAM Coke) by employing Bee Hive Oven Technology.

INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Metallurgical Coke Industry in India was going through a good phase during the years 2002-03, 2003-04 and 2004-05, mainly due to the cut down of supply by Chinese into India. As such Coke consumers in India have been facing a very volatile price structure over the last 2 ½ years. It remains to be seen how long this trend will continue.

OPPORTUNITIES & THREATS

OPPORTUNITIES :

As the demands for good quality met coke has been rising and further the implementation of BIFR sanction for the Debt Rehabilitation Scheme, the Company sees good fortune in a near future.

THREATS :

Due to the fact that Tuticorin does not have deep draft port, we are unable to bring in large vessels so that we could save the freight cost. Moreover, due to limited capacity we can only bring in small parcels of 10 to 15000 Tons and as such compared to other importers our basic price of raw material is much higher.

OUTLOOK :

Once the regular supply of raw material gets stabilized and uninterrupted production is assured, the Company shall be in a position to improve the performance.

RISKS AND CONCERNS :

The Company is facing intense competition from the big players in the market.

DISCUSSION ON FINANCIAL PERFORMANCE :

Please refer the Board's Report and Financial Results.

As the Company has already settled dues to IDBI and Canara Bank and the new management took over the Company, the performance is expected to be better in the period ahead.

Internal Control system and their adequacy:

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorised, recorded and reported correctly.

Material Developments in Human resources / Industrial relations front:

The Company recognizes the importance and contribution of its human resources for its growth and development and committed to the development of its people.

Segment wise Performance:

As the Company has only one segment of manufacture of Low Ash Metallurgical Coke, segment wise performance has not been given.

Compliance with Corporate Governance Norms:

The Company has complied with all the mandatory requirements of the Corporate Governance norms as enumerated in clause 49 of the Listing Agreement with the Stock Exchanges.

Insurance:

The Company has insured its properties adequately.

Cautionary Statement :

Statements in the Management Discussion and Analysis describing Company's Projections estimates expectations are predictions may be 'forward looking prediction' within the meaning of Securities Laws and Regulations. Actual results may differ from such estimates, projection etc whether expressed or implied.

For and on behalf of the Board

Place : Coimbatore

Date : 04.09.2006

K V Kaleeswaran
Chairman cum Managing Director