



8th Annual Report 2005 - 06

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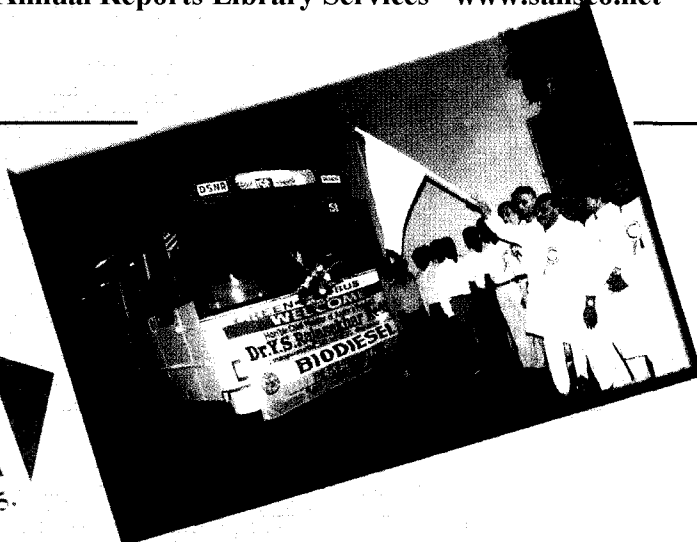
SOUTHERN ONLINE BIO TECHNOLOGIES LTD

(Formerly known as SOUTHERN ONLINE SERVICES LTD)



Smart Solutions and Eco Friendly www.reportjunction.com

Hon'ble Chief Minister of
Andra Pradesh,
Dr.Y.S.Rajashekar Reddy
inaugurating APSRTC bus ran
on Biodiesel on June 5, 2005.



Mr.Satrucharla Vijaya
Rama Raju, Minister for
Environment, Forest,
Science & Technology,
inaugurating APSRTC
bus ran on Biodiesel on
June 5, 2006.



SBT Corporate Office at
3A, 3rd Floor,
Samrat Complex,
Saifabad, Hyderabad - 04





Board of Directors	Mr. N. Satish Kumar	Managing Director
	Mr. B.H.R. Balaji	Executive Director
	Mr. K. Radha Krishna	Director - Finance
	Mr. B. Sreedhara Reddy	Director - Admn.
	Mr. K. Tejesh Kumar	Director – Intl. Affairs
	Mr. K. Venkateswara Rao	Director – Intl. Affairs
	Mr. Y. Anand Swaroop	Director
	Mr. B. Suresh	Director
	Ms. T. Rohini Reddy	Director
	Mr. V. Durga Prasad	Director
	Mr. C. Raveendra Kumar	Director
	Mr. B. Rajesh	Director

Compliance Officer & Company Secretary : **Mr. D. Krishna Rao**

Auditors : **P. Murali & Co.,**
Chartered Accountants
6-3-655/2/3,
Somajiguda
Hyderabad – 500 082

Regd. Office : 3A, 3rd Floor, Samrat Complex,
Saifabad, Hyderabad-04
Tel: (040) 23241999
Fax: (040) 23241444
Website: www.sol.net.in
Email: info@sol.net.in

Registrars & Share Transfer Agents : **M/s. Aarthi Consultants Pvt. Ltd.**
1-2-285, Domalguda, Hyderabad-29.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarthiconsultants.com

Bankers : **Bank of India**
Banjara Hills Branch
Chandra Apts, Road No.7
Hyderabad – 500 034.





NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Members of the Company will be held on Friday, the 29th day of December, 2006 at 11.30 A.M. at Dream Valley Resorts, Srinagar, Gandipet, Hyderabad – 500 075 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2006 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Mr. Y. Anand Swaroop, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K. Tejesh Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. Venkateswara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED that Mr. C. Raveendra Kumar, who was appointed as an Additional Director of the Company by the Board of Directors who holds office under Section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED that Mr. B. Rajesh, who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section

260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, 311 and read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time, the members of the Company be and are hereby giving consent and ratified for the re-appointment of Sri. N. Satish Kumar as Managing Director for a further period of 5 (Five Years) with effect from 28th May, 2006 on the remuneration as detailed below:

I. Salary

Rs.1,00,000/- (Rupees One Lakh only) per month

II. Commission

1% of the amount of Net Profit before taxes (but after charging all expenses including depreciation and managerial compensation) as appearing in the Audited Annual Accounts for each Financial Year of the Company, unless otherwise decided by the Board for any financial Year, subject however, that the total remuneration (i.e., salary, perquisites and commission) in any one financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force.

III. Perquisites

Perquisites as follows will be paid and / or provided in addition to salary, subject however that the amount of perquisites, if taxable as per Income Tax Act, 1961, shall be restricted to total remuneration as per Part II of Schedule XIII to the Companies Act, 1956, as applicable from time to time.

Part – A

- a) Medical Reimbursement



Reimbursement of medical expenses actually incurred for self and family including dependent mother and father, subject to a ceiling of one month's salary per year or 3 months' salary in a block of 3 years.

b) Leave Travel Concession

For self and family including dependent father and mother, to and from any place in India, once in a year in accordance with the rules of the Company.

c) Club Fees

Fees of Club subject to a maximum of 2 clubs will be allowed, provided that no admission or life membership fees shall be paid.

Part - B

a) Provident Fund

Company's contribution to Provident Fund as per the scheme of the Company.

b) Pension / Superannuation Fund

Company's contribution to Pension / Superannuation Fund in accordance with the scheme of the Company.

c) Gratuity

As per the rules of the Company, payable in accordance with the approved fund at a rate not exceeding one-half month's salary for each completed year of service.

Part - C

a) Car

Use of Company's car with driver for business purposes.

b) Telephone

Free Telephone / Communication facilities at residence for business purposes.

IV. Other Benefits

Leave

On full pay and allowances as per rules of the Company, but not more than one month's leave for every 11 months of service. Leave not availed of shall be allowed to be encashed at the end of the tenure and the same will not be included in the computation of the ceiling on perquisites.

V. Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be, for the time being, in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

VI. Minimum Remuneration

In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, as may be for the time being in force.

VII. Three month's notice shall be required on either side for termination of services.

9. *To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution:*

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and relevant provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with Stock Exchanges where the shares of the Company are listed and the Issue of Foreign Currency Convertible Bonds, Qualified Institution Placements and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, and subject to the approval, consent, permission and/or sanction of the Ministry of Finance and Ministry of Industry (Foreign Investment Promotion Board/ Secretariat for Industrial Assistance) of the Government of India, Reserve Bank of India, Securities & Exchange Board of India (SEBI) and all other appropriate and/or concerned authorities, institutions or bodies and subject to such conditions and modifications as may



be prescribed by any of them in granting such approval, consent, permission or sanction, the Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any committee which the Board may have constituted or may hereafter constitute) be and is hereby authorized on behalf of the Company to issue, offer and allot in international offerings, in one or more foreign markets, Foreign Currency Convertible Bonds (FCCBs) and/or Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) subscribed to in foreign currency(ies) for cash or stock swap or for other valuable consideration including strategic alliances, business(es) or a combination thereof, to Foreign Investors (whether Institutions and/or Incorporated Bodies and/or Individuals and whether or not such investors are members of the Company) and/or any securities convertible into equity shares at the option of the Company and/or holder of the securities and/or securities linked to equity shares and/or any other instruments or securities through the QIB route (hereinafter referred to as the "Securities") in terms of Chapter XIII A of SEBI Disclosure and Investor Protection Guidelines, 2000, as amended, which upon conversion of all Securities so issued or allotted could give rise to the issue of an amount (inclusive of such premium as may be determined) up to US \$ 25 million as decided by the Company/Underwriters, and such issue and allotment to be made at such time or times, in one or more tranches, at such price or prices, on such terms and conditions including security, rate of interest and in such manner as the Board may, in its absolute discretion think fit or deemed appropriate, wherever necessary in consultation with the Lead Manager(s)/ Investment Banker(s)/Advisers and/or the Underwriters, subject to guidelines of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and Ministry of Finance, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment.

RESOLVED FURTHER THAT the Company and/or any agency or body authorized by the Company may issue depository receipts representing the underlying equity shares or other securities issued by the Company, in registered form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per

the international practices and regulations, and under the forms and practices prevalent in the international markets including filing any registration statement and any amendment thereto with the respective regulatory authorities.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to in paragraph one above or as may be necessary in accordance with the terms of the offering, all such shares rank *Pari Passu* with the equity shares of the Company in all respects and the Board be further authorized to execute necessary documents for the purpose of listing the equity shares on the Stock Exchanges in India.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of equity shares or securities or instruments or securities representing the same, as described in paragraph one above, the Board and other designated officers of the Company be and are hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as they may at their discretion deem necessary or desirable for such purpose, including without limitation, filing a Registration Statement and other documents with the respective regulatory authorities, listing the securities on overseas stock exchanges such as Luxembourg and/or London and/or Nasdaq and/or New York Stock Exchange (NYSE) and/or Singapore Stock Exchange and/or any of the other overseas stock exchanges, and the entering into and executing all such arrangements/ agreement(s) with any Lead Manager(s)/ Investment Banker(s)/ Underwriter(s)/ Guarantor(s)/ Depository(ies)/ Custodian(s) and all such agents as may be involved or concerned in such offering of securities and to remunerate all such agents including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any".

RESOLVED FURTHER THAT the Board be and it is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and



intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution”.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or chief executive officer or any executive director or director (s) or any other officer or officers of the Company to give effect to the aforesaid resolution.”

10. *To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution:*

“RESOLVED THAT pursuant to the provisions of Sec. 81 & Sec.81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 subject to all necessary approvals, consents, permissions, and/or sanctions of the Government of India (GOI), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI) and all other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by them in granting such approval, consent, permission or sanction, the Board of Directors of the Company and or Committee of the Board duly constituted and authorized (herein after referred to as “Board”) be and is hereby authorised on behalf of the Company to offer, issue and allot shares for cash aggregating up to Rs.70,00,00,000/- (Rupees Seventy Crores only) including and / or excluding the amount of premium and oversubscription, if any, from members, the promoters, public and subscription as may be allowed by the authorities concerned to and/or Financial Institutions and/or Mutual Funds and/or Foreign Institutional Investors and/or Foreign Investors (whether Institutions and/or Incorporated Bodies and/or Individuals or otherwise) Non-Resident Indians and/or other entities and / or to such other persons whether or not such entities or persons or members of the company, by way of Public and / or Rights Issue and/or Private Placement or any one or more or a combination of the above methods through prospectus and/or letter of offer or otherwise at such subscription or issue price or prices whether below or above the market price or prices with or without premium, on such terms and conditions as may be decided by the Board including the terms of issue as to the price and entities/persons to whom such shares may be issued and on the terms and conditions and

matters connected therewith, in consultation with the Lead managers and/or other advisors and/or otherwise on such items as may be decided and deemed appropriate by the Board”.

RESOLVED FURTHER that the above shares when issued shall rank pari-passu with the existing equity shares of the Company in all respects except that they shall be entitled to pro-rata dividend from the date of allotment”.

RESOLVED FURTHER that the issue of the shares shall be deemed to have been made in India/Abroad at the place of issue and shall be governed by the law of the country as applicable and the Board be and is hereby authorized to file such prospectus and other documents as may be required to be filed in India and/or in foreign country or countries and to seek the listing of such securities in one or more International and/or Indian Stock Exchanges”.

FURTHER RESOLVED that the Board be and is hereby authorized to engage the services of or appoint solicitors, advocates, legal advisors, merchant bankers, guarantors, depositories, custodians and any such other agencies to act as managers, lead managers, or in any other capacity or to advise or to certify any matter relating to Company's accounts or otherwise, on such terms as to remuneration by way of commission, brokerage, fees or otherwise as the Board may in its absolute discretion deem appropriate”.

FURTHER RESOLVED that for the purposes of giving effect to the above resolution the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds matters and things as it may at its discretion deem necessary or desirable for such purposes and to settle any question, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit”.

11. *To consider and if thought fit, to pass with or without modification(s), the following resolution as an special resolution:*

“RESOLVED THAT pursuant to the provisions of Section 94 (1) (a) of the Companies Act, 1956, and other applicable provisions, if any, the Authorized Share Capital of the Company be and is hereby increased from Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 2,50,00,000 (Two



Crore Fifty Lakhs) Equity Shares of Rs.10/- each, to Rs 75,00,00,000/- (Rupees Seventy Five Crores only) divided into 7,50,00,000 (Seven Crores Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each, ranking pari passu with the existing Equity Shares.

RESOLVED FURTHER that the existing Clause V of the Memorandum of Association of the Company as to the share capital be and is hereby deleted and in its place the following Clause V be substituted “

“The Authorised share capital is Rs 75,00,00,000/- (Rupees Seventy Five Crores only) divided into 7,50,00,000 (Seven Crores Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each.

The Share Capital of the Company whether original, increased or reduced may be sub-divided, consolidated or divided into such classes of shares as may be allowed under the law for the time being relating to companies with such privileges or rights as may be attached and to be held upon such terms as may be prescribed by the regulations of Articles of Association of the Company.”

On behalf of the Board

Place : Hyderabad
Date : 01-12-2006.

N. Satish Kumar
Managing Director

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is herewith annexed.
4. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Wednesday, 27th December, 2006 to Friday, 29th December, 2006 (both days inclusive).
5. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio

Number in the Attendance Slip for attending the Meeting.

6. Members holding shares in physical form are requested to notify / send any change in their address to the Company's Share Transfer Agents, or to the Company at its registered office.
7. Members holding shares in dematerialisation form are requested to notify/send any change in their address to the concerned depository participant (s).
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, the shareholders willing to avail this facility may make nomination in form 2B.
10. Shareholders / proxies should bring duly filled attendance slips sent herewith for attending the meeting along with the copies of Annual Reports to the Annual General Meeting.
11. At the ensuing Annual General Meeting, Mr. Y. Anand Swaroop, Mr. K. Tejesh Kumar and Mr. K. Venkateswara Rao retire by rotation and being eligible offered themselves for reappointment. Pursuant to Clause 49 of the Listing Agreement, brief profile of each of these directors is given below:
 - A. Mr. Y. Anand Swaroop, is a graduate in Mechanical Engineering from Osmania University, MBA & M.Phil in Econometrics from London School of Economics. Mr. Y. Anand Swaroop has 18 years of IT Sector Experience and has proven his abilities in various capacities. He has indepth knowledge in IT Market, its potential. His knowledge, experience and relations help our company manifold. He does not hold directorship in any other companies.
 - B. Mr. K. Tejesh Kumar, is a Post graduate in Master of Business Administration (MBA) from Andhra University. He executed several consulting and software development projects. His technical and managerial skills will be of great importance to the company. The Board is of the opinion that his appointment as director will be in the best interest of the company. Mr. K.



Tejesh Kumar, is also a director of Global IT Inc., a software company in Chicago, USA.

- C. Mr. K. Venkateswara Rao, has a Masters Degree in Computers from Osmania University. He has over a decade of experience in various technology Companies. Prior to joining the joining, he was the Chief Information Officer for Global IT Inc., a software Development firm providing software development services to fortune 1000 Companies including Motorola, Seagate and Mcdonald's. He is appointed as Director- International affairs for the Company. His technical and managerial skills will be of great importance to the company. He does not hold directorship in any other companies.

On behalf of the Board

Place : Hyderabad
Date : 01-12-2006.

N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item 6: Appointment of Mr. C. Raveendra Kumar, as a Director of the Company

Mr. C. Raveendra Kumar was appointed by the Board of Directors as an additional Director with effect from 27.07.2006. Under section 260 of the Companies Act, 1956, Mr. Raveendra Kumar holds office only up to the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Mr. Raveendra Kumar as a candidature for the office of Director.

Mr. Ch. Raveendra Kumar, aged 39 years is a Graduate in Civil Engineering from Nagarjuna University, Guntur, Andhra Pradesh. After his graduation he was involved in several construction projects including for My Home Constructions, Gayatri Constructions, Hindustan Cables Ltd. etc. He has an experience of about 10 years in the fields of Civil Construction and 6 years in Pre-Engineered Steel Buildings.

He does not hold directorships in any other companies. The above information is given as per the Clause 49 of the listing agreement.

The Board recommends the Resolution for the

members' approval in the Annual General Meeting.

None of the Directors of the Company except Mr. Raveendra Kumar to the extent of his appointment as director is concerned or interested in this resolution.

Item 7: Appointment of Mr. B. Rajesh, as a Director of the Company

Mr. B. Rajesh was appointed by the Board of Directors as an additional Director with effect from 30.10.2006. Under section 260 of the Companies Act, 1956, Mr. Rajesh holds office only up to the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Mr. Rajesh as a candidature for the office of Director.

Mr. Rajesh, aged 37 years is a Graduate in Commerce from Andhra University, Andhra Pradesh. Mr. Rajesh has more than 13 years of experience and executed several Civil projects, such as external aided projects of World Bank at Narsipatnam, Tuni, NABARD projects in Srikakulam District, National Highways in Raipur, Chattisgarh etc to name a few.

He does not hold directorships in any other companies. The above information is given as per the Clause 49 of the listing agreement.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

None of the Directors of the Company except Mr. B. Rajesh to the extent of his appointment as director is concerned or interested in this resolution.

Item 8: Re-appointment of Mr. N. Satish Kumar, as Managing Director of the Company

The present term of appointment of Mr. N. Satish Kumar as Managing Director was valid up to 27.05.2006. The Board of Directors feel that for the continuity of the present management and for efficient running of the company, the services of Mr. N. Satish Kumar as Managing Director should be available to the company for a further period of 5 years with effect from 28.05.2006. The Board has re-appointed Mr. N. Satish Kumar as Managing Director in its Board Meeting held on 27.05.2006 for a further period of 5 (five) years w.e.f 28.05.2006, as per the terms and conditions as set out in the Resolution.

The Board commends the resolution to shareholders for approval and ratification