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Annual Report 2006 - 07



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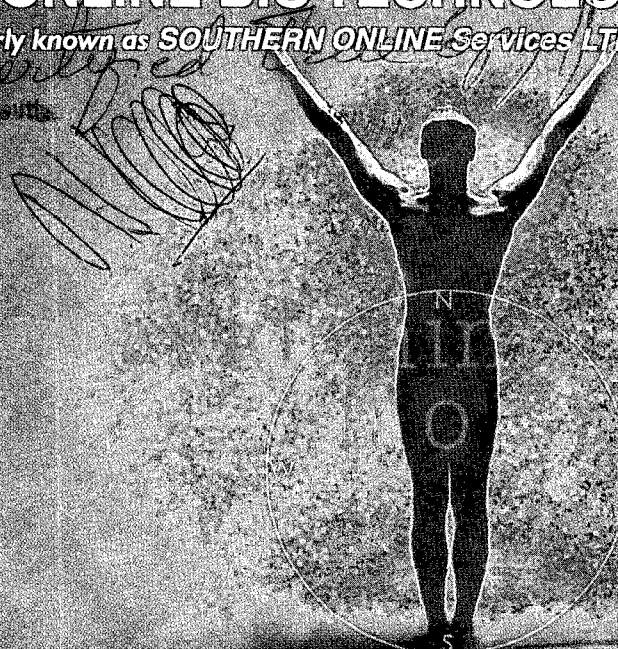
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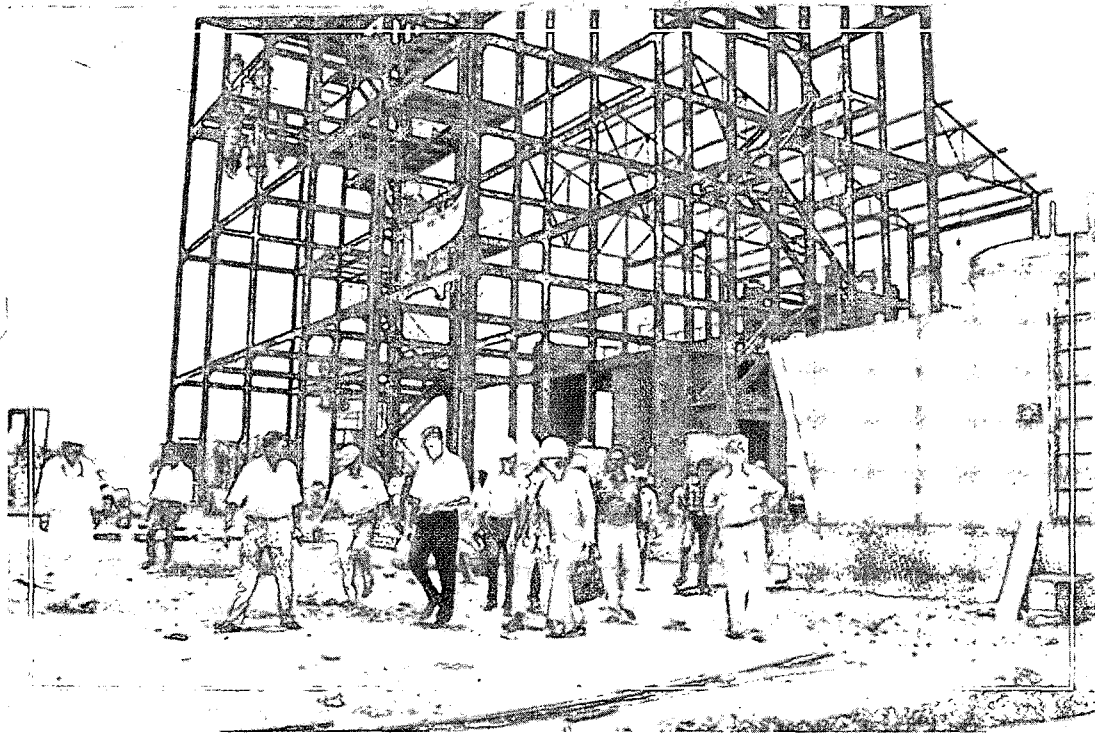
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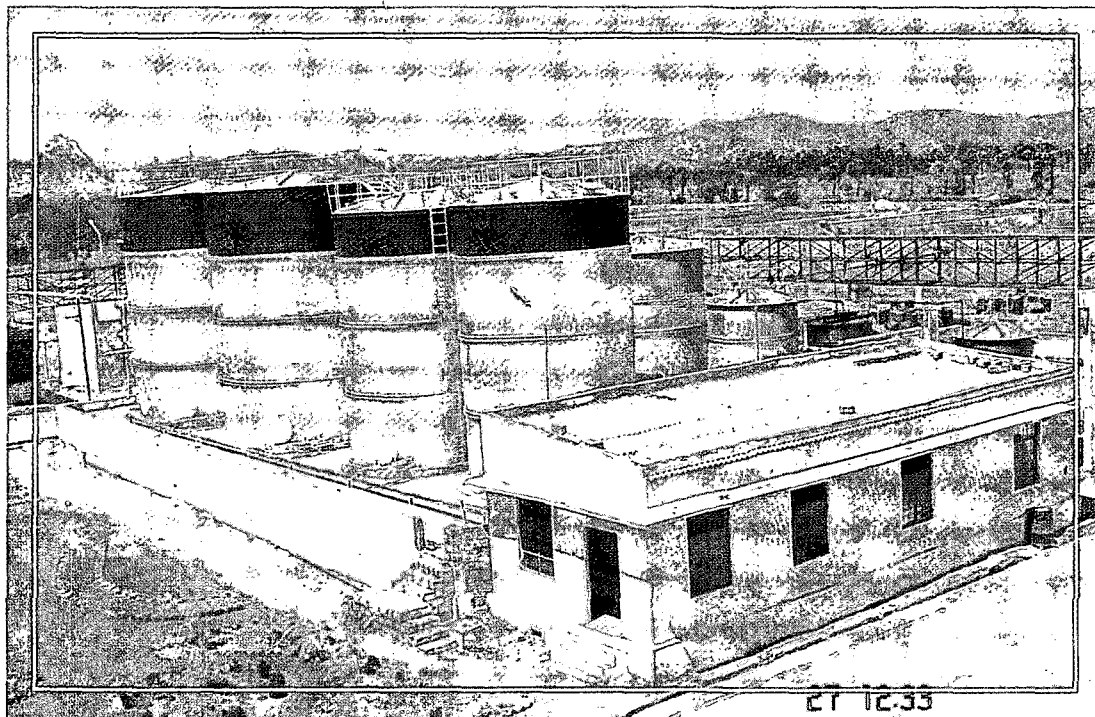
SOUTHERN ONLINE BIO TECHNOLOGIES LTD

(Formerly known as SOUTHERN ONLINE Services LTD)





SBT Biodiesel Plant Visit by Mrs. Karin Kortmann, Parliamentary State Secretary
and German Delegation





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
		Ms. T.Rohini Reddy	:	Director
		Mr. V.Durga Prasad	:	Director
		Mr. C.Raveendra Kumar	:	Director
		Mr. B.Rajesh	:	Director
		Mr. Dipen K. Sheth	:	Director

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

Regd. Office : 3A, 3rd Floor, Samrat Complex,
Saifabad, Hyderabad-04
Tel: (040) 2324 1999 Fax: (040) 2324 1444
Website: www.sol.net.in
Email: info@sol.net.in

Biodiesel Plant Location : Survey No. 6 & 7,
Samsthan Narayanpur (Village & Mandal),
Nalgonda Dist. A.P.

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

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 Ninth Annual General Meeting of the Members of the Company will be held on Thursday, the 1st day of November, 2007 at 11.00 A.M. at Dream Valley, 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 2007 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.B.H.R.Balaji, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.B.Sreedhara Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Ms.T.Rohini Reddy, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Mr.V.Durga Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s.P.Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED that Mr. Dipen K. Sheth, 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 a Special Resolution:

"RESOLVED that pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the applicable provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as the 'DIP Guidelines') and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 (hereinafter referred to as the 'Takeover Code') and the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to any approval, consent, permission and/or sanction of the appropriate authorities (hereinafter collectively referred to as "the appropriate authorities") and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as "the requisite approvals"), and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), the Board be and is hereby authorized to create, offer, issue and allot, from time to time in one or more tranches, equity shares/warrants entitling to apply for equity shares (hereinafter referred to as the "Securities") to be subscribed by the promoter(s) of the Company / others under a preferential issue through offer letter and/or circular and/or information memorandum and/or such other documents/writings, in such a manner and on such terms and conditions as may be determined by the Board in its absolute discretion, provided that the price of the equity shares/warrants so issued shall not be less than Rs.30/- per share including a premium of Rs.20/- per equity shares of Rs.10/- each being the price not less than the price computed with respect to the Relevant Date that is October 2nd, 2007 as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII Clause 13.1.1.1 of the DIP



Guidelines and the aggregate number of the Securities so issued shall not exceed 4956000 equity shares and 2800000 warrants.

RESOLVED FURTHER that the proposed allottee shall not seek conversion of the warrants into equity shares in excess of 5% of the total issued equity share capital of the Company in a financial year and the total shareholding of the Promoter(s) inclusive of the proposed allottee shall at all time remain below 55% of the total issued equity share capital of the Company unless they choose to make an open offer in terms of the Takeover Code.

RESOLVED FURTHER that the equity shares allotted by conversion of Securities in terms of this resolution shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of the aforesaid Securities and listing thereof with the Stock Exchanges as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the said Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise and that they 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 a committee comprising of two directors to give effect to the aforesaid resolution."

On behalf of the Board

Place : Hyderabad
Date : 05.10.2007

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 Tuesday, 30th October, 2007 to Thursday, 1st November, 2007 (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. B.H.R.Balaji, Mr.B. Sreedhara Reddy, Ms. T. Rohini Reddy and Mr. V. Durga Prasad 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. B.H.R.Balaji who aged about 35 years, is a graduate in Electronics & Telecommunication Engineering. Prior to promoting Southern online, Mr. Balaji worked in Choice Solutions Private Ltd., Sagarsoft (India) Ltd, Worldwide and with Worldwide Web Institute as Technical Consultant. Mr. Balaji has vast knowledge and experience in administration and support of Internet/Intranet for corporate networks, Enterprise solutions and other Products. He also has development experience on web-based application. He has more than a decade experience in the IT field. His professional knowledge and expertise would be of immense useful to the efficient functioning of the technical department. He is on the Board of the Company since November, 1998.

From 2002 - 03 onwards he also involved in promoting and establishing Biodiesel production unit of the company near Hyderabad in association with other promoter directors. He is currently looking after the ISP operations. He is also a director of Southern Biofe Biofuels Pvt Ltd, a wholly owned subsidiary of your Company.

- B. Mr. B. Sreedhara Reddy, aged 38 years is a graduate in Civil Engineering from Nagarjuna University and after his graduation he had taken up several construction projects. He has more than 9 years of vast experience in IT field and ability of managing the company administration and other affairs. His services are very much useful to enhance the effectiveness of the Board as well as the committees of the Board.

From 2002 - 03 onwards he also involved in promoting and establishing Biodiesel production unit of the company near Hyderabad in association with other promoter directors. Currently he has been extending his services in the areas of civil and engineering works of the biodiesel factory. He is also a director of Southern Biofe Biofuels Pvt Ltd, a wholly owned subsidiary of your Company.

- C. Ms. T. Rohini Reddy is a M.Sc and M.Tech in Biotechnology. She is currently working as Asst. Professor (Bio-Technology) at CMR College of Engineering & Technology, Hyderabad. She has also been involved in R & D laboratories in the fields of Biotechnology research. She would be spearheading the company's R&D efforts. In view

of her rich experience and knowledge in the area of Biotechnology, the Board is of the opinion that her appointment as director will be in the best interests of the company.

- D. Mr. V. Durga Prasad, has a Bachelors Degree in Arts from Osmania University, Hyderabad he has over a decade of experience in marketing. He is appointed as Independent Director to Comply with Corporate Governance requirement. His marketing 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.

Place : Hyderabad
Date : 05.10.2007

On behalf of the Board
N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item 7 : Appointment of Mr. Dipen K. Sheth, as a Director of the Company

Mr. Dipen K. Sheth was appointed by the Board of Directors as an additional Director with effect from 05.10.2007. Under section 260 of the Companies Act, 1956, Mr. Dipen K. Sheth 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. Dipen K. Sheth as a candidature for the office of Director.

Mr. Dipen K. Sheth, aged 40 years, having qualification of B.Tech and PGDM, is currently working as Head of Research for Wealth Management Advisory Services Ltd. He has over 16 years experience in Indian industry and business. Worked across diverse industries, functions and roles spanning Production, Quality Assurance, Financial Analysis, Investments, Public Relations, Management Consulting, IT Consulting, Software Development and Retail Business Development.

He is also a director of M/s. Veer Sawai Holdings Pvt Ltd.. The above information is given as per the Clause 49 of the listing agreement.

The Board of Directors accordingly recommends the passing of this resolution as a Special Resolution as set out at the accompanying Notice.



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

Item 8: Issue of Shares and Convertible Warrants to Promoter(s)/Others on Preferential Basis

Your Board of Directors of the Company at its Meeting held on 5th October 2007 resolved to issue an offer for subscription and allot upto 4956000 shares to promoter(s)/ others and 2800000 convertible warrants ("the warrants") to the promoter(s) particulars of whom/are given hereinafter. The warrant will carry an option to the holder of each warrant to apply for and be allotted one equity share of face value Rs.10 each in the capital of the Company at an aggregate price being not less than the price with respect to the Relevant Date that is 2nd October, 2007 as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Since the shares and warrants are proposed to be issued on private placement basis and not on rights basis to all the existing shareholders of the Company, consent of the shareholders by a special resolution is necessary in terms of Section 81(1A) of the Companies Act, 1956. Moreover since the Company's shares are listed on the Stock Exchanges, the provision of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('DIP Guidelines') in so far as they relate to Preferential Issues are also applicable to this issue.

The details of the issue and other particulars as required in terms of the Preferential Issue Guidelines are given as under:

1. Object of the issue through Preferential allotment :

The purpose of the issue of the shares and warrants to promoters/others is to part finance the setting up a Bio Diesel Refinery-II of the Company and/or to add more facilities to the existing bio diesel refinery of the company and/or to enhance the long term working capital requirement of the company.

In the first phase the company is raising Rs. 23.27 Crores (Rupees twenty three crores and twenty seven lacs approximately). The proceeds of the issue i.e Rs 23.27 Crores (Rupees twenty three crores and twenty seven lakhs approximately) will be utilised for part finance the setting up a Bio Diesel Refinery-II of the Company and/or to add more facilities to the existing bio diesel refinery of the company and/or to enhance the long term working capital requirement of the company.

2. Relevant date and Pricing of Equity Shares and Warrants:

Each equity share of the face value of Rs.10 including the equity shares arising out of the exercise of option attached with warrants shall be issued at a price not less than Rs. 30/- per equity share (including a premium of Rs.20/- per equity share). Such price is not less than the price computed with respect to the relevant date that is 2nd October 2007 as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

The 'relevant date' mentioned in the Resolution is the date which is 30 days prior to the date of the Annual General Meeting. In terms of Clause 13.1.1.1 of the said Guidelines the price at which the shares being issued and warrants issued on preferential basis can be converted shall be not less than the higher of the following:

- (i) The average of weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
- (ii) The average of weekly high and low of the closing prices of the related shares on the Stock Exchange during the two weeks preceding the relevant date.

'Stock Exchange' for the purpose of this clause means the 'Bombay Stock Exchange' i.e. the recognized stock exchange in which the shares are listed and in which highest trading volume in respect of the shares of the Company has been recorded during the six months preceding the relevant date.



3. Intention of the promoters or their associates and relatives, directors/key managerial persons to subscribe to the offer.

Out of the total issue of 4956000 Shares and 2800000 warrants convertible into equal number of equity shares on preferential basis, the promoters of the company are being allotted 200000 shares and 2800000 warrants convertible into equal number of equity shares.

4. Terms of Shares and Convertible Warrants:

The Board may allot shares at a price not being less than Rs. 30/- per share and warrants at a price not being less than Rs 30/- per warrant which will entitle the holder to subscribe to one equity share of the face value of Rs.10/- against each warrant. An amount, as may be decided by the Board of Directors, not being less than 10% of the issue price shall be payable on the date of allotment of the warrants. The warrants would be allotted on the following terms:

- The allotment of shares and warrants will be completed within 15 days from the date of this General Meeting or within 15 days of the receipt of the last of the applicable regulatory approval, if any, whichever is later.
- The holder of warrants will have an option to apply for and be allotted 1 (one) equity share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches. In this connection, either the Company or the warrant holder will give an advance notice of at least ten days, calling upon the other party to exercise/avail the aforesaid option specifying the number of warrants. The warrant holder will be liable to make the payment of balance sum per warrant for such number of warrants with 10 days of the service of the notice.
- Upon receipt of the payment as above, the Board shall allot one equity share per warrant by appropriating Rs.10/- towards equity share capital and the balance amount paid against each warrant, towards the securities premium.
- If the entitlement against the warrants to apply for the equity share is not exercised within

the period specified in the notice referred hereinabove, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.

- The warrant holder shall also be entitled to any future bonus/rights issue(s) of equity shares or other securities convertible into equity shares by the Company, in the same proportion and manner as any other shareholders of the Company for the time being.
- The warrant by itself do not give to the holder thereof any rights of the shareholders of the Company.
- The equity shares issued as above shall rank pari passu in all respects with the then existing equity shares of the Company.

5. Identity of the proposed allottees and percentage of the post preferential issue capital that may be held by them :

The proposed allottees have expressed their intention to subscribe to the shares and warrants and has agreed to comply with the relevant provisions of the SEBI DIP Guidelines. In accordance with the Takeover Code, some of the proposed allottees who form part of the promoter/promoter group has further agreed (a) to exercise their option to convert the warrants into Equity Shares only after dilution of his holding consequent to the issue of equity shares by conversion of the securities issued in terms of the resolution (b) not to seek conversion of the warrants into equity shares in excess of 5% of the total issued equity share capital of the Company in a financial year and (c) to maintain the total holding of the Promoters below 55% of the post issue equity share capital of the Company unless the promoters choose to make an open offer in terms of the takeover code. Upon allotment of the equity shares and upon conversion of the warrants in full, the shareholding of the proposed allottees would be as detailed hereunder in the increased capital in case there is no further issue of capital prior to such conversion as shown in the table below.



Particulars of Proposed Allottees

Name of the Applicant	Address	No. of Shares proposed to be issued (not exceeding)	No. of Warrants proposed to be issued (not exceeding)	Percentage of post issue shareholding on the basis of conversion of the entire warrants including the existing holdings and without taking into account any further issue of capital prior to conversion
Promoters				
Nanubala Satish Kumar	503, Sri Krishna Sai Apts, Yousufguda, Hyderabad - 38	70,000	1,325,000	9.66
Kethu Radha Krishna	5-9-22/26, Hill Fort, Adarsh Nagar, Hyderabad - 63	10,000	25,000	1.67
Badveli Sheedhara Reddy	Flat No. 201, Sri Krishna Sai Apts, Yousufguda Check Post, Yousufguda, Hyderabad - 500038	10,000	25,000	1.67
Bandi Hare Ram Balaji	308, Sri Krishna Apts, Road No.4, Banjara Hills, Hyderabad - 34	10,000	25,000	1.67
Kodali Tejesh Kumar	201, 2nd Floor, Rama Krishna Krupa Residency S R Nagar, Hyderabad - 63	50,000	700,000	5.13
Kadiyala Venkateshwara Rao	Plot NO. 59, Sri Hayagreeva Sadan 102, Road No.-2, Jubilee Hills, Hyderabad -33	50,000	700,000	5.13
Others				
Yaramaka Venkata Krishna Reddy	1B, Prasanth Kuteer, Adj MSR residence, Saraswathi Nagar, Dargamitta, NELLORE- 524003	200,000	--	0.65
Yadagiri Anand Swaroop	#7-1-636/38, Model Colony, S.R. Nagar, Hyderabad- 500038	100,000	--	0.35
Yarlagadda Sandhya Rani	54-13/5-6/A, Srinivas Nagar, Bank Colony - 3, Vijayawada - 8	216,000	--	0.71
Chitoori Ramachandra Prabhu	300, Jalavayu Vihar, Kukatpally, Hyderabad - 500 872	140,000	--	0.46
Saride Krishna Murthy	49-35-10, Akkayyapalem, NGGOs Colony, Vishakapatnam - 530016	100,000	--	0.33
Rashmi Saraf	C-301, Queen Corner-3, Queens Road, Bangalore-1	50,000	--	0.16
Girdhari Lal Sultania / Urmila Sultania	2, Red Cross Place, Kol-700 001	25,000	--	0.08
Raipur Agrotech Pvt Ltd	2, Red Cross Place, Kol-700 001	25,000	--	0.08



Integra Energy Management Ltd	White House, 5th Floor, 119 Park Street, Kolkata - 16	50,000	-	0.16
Himaltal Shah	36G, Girish Mukherjee Road, Flat 3&5, Kolkata 700025	25,000	-	0.08
M. P. Re-cycling Company Pvt Ltd	43 Ramwadi (1st Floor), Kalbadevi Road, Mumbai 400002.	700,000	-	2.29
Kamal Khera	Flat 2C/2D Woodhouse Apartments, behind Electric House, 29 Nathalal Parikh Marg, Colaba, Mumbai 400039.	70,000	-	0.23
Poonam Khera	Flat 2C/2D Woodhouse Apartments, behind Electric House, 29 Nathalal Parikh Marg, Colaba, Mumbai 400039.	30,000	-	0.10
Ramesh S Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	200,000	-	0.65
Pavan R Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	200,000	-	0.65
Sumermal H Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	200,000	-	0.65
Minal D Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	100,000	-	0.33
Ruchita G Aggarwal	4 Shankaracharya Marg, next to IP College, Civil Lines, New Delhi 110054	100,000	-	0.33
Deepak R Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	100,000	-	0.33
Rahul R Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	100,000	-	0.33
Sevantilal Anoopchand Shah	5/B Sarat Bose Road, 3rd floor, Kolkata 700020	200,000	-	0.79
Utsav N Parekh	2/3 Sarat Bose Road, Sagun, Kolkata 700020	200,000	-	0.72
Pranav Premnarayan	501, Indraprastha, 5th floor, Premnaryan chowk, Linking Road, Santacruz (West) Mumbai - 400054	100,000	-	0.33
Puja Premnarayan	501, Indraprastha, 5th floor, Premnaryan chowk, Linking Road, Santacruz (West) Mumbai - 400054	100,000	-	0.33