

10th Annual Report 2007 - 08

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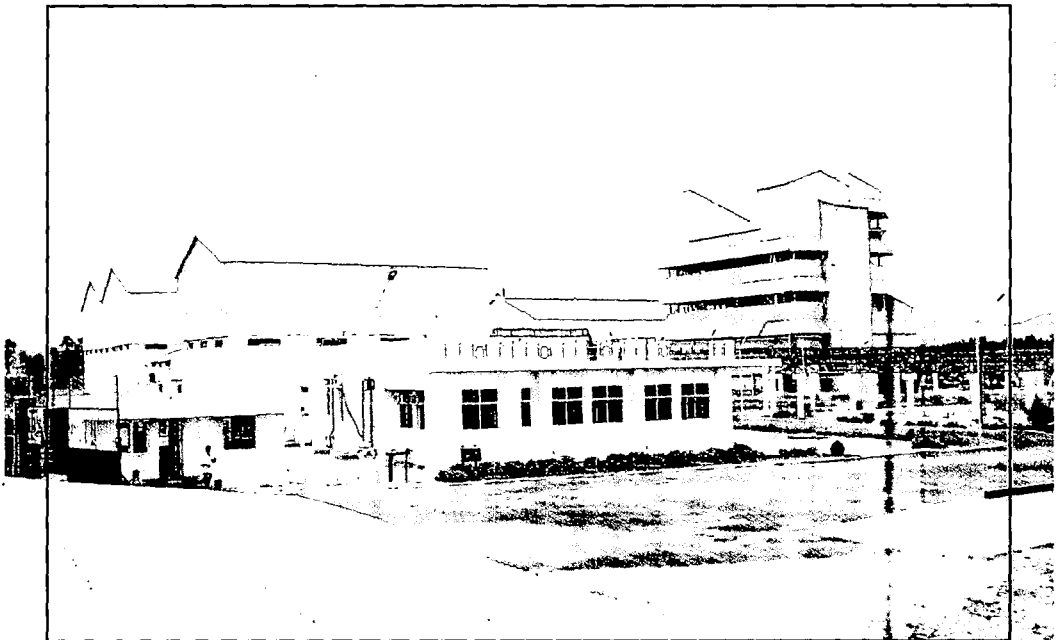
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SOUTHERN ONLINE BIO TECHNOLOGIES LTD





ISP Division - Hyderabad



SBT Biodiesel Plant - Samsthan Narayanpur (Village & Manadal), Nalgonda Dist.,



Board of Directors	:	Mr. N.Satish Kumar	:	<i>Managing Director</i>
		Mr. B.H.R. Balaji	:	<i>Executive Director</i>
		Mr. K.Radha Krishna	:	<i>Director - Finance</i>
		Mr. B.Sreedhara Reddy	:	<i>Director - Admin.</i>
		Mr. K.Telesh Kumar	:	<i>Director</i>
		Mr. K.Venkateswara Rao	:	<i>Director</i>
		Mr. Y. Anand Swaroop	:	<i>Director</i>
		Ms. T.Rohini Reddy	:	<i>Director</i>
		Mr. C. Raveendra Kumar	:	<i>Director</i>
		Mr. Dipen K. Sheth	:	<i>Director</i>

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

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

Company Secretary : R. Harsha Vardhan Reddy

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 Tenth Annual General Meeting of the Members of the Company will be held on **Thursday, the 25th day of September, 2008** at 11.30 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 2008 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.K. Radha Krishna, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.C.Raveendra Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y.Anand Swaroop, 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 a 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 approves the increase in remuneration of Mr.N.Satish Kumar, Managing Director from the existing salary of Rs.1,00,000/- to Rs.2,00,000, subject to other terms and conditions of the appointment remain unchanged, with effect from 1st July, 2008 to till the remaining period of tenure.”

7. **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 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 approves

the increase in remuneration of Mr.B.H.R.Balaji, Executive Director from the existing salary of Rs.60,000/- to Rs.2,00,000 subject to other terms and conditions of appointment remain unchanged, with effect from 1st July, 2008 to till the remaining period of tenure.

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 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 approves the increase in remuneration of Mr.K. Radha Krishna, Director – Finance from the existing salary of Rs.60,000/- to Rs.2,00,000 subject to other terms and conditions of appointment remain unchanged, with effect from 1st July, 2008 to till the remaining period of tenure.

9. **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 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 approves the increase in remuneration of Mr.B.Sreedhara Reddy, Director – Admin from the existing salary of Rs.60,000/- to Rs.2,00,000 subject to other terms and conditions of appointment remain unchanged, with effect from 1st July, 2008 to till the remaining period of tenure.

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

“RESOLVED THAT pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which expression shall be deemed to include a committee of Directors duly authorised in this behalf), to borrow from time to time all such sums of money as they deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed (apart from temporary loans obtained from



the bankers in the ordinary course of business) exceeds the aggregate of the Paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount which may be borrowed by the Board of Directors shall not exceed Rs.279 Crores (Rupees Two Hundred and Seventy Nine Crores only).

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution”.

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

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) to the Board of Directors of the Company for creation of the mortgage/charge on the Company’s immovable and movable properties, where so ever situate, present and future, such charge to rank either pari passu with or second, subsequent, subservient and subordinate to all the mortgages/ charges created /to be created by the Company for all existing and future borrowings and facilities whatsoever in favour of the lender(s).

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution”.

12. 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.25.90/- per share including a premium of Rs.15.90/- per equity shares of Rs.10/- each being the price not less than the price computed with respect to the Relevant Date that is August 26, 2008 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 25,00,000 equity shares and 85,00,000 convertible warrants.”

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 : 26.08.2008

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, 23rd September, 2008 to Thursday, 25th September, 2008 (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.K.Radha Krishna, Mr.C.Raveendra Kumar, and Mr.Y.Anand Swaroop 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.Radha Krishna, born in 1968, is one of the Promoter Directors, heading the Finance department of the Company since its inception. He has a total experience of 16 years, out of which 10 years in the IT field and 6 years in the construction field.
As Finance Director of the Company Mr.Radha Krishna is :
 - Actively involved and succeeded in the Company's efforts for the establishment of India's first commercial Biodiesel production unit with a capacity of 36 tons per day at Samsthan Narayanpur, Nalgonda Dist, A.P.
 - Currently looking after commercial activities of the Biodiesel division and ISP division of the Company, extending services in the areas of technical, and engineering works, erection and installation of plant & machinery, production, purchases of the biodiesel factory.
 - In association with other directors, liasoning with Government undertakings such as APSRTC, Indian Railways and Private Sector Industries such as Idea Cellular, Air Tel,

Kirloskar Oil Engines Limited, Toyota Kirloskar Motor Pvt. Ltd, TATA Tele Services, TNT Express Courier Services etc.

- Actively involved in the establishment of second Biodiesel unit of the Company in APIIC SEZ at Vizag with a capacity of 250 tons per day with an investment of Rs.90.00 crores.

He is also a director of Southern Biofe Biofuels Pvt Ltd, which is a wholly owned subsidiary of your Company. The Board is of the opinion that his appointment as director will be in the best interest of the company.

- B Mr. Anand Swaroop, born in 1965, is a graduate in Mechanical Engineering from Osmania University, MBA & M.Phil in Econometrics from London School of Economics.

Mr. Anand Swaroop has more than 20 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. The Board is of the opinion that his appointment as director will be in the best interest of the company. He is also a director of Lanco Global Systems Ltd.

- C Mr. C.Raveendra Kumar, born in 1967, is a Graduate in Civil Engineering from Nagarjuna University, Guntur, Andhra Pradesh. After his graduation he was involved in several construction projects including My Home Constructions, Gayatri Constructions, Hindustan Cables Ltd. etc. He has more than 12 years experience in Civil Construction and 6 years in Pre-Engineered Steel Buildings. The Board is of the opinion that his appointment as director will be in the best interest of the company. He is not a director of any other Company.

On behalf of the Board

Place: Hyderabad
Date : 26.08.2008

N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item 6-9: Increase in remuneration of Whole Time Directors :

It is proposed to increase the remuneration of Whole Time Directors of the Company from the current limit to Rs. 200,000 with effect from July 1, 2008 in order to suitably compensate the Directors for the increased activities.

The proposed increase in remuneration requires the approval of the members in the general meeting. Hence, the above resolutions at item 6-9 are placed for approval of the members of the company. The Board of Directors recommends the said Resolutions for approval of the members.

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

None of the Directors of the Company except the respective Directors to the extent of their remuneration are concerned or interested in this resolution.

Item 10: Increase in borrowing powers :

In view of the expansion programme of the Company which is being carried out in full swing, it is expected that the ceiling already fixed by the members of the Company for borrowing, that is Rs.100 Crores, will not be sufficient and therefore your Directors place before you the proposal to increase the limits of borrowing to Rs. 279 crores.

Pursuant to the provisions of clause (d) of Sub-Section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a general meeting.

The Board recommends this resolution for your approval.

None of the Directors of your Company is interested , either directly or indirectly, in the proposed resolution.

Item 11 : Consent of the members under section 293(1)(a) for creation of charges :

In view of the expansion programme of the company



and in the light of the Resolution placed vide item # 10 in the Notice for increase of borrowal limits, the Board of Directors of the company has to negotiate with the Financial Institutions/ Banks for borrowings for the Project and in this connection necessary approval of the members of the company is to be accorded for creation of charges/mortgages in favour of the lenders.

As per Section 293 (1) (a) of the Companies Act, 1956 consent of the members in General Meeting is required to enable the Board of Directors to create charge or mortgage of the assets of the company for the borrowings for the project..

The Board recommends this resolution for your approval.

None of the Directors of your Company is interested, either directly or indirectly, in the proposed resolution.

Item 12: 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 26th August 2008 resolved to issue an offer for subscription and allot upto 25,00,000 shares and 85,00,000 convertible warrants ("the warrants") to others. 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 26th August, 2008 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 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.

The company is raising Rs.28.49 Crores (Rupees twenty eight crores and forty nine lacs approximately). The proceeds of the issue i.e Rs.28.49 Crores (Rupees twenty eight crores and forty nine 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. 25.90 /- per equity share (including a premium of Rs.15.90/- per equity share). Such price is not less than the price computed with respect to the relevant date that is 26th August 2008 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.

Average price of the shares of the company 26 weeks and 2 weeks high and low of the closing price preceding the relevant date i.e., 26.08.2008 is Rs. 25.61 and 24.73 respectively. Accordingly the minimum issue price shall not be less than Rs. 25.61, against which the company has fixed Rs. 25.90 as an issue price which is higher than



the minimum price arrived at as per SEBI Preferential Issue Guidelines.

'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 25,00,000 Shares and 85,00,000 warrants convertible into equal number of equity shares on preferential basis, the promoters or their associates and relatives, directors/key managerial persons of the company are not subscribing any shares or warrants in the current preferential allotment.

4. Terms of Shares and Convertible Warrants:

The Board may allot shares at a price not being less than Rs.25.90/- per share and warrants at a price not being less than Rs 25.90/- 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:

- a. 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.
- b. 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.

- c. 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.
- d. 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.
- e. 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.
- f. The warrant by itself do not give to the holder thereof any rights of the shareholders of the Company.
- g. 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, none of the proposed allottees form part of the promoter/promoter group. 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
Srijan Tie-Up Private Ltd	146, Andul Road, Howrah - 711 103	20,00,000	30,00,000	10.72
Satellite Intercontinental Pvt Ltd	Vaibhav, 4, Lee Road, 5th Floor, Kolkata - 700 020	5,00,000	5,00,000	2.14
Ganesh Kumar Singhania	34, Ganesh Chandra Avenue, 4th Floor, Suit No-16, Kolkata - 700 013	---	15,00,000	3.21
Anita Singhania	34, Ganesh Chandra Avenue, 4th Floor, Suit No-16, Kolkata - 700 013	---	15,00,000	3.21
Antriksh Vyapaar Private Ltd	Garstin Place, Ground Floor, Kolkata - 700 001	---	10,00,000	2.14
Vastav Dealers Private Ltd	23/24, Radha Bazar St., 1st Floor, Room No - 3HP, Kolkata - 700 001	---	10,00,000	2.14
TOTAL		25,00,000	85,00,000	