



11th Annual Report 2008-09

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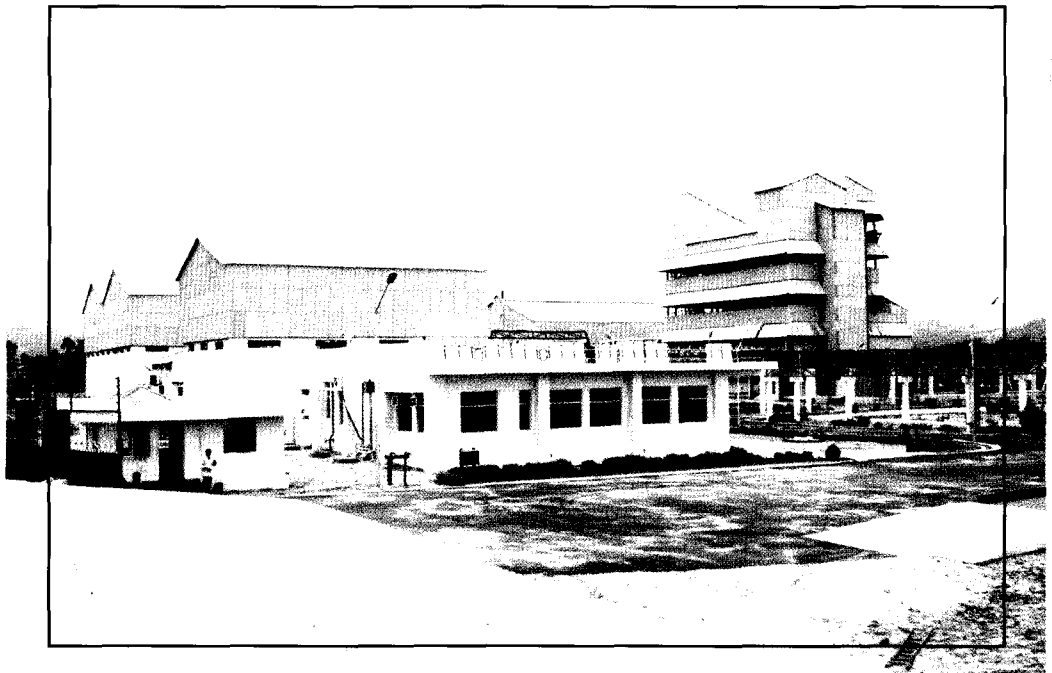


SOUTHERN ONLINE BIO TECHNOLOGIES LTD





ISP Division - Hyderabad



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



Board of Directors	:	Mr. Y. Anand Swaroop	:	<i>Chairman</i>
		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.Tejesh Kumar	:	<i>Director</i>
		Ms. T. Rohini Reddy	:	<i>Director</i>
		Mr. C. Raveendra Kumar	:	<i>Director</i>
		Mr. Kishor Shah	:	<i>Addl. Director</i>
		Mr Christian A Schmidt	:	<i>Addl. Director</i>
Company Secretary	:	Ms G Anupama		
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		
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. UCO Bank Hindustan Shipyard Colony , Gandhigram, Visakhapatnam – 530 005 State Bank of Hyderabad Overseas Branch 6-3-652 “KAUTILYA” Somajiguda, Hyderabad – 500 082		



NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held on **Wednesday, the 30th September 2009** at 11.30 am 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 2009 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 Tejesh Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs T Rohini Reddy, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint M/s.P.Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr Kishor Shah, 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, upto 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."

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

"RESOLVED THAT Mr Christian A Schmidt, 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, upto 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."

On behalf of the Board

Place : Hyderabad

Date : 17.08.2009

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 THERE AT 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 22nd September 2009 to Thursday 24th September 2009 (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 Tejesh Kumar and Mrs T Rohini Reddy 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. K Tejesh Kumar, is a Post Graduate in Masters of Business Administration from Andhra University. He has more than 15 years functional experience in Software and finance industry and having good skills in strategic Technology advisory services, information system consultancy services, technology procurement, project-based capacity building technological project management services. Having rich experience and achieved a great success in Technology integration, Business management, marketing and operations in the IT sector. He is also the winner of Global Business Leadership award from World Economic Progress Society.
 - B. Mrs T Rohini Reddy is a M.Sc and M.Tech in Bio Technology. She is currently working as Head of the Department (Bio Technology) at CMR College of Engineering and Technology, Hyderabad. She has also been involved in R & D laboratories in the fields of Bio Technology research. She would be spearheading the Company's R & D efforts.

On behalf of the Board

Place : Hyderabad
Date : 17.08.2009

N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item 5: Appointment of Mr Kishor Shah as a Director of the Company

Mr Kishor Shah was appointed by the Board of Directors as an Additional Director with effect from 25th February 2009. under Section 260 of the Companies Act 1956, Mr Kishor Shah holds office upto 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 Kishor shah as a candidature for the office of Director.

PROFILE OF THE APPOINTEE

Mr. Kishor Shah, aged 53 years, having qualification of A.C.A. and A.C.S. has had a very good academic career. He secured first class in B. Com. (Hons.) examination and stood 4th in Calcutta University. He stood third in India and first in Eastern India in C. A. Final examination and received A. F. Ferguson's prize for the best paper in auditing in India. He has also passed all the examinations of The Institute of Cost and Management Accountants, U.K.

Mr. Shah is currently Whole time Director of SMIFS Capital Markets Limited and heads Investment Banking and Wealth Management Operations which include Mergers and Acquisitions, Portfolio Management, Takeovers, Valuation of Shares, Underwriting, Loan Syndication and Advisory functions etc. He was earlier employed with Bata India Limited, Shaw Wallace & Company Limited, Assam Brook Limited and C. D. Capital Markets Limited in senior positions and has over 27 years of post qualification experience.

He has co-authored four books and is a frequent speaker in seminars organized by professional bodies and other organizations. His book 'How to Invest Well' published by Tata Mcgraw Hill was a national best seller.

He is also a Director of SMIFS Capital Markets Limited, SMIFS Capital Services Limited and Salveo Life Sciences Limited.

The Board of Directors accordingly recommends the passing of this resolution as Ordinary resolution as set



out in the accompanying notice.

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

Item 6: Appointment of Mr Christian A Schmidt as a Director of the Company.

Mr Christian A Schmidt was appointed by the Board of Directors as an Additional Director with effect from 25th February 2009. Under Section 260 of the Companies Act 1956, Mr Christian A Schmidt holds office 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 Christian A Schmidt as a candidature for the office of Director

PROFILE OF THE APPOINTEE

Mr Christian A Schmidt is having qualification of MBA and Phd in Business Administration Mr. Schmidt is

having a vast experience in finance and consultancy fields. He held many Senior Level Positions in World Bank and other reputed Banks abroad. Presently he is Senior Advisor to Industrial Investment Council (IIC), Berlin, Germany. Advisor to the President on attracting foreign Investment to Germany and is also Senior Advisor to our Company.

The Board of Directors accordingly recommends the passing of this resolution as Ordinary resolution as set out in the accompanying notice.

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

On behalf of the Board

Place : Hyderabad
Date : 17.08.2009

N. Satish Kumar
Managing Director

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2009.

Financial Results

The highlights of the financial results for the year under review along with the comparative figures for the previous year are as follows:

Particulars	(Rs. in Lakhs)	
	2008 - 09	2007 - 08
Total Income	4106.33	2440.95
Operating Profit	487.29	393.88
Less: Depreciation	236.49	218.68
Less: Misc. Expenditure written off	3.69	3.69
Less: Provision for Tax	28.08	19.43
Net Profit (after deferred tax assets provision)	169.33	69.78

Review and Prospects

The total revenue of the Company for the financial year ended 31st March, 2009 is Rs.4106.33 Lacs as compared to the previous year's total revenue of Rs 2440.95 Lakhs. During this financial year the Company has recorded a net profit of Rs. 169.33 Lacs as against the previous year's net profit of Rs.69.78 Lakhs (after deferred tax assets provision). The Company has commenced the commercial operations of biodiesel from 2007 and also improved performance in the ISP business when compared to previous year.

The Company has achieved a significant turnover of Rs.741.79 lacs with a net profit of Rs.12.65 lacs for the Quarter ended June, 2009 when compared with previous financial year corresponding period turnover of Rs.850.71 lacs with a net profit of Rs.36.66 lacs.

Awards to the Company

■ Frost & Sullivan Award

"2007 Frost & Sullivan award for Entrepreneurship is presented at New Delhi to Southern Online Bio Technologies Limited," the country's first commercial Biodiesel plant, recognizing its proactive efforts in manufacturing high quality biodiesel.

The Frost & Sullivan Award for Entrepreneurial Company is presented each year to the company that has demonstrated superior entrepreneurial ability in its industry during the research period. This Award signifies the company's identification of a unique and revolutionary product solution with significant market

potential. Additionally, the Award certifies that the company's marketing strategy is sound and poised for success.

Entrepreneurial ability is assessed using primary research with top manufacturers and end users in the industry. Frost & Sullivan's analyst teams performed extensive interviews with the company to evaluate its business, products, and marketing plan. In addition, primary research with leading manufacturers is performed to benchmark the Southern Online's strategy for growth against established player's strategies. Frost & Sullivan also considered certain elements such as strategic alliances, expected time to market, and the senior management team. Primary research with end users is also conducted to evaluate and compare the value of the Southern Online's product solution.

■ Innovative Network Award from Bharti Airtel Ltd.

The ISP Division of the SBT has been awarded with "INNOVATIVE NETWORK AWARD" by Bharti Airtel Ltd.

The award has been given to SBT for its continuous endeavors to adopt the new generation networks to serve the market demands with seam less integration by providing value added services and for adopting the MPLS technology as the transport platform by using Layer - 1, 2 & 3 Protocols. While declaring the award, Bharti Airtel also considered the vision of SBT because of which the benefits of the technology spread



across 20+ upcountry locations by using minimum deployment costs and having complete control on the network. The network architecture of SBT has become role model for other ISPs across the country

■ Glory of India Award

The Company has been awarded GLORY OF INDIA AWARD for excellence in promoting global integration and economic development at the International Conference on "Celebrating the Global Indian" on 28th December 2008, Bangkok, Thailand.

■ Best Cleaner Production Practices & Waste Minimization techniques.

The Andhra Pradesh Pollution Control Board, Nalgonda awarded your Company "Best Cleaner Production Practices & waste minimization techniques" on the occasion of the World Environment day 5th June 2009.

The Company's Products / Services

The Company has been providing a wide spectrum of services, which includes basic services like Internet access, E-mail etc. and value added services such as Add on hours. The Company presently provides Internet Services as a Licensed ISP. The Company's services include the following:

- Dial up Services through PSTN
- Server Co-Location
- Leased Line services
(Terrestrial and RF links)
- Networking Solutions
- Web Hosting
- VOIP Services
- Dedicated Servers

BIODIESEL PROJECT

Your Company's Biodiesel Unit has been established at Samsthan Narayanpur Village & Mandal, Nalgonda District with 40,000 liters per day capacity with an investment of Rs.25.72 crores and your Company has commenced the sale of Biodiesel from 12.07.2007.

The Company has been supplying biodiesel to various well reputed customers like APSRTC, RDSO(Division of Indian Railways), Indian Railways, Kirloskar Oil Engines, Toyota Kirloskar, Giatech(for KSRTC), W S Industries, Hyderabad Castings Limited, Hotel Marriott, Taj group of Hotels etc

APSRTC

Andhra Pradesh Road Transport Corporation (APSRTC) has given the order to the Company for the supply of 3,00,000 liters of biodiesel per month to its 12 depots in Hyderabad & Secunderabad, as against the tenders to procure 1,15,68,000 liters per year, to use in their buses of 23 depots out of 252 depots. The Company has been supplying biodiesel to APSRTC against the above order. Also the Company is expecting orders for the supply of biodiesel to its other depots apart from the above.

RDSO (Division of Indian Railways) and Indian Railways

RDSO, Luckow has already started purchasing Biodiesel from the Company. Company is in receipt of purchase order from Indian Railways to supply 2664.50 Kilo liters Biodiesel.

Milestones

Some of the important milestones of the Company in the year 2007, 2008 and 2009 are :



Year	Event
2007	<ul style="list-style-type: none"> ● Product (Biodiesel) endorsement by Hindustan motors, Kirloskar ● Trial runs by TNT Express, Bangalore ● Product purchases by Idea Cellular, A.P ● Trial runs by Mahindra & Mahindra ● Participated in the tenders called for by APSRTC for the supply of biodiesel ● Commencement of sales operations ● Participating in the tenders called for by Indian Railways for the supply of biodiesel ● Commencement of sales operations of Biodiesel in the month of July, 2007 ● Signed Purchase agreement with Kirloskar Oil Engines for B-100 usage in their DG sets. ● Purchase order from RDSO (Research Division of Indian Railways) ● Received 'Entrepreneurial Award for the year 2007' from Frost & Sullivan towards Company's proactive efforts in manufacturing high quality Biodiesel as first domestic Biodiesel production unit in India
2008	<ul style="list-style-type: none"> ● Received 'Innovative Network Award' from Bharti Airtel Ltd for its network architecture in the area of Internet Services ● Order from APSRTC for supply of 3,00,000 litres of Biodiesel per month to their 12 Depots in Hyderabad and Secunderabad ● Indian Economic Development & Research Association (IEDRA) has given this award to the company and to the Managing Director on a national basis for outstanding contributions by the company and the MD in the fields of biodiesel industry and Internet Services. ● Signed contract with Kirloskar Oil Engines Limited, Pune for the supply of Biodiesel.
2009	<ul style="list-style-type: none"> ● Company started implementing 250 TPD Biodiesel plant at Vizag with an investment of Rs. 90.00 Cr. ● Company has received "Best Cleaner Production Practices & Waste minimizing Techniques Award for the existing Nalgonda based Biodiesel plant for the year 2008 from Andhra Pradesh Pollution Control Board. ● Received purchase order from Indian Railways from the supply of 2664.50 KL. ● Company tied up with Singapore based company for the Biodiesel plantation as backward integration.

FUTURE PLANS

Company is successfully tied for the required funds to set up 82500 TPY capacity Biodiesel production complex with State of Art technology in multi product SEZ of APIIC at Vizag.

Company is focusing to enter in to Agricultural business by producing and formulating the highly potential Bio agro organic fertilizers, nutrients and insecticides for agricultural plant protection and also planning to produce all necessary ingredients for organic farming.

Company also working closely with the technology provider in utilizing the Algae based raw material for the production of Biodiesel.

Company is planning to get in to captive power generation to meet its power requirements.

Plant at Vizag

Having experience in setting up the Biodiesel unit, now SBT has been setting up a unit of 250 Tons per day capacity at Vizag as SEZ unit to have presence in the Global market also. The project cost of the proposed Biodiesel plant is Rs. 90.00 Cr.

Preferential Allotment

During the last financial year the Company has raised funds through preferential allotment for establishing its second biodiesel plant at the APIIC SEZ, Vizag. In the preferential allotment the Company has raised Rs.5.63 crores by allotting 10,00,000 equity shares and 70,00,000 convertible warrants to others on 30.09.2008 and 3,25,000 equity shares and 15,00,000 Convertible warrants to others on 06.10.2008 at a price of Rs.25.90/- per share/warrant (including a premium of Rs. 15.90/



- per share/warrant). Out of the warrants allotted to promoters on 22.11.2007, 30,500 warrants are converted into equity shares on 15.12.2008. The above equity shares and the warrants converted in to equity shares are listed at the stock exchanges. The proceeds of the said preferential allotments are utilized for the purpose for which they are raised.

Demerger

The Company is in receipt of Inprinciple Approval for demerger from BSE. However, the scheme of demerger shall be subject to the approval of Stock Exchanges, Shareholders and the Hon'ble High Court of Andhra Pradesh.

Directors

Pursuant to Article 48 of the Articles of Association of the Company, Mr K Tejesh Kumar and Mrs T Rohini Reddy, Directors, whose period of office determined by retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr.Dipen K Sheth resigned as Director of the Company w.e.f. 25.02.2009. The Board takes this opportunity to thank him for their valuable contribution during the tenure of their directorship.

Mr Kishor Shah and Mr Christiana A Schmidt were appointed as Additional Directors on 25.02.2009. Their appointment as directors is proposed in the ensuing Annual General meeting

Mr K Venkateswara Rao resigned as Director and Chairman of the Company w.e.f 15.07.2009. The Board takes this opportunity to thank him for their valuable contribution during the tenure of their directorship

Mr Y Anand Swaroop was appointed as Non Executive Chairman of the Company w.e.f 15.07.2009.

Corporate Governance

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchanges. A separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Statutory Auditor's confirming compliance is set out in the Annexure forming part of this report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby

confirmed that:

- i. In the preparation of the annual accounts for the year ended 31st March, 2009, the applicable accounting standards have been followed and there are no material departures.
- ii. We have selected appropriate accounting policies and applied them consistently and have 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 as on 31st March 2009 and of the profit of the company for the financial year ended 31st March 2009.
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. We have prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

Auditors

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

Fixed Deposits

The Company has not invited/accepted any fixed deposits from the public in terms of Section 58A of the Companies Act, 1956.

Employee Particulars

None of the employees is in receipt of remuneration exceeding the limit and whose particulars are required to be given as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Additional Information As Required U/S 217(1) (e) of The Companies Act, 1956

(a) Conservation of Energy:

Company's ISP operations and administration require electrical energy for power supply to computer systems, in air conditioning, and lighting, which are not energy intensive. Whereas the Biodiesel plant requires huge electrical energy for operations of the Biodiesel production unit. During the current financial year the Company has