

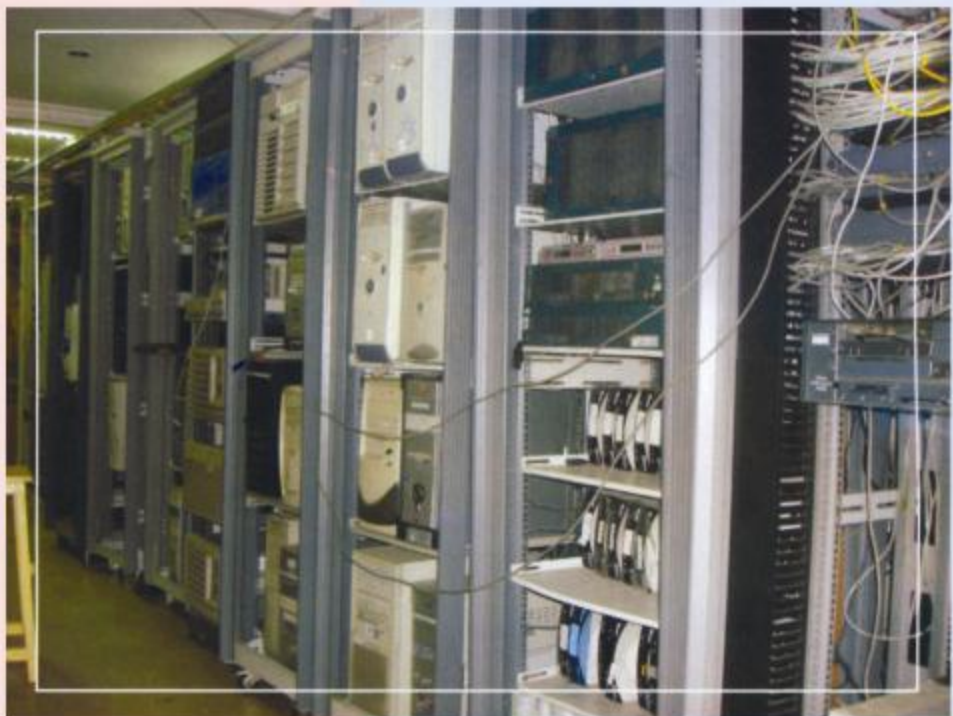


13th Annual Report 2010-2011

We
get
you
there
Faster.

SOUTHERN ONLINE BIO TECHNOLOGIES LTD

Smart Solutions and Eco Friendly



ISP Division - Hyderabad



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

Board of Directors	:	Mr. Y. Anand Swaroop	Chairman
		Mr. N.Satish Kumar	Managing Director
		Mr. B.H.R. Balaji	Executive Director
		Mr. K.Radha Krishna	Director - Finance
		Mr. B.Sreedhara Reddy	Director - Admin.
		Mr. K.Telesh Kumar	Director
		Ms. T. Rohini Reddy	Director
		Mr. C. Raveendra Kumar	Director
		Mr. Kishor Shah	Director
		Mr. Christian A Schmidt	Director
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	UCO Bank
		Banjara Hills Branch	Hindustan Shipyard Colony,
		Chandra Apts, Road No.7,	Gandhigram,
		Hyderabad – 500 034.	Visakhapatnam 530 005
		State Bank of Hyderabad	Punjab National Bank
		Overseas Branch	Deccan Chambers, Opp Allwyn
		6-3-652, "KAUTILYA"	Erragadda, Sanath Nagar,
		Somajiguda,	Hyderabad-500018
		Hyderabad – 500 082	

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Thursday the 29th September 2011 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 2011 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 Ms 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

Re-appointment of Mr N Satish Kumar as Managing Director

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII (as amended from time to time) to the said Act, Mr. N Satish Kumar be and is hereby re-appointed as Managing Director of the Company for a period of five (5) years with effect from 27th May 2011 at a remuneration and on such terms and conditions as detailed below:

I. Salary

Rs.2,00,000/- (Rupees Two lakhs 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 follow 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 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.

On behalf of the Board

Place : Hyderabad

N. Satish Kumar

Date : 10.08.2011

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 Wednesday 21st September 2011 to Saturday 24th September 2011 (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/e-mail id 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/e-mail id 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, 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 copies of Annual Reports to the Annual General Meeting.
11. At the ensuing Annual General Meeting, Mr K Tejesh Kumar and Ms T Rohini

Reddy retire by rotation and being eligible offered themselves for re-appointment. 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 Business Administration. Along his professional and entrepreneurial journey over the last 18 years, Mr Teja's stature in the industry has consistently grown. He serves on the board of many start up and growth stage companies in India and other nations. He has functional experience in Software and finance industry and with that rich experience he has achieved a great success in Technology integration, Business management, marketing and operations in the IT sector. His sense of tapping potential business opportunity is remarkable. As a Promoter Director of the Company he nurtured the company to become one of the fastest growing green tech company.
- B. Ms T Rohini Reddy, is a Post Graduate in M.Sc (Bio Technology)& M.Tech. (Bio Technology) from JNT University and pursuing PhD in Bio Technology in JNT University Hyderabad. She is currently heading Bio Technology department at CMR college of Engineering and Technology. She has also been involved in R&D laboratories in the fields of Bio Technology research. She would be looking after Company's R & D efforts.

On behalf of the Board

Place : Hyderabad
Date : 10.08.2011

N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item 5: Re-appointment of Mr N Satish Kumar as Managing Director of the Company

The term of appointment of Mr N Satish Kumar as Managing Director of the Company expired on 26.05.2011 and therefore, the Board of Directors in its meeting held on 30.05.2011, re-appointed Mr N Satish Kumar as Managing Director for a period of five years with effect from 27.05.2011 as per the terms and conditions and remuneration mentioned in the notice at resolution no.5

As per the provisions of Schedule XIII of the Companies Act, 1956, re-appointment of Mr N Satish Kumar as Managing Director, requires the approval of the members in the General meeting. Hence, the above resolution at item no.5 is submitted to the meeting for ratification by the members of the Company by passing an ordinary Resolution.

Mr N Satish Kumar is a graduate in English Literature and a Post Graduate Diploma in Computer Applications. He is having 20 years of rich experience in areas of environment, software Consultancy and Marketing. He is one of the promoter director of M/s. Southern Online Bio Technologies Limited, Hyderabad.

Mr N Satish Kumar is Managing Director of Southern Online Bio Technologies Limited and has received various National and International awards in his personal capacity and on behalf of the Company.

He does not hold any committee Memberships in any company.

The notice together with the explanatory statement attached herewith should be treated as an abstract of the terms of the agreement and memorandum of concern or interest under section 302 of the Companies Act, 1956.

The Board of Directors recommends the above resolution at item no.5 for the members' approval in the Annual General Meeting.

None of the Directors of the Company except Mr N Satish Kumar to the extent of his re-appointment as Managing director is concerned or interested in this resolution.

On behalf of the Board

Place : Hyderabad

Date : 10.08.2011

N. Satish Kumar

Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2011.

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:

(Rs. in Lakhs)

Particulars	2010 – 11	2009 – 10
Total Income	7114.16	3826.46
Operating Profit	(226.82)	382.40
Less: Depreciation	450.65	191.94
Less: Misc. Expenditure written off	21.11	3.69
Less: Provision for Tax	-	34.13
Net Profit (after deferred tax assets provision)	(1068.83)	80.85

Review and Prospects

The total revenue of the Company for the financial year ended 31st March, 2011 is Rs.7114.16 Lakhs as compared to the previous year's total revenue of Rs 3826.46 Lakhs. During this financial year the Company has incurred a net loss of Rs. 1068.83 Lakhs as against the previous year's net profit of Rs.80.85 Lakhs (after deferred tax provision). The net loss incurred is due to Low capacity Utilization because of initial teething problems and bottle neck in handling high FFA oils and still there is no operational losses. However the loss is mainly due to payment of interest,

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
- Web Hosting
- Server Co-Location

- VOIP Services
- Leased Line services (Terrestrial and RF links)
- Dedicated Servers
- Networking Solutions

Biodiesel Units

Your Company has two Biodiesel Units

- One is at Samsthan Narayanpur Village & Mandal, Nalgonda District with 40,000 Liters per day capacity .
- The other unit is at APIIC-SEZ, Atchutapuram, Rambilli Mandal, Visakhapatnam with 2,50,000 Liters per day capacity.

The Company has been supplying biodiesel to various well reputed customers like Kirloskar Oil Engines, Hyderabad Castings Limited, Hotel Marriott, Taj group of Hotels, Sovino foods Pvt Ltd, Real Bakers Pvt Ltd, Anand foods Pvt Ltd, Parle group, Evergreen Energy Inc., Witmans Industries, Biking Foods Pvt Ltd and other traders etc

Plant at Vizag

Though Company has started the commercial

production in the Second quarter of 2011, there was initial teething technical problems and quality issues were there. However the company has overcome the quality problems by introducing the section called WFE which is new to the Bio diesel Industry in the Month of January 2011. And subsequently the bottle neck for handling the capacity utilization with high FFA oils were removed to some extent by enhancing the section called esterefication section from 50 MT to 120 MT. The Company estimates 40% production capacity utilization for the year 2011-12. With good export and domestic orders on hand, supply of raw material have been tied up firmly with agreements.

Plant at Tondiarpet, Chennai.

Having experience in setting up two Biodiesel units, now your company has got an order from Indian Railways Organization for Alternate Fuels (IROAF), Ministry of Railways to set up/construct, maintenance and operation of 30 tons per day capacity biodiesel unit at Tondiarpet, Chennai. The entire production of this unit is exclusively for IROAF to cater the demand. The project cost of Rs 29.99 crores shall be borne by IROAF.

Preferential Allotment

During the period under review, the allottees of 13,00,000 Warrants (for which 3,00,000 warrants money already received on 31.03.2010) issued by the Company to non-promoters on 6th October 2008 have exercised the conversion right upon payment of balance 90% of the issue price of Rs. 23.31 (including premium) per warrant, well before the due period of 18 months and the Board has allotted 13,00,000 equity shares in its meeting held on 5.04.2010 and has completed the listing formalities for the same. These equity shares are listed on the Bombay Stock Exchange. Pursuant to this issue, the company has raised funds to the tune of Rs. 2.331 crores and the same are utilized for the purpose for which they are raised.

Directors

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

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, 2011, 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 2011 and of the profit of the company for the financial year ended 31st March 2011.
- 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, 2011 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 requires electrical energy for computer systems, 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 undertaken significant measures to reduce the energy consumption by using energy-efficient machines and equipment. The Company also undertakes evaluation of latest technology and invests in making its infrastructure more energy efficient.

(b) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in the production of biodiesel and other products. Your company also leverages its

excellence in technology for providing World Class ISP services to its customers in the state of Andhra Pradesh. The continual exposure to new technologies has helped to maintain high motivation levels in employees and to provide quality services. Your company continues to give due importance to research and development to provide high quality of ISP services and better products from biodiesel division.

- (c) (i) Foreign exchange earnings :
There are no foreign exchange earnings
(ii) Foreign Exchange out go :
Total Rs. 2,40,30,033/-

Particulars	Rs.
Foreign Travel	6,07,430
Purchase of Equipments	2,32,49,116
Membership Fee	1,73,487
TOTAL	2,40,30,033

Stock Exchanges

The Company's present Equity shares are listed in Bombay Stock Exchange. The Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2010-11 and 2011-12.

Acknowledgements

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the valued customers, bankers, the Office of APIIC & APSEZ, APITCO, Pollution Control Board, Engine manufacturers like Kirloskar, Indian Railways, Research Designs and Standard Organization (RDSO) of Indian Railways, Central & State Government and all the trusted shareholders. The Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

On behalf of the Board

N. Satish Kumar
Managing Director

K. Radha Krishna
Director -Finance

Place : **Hyderabad**
Date : 10.08.2011