



15th Annual Report 2012-2013

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 Mr. N. Satish Kumar Mr. K. Radha Krishna Mr. B.H.R. Balaji Mr. B. Sreedhara Reddy Ms. T. Rohini Reddy Mr. Ashiwini Kumar Tripathi Mr. Kishor Shah Mr. Christian A Schmidt	Chairman Managing Director Director - Finance Executive Director Director - Admin. Director Director Director Director
Company Secretary	: Ms G Anupama	
Regd. Office	: 3A, 3 rd 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 HillsBranch Chandra Apartments, Road No.7, Hyderabad – 500 034	UCO Bank Krishnama House, No. 8-2-418 (Ground Floor), Road No. 7, Banjara Hills, Hyderabad – 500 034
	State Bank of Hyderabad Overseas Branch 6-3-652, “KAUTILYA” Somajiguda, Hyderabad – 500 082	Punjab National Bank Deccan Chambers, Opp Allwyn, Erragadda, Sanath Nagar, Hyderabad - 500 018



NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on Monday the 30th September 2013 at 10:30 a.m at Dwaraka Conference Hall, Plot No. 73, Reliance Chambers, Bandlaguda Cross Roads, Rajendra Nagar Mandal, Hyderabad - 500030 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2013 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Mr Y Anand Swaroop, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of 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.

On behalf of the Board

Place : Hyderabad **N. Satish Kumar**
Date : 22.08.2013 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. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from 23rd September 2013 to 27th September 2013 (both days inclusive).
4. Members who hold shares in dematerialized 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.
5. 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.
6. Members holding shares in dematerialization form are requested to notify/send any change in their address/e-mail ID to the concerned depository participant(s).
7. 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.
8. 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.

9. 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.
10. As part of Green Initiative in corporate governance the Ministry of Corporate Affairs (MCA), Government of India vide its circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Members who have not registered their email address with the Company can now register the same by submitting duly filled in E-communication registration form attached at the end of this report. The members holding shares in electronic form are requested to register their e-mail address with their Depository Participants only. The Members of the Company who have registered such email address with Depository participants can receive the communication in physical form, upon request.
11. At the ensuing Annual General Meeting, Mr Y Anand Swaroop 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 Y Anand Swaroop**, born in 1965, is a graduate in Mechanical Engineering from Osmania University, MBA and M Phil in Economics from London School of Economics.

Mr Anand Swaroop has more than 25 years of IT Sector Experience and has proven his abilities in Various Capacities. He has in depth 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.

- 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 : 22.08.2013

N. Satish Kumar
Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2013.

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	2012 - 13	2011 - 12
Total Income	14334.61	9151.22
Operating Profit / Loss	(332.48)	(2650.94)
Less: Depreciation and amortization expense	271.86	708.26
Less: Provision for Tax	-	-
Net Loss (after deferred tax assets provision)	(962.09)	(3590.99)

Review and Prospects

The total revenue of the Company for the financial year ended 31st March, 2013 is Rs.14334.61 Lakhs as compared to the previous year's total revenue of Rs 9151.22 Lakhs. During this financial year the Company has incurred a net loss of Rs. 962.09 Lakhs as against the previous year's net loss of Rs 3590.99 Lakhs (after deferred tax assets provision). The net loss incurred is due to very low average capacity utilisation and non operations because of non availability of the sufficient working capital and also delay in getting working capital limits. At present the request for required additional working capital enhancement from all the consortium banks (Bank of India, State Bank of Hyderabad, Punjab National bank and UCO Bank) is under process.

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:

- Server Co-Location
- Leased Line services (Terrestrial and RF links)
- Broadband Services
- Networking Solutions
- Web Hosting Services

Biodiesel Units

Your Company has two Biodiesel Units

- 1 One is at Samsthan Narayanpur Village & Mandal, Nalgonda District with 30,000 Liters per day capacity.
2. 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, Panama Petro Chem,

Ipsa Texchem, Sovino foods Pvt Ltd, Real Bakers Pvt Ltd, Anand foods Pvt Ltd, Parle group, Evergreen Energy Inc., Witmans Industries, Biking Foods Pvt Ltd, Jubilant Life Sciences, Paramount Chemicals, Google colors, Hotel Radisson Blu, Hotel Marriott and other traders etc

Plant at Vizag

As stated earlier the plant is all set for production at its optimum capacity but the plant at Visakhapatnam was shut down due to major modification and up gradation of the technology till January 2013. The Company has exported 3000 Tonnes of Processed Used Cooking Oil from this plant.

Plant at Tondiarpet, Chennai.

Company has started setting up and establishment of Biodiesel plant for Indian Railways Organization for Alternate Fuels (IROAF), Ministry of Railways and it is under implementation.

Enhancement of Credit Facilities from Consortium Banks

During the year working capital was enhanced from Rs 22.65 crores to Rs 35.00 crores and also got additional sanction of non fund based limits to the tune of Rs 36.00 crores from all the consortium banks (Bank of India - lead banker, State Bank of Hyderabad, Punjab National Bank and UCO Bank.)

Directors

Pursuant to Article 48 of the Articles of Association of the Company, Mr Y Anand Swaroop and Ms T Rohini Reddy Directors, whose period of office is 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 in compliance with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchange. 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, 2013, 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 2013 and the loss of the company for the financial year ended 31st March 2013.
- 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, 2013 on 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.

Cost Auditor

"Pursuant to the provisions of Section 233B of the Companies Act 1956 and with the approval of Central Government Ms Kandala Venkata Naga Lavanya, bearing the Member ship no. 31069 of the Institute of Cost Accountants of India, a practising Cost and Management Accountant has been appointed as the Cost Auditor to conduct the audit of cost records of Bio Diesel products for the ended 31st March 2013 for the first time. The due date of filing the cost auditor reports for the year ended 31st March 2013 is 30th September 2013.

The board of directors re-appointed Ms Lavanya as the Cost Auditor for conducting the Cost Audit for the financial year 2013-14. Subject to the compliance with all the requirements as stipulated in circular no. 15/2011 dated 11th April 2011 and 36/2012 dated 6th November 2012 issued by the MCA, the audit committee of directors recommended her re-appointment.

The Company has also received a letter from the Cost Auditor, stating that the appointment, if made, will be within the limits prescribed under section 224(1B) of the Companies Act, 1956."

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 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. 65,66,27,214/-

Particulars	Rs.
Foreign Travel	5,32,722
Purchase of Equipments	65,57,72,786
Membership Fee	3,21,706
TOTAL	65,66,27,214

Stock Exchanges

The Company's present Equity shares are listed in Bombay Stock Exchange. The Company has paid the Listing Fees to the Stock Exchange for the Financial Year 2012-13 and 2013-14.

Unclaimed Securities Demat Suspense Account

As on date, there are 8239 Equity Shares of Rs. 10/- each, which were allotted in Initial Public Offer and Rights Issue of 2005, were lying in the escrow account due to non-availability of 18 shareholders correct particulars. Despite various reminders to them, by Aarthi Consultants Private Limited our Registrars and Share Transfer Agents, no response has been received. As a result, the said unclaimed shares are credited to Southern Online Bio Technologies Ltd - Unclaimed Securities Demat Suspense Account in view of compliance of Clause 5A of the Listing Agreement. Such shareholders may approach either the Company or our Registrars and Share Transfer Agents with their correct particulars and proof of their identity for crediting requisite shares from

the Demat Suspense Account to their individual demat Account. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Awards to the Company

- The Institute of Economic Studies, New Delhi has awarded a prestigious "Barons of Indian Business Development Award" in the year 2012.
- Certificate of Excellence in recognition of Exemplary growth from Inc. India 500 in the year 2012.

International Sustainability for Carbon Certification (ISCC)

Your Company is the first in India to receive ISCC. The ISCC is mandatory for exporting Biodiesel and Used Cooking Oil to European countries.

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

Date : 22.08.2013
Place: Hyderabad



THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

A. ISP Division

At about 150 million Internet users, India now has 3rd largest internet population in the world after china (at 575 million) and the United States (at 275 million). At 150 million total Internet users, the internet penetration in India remains at 12% Vs 43% in China and 80% in United States. However the low penetration means that India presents unmatched growth opportunity for the Internet sector in coming years. India will likely see golden period of the Internet Sector between 2013 and 2018 with incredible growth opportunity and secular growth adoption for E-commerce, Internet advertising, Social media, Search online content and services relating to E-commerce and Internet advertising.

Strengths and opportunities:

All Services like Television, Video on demand, video conferencing, e-education, e-commerce, e-business etc are converting into Internet based technology. Bandwidth is available in many modes. IPV6 version is introduced to overcome the shortage of present IP address. With the advancement of technology in Internet field, gadgets in home like Air conditioning equipment, water heaters etc are controllable even if the person is outside the home.

The Company provides internet services to individuals, corporate clients and cyber cafes. More specially the Company provides Internet services to rural areas where no other companies can't provide.

Challenges and threats

Major threats for this industry is new entrants which leads to heavy competition in prices.

Out look for the industry

As per statistics it is expected that India will add 30 million new internet users in 2013 and total internet population to touch 180 million. This implies 20% growth in internet population. The internet can now be accessed almost any where by numerous means especially through mobile internet devices.

It is estimated that mobile Internet population in 2013 at 100 million. Mobile phones, data cards, cellular routers allows users to connect to the internet from anywhere. The low cost and nearly instantaneous sharing of ideas, knowledge and skills have made collaborate software, Internet specifically significantly facilitates the process of development of nations and its citizens in all respects be it economic, social or cultures.

B. Bio Diesel

India is an energy deficient nation by global standards. According to Integrated Energy Policy of the Planning Commission, Govt. of India per capital energy consumption was much lower than not only the average of the developed countries.

The National Biofuel policy of India got approved in December 2009 and so far a limited progress has been achieved in this sector and the same will grow much more in the coming years.

At present the Govt. of India has introduced dual pricing for individual users and bulk users by reducing the subsidy on petro