

17th ANNUAL REPORT 2006 - 2007



S I F
INDUSTRIES LTD

Board of Directors

Mr. K.V. Mohan Menon - Chairman / Wholetime Director

Dr. G.S. Keshavamurthy

Mr. Ranjit Ramjee

Mr. M.P. Gopalakrishnan

Mr. S. Vasudevan -Nominee of State Bank of Travancore

Management

Mr. A. Gopikrishnan

Deputy General Manager (Operations & Corporate Affairs)

Maj. P.G. Nair (Retd.)

Adviser

**Registered Office :**

"SDF House",
7/352, NH Bypass Road
Chandranagar
Palakkad - 678 007
Kerala.

Factory :

"SDF Industrial Complex"
7/628, Pampadi
Thiruvilwamala
Thrissur - 680 597
Kerala.

Bankers

State Bank of Travancore

The Federal Bank Ltd.

The Catholic Syrian Bank Ltd.

Union Bank of India

Statutory Auditors

M/s. Varma & Varma

Chartered Accountants

Calicut.

Internal Auditors

M/s. Mohan & Venkataramanan

Chartered Accountants

Coimbatore.

Registrar & Share Transfer Agent

M/s. Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup West

Mumbai - 400 078

Branch Office

M/s. Intime Spectrum Registry Ltd.

"Surya", 35, Mayflower Avenue

Behind Senthil Nagar

Sowripalayam Road

Coimbatore - 641 028.

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SDF Industries Limited**NOTICE OF THE ANNUAL GENERAL MEETING**

To all Members,

Notice is hereby given that the 17th Annual General Meeting of the Members of the Company will be held on Saturday, the 29th September 2007 at 10.00 A.M. at the Conference Hall of Rotary Paul Harris Hall, N.H. Bypass Road, Karingarapully Post, Palakkad - 678 559 to transact the following businesses.

AGENDA**ORDINARY BUSINESS:**

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31.03.2007 and the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.P. Gopalakrishnan who retires by rotation and is eligible for reappointment.
3. To appoint Statutory Auditors and fix their Remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution

RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, the Companies Act, 1956 Sri. S. Vasudevan, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company.

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

RESOLVED that in accordance with the provisions of Sections 198 and 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Sri. K. V. Mohan Menon be and is hereby appointed as Whole Time Director of the Company for a period of 5 years with effect from 30th April 2007 without any remuneration and perks.

FURTHER RESOLVED that during his tenure as Whole Time Director Sri. K. V. Mohan Menon Shall not be liable to retire by rotation.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.4**

Mr. S. Vasudevan, Deputy General Manager, State Bank of Travancore, Ernakulam has been nominated as Director on the Board of our Company by State Bank of Travancore, Industrial Rehabilitation Department, Head Office, Thiruvananthapuram. Accordingly the Board at their meeting held on 31.07.2007 appointed Mr. S. Vasudevan as Additional Director.

Pursuant to the provisions of section 260 of the Companies Act, 1956, Mr. S. Vasudevan holds office up to the next Annual General meeting. The Company has received a notice from a member under section 257 of the Companies Act, 1956,

proposing his candidature for the office of Director.

Your Directors recommend his appointment.

None of the Directors of the Company, except Mr. S. Vasudevan is interested in the said resolution.

Item No.5

Sri. K. V. Mohan Menon was appointed as Whole Time Director for a period of 5 years with effect from 30th April 2007.

Sri. K. V. Mohan Menon is a Fellow in a British Institute of Management and has over 30 years of experience as Investment Banker. The Board of Directors has considered that it is in the interest of the company to have him as the Whole Time Director without any remuneration.

The Whole Time Director will carry out such duties and exercise such powers as may be entrusted to him by the Board of Directors subject to the supervision, superintendence and control of the Board.

None of the Directors except Sri. K. V. Mohan Menon is interested in the resolution.

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Sri. K. V. Mohan Menon as Whole Time Director in terms of Section 302 of Companies Act, 1956.

Your Directors recommend the resolutions for your approval as an Ordinary Resolution.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the meeting.
3. Pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 the members are informed that the Company has not declared any dividend in the past and hence transfer of unclaimed dividends to Government account does not arise.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 26.09.2007 to 29.09.2007 (both days inclusive).
5. Reappointment of Directors

The information required by Corporate Governance Code is given below.

- | | |
|----------------|---|
| 1. Name | : M. P. Gopalakrishnan |
| Age | : 52 |
| Qualifications | : B.Com., FCA |
| Expertise | : 25 years of experience as Chartered Accountant. |

Other Directorships:

Name of the Company	Position held
---------------------	---------------

- | | |
|--|----------|
| 1. Iswarya Lakshmi Finance (P) Ltd; Coimbatore | Director |
| 2. M.A.P. Chit Funds (P) Ltd; Coimbatore | Director |
| 3. CMS College of Arts & Science, Coimbatore | Chairman |
- Mr. M. P. Gopalakrishnan is a member of the Audit Committee

SDF Industries Limited

II. Name : Mr. S. Vasudevan
 Age : 54
 Qualifications : M.Com., CAIIB
 Expertise : 29 Years of Experience in Banking.
 Other Directorships : Nil
 No. of shares held in the company : Nil

Expertise : Ex - Investment Banker
 Former Director - India Investment Fund, UK
 Former Member - Consultative Committee (NRI),
 Ministry of Finance, Govt. of India.
 Other Directorships :
 Name of the Company : Position held
 1. Puma Tours & Travels (P) Ltd., Director

III. Name : Mr. K. V. Mohan Menon
 Age : 57
 Qualifications : Fellow - British Institute of Management

Palakkad.
 31. 08. 2007

By the order of the Board

Sd/-
 Chairman / Wholetime Director

DIRECTORS' REPORT

TO THE MEMBERS OF SDF INDUSTRIES LIMITED

The Directors present their Seventeenth Annual Report and the Audited Statement of Accounts for the year ended March 31, 2007.

1. PERFORMANCE

	Financial Year	
	2006-2007	2005-2006
	(Rs. Lakhs)	(Rs. Lakhs)
(i) Total Income	409	238
(ii) Total Expenditure	346	185
(iii) Profit before Interest and Depreciation	63	53

2. PROFITABILITY

Your company has made a profit of Rs. 63 lakhs before interest and depreciation. This has helped the Company to meet its commitments and repayment to the Banks. In the coming years Your company is expecting more operating profit based on its performance and its reduced loan servicing liability.

3. OVERALL VIEW:

The company continued with its negotiations with all the lending banks on the Revised Rehabilitation Scheme. Sanction was accorded "In Principle", to our request with certain modifications but subject to approval by respective boards of each bank. Already, Federal Bank has approved and it is hoped that approvals will come from other banks too. Once such approval is obtained, the company has various statutory options to wipe out the accumulated losses, including write off of all accumulated interest payable.

In order to make the Draft Rehabilitation Scheme viable, the banks and your board have decided to discontinue production and marketing of our own brands and to concentrate only on contract bottling income. It was decided by the management and especially under strict disbursement supervision by Banks, to desist from using disposable income as working capital towards brand building. It is hoped that once the company builds up sufficient surplus working capital, we will start our own brand portfolio.

4. OUTLOOK

Once the rehabilitation scheme is approved by Banks and the Hon'ble BIFR gives approval, the company will come out of its long sickness by wiping its losses consisting mainly of accumulated interest. The new management dispensation is well experienced and qualified to carry the company from sickness to profitability. As the repayment period is almost 5 years from now, the management's top priority as mentioned above is to get a stable income, so that the repayment to banks are taken care of. While, we implement this activity, the management is looking for increased activities in contract bottling so that we can earn more than that is required for repayments to Banks. Such earnings will be earmarked towards infrastructural investments to enhance the quality of our job work so that to attract better paying joint venture customers. To enhance efficiency in all departments, we are implementing ERP (Enterprise Resource Planning) System, which will be fully functional by end of 2007.

5. DISTILLERY OPERATIONS

As you know the largest portion of our investment is in our Distillery Plant and Machinery. You are also aware the reason for our losses and sickness is due to the non

SDF Industries Limited

functioning of this plant, especially as the company was formed by our then promoters as a distillery. We are of the opinion that restarting of distillery operations under the present circumstances is unlikely in the near future. It is commendable that our management team, instead of complete closure of the company in the wake of non operations of the distillery, diverted their energies to IMFL division and successfully abated further erosion of the asset value of the company and continued the activities atleast so far as to repay some of debts. The company has repaid Rs.3.22 crores so far a fact which is appreciated by the banks. Except for some disputed Turnover Taxes, the company is regularly paying all its statutory payments out of current income. The company is a major employer of the region with over 300 direct / indirect employees.

6. CORPORATE GOVERNANCE

The requirement of compliance with Code of Corporate Governance as per clause 49 of the Listing Agreement has been duly complied with. The Company has an "Audit Committee" of Directors with Mr.M.P.Gopalakrishnan(Chairman), Mr.Ranjit Ramjee and Dr.G.S.Keshavamurthy as members and a report showing the details of Corporate Governance is enclosed.

7. PERSONNEL

There are no employees drawing more than Rs. 2,00,000 per month. Directors are not paid any remuneration nor sitting fees for the board meetings.

8. CONSERVATION OF ENERGY

Since the main distillery division is not functioning, only IMFL bottling division is presently operated, the consumption of energy / power therefore is insignificant.

9. LISTING PARTICULARS

The company's shares are suspended from trading in the Bombay Stock Exchange Ltd., until the company comes out of BIFR. It is hoped that within next 15months, we can recommence the trading of our shares in the premier bourses.

10. REPLY TO AUDITORS OBSERVATIONS

With regard to the observations made by the Statutory Auditors in their Report, suitable explanations have been included in the Notes forming part of Accounts.

11. DIRECTORS

Mr. M.P.Gopalakrishnan retire by rotation and is

eligible for reappointment. Mr.S.Vasudevan was appointed as additional Director representing State Bank of Travancore, Trivandrum in the place of Mr.S. Sankar. He holds office upto the conclusion of the Annual General Meeting and is eligible for reappointment. Mr.K.V.Mohan Menon, Chairman / Chief Executive Officer of the company was appointed as Wholetime Director w.e.f 30.04.2007.

The Board performs its functions by regular meetings and monitoring all the activities purely on honorary basis and in the best interests of the Company.

12. AUDIT

The Statutory Auditors Messrs. Varma & Varma, Chartered Accountants, retires at the ensuing Annual General Meeting and are eligible for reappointment.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby state:

i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures.

ii. that they have selected such accounting policies, consulted the Statutory Auditors and have applied them consistently and 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 at the end of the financial year on 31.03.2007 and of the loss of the Company for that period.

iii. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. that they have prepared the annual accounts on a going concern basis.

14. APPRECIATION

The board takes this opportunity to thank all our fellow shareholders for your continued co-operation. On your behalf and Board of Directors, I thank the Government Officials, our Bankers who stood with us in bad times and each members of our staff and employees for their sincere and hard work which enabled the company to come out of its sickness

Jai Hind!

On behalf of the Board of Directors

Palakkad
31.08.2007

Sd/-
Chairman / Wholetime Director

SDF Industries Limited

CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance:

Your Company firmly believes in transparency in all its dealings and lays emphasis on integrity and regulatory compliance. The Company considers Corporate Governance as a prerequisite for meeting the needs and aspirations of its share holders and other stake holders in the company. With this in view, this year's Annual Report has made necessary disclosures on the activities of the company.

2. Board of Directors:

The Board is headed by the Executive Chairman, Mr.K.V.Mohan Menon and is composed of eminent persons with considerable professional experience in varied fields and comprises of Non-Executive Directors, with majority being independent directors.

The composition of the directors and their attendance at the Board Meeting during the year and at the last Annual General Meeting, and also the number of the other directorships are as follows.

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of other Directorship held in Public Companies	No. of membership in other Committees Member / Chairman
Mr. K.V.Mohan Menon	Chairman / Wholetime Director Promoter / Executive	5	No	Nil	Nil
Mr. Ranjit Ramjee	Independent Non Executive	5	Yes	Nil	2/-
Mr. M.P.Gopalakrishnan	Independent Non Executive	5	Yes	Nil	2/2
Dr. G.S.Keshavamurthy	Independent Non Executive	1	Yes	1	2/-
Mr.S.Sankar (SBT Nominee)	Nominee Director	2	Yes	Nil	Nil

During the year under review, 5 Board Meetings were held, the dates being 29th April 2006, 25th July 2006, 26th August 2006, 30th October 2006 and 31st January 2007.

The Annual General Meeting was held on 29th September, 2006.

SDF Industries Limited**Shareholdings of Directors**

Name of the Director	No. of Shares	Percentage
Mr. K.V.Mohan Menon	2891400	24.74
Mr. Ranjit Ramjee	61200	0.52
Mr. M.P. Gopalakrishnan	900	0.008

Other Non - Executive Directors do not hold any shares in the company.

3. Audit Committee:

The Audit Committee consists of the following 3 Non-Executive Independent Directors:

Name of the Member	Status	No. of Meeting attended
Mr. M.P. Gopalakrishnan	Non - Executive - Independent	5
Mr. Ranjit Ramjee	Non - Executive - Independent	5
Dr. G.S. Keshavamurthy	Non - Executive - Independent	1

The Chairman of the Audit Committee is Mr. M.P. Gopalakrishnan, Chartered Accountant.

Terms of reference of this Committee are as required by SEBI under clause 49 of the Listing Agreement. Besides having access to all the required information from within the company, the committee can obtain external professional advice whenever required. The Committee acts as a link between the statutory and internal auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and Internal Auditors and meet with them to discuss their finding, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

During the year under review, five Meetings of the Audit Committee were held the dates being 29th April 2006, 25th July 2006, 26th August 2006, 30th October 2006 and 31st January 2007.

4. Remuneration Committee:

No remuneration is paid to any director of the company. No remuneration committee has been formed as the same is not mandatory.

5. Share Transfer & Shareholders'/Investors' Grievance Committee:

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate Certificates by the Company, and (ii) looks into various issues relating to shareholders including redressal of complaints from shareholders relating to transfer of shares, non-receipt of Balance Sheets, etc. The Committee consists of three Non-Executive independent Directors namely:

Mr.M.P.Gopalakrishnan	- Non-Executive Director - Chairman
Mr.Ranjit Ramjee	- Non-Executive Director
Dr.G.S.Keshavamurthy	- Non-Executive Director

The Committee met 13 times during the year.

SDF Industries Limited**Name and designation of Compliance Officer :**

Mr. A. Gopikrishnan, Deputy General Manager(Operations & Corporate Affairs).

The minutes of the Investor Grievance Committee were placed at the Board Meeting.

No. of shareholders' complaints received during the year : 3

No. of complaints not resolved to the satisfaction of shareholders : Nil

No. of pending share transfers : Nil

6. General Body Meetings:

(a) The last three Annual General Meetings were held as under :

Financial Year	Date	Location	Time
2003 - 04	23.12.2004	Rotary Paul Harris Hall NH By Pass Road, Palakkad	10:00 a.m.
2004 - 05	29.09.2005	Rotary Paul Harris Hall NH By Pass Road, Palakkad	10:00 a.m.
2005 - 06	29.09.2006	Rotary Paul Harris Hall NH By Pass Road, Palakkad	10:00a.m.

(b) Whether any Special Resolutions passed in the previous 3 AGMs : Nil

(c) No special resolution were put through postal ballot last year and there is no proposal for this year.

(d) No Extra Ordinary General Meeting was held during the year 2006-07.

7. Other disclosures:

(a) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large:

The company has no transactions with any related parties that may have potential conflict with the interest of the company at large.

(b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has paid the listing fees due to Bombay Stock Exchange Limited.

Company being a sick company has not paid the listing fees payable to the other Stock Exchanges.

(c) The Company does not have any Whistle Blower Policy. However no personnel has been denied access to the Audit Committee of the Company.

(d) The Company has complied with all the mandatory requirements of Corporate Governance Norms as enumerated in Clause 49 of the Listing Agreement with Stock Exchanges. The non-mandatory requirements have not been adopted by the Company.

SDF Industries Limited**8. Means of communication :**

- (a) Whether half-yearly report sent to each household of shareholders : No
- (b) Quarterly results :
 - (i) Which newspapers normally published in : The Hindu & Kerala Kaumudhi (Local Edition)
 - (ii) Any Website displayed : No.
- (c) Whether presentations made to institutional investors or to the analysts:
No presentation were made to institutional investors or to the analysts.
- (d) Whether Management Discussion & Analysis Report is a part of Annual Report or not : Yes.

Code of Conduct

The Company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Director / Officers/ Designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

A code of conduct has been laid down for all board members and senior management of the company who have affirmed the compliance with the same. A declaration to the effect signed by the Chairman has been taken on record.

9. General Shareholder information:

- (i) AGM: Date, time and venue: 29-09-2007, 10:00 A.M., Rotary Paul Harris Hall , NH Bypass Road, Palakkad.
- (ii) Financial calendar (tentative): Financial Year "1st April to 31st March"
 - Financial reporting for the quarter ending June 30, 2007 : End of July, '07
 - Financial reporting for the quarter ending September 30, 2007 : End of October, 07
 - Financial reporting for the quarter ending December 31, 2007 : End of January, 08
 - Financial reporting for the quarter ending March 31, 2008 : End of April, 2008
- (iii) Book closure period: 26.09.2007 to 29.09.2007 (both days inclusive).
- (iv) Dividend payment date: Not applicable
- (v) Listing on Stock Exchanges : The Company's securities are listed at:
 - 1. Bombay Stock Exchange Limited
 - 2. The Ahmedabad Stock Exchange
 - 3. The Cochin Stock Exchange Ltd.
 - 4. Madras Stock Exchange Ltd.
- (vi) Stock Code: SUPDF - 507518
- (vii) Stock Market Data: Shares not traded in BSE since July, 2001. The last quotation on BSE was on 6.7.2001. Rate: Rs.1.80.
- (viii) Registrar and Transfer Agent :

The Company has appointed M/s.Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, Bhandup(West), Mumbai - 400 078, to act as Registrar and Transfer Agents to handle all investor services relating to shares held in physical form as well as in electronic mode. The address of their Branch Office at Coimbatore is given below.

**Intime Spectrum Registry Limited, Coimbatore Branch Office "Surya" 35, Mayflower Avenue,
Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028. Ph: 0422-2314792/2316755
E-mail :coimbatore@intimespectrum.com**

(ix) Share Transfer System:

Share transfers in physical form are registered and returned within a period of 15 days from the date of receipt in case documents are complete in all respects and Demat confirmed within 15 days. The Share Transfer Committee normally meets twice in a month.

SDF Industries Limited(x) (a) Distribution of Shareholding as on 31st March, 2007.

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters	36,09,200	30.88%
2	Mutual Funds and UTI	22,400	0.19%
3	Banks, Financial Institutions	12,100	0.10%
4	Private Corporate Bodies	7,92,300	6.78%
5	Indian Public	72,51,300	62.05%
		1,16,87,300	100.00%

(b) Distribution schedule as on 31st March, 2007

Group of Shares	No. of Shareholders	No. of shares held	Percentage to Total Shares
Upto 500	12597	2837980	24.28
501- 1,000	1382	1117450	9.56
1,001- 2,000	444	708500	6.06
2,001- 3,000	132	339810	2.91
3,001- 4,000	65	237400	2.03
4,001- 5,000	56	273300	2.34
5,001- 10,000	61	514200	4.40
10,001 and above	61	5658660	48.42
	14798	11687300	100.00

(xi) Dematerialisation of shares and liquidity:

As on 31st March 2007, out of 11687300 equity shares, only 1,16,200 shares were demated through Central Depository Services (I) Ltd.

(xii) Outstanding GDRs/ADR/Warrants, Convertible Bonds, conversion date and likely impact on equity : NIL

(xiii) Plant Location:

SDF Industrial Complex, 7/628, Pampadi, Thiruvilwamala, Trichur Dist., Kerala - 680 597.

Tel.No. 0488-4282703, Fax No. 4282184.

(xiv) Address for Communications :

For Annual Report, Transfer of Physical Shares, Change of Address and any other query relating to the shares of the Company.

Intime Spectrum Registry Limited, Coimbatore Branch Office, "Surya" 35, Mayflower Avenue
Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028, Tamilnadu.

Contact address for shareholder/Analyst:

The Deputy General Manager (Operations & Corp. Affairs), SDF Industries Limited

SDF House, 7/352, NH Bypass Road, Chandranagar, Palakkad, Kerala - 678 007.

Tel: 0491-2572629 Tele Fax: 2572421

DECLARATION

It is hereby declared that all the Board Members, Senior Management and Employees of the Company have affirmed to and compliance with the 'Code of Conduct' laid down by the Company, as on 31st March 2007.

For and on behalf of the Board

Sd/-

Chairman / Wholetime Director

Palakkad
31.08.2007