



21<sup>ST</sup>  
ANNUAL REPORT  
2010 - 2011



**SDF Industries Limited****Board of Directors**

Mr. K.V. Mohan Menon Fellow, British Institute of Management(London), FICFA(USA)

Chairman & Whole time Director

Dr. G.S. Keshavamurthy B.Sc., B.Sc.(Tech), D.Sc.(UK), C.Engg., FIE, FIICHE, FIMA

Mr. Ranjiit Taunk B.Com.

Mr. M.P. Gopalakrishnan B.Com., FCA

**Registered Office :**

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

**Factory :**

"SDF Industrial Complex"  
5/128, Pampadi  
Thiruvilwamala  
Thrissur - 680 597  
Kerala.

**Management**

Mr. Sunil Nair B.E (Mech)., MBA - Advisor

Maj. P.G. Nair (Retd.) M.A - Administrator

Mr. Ramachandran Nair .C B.Com., MBA - Factory Manager

Mr. Vinoo P. Stephen M.Com., PGDCA - Manager(Finance & Accounts)

Mr. Shamsudhin P.H. B.Sc. - Deputy Manager (Production)

Mr. Santhosh K. B.Com. - Deputy Manager (Production)

Mr. Suresh Kumar G. B.A. - Manager (Sales)

Mrs. Lissy T.T. - Executive (Factory)

**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, Kozhikode.

**Internal Auditors**

Mr. D. Venkataramanan

Chartered Accountants, Coimbatore.

**Registrar & Share Transfer Agent**

M/s. Link Intime India (P) Ltd.

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup West

Mumbai - 400 078

Branch Office

M/s. Link Intime India (P) Ltd.

"Surya", 35, Mayflower Avenue

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 21st Annual General Meeting of the Members of the Company will be held on Wednesday, the 28th December 2011 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 31.03.2011 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.

**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 26.12.2011 to 28.12.2011 (both days inclusive).
5. Reappointment of Directors  
The information required by Corporate Governance Code is given below:

1. Name : Mr. M.P.Gopalakrishnan  
 Age : 56  
 Qualifications: B.Com., FCA  
 Expertise : 29 Years of experience as Chartered Accountant.  
 Relationship : Not related to any other Director of the Company  
 Other Directorships :  
 Name of the Company : Iswarya Lakshmi Finance (P) Ltd.,  
 Coimbatore : Director  
 M.A.P. Chit Funds (P) Ltd.,  
 Coimbatore : Director  
 No. of shares held in the company : 900  
 Mr. M.P.Gopalakrishnan is a member of the Audit Committee & Share transfer and investor grievance committee.

**By the order of the Board**

(Sd./-)

Palakkad  
 15.11.2011

**K. V. Mohan Menon**  
 Chairman & Wholetime Director

**SDF Industries Limited****DIRECTORS' REPORT 2010-2011****TO THE MEMBERS OF SDF INDUSTRIES LIMITED**

The Directors present their Twenty First Annual Report and the Audited Statement of Accounts for the year ended March 31, 2011.

**I. PERFORMANCE:**

	Financial Year	
	2010-2011	2009-2010
	(Rs. Lakhs)	(Rs. Lakhs)
(i) Total Income	430	455
(ii) Total Expenditure	344	442
(iii) Profit	86	13
(iv) Bank Interest waiver	3633	--
(v) Net Profit	3719	13

In the last years Directors' Report we mentioned about the ongoing Rehabilitation Scheme (DRS) under Hon'ble BIFR. One of the stipulation was to complete a One Time Settlement (OTS) with banks. We are very happy to announce that the company paid off all liabilities to banks and as a consequence we were allowed to write off the huge liability this company has been carrying. You will see that Rs.36.33 crores as Extra Ordinary Profit for this financial year which is due to writing off of the past accumulated interest. We wish to thank our management team for an excellent and dedicated work in paving way to reduce a substantial portion of our carried forward losses. We still have some carried forward losses which we are sure that our team will be able to overcome in the years to come. Our case with BIFR is still pending and it is hoped a favourable Draft Rehabilitation Scheme would be sanctioned soon.

**II. OVERALL VIEW:**

This financial year has been one of the most difficult years for distilleries of Kerala. High inflation, huge cost escalation was experienced while the selling prices were constant for the last five years – due to the government policy. This pushed the industry in general in to loss making venture. It is hoped that the prices of raw material to come down or the government deregulates the selling prices for the industry to survive. Within this scenario your company did better than last year by

clocking Rs.86 lakhs as net profit and Rs.37 crores including the extra ordinary items in Profit & Loss account. Few years back we took a decision to become primarily a service provider of bottling for others rather than selling and investing in our own products. This policy is helping us now as we could avoid losses due to cost escalation as mentioned earlier. However we must mention here that due to cost escalation connected with bottling like wage increase, electricity / water charges etc., the company could only make marginal profit. The 2011-12 will also be not a very encouraging year due to continuation of the government policy. The industry has represented to the government on price revision for the year 2012-13 and we hope that will be granted. As mentioned in last year's report this industry's fortune depend largely to the government policy as the liquor industry in Kerala is highly regulated and we can only perform within these parameters. For your information the taxes and government margins on a Rs.100/- per bottle sale is almost Rs.88/. Hence the supplier gets only approximately Rs.12/- while the government sells the same at Rs.100/- per bottle.

**III. IMFL & DISTILLERY OPERATIONS**

Presently the Company is only doing IMFL manufacturing activities under job work basis and joint venture manufacturing. During the year 2010-11 the company has manufactured 15.96 lakhs cases. Presently company is producing an average of 1.27 lakhs cases per month. It is unlikely to restart the distillery operations in the near future due to the prevailing commercial scenario. Our policy is to concentrate on bottling as core business model at least to the near future and endeavour to enhance productivity with in the adverse external factors.

**IV. 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.Ranjiit Taunk and Dr.G.S.Keshavamurthy as members and a report showing the details of Corporate Governance is enclosed.

**SDF Industries Limited****V. 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. However now that the company is making profits we will be remunerating the directors for their valuable service to the company as it is difficult to attract talents to work for the company unless we remunerate at the market rates for the skilled service.

**VI. 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.

**VII. LISTING PARTICULARS**

The company's shares are suspended from trading in the Bombay Stock Exchange Ltd., until the company comes out of its sickness. After this the company can recommence the trading of its shares in the premier bourses.

**VIII. 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 in Schedule 16.

**IX. DIRECTORS**

Mr. M.P.Gopalakrishnan retire by rotation and is eligible for reappointment. Mr.S.Vasudevan, Nominee director of SBT withdrew from the Board since the bank dues are completely cleared. The Board records its appreciation for the valuable service rendered by Mr. S.Vasudevan and the members of the lending consortium for their timely advice and assistance whenever the company required.

The Board performs its functions by regular meetings and monitors all the activities purely on honorary basis and in the best interests of the Company. Directors are not paid any remuneration nor sitting fees for the board meetings. But as mentioned earlier the Board will consider remuneration if found necessary and as per government regulations.

**X. AUDIT**

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

**XI. 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 31.03.2011 and of the profit 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.

**XII. APPRECIATION**

The Board takes this opportunity to thank all our fellow shareholders for their continued co-operation. The Board of Directors, wish to thank the Bankers who stood with the company in difficult times and for appreciating the company's genuine and transparent efforts in coming out from deep economic stress. The Board takes this opportunity to thank Mr.K.V.Pradeep Menon for having provided comfort deposit to the banks during the repayment period due to which the banks extended repayment period extensively. This gesture of Mr.Pradeep Menon helped the company to write off large amount of interest arrears to the banks. Board also thanks Directors Mr.Ranjit Taunk and Mr.Mohan Menon for providing personal guarantees, to the banks during the currency of the pending loans. The Board of Directors also thank every member of its staff and employees for their sincere and hard work which enabled the company to come out of its very adverse past. Without all these support from so many well wishers the company would not have come to profit making stage from almost point of liquidation. Finally I must record my thanks to my fellow Directors for doing their skilled and sincere duty without any remuneration so far.

**On behalf of the Board of Directors**

(Sd./-)

**Chairman & Whole time Director**

Palakkad  
15.11.2011

**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 details of composition of the Board, the attendance record of the Directors at the Board Meetings held during the financial year and the last Annual General Meeting and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

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 Committees Member / Chairman
Mr. K.V.Mohan Menon	Chairman / Promoter / Executive	5	Yes	Nil	Nil
Mr. Ranjit Taunk	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/-

None of the Directors are related among themselves.

During the year under review, the Board of Directors met 5 times on 30th April 2010, 31st July 2010, 27th August 2010, 15th November 2010 and 10th February 2011.

At least one Board meeting was held during every quarter and the time gap between two meetings was not more than four months.

The Annual General Meeting was held on 29th September 2010.

**SDF Industries Limited**

Shareholdings of Directors in the Company as on 31<sup>st</sup> March 2011

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held	Percentage
1	Mr. K.V.Mohan Menon	2891400	24.74
2	Mr. Ranjit Taunk	61200	0.52
3	Mr. M.P. Gopalakrishnan	900	0.008

Other Directors do not hold any shares in the company.

**3. Audit Committee:**

The Audit Committee comprises of 3 Non-Executive Directors, of which all are Independent directors. Mr. M.P. Gopalakrishnan, Chartered Accountant, is the Chairman of the Audit Committee.

The role, powers and functions of the Audit Committee are as per Section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreement with the Stock Exchanges. 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.

Five Meetings of the Committee were held during the financial year 2010-11 on 30th April 2010, 31st July 2010, 27th August 2010, 15th November 2010 and 10th February 2011. The constitution of the Committee and the attendance of each members is as given below :

Name of the Member	Category	No. of Meeting attended
Mr. M.P. Gopalakrishnan	Non - Executive - Independent	5
Mr. Ranjiit Taunk	Non - Executive - Independent	5
Dr. G.S. Keshavamurthy	Non - Executive - Independent	1

**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. The Company does not have any employee stock option scheme.

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-executive Independent Directors during the year.

**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. Ranjiit Taunk - Non-Executive Director
- Dr.G.S.Keshavamurthy - Non-Executive Director

The Committee met 11 times during the year.



**SDF Industries Limited**

Mr. Vinoo P. Stephen, Manager (Finance & Accounts) is the Compliance Officer.

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

No. of shareholders' complaints received during the year	: 1
No. of complaints not resolved to the satisfaction of shareholders	: Nil
No. of pending share transfers / complaints	: Nil

**6. General Body Meetings:**

The Details of date, time and location of Annual General Meetings held during the last 3 years are as under

Financial Year	Date	Venue	Time
2007 - 08	29.09.2008	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00 a.m.
2008 - 09	30.09.2009	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00 a.m.
2009 - 10	29.09.2010	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00a.m.

No special resolutions passed during the last 3 Annual General Meetings.

No special resolutions were put through postal ballot last year and there is no proposal for this year.

No Extra Ordinary General Meeting was held during the year 2010-11.

**7. Other disclosures:**

- There are no materially significant related party transactions ie transaction of the company of material nature with its promoters, directors or the management, their subsidiaries or relatives etc. which have potential conflict with the interest of the Company at large.
- 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.
- The Company does not have any Whistle Blower Policy. However any employee, if he/she so desires, would have free access to meet Senior Level Management and Report any matter of concern.
- 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.

**8. Means of communication :**

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



**SDF Industries Limited****Code of conduct**

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. The Chairman's declaration to this effect forms part of this report.

**Code for prevention of insider trading**

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 Directors / Officers/ Designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

**9. General Shareholder information:**

- (i) AGM: Date, time and venue: 28-12-2011, 10:00 A.M., Rotary Paul Harris Hall , N H Bypass Road, Palakkad.
- (ii) Financial calendar (tentative): Financial Year "1<sup>st</sup> April to 31<sup>st</sup> March"
  - Financial reporting for the quarter ending June 30, 2011 : End of July, '11
  - Financial reporting for the quarter ending September 30, 2011 : End of October, '11
  - Financial reporting for the quarter ending December 31, 2011 : End of January, '12
  - Financial reporting for the quarter ending March 31, 2012 : End of April, 2012
- (iii) Book closure period: 26.12.2011 to 28.12.2011 (both days inclusive).
- (iv) Dividend payment date: Not applicable
- (v) Listing on Stock Exchanges : The Company's shares are listed at:
  - 1. Bombay Stock Exchange Limited
  - 2. The Ahmedabad Stock Exchange Ltd.
  - 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. Link Intime India Private 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.

Link Intime India Private Limited, Coimbatore Branch Office, "Surya" 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028. Ph: 0422-2314792/2316755, E-mail: coimbatore@linkintime.co.in

**(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 & Shareholders'/Investors' Grievance Committee meets as and when required.

**(x) (a) Distribution of Shareholding as on 31<sup>st</sup> March, 2011.**

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters	36,10,200	30.89%
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	72,50,300	62.04%
	<b>Total</b>	<b>1,16,87,300</b>	<b>100.00%</b>

**SDF Industries Limited**

(b) Distribution schedule as on 31<sup>st</sup> March, 2011 is given below:

Group of Shares	No. of Shareholders	Percentage of Share holders	No. of shares held	Percentage of Share holding
Upto 500	12525	85.57%	2815980	24.10%
501 - 1,000	1289	8.81%	1051250	9.00%
1,001 - 2,000	446	3.04%	710800	6.08%
2,001 - 3,000	133	0.91%	343010	2.93%
3,001 - 4,000	64	0.44%	234100	2.00%
4,001 - 5,000	56	0.38%	273300	2.34%
5,001 - 10,000	64	0.44%	538100	4.60%
10,001 and above	60	0.41%	5720760	48.95%
	14637	100.00%	11687300	100.00%

(xi) Dematerialisation of shares and liquidity:

The Company has arrangement with Central Depository Services (India) Limited (CDSL) for demat facility. As on 31<sup>st</sup> March 2011, out of 11687300 equity shares, only 266500 shares were demated through Central Depository Services (India) Ltd.

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

(xiii) Plant Location:

SDF Industrial Complex, 5/128, Pampadi, Thiruvilwamala, Thrissur Dist., Kerala - 680 597.

Tel.No. 0488-4282704, 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.

M/s. Link Intime India Private Limited, , Coimbatore Branch Office, "Surya" 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028, Tamilnadu.

Contact address for shareholder/Analyst:

The Manager - Finance & Accounts, SDF Industries Limited

SDF House, 7/352, N H 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 31<sup>st</sup> March 2011.

**For and on behalf of the Board**

(Sd./-)

**K. V. Mohan Menon**

Chairman & Whole time Director

Palakkad

15.11.2011