



23rd Annual Report

2012 - 2013

S I F
INDUSTRIES LTD

SDF Industries Limited**Board of Directors**

Mr. K.V. Mohan Menon FCMI (London)

Chairman & Whole time Director

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

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

Mr. Krishnan Nair Rajkumar M.A

**Registered Office :**

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

Management

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

Mr. Ramachandran Nair .C B.Com., MBA - General Manager (Prodn.)

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)

Factory :

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

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 23rd Annual General Meeting of the Members of the Company will be held on Thursday, the 26th September 2013 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 Statement of Profit and Loss for the year ended 31.03.2013 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 the following resolution as an Ordinary Resolution.

RESOLVED that Mr. Krishnan Nair Rajkumar who was appointed as an Additional Director at the meeting of the Board of Directors held on 12th November 2012 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose him as a candidate for the office of the Director of the company be and is hereby appointed as a Director of the Company.

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

Mr. Krishnan Nair Rajkumar was appointed as Additional Director by the Board of Directors of the Company. Pursuant to section 260 of the Companies Act, 1956, he holds office only 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 proposing Mr. Krishnan Nair Rajkumar as a candidate for the office of the Director of the Company. Accordingly the resolution as set out in Item number 4 is submitted to the meeting for their approval.

Mr. Krishnan Nair Rajkumar the appointee director is interested in this 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 Div (Transfer to General Revenue Account of the C Government) Rules, 1978 the members are informed th Company has not declared any dividend in the past and transfer of unclaimed dividends to Government account not arise.

4. The Register of Members and Share Transfer Books of Company shall remain closed from 22.09.2013 to 26.09. (both days inclusive).

5. Reappointment of Directors

Details of Directors seeking appointment/re-appointment for the forthcoming Annual General Meeting

- (Pursuant to Clause 49 of the Listing Agreement with the SE Exchange)

The information required by Corporate Governance Code given below :

1. Name : Mr. M.P. Gopalakrishnan
DOB : 14-01-1955
Qualifications : B.Com., FCA
Expertise : Chartered Accountant
Relationship : Not related to any other Director of the Company

Other Directorships :

Name of the Company	Position held
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(1) Iswarya Lakshmi Finance (P)	
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Ltd.

Director

(2) M.A.P. Chit Funds (P) Ltd	
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Director

No. of shares held in the company : 900 Equity shares of Rs.10/- each.

Mr. M.P. Gopalakrishnan is a Chairman of Audit Committee and Share Transfer and Investor grievance Committee of the Company.

2. Name : Mr. Krishnan Nair Rajkumar
DOB : 14-12-1960

Qualifications : M.A

Expertise : Advertisement & Public Relation

Relationship : Related to Mr. K.V. Mohan Menon, Chairman & Wholtime Director of the company.

Other Directorships :

Name of the Company	Position held
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1. Haymarket Advertising (P) Ltd.	
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Director

No. of shares held in the company : 100 Equity shares of Rs.10/- each.

By the order of the Board of Directors

Palakkad
14.08.2013

K. V. Mohan Menon
Chairman & Wholtime Director

SDF Industries Limited**DIRECTORS' REPORT 2012-2013****TO THE MEMBERS OF SDF INDUSTRIES LIMITED**

The Directors present their 23rd Annual Report and the Audited Statement of Accounts for the year ended 31st March 2013.

I. PERFORMANCE :

	Financial Year	
	2012 - 13	2011 - 12
	(Rs. Lakhs)	(Rs. Lakhs)
(i) Total Income	408.28	389.60
(ii) Total Expenditure	323.12	353.58
(iii) Profit before interest & depreciation	85.16	36.02
(iv) Interest	---	---
(v) Depreciation	20.53	23.93
(vi) Net Profit	64.63	12.09

The Financial year 2012-13 was marked by prolonged difficulties faced by liquor manufacturing companies in Kerala. At one end there was deep escalation of input costs while the government's refusal to increase the sale prices pressurized the workability of distilleries in the State. Coupled with this non-profitability, the Government with its policy to reduce supply of liquor, made various physical curtailments to the trade. In short the year was yet another bad year for the liquor industry.

Within this scenario your Company did somewhat better by earning Rs. 64.63 lakhs as net profit compared to Rs.12.09 lakhs last year. The policy of the Company operating as service provider helped from worse results. As the Government policies are unlikely to change in the near future, the Company will continue to play safe by doing only contract Bottling for others. Here also there is a huge escalation of costs and wages and the Company is unable to recover higher fees due to market circumstances

The Company is still under the purview of Hon. BIFR being sick unit registered under SICA. The operating Agency has submitted a Draft Rehabilitation Scheme (DRS) which is under scrutiny by Hon. BIFR. As per the said DRS, once these rehabilitation measures are carried, the company has good prospects to be financially healthy and come out of sickness status within 4 to 5 years from the date of sanction.

As the members are aware, though the Company is in existence for more than 15 years, it has been sick for most of its life. However, with the advent of the present management team, the Company has recovered to healthy position and paid off bank liability which at one time exceeded Rs. 40 Crores. From a chronic loss making enterprises, the Company has turned around to a profit making company for the past 4 years. Considering the circumstances under which liquor companies in Kerala have to operate, the results are considered to be satisfactory. However, it is hoped that once the DRS is approved, Company may attract better bottling parties to avail your Company's facilities at a better Bottling Fee and better capacity utilization so that the profit margins could improve.

II. OVERALL VIEW

As mentioned in previous years, the fortunes of distilleries in Kerala do very much depend upon the short and long term government policies. Hence, the Company can only perform best within these strict parameters.

Within these adverse scenario, the management and employees performed in an exceptional manner to record Rs. 85.16 Lakhs PBIDT and Rs.64.63 Lakhs as net profit for the year. On your behalf I take this opportunity to thank all our Managers, Staffs and Workers for their contribution. I also thank my fellow Directors for their guidance and support that too without any remuneration in the service of the Company.

III. 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), Dr.G.S.Keshavamurthy and Mr. K.V.Mohan Menon as members and a report showing the details of Corporate Governance is enclosed.

IV. PERSONNEL

There are no employees drawing more than Rs.5,00,000 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 their skilled service.

SDF Industries Limited**V. 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.

VI. 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.

VII. 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.

VIII. DIRECTORS

Mr. M.P. Gopalakrishnan retire by rotation and is eligible for reappointment.

Mr.Krishnan Nair Rajkumar was co-opted as Additional Director on the Board of the Company with effect from 12th November 2012 and who holds office till the conclusion of the ensuing Annual General Meeting of the Company. Notice pursuant to Section 257 of the Companies Act, 1956, has been received from a shareholder proposing Mr.Krishnan Nair Rajkumar for appointment as Director of your Company.

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.

IX. AUDIT

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

X. COST COMPLIANCE

Pursuant to Section 209 (1)(d) of the Companies Act, 1956 and Rule 5 of The Companies (Cost Accounting Records) Rules, 2011, the Cost Compliance Report for the financial year ended 31st March 2012 was submitted to the Central Government.

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 31.03.2013 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 thanks fellow stakeholders, Management Staff and Employees for their encouragement and hard work to keep the company make profits albeit small in spite of very adverse circumstances.

On behalf of the Board of Directors

Palakkad

14.08.2013

K. V. Mohan Menon

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 and Independent Directors constitute half of the total strength of the Board.

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	4	Yes	Nil	2/-
Mr. M.P.Gopalakrishnan	Independent Non Executive	4	Yes	Nil	2/-
Dr. G.S.Keshavamurthy	Independent Non Executive	4	Yes	1	2/-
Mr. Krishnan Nair Rajkumar*	Non Independent Non Executive	1	NA	Nil	-

* Mr. Krishnan Nair Rajkumar appointed as additional director w.e.f. 12.11.2012. Mr. Krishnan Nair Rajkumar is related to Mr. K.V. Mohan Menon, Chairman & Wholetime Director of the company.

None of the other Directors are related among themselves.

During the year under review, the Board of Directors met 4 times on 12th May 2012, 4th August 2012, 12th November 2012 and 8th February 2013.

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

SDF Industries Limited

Shareholdings of Directors in the Company as on 31st March 2013

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held	Percentage
1	Mr. K.V.Mohan Menon	2891500	24.74
2	Mr. M.P. Gopalakrishnan	900	0.008
3	Mr. Krishnan Nair Rajkumar	100	0.0008

Other Director/s do not hold any shares in the company.

3. Audit Committee:

The Audit Committee comprises of Three Directors, of which two 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 the 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.

Four Meetings of the Committee were held during the financial year 2012-13 on 12th May 2012, 4th August 2012, 12th November 2012 and 8th February 2013. 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 (Chairman)	Non - Executive - Independent	4
Dr. G.S. Keshavamurthy	Non - Executive - Independent	4
Mr. K.V.Mohan Menon	Chairman / Promoter / Executive	4

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 the following Directors :

- Mr.M.P.Gopalakrishnan - Non-Executive Independent Director - Chairman
- Dr.G.S.Keshavamurthy - Non-Executive Independent Director
- Mr. K.V.Mohan Menon - Executive Promoter Director

The Committee met 9 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.

At the beginning of the year, no complaint was pending. During the year ended 31st March, 2013, the Company has received one complaint from an investor and replied to the satisfaction of the investor. No investor complaint was pending on 31st March 2013

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
2009 - 10	29.09.2010	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00 a.m.
2010 - 11	28.12.2011	Rotary Paul Harris Hall N H By Pass Road, Palakkad	10:00a.m.
2011 - 12	26.09.2012	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 2012-13.

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.
- Company being a sick company has not paid the listing fees payable to the 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 Financial Express & 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: 26-09-2013, 10:00 A.M., Rotary Paul Harris Hall, N H Bypass Road, Palakkad.

(ii) Financial calendar (tentative): Financial Year "1st April to 31st March"

Financial reporting for the quarter ending June 30, 2013 : First week of August 2013.

Financial reporting for the quarter ending September 30, 2013 : First week of November 2013.

Financial reporting for the quarter ending December 31, 2013 : First week of February 2014.

Financial reporting for the quarter ending March 31, 2014 : End of May 2014.

(iii) Book closure period: 22.09.2013 to 26.09.2013 (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 31st March, 2013.

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters	36,12,100	30.91%
2	Mutual Funds and UTI	22,400	0.19%
3	Banks, Financial Institutions	12,100	0.10%
4	Private Corporate Bodies	7,93,800	6.79%
5	Indian Public	72,46,900	62.01%
	Total	1,16,87,300	100.00%